

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023  
OR

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

For the transition period from \_\_\_\_ to \_\_\_\_  
Commission File Number: 001-39516

OWLET, INC.

(Exact Name of Registrant as Specified in its Charter)



Delaware

85-1615012

(State or other jurisdiction of  
incorporation or organization)

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

3300 North Ashton Boulevard , Suite 300  
Lehi , Utah

84043

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (844) 334-5330

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.0001 par value per share	OWL	New York Stock Exchange

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

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 x No o

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

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

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

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

As of November 10, 2023, the registrant had 8,568,796 shares of common stock, \$0.0001 par value per share, outstanding.

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#### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q (this "Report") contains certain statements that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). All statements other than statements of historical facts contained in this Report, including statements concerning possible or assumed future actions, business strategies, events or results of operations, and any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as "may," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other similar expressions. The forward-looking statements in this Report are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Report and are subject to a number of risks, uncertainties and assumptions described under the sections in this Report and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "Form 10-K") entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Report and our Form 10-K. These forward-looking statements are subject to numerous risks, including, without limitation, the following:

- our limited operating history;
- our history of net losses and our ability to achieve or maintain profitability;
- our ability to implement processes, procedures and operations necessary to market and sell medical devices
- our ability to grow and manage growth profitably, which may be affected by, among other things, our capital resources, inflation, recession, competition and the impact of discretionary consumer spending, retail sector and demographic trends, employee availability and other economic, business and regulatory conditions;
- our ability to enhance future operating and financial results and continue as a going concern;
- our ability to obtain additional financing in the future;
- risks associated with our current loan and debt agreements, including compliance with debt covenants, restrictions on our access to capital, the impact of our overall debt levels and our ability to generate sufficient future cash flows from operations to meet our debt service obligations and operate our business;
- our business strategies and plans and our ability to pursue and implement our strategic initiatives, reduce costs and grow revenues, as well as innovate existing products, continue developing new products, meet evolving customer demands and adapt to changes in consumer preferences and retail trends;
- the regulatory pathway for our products and communications from regulators, including the FDA and similar regulators outside of the United States, as well as legal proceedings, regulatory disputes and governmental inquiries;
- our ability to acquire, defend and protect our intellectual property and satisfy regulatory requirements, including but not limited to laws and requirements concerning privacy and data protection, privacy or data breaches, data loss and other risks associated with our digital platform and technologies;
- any defects in new products or enhancements to existing products;
- our ability to obtain and maintain regulatory approval or certification for our products, and any related restrictions and limitations of any approved or certified product;
- expectations regarding developments with regulatory bodies, and the timeline for related submissions by us and decisions by the regulatory bodies and notified bodies (including UK approved bodies);
- our ability to hire, retain, manage and motivate employees, including key personnel;
- our ability to upgrade and maintain our information technology systems;
- changes in and our compliance with laws and regulations applicable to our business;
- our ability to maintain our listing on The New York Stock Exchange ("NYSE"); and
- the impact and disruption to our business, financial condition, results of operations, supply chain constraints and logistics due to economic and other conditions beyond our control, such as health epidemics

or pandemics, macro-economic uncertainties, social unrest, hostilities, natural disasters or other catastrophic events.

These risks and other important factors, including those discussed in this Report, may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and

uncertainties. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included elsewhere in this Report are not guarantees of future performance and our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate, may differ materially from the forward-looking statements included elsewhere in this Report. In addition, even if our results of operations, financial condition and liquidity, and events in the industry in which we operate, are consistent with the forward-looking statements included elsewhere in this Report, they may not be predictive of results or developments in future periods.

Any forward-looking statement that we make in this Report speaks only as of the date of such statement. Except as required by law, we do not undertake any obligation to update or revise, or to publicly announce any update or revision to, any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Report. For all of our forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Reform Act.

As used in this Report, unless otherwise stated or the context otherwise requires: "we," "us," "our," "Owlet," the "Company," and similar references refer to Owlet, Inc. and its subsidiaries, "common stock" refers to our Class A common stock.

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Owlet, Inc.**  
**Condensed Consolidated Balance Sheets**  
*(in thousands, except share and per share amounts)*  
*(unaudited)*

<b>Assets</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 15,165	\$ 11,231
Accounts receivable, net of allowance for doubtful accounts of \$ 2,115 and \$ 3,013 , respectively	9,418	15,958
Inventory	11,038	18,515
Prepaid expenses and other current assets	1,905	5,558
Total current assets	37,526	51,262
Property and equipment, net	496	1,108
Right of use assets, net	1,290	2,260
Intangible assets, net	2,219	2,279
Other assets	755	1,195
Total assets	<u>\$ 42,286</u>	<u>\$ 58,104</u>
<b>Liabilities, Convertible Preferred Stock, and Stockholders' Deficit</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 18,365	\$ 30,432
Accrued and other expenses	10,132	19,984
Current portion of deferred revenues	908	1,148
Line of credit	4,933	4,685
Current portion of long-term debt	6,764	10,353
Total current liabilities	41,102	66,602
Long-term debt, net	500	—
Noncurrent lease liabilities	72	1,162
Common stock warrant liabilities	24,178	724
Other long-term liabilities	1,474	251
Total liabilities	67,326	68,739
<b>Commitments and contingencies (Note 5)</b>		
Series A convertible preferred stock, \$ 0.0001 par value, 10,741,071 shares authorized as of September 30, 2023 and December 31, 2022; 30,000 and 0 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively (liquidation preference of \$ 30,000 )	6,912	—
<b>Stockholders' equity (deficit):</b>		
Common stock, \$ 0.0001 par value, 107,142,857 shares authorized as of September 30, 2023 and December 31, 2022; 8,563,301 and 8,242,009 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively.	1	1
Additional paid-in capital	216,780	212,122
Accumulated deficit	( 248,733 )	( 222,758 )
Total stockholders' deficit	( 31,952 )	( 10,635 )
Total liabilities, convertible preferred stock, and stockholders' deficit	<u>\$ 42,286</u>	<u>\$ 58,104</u>

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

**Owlet, Inc.**  
**Condensed Consolidated Statements of Operations and Comprehensive Loss**  
*(in thousands, except share and per share amounts)*  
*(unaudited)*

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Revenues	\$ 9,182	\$ 17,359	\$ 33,006	\$ 57,246
Cost of revenues	5,853	12,746	20,291	37,254
Gross profit	3,329	4,613	12,715	19,992
Operating expenses:				
General and administrative	5,448	9,673	20,438	29,442
Sales and marketing	3,335	9,695	9,766	31,049
Research and development	2,426	7,066	8,061	23,381
Total operating expenses	11,209	26,434	38,265	83,872
Operating loss	( 7,880 )	( 21,821 )	( 25,550 )	( 63,880 )
Other (expense) income:				
Interest expense, net	( 134 )	( 419 )	( 2,998 )	( 847 )
Common stock warrant liability adjustment	2,395	2,867	2,679	4,802
Other (expense) income, net	( 22 )	6	( 101 )	115
Total other (expense) income, net	2,239	2,454	( 420 )	4,070
Loss before income tax provision	( 5,641 )	( 19,367 )	( 25,970 )	( 59,810 )
Income tax benefit (provision)	—	5	( 5 )	( 28 )
Net loss and comprehensive loss	( 5,641 )	( 19,362 )	( 25,975 )	( 59,838 )
Accretion on Series A convertible preferred stock	( 1,319 )	—	( 3,298 )	—
Net loss attributable to common stockholders	\$ ( 6,960 )	\$ ( 19,362 )	\$ ( 29,273 )	\$ ( 59,838 )
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ ( 0.84 )</u>	<u>\$ ( 2.42 )</u>	<u>\$ ( 3.56 )</u>	<u>\$ ( 7.55 )</u>
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted	<u>8,310,965</u>	<u>7,983,948</u>	<u>8,212,268</u>	<u>7,928,263</u>

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

**Owlet, Inc.**  
**Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)**  
*(in thousands, except share and per share amounts)*  
*(unaudited)*

	Series A Convertible Preferred Stock		Common Stock				Additional Paid-in Capital			Accumulated Deficit		Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	1	\$	198,612	\$	(143,422)	\$	55,191	
Balance as of December 31, 2021	—	\$ —	8,071,183	\$ —	1	\$ 198,612	\$ (143,422)	\$ 55,191				
Issuance of common stock upon exercise of stock options	—	—	6,343	—			48	—	—	—	48	
Issuance of common stock for restricted stock units vesting	—	—	22,935	—			—	—	—	—	—	
Stock-based compensation	—	—	—	—			3,336	—	—	—	3,336	
Net loss	—	—	—	—			—	(28,758)	(28,758)	—	(28,758)	
Balance as of March 31, 2022	—	\$ —	8,100,461	\$ —	1	\$ 201,996	\$ (172,180)	\$ 29,817				
Issuance of common stock upon exercise of stock options	—	—	29,866	—			166	—	—	—	166	
Issuance of common stock for restricted stock units vesting	—	—	16,454	—			—	—	—	—	—	
Stock-based compensation	—	—	—	—			3,273	—	—	—	3,273	
Net loss	—	—	—	—			—	(11,718)	(11,718)	—	(11,718)	
Balance as of June 30, 2022	—	\$ —	8,146,781	\$ —	1	\$ 205,435	\$ (183,898)	\$ 21,538				
Issuance of common stock upon exercise of stock options	—	—	21,786	—			41	—	—	—	41	
Issuance of common stock for restricted stock units vesting	—	—	17,328	—			—	—	—	—	—	
Issuance of common stock for employee stock purchase plan	—	—	17,849	—			359	—	—	—	359	
Stock-based compensation	—	\$ —	—	\$ —			1,843	\$ —	\$ —	\$ 1,843	\$ 1,843	
Net loss	—	\$ —	—	\$ —			—	\$ (19,362)	\$ (19,362)	—	\$ (19,362)	
Balance as of September 30, 2022	—	\$ —	8,203,744	\$ —	1	\$ 207,678	\$ (203,260)	\$ 4,419				

Owlet, Inc.

**Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit) (Continued)**  
 (in thousands, except share and per share amounts)  
 (unaudited)

	Series A Convertible Preferred Stock		Common Stock				Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount					
Balance as of December 31, 2022	—	—	8,242,009	1	212,122	( 222,758 )			( 10,635 )
Issuance of Series A convertible preferred stock	30,000	3,867	—	—	—	—			—
Preferred stock issuance costs	—	( 253 )	—	—	—	—			—
Accretion on Series A convertible preferred stock	—	653	—	—	( 653 )	—			( 653 )
Issuance of SVB Warrants (Note 4)	—	—	—	—	43	—			43
Issuance of common stock upon exercise of stock options	—	—	18,054	—	55	—			55
Issuance of common stock for restricted stock units vesting	—	—	115,257	—	—	—			—
Issuance of common stock for employee stock purchase plan	—	—	15,104	—	101	—			101
Stock-based compensation	—	—	—	—	2,789	—			2,789
Net loss	—	—	—	—	—	( 11,867 )			( 11,867 )
Balance as of March 31, 2023	30,000	4,267	8,390,424	1	214,457	( 234,625 )			( 20,167 )
Accretion on Series A convertible preferred stock	—	1,326	—	—	( 1,326 )	—			( 1,326 )
Issuance of common stock for restricted stock units vesting	—	—	51,259	—	—	—			—
Stock-based compensation	—	—	—	—	2,644	—			2,644
Net loss	—	—	—	—	—	( 8,467 )			( 8,467 )
Balance as of June 30, 2023	30,000	5,593	8,441,683	1	215,775	\$ ( 243,092 )	\$		\$ ( 27,316 )
Accretion on Series A convertible preferred stock	—	1,319	—	—	( 1,319 )		\$		\$ ( 1,319 )
Issuance of common stock for restricted stock units vesting	—	—	93,525	—	—	\$	—	\$	—
Issuance of common stock for employee stock purchase plan	—	—	28,093	—	114	\$	—	\$	114
Stock-based compensation	—	—	—	—	2,210	\$	—	\$	2,210
Net loss	—	—	—	—	—	\$ ( 5,641 )		\$	( 5,641 )
Balance as of September 30, 2023	30,000	6,912	8,563,301	1	216,780	\$ ( 248,733 )	\$		\$ ( 31,952 )

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

**Owlet, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
*(in thousands)*  
*(unaudited)*

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ ( 25,975 )	\$ ( 59,838 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	706	1,062
Stock-based compensation	7,643	8,415
Common stock warrant liability adjustment	( 2,679 )	( 4,802 )
Amortization of right of use assets	1,016	930
Other adjustments, net	( 91 )	1,210
Changes in assets and liabilities:		
Accounts receivable	6,705	( 10,691 )
Prepaid expenses and other assets	4,093	6,068
Inventory	7,573	( 6,161 )
Accounts payable and accrued and other expenses	( 19,997 )	( 6,901 )
Other, net	( 945 )	( 847 )
Net cash used in operating activities	<u>( 21,951 )</u>	<u>( 71,555 )</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	( 11 )	( 480 )
Purchase of intangible assets	( 19 )	( 923 )
Net cash used in investing activities	<u>( 30 )</u>	<u>( 1,403 )</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of preferred stock, net of \$ 1,513 of paid transaction costs	28,487	—
Proceeds from short-term borrowings	73,290	35,892
Payments of short-term borrowings	( 74,631 )	( 30,929 )
Proceeds from long-term borrowings	500	—
Payments of long-term borrowings	( 2,000 )	( 4,500 )
Other, net	269	615
Net cash provided by (used in) financing activities	<u>25,915</u>	<u>1,078</u>
Net change in cash and cash equivalents	3,934	( 71,880 )
Cash and cash equivalents at beginning of period	11,231	95,054
Cash and cash equivalents at end of period	<u>\$ 15,165</u>	<u>\$ 23,174</u>

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

**Owlet, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
*(in thousands, except share and per share amounts)*  
*(unaudited)*

## **Note 1. Basis of Presentation**

### ***Basis of Presentation and Principles of Consolidation***

The accompanying unaudited condensed consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and applicable rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") regarding interim financial reporting. The condensed consolidated balance sheet as of December 31, 2022, included herein, was derived from the audited consolidated financial statements as of that date, but does not include all disclosures including certain notes required by U.S. GAAP on an annual reporting basis. All intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary for the fair statement of the Company's financial position, results of operations, and cash flows for the interim periods presented. All dollar amounts, except per share amounts, in the notes are presented in thousands, unless otherwise specified.

Certain prior year amounts have been reclassified to conform to the current period presentation.

### ***Reverse Stock Split***

On July 7, 2023, the Company filed with the Secretary of State of the State of Delaware a Certificate of Amendment to its Second Amended and Restated Certificate of Incorporation (the "Charter Amendment") to effect a one-for-14 reverse stock split (the "Reverse Stock Split") of the Company's common stock and a reduction in the number of authorized shares of common stock and authorized but unissued shares of the Company's preferred stock. The number of authorized shares of Common Stock was reduced from 1,000,000,000 shares to 107,142,857 shares, which reflects a reduction to 1.5 times the then current number of authorized shares of Common Stock, divided by the Reverse Stock Split ratio. The Reverse Stock Split also reduced the number of authorized shares of preferred stock from 100,000,000 shares to 10,741,071 shares, which reflects a reduction to 1.5 times the then current number of authorized but unissued shares of preferred stock, divided by the Reverse Stock Split ratio. The Reverse Stock Split became effective on July 7, 2023.

There was no net effect on total stockholders' equity, and the par value per share of our common stock remains unchanged at \$ 0.0001 per share after the Reverse Stock Split. All references made to share or per share amounts in the accompanying condensed consolidated financial statements and applicable disclosures have been retroactively adjusted for all periods presented to reflect the applicable effects of the Reverse Stock Split and the reduction in the number of authorized shares of common stock and preferred stock effected by the Charter Amendment.

### ***Risks and Uncertainties***

In accordance with ASU No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40), the Company has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the condensed consolidated financial statements are issued.

Since inception, the Company has experienced recurring operating losses and generated negative cash flows from operations, resulting in an accumulated deficit of \$ 248,733 as of September 30, 2023. During the nine months ended September 30, 2023 and 2022, we had negative cash flows from operations of \$ 21,951 and \$ 71,555 , respectively. As of September 30, 2023, we had \$ 15,165 of cash on hand.

Year over year declines in revenue, the low, current cash balance, recurring operating losses, and negative cash flows from operations since inception raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the accompanying condensed consolidated financial statements are issued. The accompanying condensed consolidated financial statements have been prepared on a going concern basis and accordingly, do not include any adjustments relating to the recoverability and classification of asset carrying amounts, or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

As the Company continues to address these financial conditions, management has undertaken the following actions:

- As described further in Note 7, on February 17, 2023 the Company consummated a sale of newly issued preferred stock and warrants to purchase its common stock for aggregate gross proceeds of \$ 30,000 .
- As described in Note 4, in March 2023 the Company further amended its financing arrangement with SVB, under which the principal payments on the term note were deferred until September 2023. This amendment also revised the financial covenants for future periods. As of September 30, 2023, the Company was in violation of its minimum adjusted EBITDA requirement for the three months ended September 30, 2023 under the LSA. On November 13, 2023, the Company entered into a waiver and third amendment to the November 2022 LSA with SVB to, among other things, waive this covenant violation and to revise the adjusted EBITDA requirements for future periods.



- During the year ended December 31, 2022, the Company undertook restructuring actions, which significantly reduced employee headcount and reduced operating spend. This included the reduction of consulting and outside services, the reduction of marketing programs, and the prioritization of and sequencing of research and development projects.

We have not generated sufficient cash flows from operations to satisfy our capital requirements. There can be no assurance that the Company will generate sufficient future cash flows from operations due to potential factors, including but not limited to inflation, recession, or reduced demand for the Company's products. If revenues further decrease from current levels, the Company may be unable to further reduce costs, or such reductions may limit our ability to pursue strategic initiatives and grow revenues in the future.

There can be no assurance that we will be able to obtain additional financing on terms acceptable to us, if at all. Failure to secure additional funding may require us to modify, delay or abandon some of our planned future development, or to otherwise enact further operating cost reductions, which could have a material adverse effect on our business, operating results, financial condition and ability to achieve our intended business objectives.

If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges, or unforeseen circumstances could be significantly limited, and our business, financial condition and results of operations could be materially adversely affected. We also could be required to seek funds through arrangements with partners or others that may require us to relinquish rights or jointly own some aspects of our technologies, products or services that we would otherwise pursue on our own.

The Company maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. As of September 30, 2023, substantially all of the Company's cash was held with Silicon Valley Bank and Citibank, and exceeded federally insured limits. On March 10, 2023, Silicon Valley Bank was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. On March 12, 2023, the Secretary of the Treasury, the chair of the Federal Reserve Board and the chairman of the FDIC released a joint statement related to the FDIC's resolution of the Silicon Valley Bank receivership, which provided that all depositors would have access to all their money starting March 13, 2023. As of the issuance date of these financial statements, all cash deposited by the Company with Silicon Valley Bank, now a division of First Citizens Bank and Trust Company, has been accessible by the Company.

## **Note 2. Certain Balance Sheet Accounts**

### ***Inventory***

Substantially all of the Company's inventory consisted of finished goods as of September 30, 2023 and December 31, 2022.

### ***Property and Equipment, net***

Property and equipment consisted of the following as of:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Tooling and manufacturing equipment	\$ 2,632	\$ 2,731
Furniture and fixtures	639	639
Computer equipment	348	660
Software	106	106
Leasehold improvements	35	29
Total property and equipment	3,760	4,165
Less accumulated depreciation and amortization	( 3,264 )	( 3,057 )
<b>Property and equipment, net</b>	<b>\$ 496</b>	<b>\$ 1,108</b>

Depreciation and amortization expense on property and equipment was \$ 146 and \$ 332 for the three months ended September 30, 2023 and September 30, 2022, respectively. For the three months ended September 30, 2023 and September 30, 2022, the Company allocated \$ 58 and \$ 210, respectively, of depreciation and amortization expense related to tooling and manufacturing equipment and software to cost of revenues.

Depreciation and amortization expense on property and equipment was \$ 645 and \$ 966 for the nine months ended September 30, 2023 and September 30, 2022, respectively. For the nine months ended September 30, 2023 and September 30, 2022, the Company allocated \$ 388 and \$ 608, respectively, of depreciation and amortization expense related to tooling and manufacturing equipment and software to cost of revenues.

#### ***Intangible Assets Subject to Amortization***

Intangible assets were \$ 2,219, net of accumulated amortization of \$ 265 as of September 30, 2023 and \$ 2,279, net of accumulated amortization of \$ 206, as of December 31, 2022.

Capitalized software development costs were \$ 1,873 on September 30, 2023 and December 31, 2022. The Company's internally developed software capitalized within intangible assets on the balance sheet is still in development and not ready for general release. As such, the Company has not recognized any amortization for the three or nine months ended September 30, 2023 or 2022.

The Company did not recognize any impairment charges for intangible assets during the three or nine months ended September 30, 2023 or 2022.

#### ***Accrued and Other Expenses***

On October 1, 2021, the Company received a Warning Letter, later corrected in an amendment to the letter dated October 5, 2021 (the "Warning Letter"), from the U.S. Food and Drug Administration (the "FDA") regarding the Owlet Smart Sock. During the fourth quarter of 2021, the Company agreed with certain customers and retailers to accept returns of the Owlet Smart Sock and Owlet Monitor Duo.

Accrued and other expenses, among other things, included accrued sales returns of \$ 1,224 and \$ 6,756 as of September 30, 2023 and December 31, 2022, respectively. Accrued sales returns included \$ 36 and \$ 4,958 as of September 30, 2023 and December 31, 2022, respectively, for product returns related to the Warning Letter.

Changes in accrued warranty were as follows:

	<b>For the Three Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Accrued warranty, beginning of period	\$ 591	\$ 775
Provision for warranties issued during the period	47	157
Settlements of warranty claims during the period	( 135 )	( 118 )
Accrued warranty, end of period	<u><u>\$ 503</u></u>	<u><u>\$ 814</u></u>

	<b>For the Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Accrued warranty, beginning of period	\$ 712	\$ 661
Provision for warranties issued during the period	163	550
Settlements of warranty claims during the period	( 372 )	( 397 )
Accrued warranty, end of period	<u><u>\$ 503</u></u>	<u><u>\$ 814</u></u>

#### ***Note 3. Deferred Revenues***

Deferred revenues relate to performance obligations for which payments are received from customers prior to the satisfaction of the Company's obligations to its customers. Deferred revenues primarily consist of amounts allocated to the mobile application, unspecified upgrade rights, and content, and are recognized over the service period of the performance obligations, which range from 5 to 27 months.

Changes in the total deferred revenues balance were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Beginning balance	\$ 1,223	\$ 1,379	\$ 1,386	\$ 1,235
Deferral of revenues	326	702	1,146	2,132
Recognition of deferred revenues	( 533 )	( 557 )	( 1,516 )	( 1,843 )
Ending balance	\$ 1,016	\$ 1,524	\$ 1,016	\$ 1,524

The Company recognized \$ 493 and \$ 451 of revenue during the three months ended September 30, 2023 and 2022, respectively, that was included in the deferred revenue balance at the beginning of the respective period. The Company recognized \$ 1,061 and \$ 982 of revenue during the nine months ended September 30, 2023 and 2022, respectively, that was included in the deferred revenue balance at the beginning of the respective period.

#### Note 4. Long-Term Debt and Other Financing Arrangements

The following is a summary of the Company's long-term indebtedness as of:

	September 30, 2023	December 31, 2022
Term note payable to SVB, maturing on October 1, 2024	\$ 6,500	\$ 8,000
Financed insurance premium	764	2,353
Total debt	7,264	10,353
Less: current portion	( 6,764 )	( 10,353 )
Total long-term debt, net	\$ 500	\$ —

#### Third Amended and Restated Loan and Security Agreement

On November 23, 2022, the Company entered into the Third Amended and Restated Loan and Security Agreement (the "November 2022 LSA") with Silicon Valley Bank, now a division of First Citizens Bank and Trust Company ("SVB"). The November 2022 LSA amended, restated and replaced in its entirety the prior Second Amended and Restated Loan and Security Agreement, dated April 22, 2020, and all prior amendments. On March 27, 2023, the Company entered into the first amendment to the November 2022 LSA with SVB (the "March 2023 Amendment"), which, among other revisions, (i) deferred certain payments of principal by the Company until September 1, 2023, (ii) had SVB waive certain stated events of default, (iii) expanded the eligibility of inventory and accounts that the Company can borrow against, and (iv) modified certain financial covenants required of the Company.

In connection with the March 2023 Amendment, the Company granted SVB a warrant to purchase 10,714 shares of the Company's common stock at a price of \$ 5.32 per share, expiring on March 27, 2035 (the "SVB Warrants"). The warrant was valued at \$ 43 and is classified as equity and included within additional paid-in capital on the condensed consolidated balance sheet. See Note 7, *Convertible Preferred Stock and Common Stock Warrants* for a summary of all common stock warrants currently outstanding.

On August 10, 2023, the Company entered into the second amendment to the November 2022 LSA with SVB (the "August 2023 Amendment") that clarified the calculation of the financial covenants under the agreement.

As of September 30, 2023, the Company was in violation of its minimum adjusted EBITDA requirement for the three months ended September 30, 2023 under the LSA. On November 13, 2023, the Company entered into a waiver and third amendment to the November 2022 LSA (the "November 2023 Amendment" and together with the November 2022 LSA, the March 2023 Amendment, and the August 2023 Amendment, the "LSA") with SVB to, among other things, waive this covenant violation and to revise the adjusted EBITDA requirements for future periods.

#### Line of Credit

The LSA provides for a \$ 10,000 revolving line of credit (the "SVB Revolver") as of September 30, 2023. The SVB Revolver is an asset-based lending facility subject to borrowing base availability, which is limited by specified percentages of eligible accounts receivable and eligible inventory. Borrowing base availability can be impacted based upon the period's eligible accounts receivable and eligible inventory and may be significantly lower than the full \$ 10,000 line of credit. As of September 30, 2023, borrowing base availability was \$ 5,059 .

The SVB Revolver facility matures and terminates on April 22, 2024. As of September 30, 2023, the SVB Revolver bore interest on the outstanding principal amount at a floating rate per annum equal to the greater of (i) 5.00 % and (ii) the prime rate plus the prime rate margin, which is 2.25 % for advances on the SVB Revolver, as defined by the LSA. As of September 30, 2023 there was \$ 4,933 of outstanding borrowings under the SVB Revolver.

#### **Term Loan**

The LSA also provided for an \$ 8,500 term loan (the "Term Loan"), replacing the term loans made under the previous agreement, of which \$ 6,500 was outstanding as of September 30, 2023. The Term Loan amortizes with equal monthly installments of \$ 500 and matures on October 1, 2024 (the "Term Loan Maturity Date").

The Term Loan accrues interest on the outstanding principal amount at a floating rate per annum equal to the greater of (i) five and three-quarters percent ( 5.75 %) and (ii) the prime rate plus the prime rate margin, which is 3.50 % for the Term Loan (as defined in the LSA), and such interest is payable (a) monthly in arrears, (b) on each prepayment date and (c) on the Term Loan Maturity Date. All outstanding principal and accrued and unpaid interest and all other Term Loan-related outstanding obligations shall become due and payable in full on the Term Loan Maturity Date.

The Company believes that the fair value of the Term Loan approximates the recorded amount as of September 30, 2023 and December 31, 2022, as the interest rates on the long-term debt are variable and the rates are based on market interest rates (bank's prime rate) after consideration of default and credit risk (using Level 2 inputs).

#### **Future Aggregate Maturities**

As of September 30, 2023, future aggregate maturities of the Term Note and Financed Insurance Premium payables were as follows:

<b>Years Ending December 31,</b>	<b>Amount</b>
2023 (excluding the nine months ended September 30, 2023)	\$ 1,749
2024	5,515
<b>Total</b>	<b>\$ 7,264</b>

#### **Financed Insurance Premium**

In July 2023, the Company renewed its corporate directors & officers and employment liability policies and entered into a new short-term commercial premium finance agreement with First Insurance Funding totaling \$ 927 to be paid in eleven equal monthly payments, accruing interest at a rate of 8.29 %. As of September 30, 2023, the remaining principal balance on the combined financed insurance premiums was \$ 764 .

#### **Note 5. Commitments and Contingencies**

During February 2023, the Company entered into an agreement with a significant vendor to pay \$ 3,000 of interest over 36 months with respect to past due payables. The present value of the future payments was expensed and included within interest expense, net on the condensed consolidated statements of operations for the nine months ended September 30, 2023.

#### **Litigation**

The Company is involved in legal proceedings from time to time arising in the normal course of business. Management, after consultation with legal counsel, believes that the outcome of these proceedings will not have a material impact on the Company's financial position, results of operations, or liquidity.

In November 2021, two putative class action complaints were filed against us in the U.S. District Court for the Central District of California, the first captioned Butala v. Owlet, Inc., Case No. 2:21-cv-09016, and the second captioned Cherian v. Owlet, Inc., Case No. 2:21-cv-09293. Both complaints alleged violations of the Securities Exchange Act of 1934 ("Exchange Act") against the Company and certain of its officers and directors on behalf of a putative class of investors who: (a) purchased the Company's common stock between March 31, 2021 and October 4, 2021 ("Section 10(b) Claims"); or (b) held common stock in SBG as of June 1, 2021, and were eligible to vote at SBG's special meeting held on July 14, 2021 ("Section 14(a) Claims"). Both complaints allege, among other things, that the Company and certain of its officers and directors made false and/or misleading statements and failed to disclose certain information regarding the FDA's likely classification of the Owlet Smart Sock as a medical device requiring marketing authorization.

On September 8, 2023, the Court ruled that while the Butala and Cherian cases were consolidated, there would be two distinct and separate classes to represent the Section 10(b) Claims and Section 14(a) Claims, respectively, and appointed lead plaintiffs and lead counsel. An amended complaint is expected to be filed on or before November 21, 2023. The Company intends to vigorously defend itself against these claims, including by filing on or before January 26, 2024 motions to dismiss the cases on behalf of itself and the named officers and directors.

#### ***Indemnification***

In the ordinary course of business, the Company enters into agreements that may include indemnification provisions. Pursuant to such agreements, the Company may indemnify, hold harmless, and defend an indemnified party for losses suffered or incurred by the indemnified party. Some of the provisions will limit losses to those arising from third party actions. In some cases, the indemnification will continue after the termination of the agreement. The maximum potential amount of future payments the Company could be required to make under these provisions is not determinable. The Company has never incurred material costs to defend lawsuits or settle claims related to these indemnification provisions. The Company has entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers to the fullest extent permitted by Delaware corporate law. The Company currently has directors' and officers' insurance coverage that reduces its exposure and enables the Company to recover a portion of any future amounts paid. The Company believes the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is immaterial.

#### **Note 6. Stock-based Compensation**

The Company has various stock compensation plans, which are more fully described in Part II, Item 8 "Financial Statements and Supplementary Data - Note 10 to the Consolidated Financial Statements - Share-based Compensation" in the 2022 Annual Report on Form 10-K. Under the 2021 Incentive Award Plan, the Company has the ability to grant options, stock appreciation rights, restricted stock, restricted stock units ("RSU"), performance stock units ("PRSU"), dividend equivalents, or other stock or cash-based awards to employees, directors, or consultants.

Option awards are generally granted with an exercise price equal to the fair value of the Company's common stock at the date of grant. Options, RSU, and PRSU awards generally vest over a period of four years. During the 9 months ended September, 30, 2023, the Company granted 1,216,879 RSUs, most of which will vest one year from the grant date.

##### *Stock-based Compensation Expense*

Total stock-based compensation was recognized as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
General and administrative	\$ 1,196	\$ 880	\$ 4,093	\$ 4,289
Sales and marketing	394	238	1,362	1,650
Research and development	620	722	2,188	2,476
Total stock-based compensation	<u>\$ 2,210</u>	<u>\$ 1,840</u>	<u>\$ 7,643</u>	<u>\$ 8,415</u>

During the three and nine months ended September 30, 2022, the Company capitalized \$ 3 and \$ 36, respectively, of stock-based compensation attributable to internally developed software. There was no stock-based compensation capitalized during the three or nine months ended September 30, 2023.

As of September 30, 2023, the Company had \$ 1,359 of unrecognized stock-based compensation costs related to non-vested options that will be recognized over a weighted-average period of 1.2 years, \$ 11,170 of unrecognized stock-based compensation costs related to unvested RSUs that will be recognized over a weighted-average period of 2.0 years, and \$ 597 of unrecognized stock-based compensation costs related to unvested PRSUs that will be recognized over a weighted-average period of 1.7 years.

#### **Note 7. Convertible Preferred Stock and Common Stock Warrants**

##### *February 2023 Offering*

On February 17, 2023 the Company entered into private placement investment agreements with certain investors, pursuant to which the Company issued and sold to the investors (i) an aggregate of 30,000 shares of the Company's Series A convertible preferred stock, par value \$ 0.0001 per share and (ii) warrants to purchase an aggregate of 7,871,712 shares of the Company's common stock, par value \$ 0.0001 per share, ("February 2023 Warrants") for an aggregate purchase price of \$ 30,000 .

The Series A convertible preferred stock is convertible into common stock at the option of the holder at any time after February 17, 2023 and ranks, with respect to dividend rights, rights of redemption and rights upon a liquidation event, (i) senior to the common stock and all other classes or series of equity securities of the Company established after February 17, 2023, unless such shares or equity securities expressly provide that they rank in parity with or senior to the Series A convertible preferred stock with respect to dividend rights, rights of redemption or rights upon a liquidation event, (ii) on parity with each class or series of equity securities of the Company established after the February 17, 2023, the terms of which expressly provide that it ranks on parity with the Series A convertible preferred stock with respect to dividend rights, rights of redemption and rights upon a liquidation event and (iii) junior to each class or series of equity securities of the Company established after February 17, 2023, the terms of which expressly provide that it ranks senior to the Series A convertible preferred stock with respect to dividend rights, rights of redemption and rights upon a liquidation event. Except as otherwise provided in the certificate of designation relating to the Series A convertible preferred stock or as required by law, holders of shares of Series A convertible preferred stock are entitled to vote with the holders of shares of common stock (and any other class or series that may similarly be entitled to vote with the holders of common stock) on an as-converted to common stock basis at any annual or special meeting of stockholders of the Company, and not as a separate class.

At any time from and after February 17, 2028, the holders of at least a majority of the then outstanding shares of Series A convertible preferred stock may specify a date and time or the occurrence of an event by vote or written consent that all, and not less than all, of the outstanding shares of Series A preferred stock will automatically be: (i) converted into shares of common stock at a conversion rate of 145.7726 per share (the "Conversion Rate"), (ii) subject to certain exceptions and limitations, redeemed for an amount per share of Series A preferred stock equal to the liquidation preference of one thousand dollars per share, plus all accrued or declared but unpaid dividends as of the redemption date and time or (iii) a combination of the foregoing.

Subject to certain exceptions, upon the occurrence of a fundamental change, voluntary or involuntary liquidation, dissolution or winding-up of the Company, the Company will be required to pay an amount per share of Series A Preferred Stock equal to the greater of (i) one thousand dollars per share or (ii) the consideration per share of Series A Preferred Stock as would have been payable had all such shares been converted to common stock immediately prior to the liquidation event, plus, in each case, the aggregate amount of all declared but unpaid dividends thereon to the date of final distribution to the holders of Series A Preferred Stock.

Each of the February 2023 Warrants sold in the private placement offering is exercisable for one share of common stock at an exercise price of \$ 4.66 per share, is immediately exercisable, and will expire on February 17, 2028. None of the warrants have been exercised as of September 30, 2023. As the February 2023 Warrants could require cash settlement in certain scenarios, the warrants were classified as liabilities upon issuance and were initially recorded at an aggregate estimated fair value of \$ 26,133 . The total proceeds from the offering were first allocated to the liability classified warrants, based on their fair values, with the residual \$ 3,867 allocated to the Series A convertible preferred stock. The Series A convertible stock will accrete to its redemption value, starting from the issuance date to the date at which the shares become redeemable on February 17, 2028. Accretion will be recorded as a deemed dividend.

The Company incurred \$ 1,963 of issuance costs related to the offering, of which \$ 1,513 were paid as of September 30, 2023. Issuance costs allocated to the preferred stock of \$ 253 were recorded as a reduction to the Series A preferred stock. Issuance costs allocated to the liability classified warrants of \$ 1,710 were recorded as an expense within general and administrative expenses. In connection with the issuance of these interim statements we have updated the classification of the preferred stock issuance costs incurred during the three months ended March 31, 2023 from a reduction of APIC to a reduction of the preferred stock carrying amount.

#### ***SBG Common Stock Warrants***

As a result of the merger completed with SBG on July 15, 2021 (the "Merger"), the Company continues to record liabilities for warrants issued by SBG prior to the Merger.

Pursuant to the SBG initial public offering, SBG sold warrants to purchase an aggregate of 821,428 shares of the Company's common stock at a price of \$ 161.00 per share ("SBG Public Warrants"). Following the closing of the Initial Public Offering on September 17, 2020, the Company completed the sale of warrants to purchase an aggregate of 471,428 shares of the Company's common stock at a price of \$ 161.00 per share in a private placement to Sandbridge Acquisition Holdings LLC (the "SBG Private Placement Warrants"). Together, the SBG Public Warrants and SBG Private Placement Warrants are referred to as the "SBG Common Stock Warrants." The SBG Public Warrants became exercisable 12 months from the closing of the Initial Public Offering. The SBG Common Stock Warrants will expire five years after the completion of the Merger or earlier upon redemption or liquidation.

See Part II, Item 8 "Financial Statements and Supplementary Data - Note 3 to the Consolidated Financial Statements - Merger" in the 2022 Annual Report on Form 10-K for the year ended December 31, 2022 (the "Form 10-K") for more information.



The following table summarizes issuable shares of the Company's common stock based on warrant activity for the nine months ended September 30, 2023:

	As of December 31, 2022	Shares Issuable by New Warrants	Shares Purchased by Exercise	As of September 30, 2023
SBG Public Warrants	821,428	—	—	821,428
SBG Private Placement Warrants	471,428	—	—	471,428
February 2023 Warrants	—	7,871,712	—	7,871,712
SVB Warrants (Note 4)	—	10,714	—	10,714
<b>Total</b>	<b>1,292,856</b>	<b>7,882,426</b>	<b>—</b>	<b>9,175,282</b>

#### Note 8. Fair Value Measurements

The following table presents information about the Company's assets and liabilities measured and reported in the financial statements at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

	September 30, 2023			
	Level 1	Level 2	Level 3	Balance
<b>Assets:</b>				
Money market funds	\$ 15,016	\$ —	\$ —	\$ 15,016
<b>Total assets</b>	<b>\$ 15,016</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 15,016</b>
<b>Liabilities:</b>				
SBG Public Warrants	\$ —	\$ —	\$ 93	\$ 93
SBG Private Placement Warrants	—	—	53	53
February 2023 Warrants	—	—	24,032	24,032
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 24,178</b>	<b>\$ 24,178</b>
	December 31, 2022			
	Level 1	Level 2	Level 3	Balance
<b>Assets:</b>				
Money market funds	\$ 11,070	\$ —	\$ —	\$ 11,070
<b>Total assets</b>	<b>\$ 11,070</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 11,070</b>
<b>Liabilities:</b>				
SBG Public Warrants	\$ 460	\$ —	\$ —	\$ 460
SBG Private Placement Warrants	—	264	—	264
<b>Total liabilities</b>	<b>\$ 460</b>	<b>\$ 264</b>	<b>\$ —</b>	<b>\$ 724</b>

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

The SBG Public Warrants and SBG Private Placement Warrants as of September 30, 2023 are presented in Level 3 of the fair value hierarchy. On June 15, 2023, the Company received notice from the New York Stock Exchange (the "NYSE") that the NYSE had halted trading in the SBG Public Warrants due to the low trading price of those warrants. On June 16, 2023, the NYSE provided written notice to the Company and publicly announced that NYSE Regulation had determined to commence proceedings to delist the SBG Public Warrants and that such warrants were no longer suitable for listing based on "abnormally low" price levels, pursuant to Section 802.01D of the NYSE Listed Company Manual. As such, these instruments are no longer valued using quoted market prices and correspondingly, the SBG Private Placement Warrants can no longer be valued based on a quoted market price of the SBG Public Warrants. The Company measured the fair value of both the SBG Public Warrants and the SBG Private Placement Warrants as of September 30, 2023, using the Black-Scholes option pricing model with the following assumptions:

SBG Common Stock Warrants - Black-Scholes Inputs	September 30, 2023
OWLT stock price	\$ 4.48
Exercise price of warrants	\$ 161.00
Term in years	2.79
Risk-free interest rate	4.85 %
Volatility	90.00 %

The February 2023 Warrants are presented as Level 3 measurements, relying on unobservable inputs reflecting the Company's own assumptions. Level 3 measurements, which are not based on quoted prices in active markets, introduce a higher degree of subjectivity and may be more sensitive to fluctuations in stock price, volatility rates, and U.S. Treasury Bond rates.

The Company measured the fair value of the February 2023 Warrants at issuance and again as of September 30, 2023, using the Black-Scholes option pricing model with the following assumptions:

February 2023 Warrants - Black-Scholes Inputs	February 17, 2023	September 30, 2023
OWLT stock price	\$ 4.78	\$ 4.48
Exercise price of warrants	\$ 4.66	\$ 4.66
Term in years	5.00	4.38
Risk-free interest rate	4.10 %	4.66 %
Volatility	85.00 %	90.00 %

The following table presents a reconciliation of the Company's SBG Public Warrants, SBG Private Placement Warrants, and February 2023 Warrants (together, the "Level 3 Warrants") measured at fair value on a recurring basis as of September 30, 2023:

Level 3 Warrants	
Balance as of December 31, 2022	\$ 724
Issuance of February 2023 Warrants	26,133
Change in fair value included within common stock warrant liability adjustment	( 2,679 )
Balance as of September 30, 2023	\$ 24,178

There were no transfers between Level 1 and Level 2 in the periods reported. The SBG Public Warrants and SBG Private Placement Warrants were transferred into Level 3 in the period reported, as discussed above.

The Company measured the fair value of the SVB Warrants (see Note 4) at issuance as of March 27, 2023, using the Black-Scholes option pricing model with the following assumptions:

SVB Warrants - Black-Scholes Inputs	March 27, 2023
OWLT stock price	\$ 4.62
Exercise price of warrants	\$ 5.32
Term in years	12.00
Risk-free interest rate	3.60 %
Volatility	85.00 %

#### Note 9. Net Loss Per Share Attributable to Common Stockholders

Basic and diluted net loss per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. Under the two-class method, net loss is attributed to common stockholders and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed.

The Company considers its convertible preferred stock to be participating securities. Under the two-class method, the net loss attributable to common stockholders is not allocated to the convertible preferred stock as the holders of the Company's convertible preferred stock do not have a contractual obligation to share in the Company's losses.

The following table presents the calculation of basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Numerator:</b>				
Net loss and comprehensive loss	\$ (5,641)	\$ (19,362)	\$ (25,975)	\$ (59,838)
Accretion on Series A convertible preferred stock	(1,319)	—	(3,298)	—
Net loss attributable to common stockholders <sup>(1)</sup>	\$ (6,960)	\$ (19,362)	\$ (29,273)	\$ (59,838)
<b>Denominator:</b>				
Weighted-average common shares used in computed net loss per share attributable to common stockholders basic and diluted	8,310,965	7,983,948	8,212,268	7,928,263
Net loss per share attributable to common stockholders basic and diluted	\$ (0.84)	\$ (2.42)	\$ (3.56)	\$ (7.55)

*(1) For the three and nine months ended September 30, 2023, the Company did not allocate its net loss to participating convertible preferred stock as those shares are not obligated to share in the losses of the Company. There were no shares of convertible preferred stock outstanding during the three or nine months ended September 30, 2022.*

The following table summarizes the common stock equivalents of potentially dilutive outstanding securities excluded from the computation of diluted net loss per share due to their anti-dilutive effect:

	As of September 30,	
	2023	2022
Stock options	470,500	578,415
RSUs	1,396,201	560,187
PRSUs	71,428	87,323
ESPP shares committed	27,533	8,529
Common stock warrants	9,175,282	1,292,857
Convertible preferred stock	4,373,178	—
<b>Total</b>	<b>15,514,122</b>	<b>2,527,311</b>

The Company's 200,536 unvested earnout shares, described in Part II, Item 8 "Financial Statements and Supplementary Data - Note 11 to the Consolidated Financial Statements - Common Stock Warrants and Earnout Shares" in the 2022 Form 10-K, were excluded from the calculation of basic and diluted per share calculations as the vesting conditions have not yet been met as of September 30, 2023.

#### Note 10. Segments

The Company operates as a single operating segment. The Company's chief operating decision maker manages the Company's operations on a consolidated basis for purposes of allocating resources, making operating decisions, and evaluating financial performance. Since the Company operates in one operating segment, all required financial segment information can be found in these consolidated financial statements.

Revenue by geographic area is based on the delivery address of the customer and is summarized as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
United States	\$ 7,347	\$ 15,248	\$ 28,724	\$ 49,837
International	1,835	2,111	4,282	7,409
Total revenues	\$ 9,182	\$ 17,359	\$ 33,006	\$ 57,246

Other than the United States, no individual country exceeded 10% of total revenues for the three or nine months ended September 30, 2023 and September 30, 2022.

The Company's long-lived assets are composed of property and equipment and right of use assets, net, and are summarized by geographic area as follows as of (in thousands):

	September 30, 2023	December 31, 2022
United States	\$ 1,406	\$ 2,615
International	380	753
Total long-lived assets, net	\$ 1,786	\$ 3,368

#### **Note 11. New Accounting Pronouncements**

##### *Recently Adopted Accounting Pronouncements*

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, and has since released various amendments including ASU No. 2019-04 and ASU No. 2022-02. The guidance modifies the measurement of expected credit losses on certain financial instruments. The Company adopted ASU 2016-13 for the nine months ended September 30, 2023. The impact of adoption was immaterial.

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

*The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included elsewhere in this Report and in "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Form 10-K. Certain statements we make under this Item 2 constitute "forward-looking statements" under the Reform Act. See "Cautionary Note Regarding Forward-Looking Statements" before Part I of this Report. You should consider our forward-looking statements in light of the risks discussed in our unaudited condensed consolidated financial statements, related notes and other financial information appearing elsewhere in this Report, the "Risk Factors" section of our Form 10-K and this Report, and our other filings with the SEC.*

### **Overview**

Our mission is to empower parents with the right information at the right time, to give them more peace of mind and help them find more joy in the journey of parenting. Our digital parenting platform aims to give parents real-time data and insights to help parents feel calmer and more confident. We believe that every parent deserves peace of mind and the opportunity to feel their well-rested best. We also believe that every child deserves to live a long, happy, and healthy life, and we are working to develop products to help facilitate that belief.

### **Components of Operating Results**

#### *Revenues*

We recognize revenue primarily from products and the associated mobile applications. Revenues are recognized when control of goods and services is transferred to customers in an amount that reflects the consideration expected to be received by us in exchange for those goods and services. Substantially all of the Company's revenues were derived from product sales.

#### *Cost of Revenues*

Cost of revenues consists of product costs, including contract manufacturing, shipping and handling, depreciation and amortization relating to tooling and manufacturing equipment and software, warranty replacement, fulfillment costs, warehousing, hosting, and reserves for excess and obsolete inventory.

#### *Operating Expenses*

*General and Administrative.* General and administrative expenses consist primarily of salaries, benefits, stock-based compensation, and bonuses for finance and accounting, legal, human resources and administrative executives and employees; third-party legal, accounting, and other professional services; corporate travel and entertainment; depreciation and amortization of property and equipment; and facilities rent.

*Sales and Marketing.* Sales and marketing expenses consist primarily of salaries, commissions, benefits, stock-based compensation, and bonuses for sales and marketing employees and contractors; third-party marketing expenses such as social media and search engine marketing; email marketing and print marketing.

*Research and Development.* Research and development expenses consist primarily of salaries, benefits, stock-based compensation, and bonuses for employees and contractors engaged in the design, development, maintenance and testing of our products and platforms.

#### *Other Income (Expense)*

*Interest Expense, Net.* Interest expense consists of interest incurred on our outstanding borrowings, including interest incurred on past due payables with one of our vendors as described in Note 5, *Commitments and Contingencies*, to the condensed consolidated financial statements included elsewhere in this Report, and amortization of deferred financing costs. Interest expense is presented net of interest income earned on our money market account.

*Common Stock Warrant Liability Adjustment.* Mark to market adjustment to recognize the change in fair value of common stock warrant liabilities in other income (expense).

*Other Income (Expense), Net.* Other income (expense), net includes our net gain (loss) on foreign exchange transactions.

*Income Tax Provision.* Income tax provision consists primarily of U.S. federal and state income taxes related to the tax jurisdictions in which we conduct business.

## Results of Operations

The following table sets forth our results of operations for the periods indicated in millions (note that amounts within this Item 2 shown in millions may not sum due to rounding):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues	\$ 9.2	\$ 17.4	\$ 33.0	\$ 57.2
Cost of revenues	5.9	12.7	20.3	37.3
Gross profit	3.3	4.6	12.7	20.0
Operating expenses:				
General and administrative	5.4	9.7	20.4	29.4
Sales and marketing	3.3	9.7	9.8	31.0
Research and development	2.4	7.1	8.1	23.4
Total operating expenses	11.2	26.4	38.3	83.9
Operating loss	(7.9)	(21.8)	(25.6)	(63.9)
Other income (expense):				
Interest expense, net	(0.1)	(0.4)	(3.0)	(0.8)
Common stock warrant liability adjustment	2.4	2.9	2.7	4.8
Other income (expense), net	—	—	(0.1)	0.1
Total other income (expense), net	2.2	2.5	(0.4)	4.1
Loss before income tax provision	(5.6)	(19.4)	(26.0)	(59.8)
Income tax provision	0.0	0.0	0.0	0.0
Net loss and comprehensive loss	\$ (5.6)	\$ (19.4)	\$ (26.0)	\$ (59.8)

### Revenues

(dollars in millions)	For the Three Months Ended September 30,		Change	For the Nine Months Ended September 30,		Change		
	2023	2022		2023	2022			
Revenues	\$ 9.2	\$ 17.4	\$ (8.2)	(47.1 %)	\$ 33.0	\$ 57.2	\$ (24.2)	(42.3 %)

Revenues decreased by \$8.2 million, or 47.1%, from \$17.4 million for the three months ended September 30, 2022 to \$9.2 million for the three months ended September 30, 2023. The decrease was primarily due to the timing of our Amazon distributor transition, which was resolved in October, partially offset by lower product returns. During the three months ended September 30, 2023, we entered into an arrangement to start selling our products directly to Amazon.com, Inc. ("Amazon") under a first-party seller relationship ("Amazon 1P"). Upon entering the Amazon 1P relationship, we terminated our relationship with the two current customers selling our products as third parties on Amazon's e-commerce platform (the "Amazon Retailers"). The transition from the Amazon Retailers to Amazon 1P caused a decrease in revenue, as no revenue was recognized related to the Amazon Retailers or Amazon 1P for the three months ended September 30, 2023. Revenue related to the Amazon Retailers represented a significant amount of revenue for the three months ended September 30, 2022. Shipments under the Amazon 1P arrangement began in October 2023.

Revenues decreased by \$24.2 million, or 42.3%, from \$57.2 million for the nine months ended September 30, 2022 to \$33.0 million for the nine months ended September 30, 2023. The decrease was primarily due to lower sales of Owlet Sock products, impacted by retailers targeting lower inventory levels, reflecting macroeconomic conditions. The nine months ended September 30, 2022 included the initial launch of the Dream Sock product and included significant sell-in sales of the Dream Sock across all channel partners, which did not occur in the corresponding period in 2023. Additionally, the transition from Amazon Retailers to Amazon 1P discussed above caused a decrease in revenue for the nine months ended September 30, 2023.

### Cost of Revenues and Gross Profit

(dollars in millions)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
			Change				Change	
	2023	2022	\$	%	2023	2022	\$	%
Cost of revenues	\$ 5.9	\$ 12.7	\$ (6.9)	(54.1 %)	\$ 20.3	\$ 37.3	\$ (17.0)	(45.5 %)
Gross profit	\$ 3.3	\$ 4.6	\$ (1.3)	(27.8 %)	\$ 12.7	\$ 20.0	\$ (7.3)	(36.4 %)
Gross margin	36.3 %	26.6 %			38.5 %	34.9 %		

Cost of revenues decreased by \$6.9 million, or 54.1%, from \$12.7 million for the three months ended September 30, 2022 to \$5.9 million for the three months ended September 30, 2023. The decrease was primarily due to the decrease in product sales. Gross margin increased from 26.6% for the three months ended September 30, 2022 to 36.3% for the three months ended September 30, 2023 primarily due to lower product returns and lower direct product costs.

Cost of revenues decreased by \$17.0 million, or 45.5%, from \$37.3 million for the nine months ended September 30, 2022 to \$20.3 million for the nine months ended September 30, 2023. The decrease was primarily due to the decrease in product sales. Gross margin increased from 34.9% for the nine months ended September 30, 2022 to 38.5% for the nine months ended September 30, 2023 primarily due to lower product returns and lower direct product costs.

#### **General and Administrative**

(dollars in millions)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
			Change				Change	
	2023	2022	\$	%	2023	2022	\$	%
General and administrative	\$ 5.4	\$ 9.7	\$ (4.2)	(43.7 %)	\$ 20.4	\$ 29.4	\$ (9.0)	(30.6 %)

General and administrative expense decreased by \$4.2 million, or 43.7%, from \$9.7 million for the three months ended September 30, 2022 to \$5.4 million for the three months ended September 30, 2023. The decrease was driven primarily by lower compensation expense, including stock-based compensation, from reduced general and administrative headcount as a result of the restructuring actions taken during the fiscal year 2022. Additionally, we took cost saving measures to reduce spend on consulting services during the fiscal year 2022.

General and administrative expense decreased by \$9.0 million, or 30.6%, from \$29.4 million for the nine months ended September 30, 2022 to \$20.4 million for the nine months ended September 30, 2023. The decrease was driven primarily by lower compensation expense, including stock-based compensation, from reduced general and administrative headcount as a result of the restructuring actions taken during the fiscal year 2022. Additionally, we took cost saving measures to reduce spend on consulting services, which were offset by incurred transaction costs relating to the February 2023 preferred stock offering.

#### **Sales and Marketing**

(dollars in millions)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
			Change				Change	
	2023	2022	\$	%	2023	2022	\$	%
Sales and marketing	\$ 3.3	\$ 9.7	\$ (6.4)	(65.6 %)	\$ 9.8	\$ 31.0	\$ (21.3)	(68.5 %)

Sales and marketing expense decreased by \$6.4 million, or 65.6%, from \$9.7 million for the three months ended September 30, 2022 to \$3.3 million for the three months ended September 30, 2023. The decrease was driven by lower spend on digital advertising and retail channel marketing, as well as lower compensation expense associated with reduced headcount.

Sales and marketing expense decreased by \$21.3 million, or 68.5%, from \$31.0 million for the nine months ended September 30, 2022 to \$9.8 million for the nine months ended September 30, 2023. The decrease was driven by a decrease in all sales and marketing spend, including lower compensation expense from reduced sales and marketing headcount. Additionally, we reduced spend on digital advertising and retail channel marketing spend.

#### **Research and Development**

(dollars in millions)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2023		2022		Change		Change	
	\$	%	\$	%	\$	%	\$	%
Research and development	\$ 2.4		\$ 7.1		\$ (4.6)		\$ (65.7 %)	

Research and development expense decreased by \$4.6 million, or 65.7%, from \$7.1 million for the three months ended September 30, 2022 to \$2.4 million for the three months ended September 30, 2023. These decreases were primarily driven by lower compensation expense from reduced research and development headcount. Additionally, the Company took cost saving measures to reduce spend on consulting services.

Research and development expense decreased by \$15.3 million, or 65.5%, from \$23.4 million for the nine months ended September 30, 2022 to \$8.1 million for the nine months ended September 30, 2023. These decreases were primarily driven by lower compensation expense from reduced research and development headcount. Additionally, the Company took cost saving measures to reduce spend on consulting services.

#### **Other Income (Expense)**

(dollars in millions)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2023		2022		Change		Change	
	\$	%	\$	%	\$	%	\$	%
Interest expense, net	\$ (0.1)		\$ (0.4)		\$ (0.3)		68.0 %	
Common stock warrant liability adjustment	\$ 2.4		\$ 2.9		\$ (0.5)		(16.5 %)	
Other income, net	\$ —		\$ —		\$ —		(466.7 %)	

Interest expense decreased by \$0.3 million, from \$0.4 million for the three months ended September 30, 2022 to \$0.1 million for the three months ended September 30, 2023 primarily due to a lower balance on the Term Loan.

For the three months ended September 30, 2023, we recognized a gain of \$2.4 million as compared to a gain of \$2.9 million for the same period in the prior year resulting from a decrease in the fair value of common stock warrants outstanding.

Interest expense increased by \$2.2 million, from \$0.8 million for the nine months ended September 30, 2022 to \$3.0 million for the nine months ended September 30, 2023. As described in Note 5, *Commitments and Contingencies*, to the condensed consolidated financial statements included elsewhere in this Report, we entered an agreement with a significant vendor to pay \$3.0 million of interest over 36 months with respect to past due payables. The present value of the future payments was expensed and included within interest expense, net on the condensed consolidated statements of operations for the nine months ended September 30, 2023.

For the nine months ended September 30, 2023, we recognized a gain of \$2.7 million as compared to a gain of \$4.8 million for the same period in the prior year resulting from a decrease in the fair value of common stock warrants outstanding.

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

We have historically funded our operations primarily with proceeds from issuances of our convertible preferred stock, issuances of our common stock, borrowings under our loan facilities, issuances of convertible promissory notes, and sales of our products and services. In connection with the merger completed with Sandbridge Acquisition Corporation ("SBG") on July 15, 2021 (the "Merger"), we raised \$133.9 million net proceeds, which combined with the sale of products and services funded our operations from the date of the Merger through the year ended December 31, 2022. As of December 31, 2022, we had cash and cash equivalents of \$11.2 million.

On February 17, 2023, we entered into private placement investment agreements with certain investors, pursuant to which we issued and sold to the investors (i) an aggregate of 30,000 shares of our Series A convertible preferred stock, par value \$0.0001 per share and (ii) warrants to purchase an aggregate of 7,871,712 shares of our common stock, par value \$0.0001 per share, ("February 2023 Warrants") for an aggregate purchase price of \$30.0 million.

The Series A convertible preferred stock is convertible into common stock at the option of the holder at any time after February 17, 2023 and ranks, with respect to dividend rights, rights of redemption and rights upon a liquidation event, (i) senior to the common stock and all other classes or series of equity securities of the Company established after February 17, 2023, unless such shares or equity securities expressly provide that they rank in parity with or senior to the Series A convertible preferred stock with respect to dividend rights, rights of redemption or rights upon a liquidation event, (ii) on parity with each class or series of equity securities of the Company established after the February 17, 2023, the terms of which expressly provide that it ranks on parity with the Series A



convertible preferred stock with respect to dividend rights, rights of redemption and rights upon a liquidation event and (iii) junior to each class or series of equity securities of the Company established after February 17, 2023, the terms of which expressly provide that it ranks senior to the Series A convertible preferred stock with respect to dividend rights, rights of redemption and rights upon a liquidation event. Except as otherwise provided in the certificate of designation relating to the Series A convertible preferred stock or as required by law, holders of shares of Series A convertible preferred stock are entitled to vote with the holders of shares of common stock (and any other class or series that may similarly be entitled to vote with the holders of common stock) on an as-converted to common stock basis at any annual or special meeting of our stockholders, and not as a separate class.

At any time from and after February 17, 2028, the holders of at least a majority of the then outstanding shares of Series A convertible preferred stock may specify a date and time or the occurrence of an event by vote or written consent that all, and not less than all, of the outstanding shares of Series A preferred stock will automatically be: (i) converted into shares of common stock at a conversion rate of 145.7726 per share (the "Conversion Rate"), (ii) subject to certain exceptions and limitations, redeemed for an amount per share of Series A preferred stock equal to the liquidation preference of one thousand dollars per share, plus all accrued or declared but unpaid dividends as of the redemption date and time or (iii) a combination of the foregoing.

Subject to certain exceptions, upon the occurrence of a fundamental change, voluntary or involuntary liquidation, dissolution or winding-up of the Company, the Company will be required to pay an amount per share of Series A Preferred Stock equal to the greater of (i) one thousand dollars per share or (ii) the consideration per share of Series A Preferred Stock as would have been payable had all such shares been converted to common stock immediately prior to the liquidation event, plus, in each case, the aggregate amount of all declared but unpaid dividends thereon to the date of final distribution to the holders of Series A Preferred Stock.

Each of the February 2023 Warrants sold in the private placement offering is exercisable for one share of common stock at an exercise price of \$4.66 per share, is immediately exercisable, and will expire on February 17, 2028. None of the warrants have been exercised as of September 30, 2023. As the February 2023 Warrants could require cash settlement in certain scenarios, the warrants were classified as liabilities upon issuance and were initially recorded at an aggregate estimated fair value of \$26.1 million. The total proceeds from the offering were first allocated to the liability classified warrants, based on their fair values, with the residual \$3.9 million allocated to the Series A convertible preferred stock. The Series A convertible stock will accrete to its redemption value, starting from the issuance date to the date at which the shares become redeemable on February 17, 2028. Accretion will be recorded as a deemed dividend.

We incurred \$2.0 million of issuance costs related to the offering, of which \$1.5 million were paid as of September 30, 2023. Issuance costs allocated to the preferred stock of \$0.3 million were recorded as a reduction to paid-in capital. Issuance costs allocated to the liability classified warrants of \$1.7 million were recorded as an expense within general and administrative expenses.

#### **Funding Requirements**

In accordance with ASU No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40), we have evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the accompanying consolidated financial statements included elsewhere in this Report are issued.

Since inception, we have experienced recurring operating losses and generated negative cash flows from operations, resulting in an accumulated deficit of \$248.7 million as of September 30, 2023. During the nine months ended September 30, 2023 and 2022, we had negative cash flows from operations of \$22.0 million and \$71.6 million, respectively. As of September 30, 2023, we had \$15.2 million of cash on hand.

Year over year declines in revenue, the low, current cash balance, recurring operating losses, and negative cash flows from operations since inception raise substantial doubt about our ability to continue as a going concern within one year after the date that the accompanying condensed consolidated financial statements included elsewhere in this Report are issued. The condensed consolidated financial statements included elsewhere in this Report have been prepared on a going concern basis and accordingly, do not include any adjustments relating to the recoverability and classification of asset carrying amounts, or the amount and classification of liabilities that might result should we be unable to continue as a going concern.

As we continue to address these financial conditions, management have undertaken the following actions:

- As described above, on February 17, 2023 we consummated a sale of newly issued preferred stock and warrants to purchase our common stock for aggregate gross proceeds of \$30.0 million.
- As described in Note 4, *Long-Term Debt and Other Financing Arrangements*, to the condensed consolidated financial statements included elsewhere in this Report, in March 2023 we further amended our financing arrangement with Silicon Valley Bank, now a division of First Citizens Bank and Trust Company ("SVB"), under which the principal payments on the term note were deferred until September 2023. This amendment also revised the financial covenants for future periods.

- During the year ended December 31, 2022, we undertook restructuring actions, which significantly reduced employee headcount and reduced operating spend. This included the reduction of consulting and outside services, the reduction of marketing programs, and the prioritization of and sequencing of research and development projects.

We have not generated sufficient cash flows from operations to satisfy our capital requirements. There can be no assurance that we will generate sufficient future cash flows from operations due to potential factors, including but not limited to inflation, recession, or reduced demand for our products. If revenues further decrease from current levels, we may be unable to further reduce costs, or such reductions may limit our ability to pursue strategic initiatives and grow revenues in the future.

There can be no assurance that we will be able to obtain additional financing on terms acceptable to us, if at all. Failure to secure additional funding may require us to modify, delay or abandon some of our planned future development, or to otherwise enact further operating cost reductions, which could have a material adverse effect on our business, operating results, financial condition and ability to achieve our intended business objectives.

If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges, or unforeseen circumstances could be significantly limited, and our business, financial condition and results of operations could be materially adversely affected. We also could be required to seek funds through arrangements with partners or others that may require us to relinquish rights or jointly own some aspects of our technologies, products or services that we would otherwise pursue on our own.

#### ***Loan and Security Agreement with Silicon Valley Bank***

On November 23, 2022, we entered into the Third Amended and Restated Loan and Security Agreement (the "November 2022 LSA") with SVB. The November 2022 LSA amended, restated and replaced in its entirety the prior Second Amended and Restated Loan and Security Agreement, dated April 22, 2020, and all prior amendments. On March 27, 2023, we entered into the first amendment to the November 2022 LSA with SVB (the "March 2023 Amendment"), which, among certain other revisions, (i) deferred certain payments of principal by us until September 1, 2023, (ii) had SVB waive certain stated events of default, (iii) expanded the eligibility of inventory and accounts that we can borrow against, and (iv) modified certain financial covenants required of us.

On August 10, 2023, we entered into the second amendment to the November 2022 LSA with SVB (the "August 2023 SVB Amendment" and together with the November 2022 LSA and March 2023 Amendment, the "LSA") that clarified the calculation of the financial covenants under the agreement.

As of September 30, 2023, we were in violation of its minimum adjusted EBITDA requirement for the three months ended September 30, 2023 under the LSA. On November 13, 2023, we entered into a waiver and third amendment to the November 2022 LSA (the "November 2023 Amendment" and together with the November 2022 LSA, the March 2023 Amendment, and the August 2023 Amendment, the "LSA") with SVB to, among other things, waive this covenant violation and to revise the adjusted EBITDA requirements for future periods.

#### ***Line of Credit***

The LSA provides for a \$10.0 million revolving line of credit (the "SVB Revolver") as of September 30, 2023. The SVB Revolver is an asset-based lending facility subject to borrowing base availability, which is limited by specified percentages of eligible accounts receivable and eligible inventory. Borrowing base availability can be impacted based upon the period's eligible accounts receivable and eligible inventory, and may be significantly lower than the full \$10.0 million line of credit. As of September 30, 2023, borrowing base availability was \$5.1 million.

The SVB Revolver facility matures and terminates on April 22, 2024. As of September 30, 2023, the SVB Revolver bore interest on the outstanding principal amount at a floating rate per annum equal to the greater of (i) 5.00% and (ii) the prime rate plus the prime rate margin, which is 2.25% for advances on the SVB Revolver, as defined by the LSA.

#### ***Term Loan***

The LSA also provided for an \$8.5 million term loan (the "Term Loan"), replacing the term loans made under the previous agreement, of which \$6.5 million was outstanding as of September 30, 2023. The Term Loan amortizes with equal monthly installments of \$0.5 million and matures on October 1, 2024 (the "Term Loan Maturity Date").

The Term Loan accrues interest on the outstanding principal amount at a floating rate per annum equal to the greater of (i) five and three-quarters percent (5.75%) and (ii) the prime rate plus the prime rate margin, which is 3.50% for the Term Loan (as defined in the LSA), and such interest is payable (a) monthly in arrears, (b) on each prepayment date and (c) on the Term Loan Maturity Date. All outstanding principal and accrued and unpaid interest and all other Term Loan-related outstanding obligations shall become due and payable in full on the Term Loan Maturity Date.

We believe that the fair value of the Term Loan approximates the recorded amount as of September 30, 2023 and December 31, 2022, as the interest rates on the long-term debt are variable and the rates are based on market interest rates (bank's prime rate) after consideration of default and credit risk (using Level 2 inputs).

#### **Financed Insurance Premium**

In July 2023, we renewed our corporate directors & officers and employment liability policies and entered into a new short-term commercial premium finance agreement with First Insurance Funding totaling \$0.9 million to be paid in eleven equal monthly payments, accruing interest at a rate of 8.29%. As of September 30, 2023, the remaining principal balance on the combined financed insurance premiums was \$0.8 million.

#### **Cash Flows**

The following table summarizes our cash flow (in millions):

	Nine Months Ended September 30,	
	2023	2022
Net cash used in operating activities	\$ (22.0)	\$ (71.6)
Net cash used in investing activities	—	(1.4)
Net cash provided by financing activities	25.9	1.1
Net change in cash and cash equivalents	<u><u>\$ 3.9</u></u>	<u><u>\$ (71.9)</u></u>

#### **Operating Activities**

For the nine months ended September 30, 2023, net cash used in operating activities was \$22.0 million as compared to net cash used in operating activities of \$71.6 million in the prior year. The change in operating cash flows was primarily driven by a lower net loss and lower working capital usage. Lower working capital usage was driven by decreases in accounts receivable and inventory levels, as compared to increases in the prior year. These were partially offset by a larger decrease in accounts payable and accrued and other expenses as compared to the prior year.

#### **Investing Activities**

For the nine months ended September 30, 2023, we used substantially no cash for investing activities, as compared to \$1.4 million for the nine months ended September 30, 2022. The decrease in cash used for investing activities is primarily related to the prioritization of research and development projects in correlation with the restructuring actions taken during the fiscal year 2022.

#### **Financing Activities**

For the nine months ended September 30, 2023, net cash provided by financing activities was \$25.9 million as compared to cash used in financing activities of \$1.1 million for the nine months ended September 30, 2022, primarily driven by the private placement offering of preferred shares in February 2023, partially offset by debt payments.

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

There have been no material changes from the critical accounting policies and estimates disclosed in our Form 10-K, other than policies disclosed in this Report.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this Item.

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

##### **Limitations on Effectiveness of Controls and Procedures**

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

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

Disclosure controls and procedures (as such terms are defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to provide reasonable assurance that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of September 30, 2023, the effectiveness of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of September 30, 2023 due to the material weaknesses in our internal control over financial reporting described below.

##### **Material Weaknesses in Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13(a)-15(f) and 15(d)-15(f) under the Exchange Act.

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 the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses in our internal control over financial reporting exist as of September 30, 2023.

We did not design and maintain an effective control environment commensurate with our financial reporting requirements. Specifically, we did not maintain a sufficient complement of personnel with an appropriate degree of internal controls and accounting knowledge, experience, and training commensurate with our accounting and financial reporting requirements. This material weakness contributed to the following additional material weaknesses:

- We did not design and maintain effective controls over the segregation of duties related to journal entries. Specifically, certain personnel have the ability to both create and post journal entries within the Company's general ledger system. This material weakness did not result in any adjustments to the consolidated financial statements.
- We did not design and maintain effective controls over the accounting for the accuracy and existence of inventory, nor controls which verified the completeness and accuracy of accrued liabilities. Each of these material weaknesses resulted in immaterial adjustments that were recorded as out-of-period adjustments within the year ended December 31, 2022.
- We did not design and maintain effective controls over the accounting for convertible preferred stock and warrant arrangements. Further, we did not design and maintain effective controls to verify the completeness and accuracy of sales returns and accrued sales tax. Each of these material weaknesses resulted in material adjustments to several account balances and disclosures in the consolidated financial statements as of and for the year ended December 31, 2019. The sales returns material weakness also resulted in immaterial adjustments to revenue and accrued and other expenses as of and for the year ended December 31, 2022.
- We did not design and maintain effective controls over IT general controls for information systems that are relevant to the preparation of our consolidated financial statements. Specifically, we did not design and maintain (i) program change management controls to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized

and implemented appropriately, (ii) user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs, and data to appropriate Company personnel, (iii) computer operations controls to ensure that critical batch jobs are monitored, and data backups are authorized and monitored, and (iv) testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements. This material weakness did not result in any adjustments to the consolidated financial statements.

Additionally, each of the material weaknesses described above could result in a misstatement of one or more account balances or disclosures that would result in a material misstatement to the interim or annual consolidated financial statements that would not be prevented or detected.

#### **Remediation Plan**

We have initiated a plan to remediate these material weaknesses. The remediation measures will be ongoing, and although not all inclusive, remediation measures include hiring additional accounting and financial reporting personnel and implementing additional policies, procedures and controls, all of which will result in future costs for the Company.

We have taken actions to improve our IT general controls, segregation of duties over journal entries controls, inventory controls, accrued liabilities, convertible preferred stock, warrant arrangements, sales returns and accrued sales tax controls. However, the material weaknesses will not be considered remediated until our remediation plan has been fully implemented, the applicable controls operate for a sufficient period of time, and we have concluded, through testing, that the newly implemented and enhanced controls are operating effectively.

Notwithstanding the above, our management believes that the consolidated financial statements included in this Report on Form 10-Q state fairly in all material respects our financial position, results of operations and cash flows for the periods presented.

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

Other than the remediation efforts described above, there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended September 30, 2023 that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II

### **Item 1. Legal Proceedings.**

From time to time, we may become involved in various legal proceedings that arise in the ordinary course of business. We evaluate any claims and lawsuits with respect to their potential merits, our potential defenses and counterclaims, and the expected effect on us of defending the claims and a potential adverse result. However, the results of any litigation, investigations or other legal proceedings are inherently unpredictable and expensive. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, damage to our reputation, and divert significant resources. If any legal proceedings were to be determined adversely to us, or we were to enter into a settlement agreement, we could be exposed to monetary damages or limits on our ability to operate our business, which could have an adverse effect on our business, financial condition and operating results.

In November 2021, two putative class action complaints were filed against us in the U.S. District Court for the Central District of California, the first captioned Butala v. Owlet, Inc., Case No. 2:21-cv-09016, and the second captioned Cherian v. Owlet, Inc., Case No. 2:21-cv-09293. Both complaints alleged violations of the Exchange Act against the Company and certain of its officers and directors on behalf of a putative class of investors who: (a) purchased the Company's common stock between March 31, 2021 and October 4, 2021 ("Section 10(b) Claims"); or (b) held common stock in SBG as of June 1, 2021, and were eligible to vote at SBG's special meeting held on July 14, 2021 ("Section 14(a) Claims"). Both complaints allege, among other things, that the Company and certain of its officers and directors made false and/or misleading statements and failed to disclose certain information regarding the FDA's likely classification of the Owlet Smart Sock as a medical device requiring marketing authorization. On September 8, 2023, the Court ruled that while the Butala and Cherian cases were consolidated, there would be two distinct and separate classes to represent the Section 10(b) Claims and Section 14(a) Claims, respectively, and appointed lead plaintiffs and lead counsel. An amended complaint is expected to be filed on or before November 21, 2023. The Company intends to vigorously defend itself against these claims, including by filing on or before January 26, 2024 motions to dismiss the cases on behalf of itself and the named officers and directors.

### **Item 1A. Risk Factors.**

In addition to the information contained in this Report, you should carefully consider the risk factors disclosed in our Form 10-K and in Part II, [Item 1A. "Risk Factors" in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023](#), which risk factors are incorporated herein by reference, which could materially affect our business, financial condition or results.

### **Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.**

None.

### **Item 3. Defaults Upon Senior Securities.**

None.

### **Item 4. Mine Safety Disclosures.**

Not applicable.

### **Item 5. Other Information.**

(a) We are reporting the following information in lieu of reporting on a Current Report on Form 8-K under Item 1.01 - Entry into a Material Definitive Agreement.

On November 13, 2023, we entered into a waiver and third amendment (the "Amendment") to the Third Amended and Restated Loan and Security Agreement (the "November 2022 LSA" and, together with the Amendment, the "LSA") with Silicon Valley Bank, now a division of First Citizens Bank and Trust Company ("SVB"), to, among other things, waive our violation of our minimum adjusted EBITDA requirement for the three months ended September 30, 2023 and revise the adjusted EBITDA requirements for future periods, beginning with the three months ending December 31, 2023.

The foregoing description of the November 2023 Amendment does not purport to be complete and is subject to and qualified in its entirety by reference to the November 2023 Amendment, which is attached hereto as Exhibit 10.5 to this Report and is incorporated herein by reference.

- (b) None.
- (c) Not applicable.

## Item 6. Exhibits

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
2.1†	<a href="#">Merger Agreement, dated as of February 15, 2021, by and among the Registrant, Project Olympus Merger Sub, Inc. and Owlet Baby Care Inc.</a>	8-K	001-39516	2.1	2/16/2021
3.1	<a href="#">Second Amended and Restated Certificate of Incorporation of Owlet, Inc.</a>	S-4	333-254888	3.3	3/31/2021
3.2	<a href="#">Certificate of Designation of Series A Convertible Preferred Stock of Owlet, Inc.</a>	8-K	001-39516	3.1	2/21/2023
3.3	<a href="#">Second Amendment to the Second Amended and Restated Certificate of Incorporation of Owlet, Inc.</a>	8-K	001-39516	3.1	7/7/2023
3.4	<a href="#">Amended and Restated Bylaws of Owlet, Inc.</a>	S-4	333-254888	3.4	3/31/2021
4.1	<a href="#">Warrant Agreement, dated September 14, 2020, between Sandbridge Acquisition Corp. and Continental Stock Transfer &amp; Trust Company.</a>	8-K	001-39516	4.1	9/18/2020
4.2	<a href="#">Specimen Warrant Certificate.</a>	S-1	333-24832	4.4	9/1/2020
4.3	<a href="#">Form of Warrant to Purchase Common Stock.</a>	8-K	001-39516	4.1	2/21/2023
10.1*	<a href="#">Owlet, Inc. Non-Employee Director Compensation Program.</a>				
10.2*+	<a href="#">Offer of Employment Letter, dated as of July 21, 2023, by and between Owlet, Inc. and Jonathan Harris.</a>				
10.3*#	<a href="#">Second Amendment to the Third Amended and Restated Loan and Security Agreement, dated August 10, 2023, between Silicon Valley Bank, as bank lender, and Owlet, Inc. and its subsidiary, Owlet Baby Care, Inc., as borrowers.</a>				
10.4	<a href="#">Owlet, Inc. Executive Change in Control Severance Plan</a>	10-Q	001-39516	10.5	8/14/2023
10.5*#	<a href="#">Waiver and Third Amendment to the Third Amended and Restated Loan and Security Agreement, dated November 13, 2023, between Silicon Valley Bank, as bank lender, and Owlet, Inc. and its subsidiary, Owlet Baby Care, Inc., as borrowers.</a>				
31.1*	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				
31.2*	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				
32.1**	<a href="#">Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>				
101.INS*	<a href="#">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.</a>				
101.SCH*	<a href="#">Inline XBRL Taxonomy Extension Schema Document.</a>				
101.CAL*	<a href="#">Inline XBRL Taxonomy Extension Calculation Linkbase Document.</a>				
101.DEF*	<a href="#">Inline XBRL Taxonomy Extension Definition Linkbase Document.</a>				
101.LAB*	<a href="#">Inline XBRL Taxonomy Extension Label Linkbase Document.</a>				
101.PRE*	<a href="#">Inline XBRL Taxonomy Extension Presentation Linkbase Document.</a>				
104*	<a href="#">Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).</a>				

\*Filed herewith

\*\*Furnished herewith.

†The annexes, schedules, and certain exhibits to this Exhibit have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant hereby agrees to furnish supplementally a copy of any omitted annex, schedule or exhibit to the SEC upon request.

+Indicates management contract or compensatory plan.

#Certain portions of this exhibit (indicated by "[\*\*]") have been omitted pursuant to Regulation S-K, Item 601(b)(10).

## SIGNATURES

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

Company Name

Date: November 14, 2023

By: /s/ Kurt Workman  
Name: Kurt Workman  
Title: Chief Executive Officer  
(Principal Executive Officer)

Date: November 14, 2023

By: /s/ Kathryn R. Scolnick  
Name: Kathryn R. Scolnick  
Title: Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

**OWLET, INC.**  
**NON-EMPLOYEE DIRECTOR COMPENSATION PROGRAM**

This Owlet, Inc. (the “**Company**”) Non-Employee Director Compensation Program (this “**Program**”) has been adopted under the Company’s 2021 Incentive Award Plan (the “**Plan**”) and shall be effective upon approval by the Board of Directors of the Company (the “**Board**”). Capitalized terms not otherwise defined herein shall have the meaning ascribed in the Plan.

**Cash Compensation**

Annual retainers will be paid in the following amounts to eligible non-employee directors of the Company, as determined from time to time by the Board (“**Non-Employee Directors**”):

*Board Service*

Non-Employee Director	\$32,500
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*Committee Service*

	Chair
Audit Committee Chair	\$32,500

All annual retainers are additive and will be paid in cash quarterly in arrears promptly following the end of the applicable calendar quarter, but in no event more than 30 days after the end of such quarter. If a Non-Employee Director does not serve as a Non-Employee Director, or in the applicable positions described above, for an entire calendar quarter, the retainer paid to such Non-Employee Director shall be prorated for the portion of such calendar quarter actually served as a Non-Employee Director, or in such position, as applicable.

**Equity Compensation**

Non-Employee Directors shall be granted the equity awards described below. The awards described below shall be granted under the Plan and shall be evidenced by the execution and delivery of award agreements, including attached exhibits, in substantially the forms previously approved by the Board. All applicable terms of the Plan apply to this Program as if fully set forth herein, and all grants of Restricted Stock Units (as defined in the Plan) hereby are subject in all respects to the terms of the Plan.

*Election to Receive Restricted Stock Units in Lieu of Cash Retainers*

Each Non-Employee Director may elect to receive 100%, 75%, 50% or 0% of the Non-Employee Director’s cash compensation set forth above in the form of Restricted Stock Units in lieu of cash (a “**Retainer Award Election**”). At least 10 business days prior to the end of any calendar quarter, a Non-Employee Director who desires to make a Retainer Award Election shall make the Non-Employee Director’s Retainer Award Election with respect to the cash compensation otherwise payable to such Non-Employee Director for such calendar quarter and each subsequent calendar quarter (unless and until a new Retainer Award Election is made). The Retainer Award

Election shall be made pursuant to an election form provided by the Company and in compliance with the rules and policies as may be established by the Board from time to time. On the fifth business day following the end of a calendar quarter, each Non-Employee Director for whom a Retainer Award Election is in effect shall automatically be granted an award (a “**Retainer Award**”) comprised of that number of Restricted Stock Units calculated by dividing (a) the product of (i) the amount of the cash retainer earned by such Non-Employee Director during such calendar quarter multiplied times (ii) the percentage of cash compensation elected by such Non-Employee Director in the Retainer Award Election by (b) the 30 trading day average closing price of a share of the Company’s Class A common stock (“**Common Stock**”) as of the last trading day of the applicable calendar quarter, and rounding down to the nearest whole number.

#### *Initial Awards*

Each Non-Employee Director who is initially elected or appointed to the Board after the Effective Date and on a date other than the date of an annual meeting of the Company’s stockholders shall automatically be granted, on the date of such initial election or appointment, an award (an “**Initial Award**”) comprised of that number of Restricted Stock Units calculated by dividing (a) the product of (i) \$150,000 multiplied by (ii) a fraction, the numerator of which is the number of days remaining until the first anniversary of the annual meeting of the Company’s stockholders that immediately preceded such Non-Employee Director’s election or appointment and the denominator of which is 365, by (b) the 30 trading day average closing price of a share of Common Stock as of the date of appointment or election, and rounding down to the nearest whole number.

#### *Annual Awards*

A Non-Employee Director who will continue to serve as a Non-Employee Director immediately following any annual meeting of the Company’s stockholders, shall be automatically granted, on the date of such annual meeting, an award (an “**Annual Award**”) comprised of that number of Restricted Stock Units calculated by dividing (a) \$150,000 by (b) the 30 trading day average closing price of a share of Common Stock as of the date of such annual meeting of the Company’s stockholders, and rounding down to the nearest whole number.

#### *Vesting*

Each Retainer Award shall be fully vested as of the date of grant. Each Initial Award and each Annual Award shall vest in full on the earlier of (A) the first anniversary of the date of grant or (B) immediately prior to the next annual meeting of the Company’s stockholders after the date of grant, subject to the Non-Employee Director continuing to provide services to the Company through the applicable vesting date. Except as otherwise determined by the Board, no portion of an Initial Award or Annual Award which is unvested at the time of a Non-Employee Director’s termination of service on the Board shall become vested.

#### *Change in Control*

Upon a Change in Control of the Company, all outstanding equity awards granted under the Plan and any other equity incentive plan maintained by the Company that are held by a Non-Employee

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Director shall become fully vested and/or exercisable, irrespective of any other provisions of the agreement evidencing such Non-Employee Director's equity award.

***Reimbursements***

The Company shall reimburse each Non-Employee Director for all reasonable, documented, out-of-pocket travel and other business expenses incurred by such Non-Employee Director in the performance of his or her duties to the Company in accordance with the Company's applicable expense reimbursement policies and procedures as in effect from time to time.

Approved by the Board on July 18, 2023

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**OWLET BABY CARE, INC.**  
3300 N ASHTON BLVD SUITE 300  
LEHI, UT 84043

July 21, 2023

Jonathan Harris

Dear Jonathan,

Congratulations! We are excited to offer you the position of President & Chief Revenue Officer (CRO) at Owlet, Inc., and its wholly- owned subsidiary, Owlet Baby Care, Inc. (the "Company" and, together with Owlet, Inc., "Owlet"), headquartered in Lehi, Utah and reporting to Kurt Workman, Owlet's Chief Executive Officer. This letter sets forth the terms and conditions of your employment with the Company. It is important that you understand clearly both what your compensation and benefits are and what the Company expects of you. By signing this letter, you will be accepting employment on the following terms.

**Effective Start Date:** July 25, 2023 ("Start Date")

**Base Salary:** \$375,000 annualized, subject to applicable payroll withholdings and deductions

**Status:** Full-time, Exempt Employee

**Bonus Potential:** You have the potential to earn a target annual bonus of 50.00% of your base salary, based on company financial goals and individual performance, subject to applicable payroll withholdings and deductions. Payment of the bonus will be made by April 1<sup>st</sup>, after the financial audit of the prior annual performance period. The bonus is contingent upon being employed by Owlet at the time of the payout and may be subject to proration based upon hire date. Notwithstanding the foregoing, if your employment with Owlet is terminated by Owlet without Cause (as defined in the copy of Owlet's Executive Change in Control Severance Plan to be adopted by the Owlet Board of Directors (the "Board") or its Compensation Committee (the "Compensation Committee") and provided to you with this offer letter)(the "CIC Plan") or you terminate your employment with Owlet for Good Reason (as defined in the CIC Plan) (i) if after the end of the applicable performance period but before the payment date, Owlet will pay the amount of your bonus based on actual performance, as determined by the Board or the Compensation Committee on the payment date or (ii) if prior to the end of the applicable performance period. Owlet will pay a prorated bonus based on the number of full months worked during the performance period and actual performance, as determined by the Board or Compensation Committee, in each case, such payment to be made at the same time annual bonus payments are made to other Owlet executives and subject to your delivery of a general release of claims against Owlet in a form acceptable to Owlet (a "Release") that becomes effective and irrevocable within 60 days following your termination of employment with Owlet. Any amount payable under subclause (ii) in the preceding sentence shall be reduced by any amount payable to you as a pro-rated bonus under Owlet's CIC Plan, once adopted.

In addition to the target annual bonus eligibility, you have the potential to earn a one-time target bonus of 100% of your base salary, based on company financial goals and individual performance, subject to applicable payroll withholdings and deductions. This one- time cash bonus will be finalized as we work to mutually agree to performance-based targets no more than 30 days after joining and will be paid out on the first payroll date after the twelve-month anniversary of your Start Date, subject to your attainment of the

performance-based targets and your continuous employment with Owlet through the twelve-month anniversary of your Start Date. Notwithstanding the foregoing, if your employment with Owlet is terminated by Owlet without Cause or you terminate your employment with Owlet for Good Reason prior to the first payroll date after the twelve-month anniversary of your Start Date, then, subject to your delivery of a Release that becomes effective and irrevocable within 60 days following such termination of employment, any portion of the one-time cash bonus earned based on performance, as determined by the Board or **Compensation** Committee, will be prorated based on the number of full months employed by Owlet from the Start Date, such payment to be made on the first payroll date after the Release becomes effective and irrevocable.

**Severance and Change of Control:** You will be entitled to participate in Owlet's CIC Plan once adopted on terms and conditions no less favorable to you than the terms and conditions in the copy of the CIC Plan delivered to you with this offer letter. In addition, in the event of termination of your employment by Owlet without Cause (as defined in the CIC Plan), you will be entitled to six (6) months' base salary as severance.

**Employee Benefits:** You will be eligible to participate in Company-sponsored benefits effective the first day of the month following your hire date, including health benefits, holidays, 401(k) program, and other benefits that the Company may offer to similarly situated employees from time to time. Your eligibility to receive such benefits will be subject in each case to the generally applicable terms and conditions for the benefits in question and to the determinations of any person or committee administering such benefits. You will be covered by worker's compensation insurance, state disability insurance and other governmental benefit programs as required by state law.

**Additional Benefits:**

- **Flex-time Scheduling:** Flex-time scheduling encompasses sick, vacation, and personal time. Flex-time is approved by your manager.
- **Product Discounts:** Owlet employees may purchase products for a discount.
- **Paid Holidays**
- **Work From Home Benefit:** The Company will provide a one-time benefit of \$250.00 (gross) for improvements to your home workspace. This benefit will be taxed as compensation.
- **HSA:** The Company will contribute to an HSA Account, with participation in the High Deductible Health Insurance Plan.

The Company may from time to time, in its sole discretion, amend or terminate the benefits available to you and the Company's other employees.

**Initial Equity Award:** Subject to the approval of the Compensation Committee, the Company will grant you an equity award in two tranches with an aggregate Target Value of \$1,000,000, split between the two tranches and measured as of the date the tranche is granted (the "Initial Equity Award"). Target Value will be determined by reference to one or more trading prices of Company common stock in accordance with Company policy, as in effect from time to time. The Initial Equity Award will be in the form of restricted stock units. The Initial Equity Award will be subject to the terms and conditions of the Company's then-current equity incentive plan and an award agreement to be signed by you and Owlet, Inc.

The first tranche of Your Initial Equity Award with a Target Value of \$600,000 will be granted within 30 days of your Start Date, subject to approval by the Compensation Committee and your continued employment through the date of grant.

The second tranche of your Initial Equity Award with a target Value of \$400,000 will be granted in January 2024, subject to approval by the Compensation Committee and your continued employment through the date of the grant.

Your Initial Equity Award will vest over three years, with the first 25% vesting on the first anniversary of the applicable tranche vesting commencement date and the remainder vesting no less frequently than quarterly, in each case, subject to your continued employment with the Company through the applicable vesting date. The vesting commencement date will be your Start Date.

**Reimbursement of Expenses:** All reasonable business expenses that are documented by you, with receipts, and incurred in the ordinary course of business will be reimbursed in accordance with the Company's standard policies and procedures.

**At-Will Employment:** Your employment with the Company is "at-will." In other words, either you or the Company can terminate your employment at any time for any reason, with or without cause and with or without notice, without liability except as expressly set forth in this letter. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures, may change from time to time, the "at-will" nature of your employment may not be changed. No representative of the Company has authority to enter into any agreement contrary to the foregoing "employment at will" relationship.

**Adjustments and Changes in Employment Status:** The Company reserves the right to make personnel decisions regarding your employment, including but not limited to, decisions regarding any transfers or other changes in duties or assignments, changes in your salary and other compensation, changes in benefits and changes in Company policies or procedures, subject to any consequences that may arise under the CIC Plan or otherwise.

**Proprietary Information Agreement:** You will be required to sign and abide by the terms of the enclosed Proprietary Information and Inventions Agreement prior to beginning employment, indicating your full agreement to, and ongoing compliance with, the terms of that agreement, which include, among other provisions, the assignment of patent rights to any invention made during your employment at the Company, and non-disclosure of the Company's proprietary information.

**Offer Contingency and Immigration:** This offer is contingent upon your ability to prove your identity and authorization to work in the U.S. for the Company. You must comply with the United States Citizenship and Immigration Services employment verification requirements. Additionally, you are required to successfully pass a background check as a condition of employment. In addition, you must deliver to the Company an executed copy of the Mutual agreement to Arbitrate Claims attached as [Exhibit A](#).

**No Conflicting Obligations:** By executing this letter, you represent and warrant that your performance of this letter does not and will not breach any agreement you have entered into, or will enter into, with any other party. You must disclose to the Company any and all agreements relating to your prior employment that may affect your eligibility to be employed by the Company or limit the manner in which you may be employed. You shall not engage in any other employment, occupation, consulting, or other business activity directly related to the business in which the Company is now involved or becomes involved during the term of your employment, nor will you engage in any other activities that conflict with your obligations to the Company except as disclosed to the Company. Similarly, you agree not to bring any third-party confidential information to the Company, including that of any former employer, and that you will not in any way utilize any such information in performing your duties for the Company. It is the Company's understanding that any such agreements will not prevent you from performing the duties of your position and you represent that such is the case. By signing and accepting this offer, you represent and warrant that: (i) you are not subject to any pre-existing contractual or other legal obligation with any person, company or business enterprise which may be an impediment to, or a conflict of interest with, your employment with the Company, or your providing services to the Company as its employee; (ii) you do not have and shall not bring onto the Company's premises, or use in the course of your employment with the Company, any confidential or proprietary information of another person, company or business enterprise to whom you previously provided services; and (iii) you will not, at any time during your employment with the Company, breach any obligation or agreement that you have entered into with any third party, including your former employers. You agree not to enter into any written or oral agreement that conflicts with this letter.

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**Integrated Agreement:** This letter supersedes any prior agreements, representations or promises of any kind, whether written, oral, express or implied between the parties hereto with respect to its subject matter. Likewise, this letter will constitute the full, complete and exclusive agreement between you and the Company with respect to its subject matter. This Agreement may only be changed by a writing, signed by you and an authorized representative of the Company.

**Severability:** If any term of this letter is held to be invalid, void or unenforceable, the remainder of the terms herein will remain in full force and effect and will in no way be affected, and the parties will use their best efforts to find an alternative way to achieve the same result.

**Governing Law:** The terms of this letter and the resolution of any dispute as to the meaning, effect, performance or validity of this letter or arising out of, related to, or in any way connected with, this letter, your employment with the Company or any other relationship between you and the Company (a "Dispute") will be governed by the laws of the State of Utah, without giving effect to the principles of conflict of laws. To the extent not subject to arbitration as described in **Exhibit A**, you and the Company consent to the exclusive jurisdiction of, and venue in, the state courts in **Utah County** in the State of Utah (or in the event of exclusive federal jurisdiction, the courts of the District of Utah in connection with any Dispute or any claim related to any Dispute).

**Indemnification.** You and Owlet will enter into the Company's standard form of Indemnification and Advancement Agreement effective on your Start Date.

The payment and benefits under this offer letter are intended to qualify for an exemption from application of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), or comply with its requirements to the extent necessary to avoid adverse personal tax consequences under Section 409A of the Code. To the extent that any provision of the letter is ambiguous as to its exemption from or compliance with Section 409A of the Code, the provision shall be read in such a manner so that all payments hereunder are exempt from, or if not exempt from, comply with, Section 409A of the Code.

Anything in the letter to the contrary notwithstanding, if at the time of your separation from service within the meaning of Section 409A of the Code, Owlet determines that you are a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that you become entitled to under the letter on account of your separation from service would be considered deferred compensation subject to additional tax imposed pursuant to Section 409A(a) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (A) six months and one day after your separation from service, or (B) your death.

Your right, if any, to receive installment payments pursuant to the letter shall be treated as a right to receive a series of separate and distinct payments.

To the extent that any reimbursements payable pursuant to the letter are subject to the provisions of Section 409A of the Code, any such reimbursements payable to you pursuant to the letter shall be paid to you no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and your right to reimbursement under the letter will not be subject to liquidation or exchange for another benefit.

Notwithstanding anything in the letter to the contrary, if any payment or distribution you would receive pursuant to this letter or

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otherwise ("Payment") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then Owlet shall cause to be determined, before any amounts of the Payment are paid to you, which of the following alternative forms of payment would maximize your after-tax proceeds: (A) payment in full of the entire amount of the Payment or (B) payment of only a part of the Payment so that you receive that largest Payment possible without being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax (all computed at the highest marginal rate, net of the maximum reduction in federal income taxes which could be obtained from a deduction of such state and local taxes), results in your receipt, on an after-tax basis, of the greater amount of the Payment, notwithstanding that all or some portion the Payment may be subject to the Excise Tax. If necessary, the specific Payments that shall be reduced will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits payable to you. All determinations shall be made by such adviser as may be selected by Owlet, provided, that the adviser's determination shall be made based upon "substantial authority" within the meaning of Section 6662 of the Code. The adviser shall provide its determination, together with detailed supporting calculations and documentation, to you and Owlet within fifteen (15) business days following the date of termination of your employment, if applicable, or such other time as requested by you (provided, that you reasonably believe that any of the Payments may be subject to the Excise Tax) or Owlet. All reasonable fees and expenses of the adviser in reaching such a determination shall be borne solely by Owlet.

To confirm your agreement with and acceptance of these terms, please sign this letter and return it to me. This offer letter expires on July 24, 2023.

If you have any questions regarding these programs, or for more information please contact me.

**Sincerely,**

**Owlet Baby Care, Inc.**

/s/ Kurt Workman

Kurt Workman  
Chief Executive Officer (CEO)

**Acknowledgment and Acceptance of Employment Offer**

I accept employment with Owlet Baby Care, Inc. and acknowledge and fully agree to the terms and conditions set forth in this offer letter:

/s/ Jonathan Harris 7/24/2023

Jonathan Harris Date

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**EXHIBIT A**  
**MUTUAL AGREEMENT TO ARBITRATE CLAIMS**

I recognize that differences may arise between Owlet Baby Care, Inc. (the “**Company**”) and me during or following my employment with the Company. In consideration of my continued employment with the Company, its promise to arbitrate all employment-related disputes, and my receipt of the compensation, pay raises, and other benefits paid to me by the Company, at present and in the future, I agree that any and all controversies, claims, or disputes with anyone (including the Company and any employee, officer, director, shareholder, or benefit plan of the Company, in their capacity as such or otherwise), arising out of, relating to, or resulting from my employment with the Company or the termination of my employment with the Company, including any breach of this Mutual Agreement to Arbitrate Claims (this “**Agreement**”), shall be subject to binding arbitration under the Federal Arbitration Act and applicable state law.

**Claims Covered by this Agreement.** To the maximum extent allowed by law, the Company and I mutually consent to the resolution by binding arbitration of all claims or causes of action that the Company may have against me or that I may have against the Company or the Company’s current and former owners, partners, members, officers, directors, employees, representatives and agents, all subsidiary and affiliated entities, all benefit plans, the benefit plans’ sponsors, fiduciaries, administrators, affiliates, and all successors and assigns of any of them.

The claims covered by this Agreement include, but are not limited to: claims for breach of any contract or covenant; tort claims; claims for discrimination or harassment (including, but not limited to, race, sex, religion, national origin, age, medical condition, disability or sexual orientation); claims for retaliation; claims for violation of public policy; and claims for violation of any federal, state, local or other law, statute, regulation or ordinance, including, but not limited to, all claims arising under Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act of 1967, the Americans with Disabilities Act, the Fair Labor Standards Act, and applicable state employment laws.

**Class Action Waiver.** I agree to bring any dispute in arbitration on an individual basis only, and not on a class or collective basis. Nor will I join or serve as a member of a class or collective action, or otherwise seek to represent the interests of any other person. There will be no right or authority for any dispute to be brought, heard or arbitrated as a class or collective action, or for either party to be a participant in any purported class or collective proceeding, including without limitation pending but not certified class actions. (Hereafter, this agreement will be referred to as the Class Action Waiver.) I understand that disputes regarding the validity and enforceability of this Class Action Waiver may be resolved only by a civil court of competent jurisdiction and not by an arbitrator. In any case in which (1) the dispute is filed as a class or collective action and (2) a civil court of competent jurisdiction finds all or part of the Class Action Waiver unenforceable, the class and/or collective action to that extent must be litigated in a civil court of competent jurisdiction, but the portion of the Class Action Waiver that is enforceable shall be enforced in arbitration.

**Administrative Relief.** I understand that this Agreement does not prohibit me from pursuing an administrative claim with a local, state, or federal administrative body or governing agency that is authorized to enforce or administer laws related to employment, including but not limited to the Department of Fair Employment and Housing, the Equal Employment Opportunity Commission, the National Labor Relations Board, or the Workers’ Compensation Board. This Agreement does, however, preclude me from pursuing court action regarding any such claim, except as permitted by law.

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**Waiver of Right to Jury Trial.** I understand that, by signing this Agreement, both the Company and I are giving up any right we may have to a jury trial on all claims we may have against each other, as described in Paragraph 1.

**Required Notice of All Claims.** The Company and I agree that if a dispute arises, the party who wants to arbitrate the dispute must give written notice of any claim to the other party. Written notice to the Company or its officers, employees or agents, shall be sent to the Company's corporate office. I will be given notice at the last address recorded in my personnel file (unless I send written notice to the Company notifying them of the need to use a different address). The written notice must describe the nature of all claims asserted and must detail the facts upon which the claims are based. The notice must be sent to the other party(ies) by federal express (or another similar overnight mail service provider) or by certified or registered mail, return receipt requested.

**Arbitration Procedures.** The Company and I agree that, except as provided in this Agreement, any arbitration shall be in accordance with and under the auspices and rules of the Judicial Arbitration and Mediation Services, Inc. ("JAMS") for the resolution of employment disputes. The JAMS Employment Arbitration Rules and procedures are available at [www.JAMSadr.com](http://www.JAMSadr.com). The arbitrator may not consolidate more than one person's claims, and may not otherwise preside over any form of class proceeding. I agree that the arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication, motions to dismiss and demurrers, and motions for class certification, prior to any arbitration hearing. I agree that this Agreement and its validity, construction, and performance shall be governed by the Federal Arbitration Act (the "FAA") and cases decided thereunder and, to the extent relevant, the laws of the State of Utah. Further, the terms and procedures governing the enforcement of this Agreement shall be governed by and construed and enforced in accordance with the FAA, and not individual state laws regarding enforcement of arbitration agreements. I agree that the decision of the arbitrator shall be in writing. I agree that any arbitration under this Agreement shall be conducted in Utah County, Utah. The arbitrator's decision regarding the claims shall be final and binding upon the parties and shall be enforceable in any court having jurisdiction thereof.

**Arbitration Fees and Costs.** In the event that either party initiates an arbitration, I agree that each party shall be responsible for paying such party's own attorneys' fees and costs. I agree that the arbitrator shall have the power to award any remedies available under applicable law, and that the arbitrator shall award attorneys' fees and costs to the prevailing party, except as prohibited by law. Without in any way limiting the scope of claims subject to arbitration, I understand that the issue of which party pays for any administrative or hearing fees charged by the arbitrator or JAMS shall depend on whether the claim being arbitrated is one that I have initiated against Company relating to any of my constitutional rights, fundamental rights, unwaivable public rights, unwaivable federal or state statutory rights, or an employment claim for violation of the common law that is grounded on similar unwaivable statutory rights (including, without limitation, any claim relating to wrongful termination in violation of public policy, collectively an "Employment Claim") or whether the claim being arbitrated does not constitute an Employment Claim but rather relates to a waivable right (whether statutory, common law, constitutional or otherwise) including, without limitation, a claim by either party relating to misuse of confidential information or other breach of the Nondisclosure Agreement between me and the Company ("Non-Employment Claim"). To the extent either party initiates an Employment Claim, then the Company shall pay for the costs of arbitration, including any administrative or hearing fees charged by the arbitrator or JAMS, except that I shall pay any filing fees associated with any Employment Claim arbitration that I initiate, but only so much of the filing fees as I would have instead paid had I filed a complaint in a court of law. To the extent that either party initiates a Non-Employment Claim, then each party shall bear an equal (pro-rata) share of any arbitration costs, including any administrative or hearing fees charged by the arbitrator or JAMS. The

parties intend for the foregoing to comply with the then-current JAMS Policy on Employment Arbitration (Minimum Standards of Procedural Fairness) and any other applicable law concerning the enforcement of agreements to arbitrate. To the extent any of the foregoing cost-splitting provisions are found not to comply with such then-applicable law, the arbitrator shall reform this Agreement such that it is enforceable and consistent with then-applicable decisional or statutory law.

**Modification/Entire Agreement.** This Agreement to arbitrate shall survive the termination of my employment. It can only be revoked or modified by a writing signed by the parties that specifically states an intent to revoke or modify this Agreement. This is the complete agreement of the parties on the subject of arbitration of disputes (except for any arbitration agreement in connection with any pension or benefit plan). This Agreement supersedes any prior or contemporaneous oral or written understanding on the subject. No party is relying on any representations, oral or written, on the subject of the effect, enforceability, or meaning of this Agreement, except as specifically set forth in this Agreement. If any provision of this Agreement is found to be unenforceable, in whole or in part, such finding shall not affect the validity of the remainder of this Agreement and this Agreement shall be reformed to the greatest extent possible to ensure that the resolution of all conflicts between the parties are resolved by neutral, binding arbitration.

**Violation of this Agreement.** Should any party to this Agreement pursue any arbitrable dispute by any method other than arbitration, the responding party shall recover from the initiating party all damages, costs, expenses and attorneys' fees incurred as a result of such action.

**Not an Employment Agreement.** This Agreement is not and shall not be construed to create any contract of employment, express or implied. Nor does this Agreement alter the at will status of any employment.

[Remainder of Page Blank; Signature Page Follows]

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I acknowledge that I have read this Agreement carefully and I understand and accept the obligations which it imposes upon me without reservation. No promises or representations have been made to me to induce me to sign this Agreement. I further acknowledge that I have been given the opportunity to discuss this Agreement with my private, legal counsel and have taken advantage of that opportunity to the extent I wanted to do so.

Accepted and Agreed to:

Employee:

By: /s/ Jonathan Harris 7/24/2023  
Jonathan Harris Date

Owlet Baby Care, Inc.

By: /s/ Seth Niederhauser

## **SECOND AMENDMENT TO THIRD AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT**

This Second Amendment to Third Amended and Restated Loan and Security Agreement (this "Amendment") is entered into this 10th day of August, 2023 by and between (a) **SILICON VALLEY BANK**, a division of **FIRST-CITIZENS BANK & TRUST COMPANY** (successor by purchase to the Federal Deposit Insurance Corporation as Receiver for Silicon Valley Bridge Bank, N.A. (as successor to Silicon Valley Bank)) ("Bank), and (b) (i) **OWLET BABY CARE, INC.**, a Delaware corporation ("Owlet Baby Care"), and (ii) **OWLET, INC.**, a Delaware corporation ("Owlet", and together with Owlet Baby Care, individually and collectively, jointly and severally, "Borrower").

### **RECITALS**

**A.** Bank and Borrower have entered into that certain Third Amended and Restated Loan and Security Agreement dated as of November 23, 2022, as amended by that certain First Amendment to Third Amended and Restated Loan and Security Agreement dated as of March 27, 2023 (as the same has been and may from time to time be further amended, modified, supplemented or restated, the "Loan Agreement").

**B.** Bank has extended credit to Borrower for the purposes permitted in the Loan Agreement.

**C.** Borrower has requested that Bank amend the Loan Agreement to make certain revisions to the Loan Agreement as more fully set forth herein.

**D.** Bank has agreed to so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

### **AGREEMENT**

**NOW, THEREFORE**, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

**1. Definitions.** Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

**2. Amendments to Loan Agreement.**

**2.1 Section 12.2 (Definitions).** The following term and its definition set forth in Section 12.2 of the Loan Agreement is amended in its entirety and replaced with the following:

" **Adjusted EBITDA**" shall mean (a) Net Income, plus (b) to the extent deducted in the calculation of Net Income (i) Interest Expense, (ii) depreciation expense and amortization expense, (iii) income tax expense, (iv) non-cash stock compensation expense, (v) non-recurring transaction expenses associated with raising preferred equity in an aggregated amount not to exceed \$1,000,000.00 at any given time, and (vi) non-cash warrant expense."

**2.2 Exhibit A (Compliance Statement).** The Compliance Statement appearing as Exhibit A to the Loan Agreement is deleted in its entirety and replaced with the Compliance Statement attached as Schedule I hereto.

**3. Limitation of Amendments.**

**3.1** The amendments set forth in Section 2, above, are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Bank may now have or may have in the future under or in connection with any Loan Document.

**3.2** This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

**4. Release by Borrower.**

**4.1** FOR GOOD AND VALUABLE CONSIDERATION, Borrower hereby forever relieves, releases, and discharges Bank and its present or former employees, officers, directors, agents, representatives, attorneys, and each of them, from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs and expenses, actions and causes of action, of every type, kind, nature, description or character whatsoever, whether known or unknown, suspected or unsuspected, absolute or contingent, arising out of or in any manner whatsoever connected with or related to facts, circumstances, issues, controversies or claims existing or arising from the beginning of time through and including the date of execution of this Amendment (collectively "**Released Claims**"). Without limiting the foregoing, the Released Claims shall include any and all liabilities or claims arising out of or in any manner whatsoever connected with or related to the Loan Documents, the recitals hereto, any instruments, agreements or documents executed in connection with any of the foregoing or the origination, negotiation, administration, servicing and/or enforcement of any of the foregoing.

**4.2** In furtherance of this release, Borrower expressly acknowledges and waives any and all rights under Section 1542 of the California Civil Code, which provides as follows:

"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party." (Emphasis added.)

**4.3** By entering into this release, Borrower recognizes that no facts or representations are ever absolutely certain and it may hereafter discover facts in addition to or different from those which it presently knows or believes to be true, but that it is the intention of Borrower hereby to fully, finally and forever settle and release all matters, disputes and differences, known or unknown, suspected or unsuspected; accordingly, if Borrower should subsequently discover that any fact that it relied upon in entering into this release was untrue, or that any understanding of the facts was incorrect, Borrower shall not be entitled to set aside this release by reason thereof, regardless of any claim of mistake of fact or law or any other circumstances whatsoever. Borrower acknowledges that it is not relying upon and has not relied upon any representation or statement made by Bank with respect to the facts underlying this release or with regard to any of such party's rights or asserted rights.

**4.4** This release may be pleaded as a full and complete defense and/or as a cross- complaint or counterclaim against any action, suit, or other proceeding that may be instituted, prosecuted or attempted in breach of this release. Borrower acknowledges that the release contained herein constitutes a material inducement to Bank to enter into this Amendment, and that Bank would not have done so but for Bank's expectation that such release is valid and enforceable in all events.

**4.5** Borrower hereby represents and warrants to Bank, and Bank is relying thereon, as follows:

**(a)** Except as expressly stated in this Amendment, neither Bank nor any agent, employee or representative of Bank has made any statement or representation to Borrower regarding any fact relied upon by Borrower in entering into this Amendment.

**(b)** Borrower has made such investigation of the facts pertaining to this Amendment and all of the matters appertaining thereto, as it deems necessary.

**(c)** The terms of this Amendment are contractual and not a mere recital.

**(d)** This Amendment has been carefully read by Borrower, the contents hereof are known and understood by Borrower, and this Amendment is signed freely, and without duress, by Borrower.

**(e)** Borrower represents and warrants that it is the sole and lawful owner of all right, title and interest in and to every claim and every other matter which it releases herein, and that it has not heretofore assigned or transferred, or purported to assign or transfer, to any person, firm or entity any claims or other matters herein released. Borrower shall indemnify Bank, defend and hold it harmless from and against all claims based upon or arising in connection with prior assignments or purported assignments or transfers of any claims or matters released herein.

**5. Due Authorization.** To induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank that it has the power and due authority to execute and deliver this Amendment.

**6. Bank Expenses.** Borrower shall reimburse Bank for all unreimbursed Bank Expenses, including without limitation, all legal fees and expenses incurred in connection with this Amendment.

**7. Integration.** This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.

**8. Counterparts.** This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including portable document format (PDF) or any electronic signature complying with the United States Electronic Signatures in Global and National Commerce (ESIGN) Act of 2000, e.g., [www.docusign.com](http://www.docusign.com)) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. If this Amendment is placed in escrow with any party or its respective counsel, no agreement shall be binding against any party hereto unless and until all documents have been released from escrow in writing by Bank or its counsel.

**9. Governing Law.** This Amendment and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of California.

**10. Effectiveness.** This Amendment shall be deemed effective upon the due execution and delivery to Bank of this Amendment by each party hereto.

[Signature page follows.]

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

**BANK**

FIRST-CITIZENS BANK & TRUST COMPANY (successor by purchase to the Federal Deposit Insurance Corporation as receiver for Silicon Valley Bridge Bank, N.A. (as successor to Silicon Valley Bank))

By: /s/ Zach Norris  
Name: Zach Norris  
Title: Managing Director

**BORROWER**

OWLET BABY CARE, INC.

By: /s/ Kathryn Scolnick  
Name: Kathryn Scolnick  
Title: Chief Financial Officer

OWLET, INC.

By: /s/ Kathryn Scolnick  
Name: Kathryn Scolnick  
Title: Chief Financial Officer

Schedule I  
**EXHIBIT A**  
**COMPLIANCE STATEMENT**

TO: FIRST-CITIZENS BANK & TRUST COMPANY Date: \_\_\_ FROM: OWLET BABY CARE INC. and OWLET, INC.

Under the terms and conditions of the Loan and Security Agreement between Borrower and Bank (as amended, modified, supplemented and/or restated from time to time, the "**Agreement**"), Borrower is in complete compliance for the period ending \_\_\_ with all required covenants except as noted below. Attached are the required documents evidencing such compliance, setting forth calculations prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

**Please indicate compliance status by circling Yes/No under "Complies" column.**

<b>Reporting Covenants</b>	<b>Required</b>	<b>Complies</b>
Monthly financial statements with Compliance Statement	Monthly within 30 days	Yes No
Annual financial statements (CPA Audited)	FYE within 180 days	Yes No
10-Q, 10-K and 8-K	Within 5 days after filing with SEC	Yes No
A/R & A/P Agings, along with reconciliations, detailed debtor report, and general ledger	Monthly within 30 days	Yes No
Borrowing Base Statements	Monthly within 7 days	Yes No
Board approved projections	FYE within 60 days and as amended/updated	Yes No
The following Intellectual Property was registered after the Effective Date (if no registrations, state "None")		

<b>Financial Covenant</b>	<b>Required</b>	<b>Actual</b>	<b>Complies</b>
<b>Maintain as indicated:</b>			
Minimum Liquidity	\$ 15,000,000.00	\$	Yes No
Minimum Adjusted EBITDA	See Schedule 1	\$	Yes No

The following financial covenant analyses and information set forth in Schedule 1 attached hereto are true and correct as of the date of this Compliance Statement.

The following are the exceptions with respect to the statements above: (If no exceptions exist, state "No exceptions to note.")

**Schedule 1 to Compliance Statement Financial Covenants**  
**of Borrower**

In the event of a conflict between this Schedule and the Agreement, the terms of the Agreement shall govern.

Dated: \_\_

**I. Liquidity** (Section 5.10(a)) Required: \$15,000,000.00

Actual:

A.	Unrestricted and unencumbered cash and Cash Equivalents	\$ _____
B.	The lesser of (i) the Revolving Line or (ii) the amount available under the Borrowing Base in each case not to exceed \$10,000,000.00.	\$ _____
C.	The outstanding principal balance of any Advances	\$ _____
D.	Availability Amount (Line B minus Line C)	\$ _____
E.	Liquidity (line A plus line D)	\$ _____

Is line C equal to or greater than \$15,000,000.00?

No, not in compliance  Yes, in compliance

**II. Adjusted EBITDA** (Section 5.10(b))

Required:

Quarter Ending	Minimum Adjusted EBITDA
March 31, 2023	[***]
June 30, 2023	[***]
September 30, 2023	[***]
December 31, 2023	[***]

Actual:

A. Net Income \$\_\_

## B. To the extent included in the determination of Net Income

1. The provision for income taxes	\$__
2. Depreciation expense	\$__
3. Amortization expense	\$__
4. Net Interest Expense	\$__
5. Non-cash stock compensation expense	\$__
6. Non-recurring transaction expenses associated with raising preferred equity in an aggregated amount not to exceed \$1,000,000.00 at any given time	\$__
7. Non-cash warrant expense	\$__
8. The sum of lines 1 through 7	\$__

## C. Adjusted EBITDA (line A plus line B.8)

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Is line C equal to or greater than the amount required for the corresponding measuring period set forth in the chart above?

No, not in compliance  Yes, in compliance

\*Certain portions of this exhibit (indicated by "[\*\*\*]") have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

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## **WAIVER AND THIRD AMENDMENT TO THIRD AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT**

This Waiver and Third Amendment to Third Amended and Restated Loan and Security Agreement (this "Amendment") is entered into this 13th day of November, 2023 by and between (a) **SILICON VALLEY BANK**, a division of **FIRST-CITIZENS BANK & TRUST COMPANY** (successor by purchase to the Federal Deposit Insurance Corporation as Receiver for Silicon Valley Bridge Bank, N.A. (as successor to Silicon Valley Bank)) ("Bank"), and (b) (i) **OWLET BABY CARE, INC.**, a Delaware corporation ("Owlet Baby Care"), and (ii) **OWLET, INC.**, a Delaware corporation ("Owlet", and together with Owlet Baby Care, individually and collectively, jointly and severally, "Borrower").

### **RECITALS**

**A.** Bank and Borrower have entered into that certain Third Amended and Restated Loan and Security Agreement dated as of November 23, 2022, as amended by that certain First Amendment to Third Amended and Restated Loan and Security Agreement dated as of March 27, 2023, and as further amended by that certain Second Amendment to Third Amended and Restated Loan and Security Agreement dated as of August 10, 2023 (as the same has been and may from time to time be further amended, modified, supplemented or restated, the "Loan Agreement").

**B.** Bank has extended credit to Borrower for the purposes permitted in the Loan Agreement.

**C.** Borrower has requested that Bank amend the Loan Agreement (i) to waive the Stated Event of Default (as defined below) and (ii) to make certain other revisions to the Loan Agreement as more fully set forth herein.

**D.** Bank has agreed to so waive the Stated Event of Default (as defined below) and amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

### **AGREEMENT**

Now, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

**1. Definitions.** Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

**2. Amendments to Loan Agreement.**

**2.1 Section 5.10(b) (Adjusted EBITDA).** Section 5.10(b) of the Loan Agreement is amended in its entirety and replaced with the following:

" (b) **Adjusted EBITDA.** Borrower shall maintain, measured as of the end of each fiscal quarter during the following periods, Adjusted EBITDA of at least the following:

Fiscal Quarter	Minimum Adjusted EBITDA
Ending December 31, 2023	[***]
Ending March 31, 2024 and each fiscal quarter thereafter	[***]

Commencing on March 31, 2024, and continuing each fiscal quarter thereafter, Borrower shall maintain Adjusted EBITDA as of the end of each fiscal quarter in an amount [\*\*\*]

**2.2 Exhibit A (Compliance Statement).** The Compliance Statement appearing as Exhibit A to the Loan Agreement is deleted in its entirety and replaced with the Compliance Statement attached as Schedule I hereto.

**3. Acknowledgment of Default; Waiver.** Borrower acknowledges and agrees that it is currently in default under the Loan Agreement as a result of Borrower's failure to comply with the Adjusted EBITDA covenant contained in Section 5.10(b) of the Loan Agreement for the testing period ending September 30, 2023 (the "Stated Event of Default"). As a result of the Stated Event of Default, Bank has the right to declare all Obligations due and payable in full and to pursue its rights and remedies pursuant to the Loan Agreement (including, without limitation, collection of interest accrued at the Default Rate), applicable law, or otherwise. Notwithstanding the foregoing, subject to the satisfaction of the conditions precedent set forth in Section 13 below, Bank shall, without further action, waive the Stated Event of Default. Borrower hereby acknowledges and agrees that except as specifically provided herein, nothing in this section or anywhere in this Amendment shall be deemed or otherwise construed as a waiver by Bank of any of its other rights and remedies pursuant to the Loan Documents, applicable law or otherwise. This Amendment shall only constitute an agreement by Bank to waive its rights and remedies with respect to the Stated Event of Default upon the terms and conditions set forth herein.

**4. Annual Financial Projections.** Notwithstanding anything to the contrary contained in Section 5.3(f) of the Loan Agreement, on or before December 31, 2023, Borrower shall deliver to Bank the annual financial projections for Borrower's fiscal year ending December 31, 2024 (on a quarterly basis) as required pursuant to Section 5.3(f)(B) of the Loan Agreement.

**5. Landlord Consent.** Borrower shall use commercially reasonable efforts to deliver to Bank a duly executed landlord consent in a form and substance acceptable to Bank in all respects for Borrower's warehouse located at 5215 Lamar Avenue, Memphis, Tennessee (the "Memphis Warehouse") on or before November 30, 2023. Borrower acknowledges and agrees that no Inventory located at the Memphis Warehouse may be Eligible Inventory unless and until such landlord consent has been executed and delivered to Bank.

#### **6. Limitation of Amendments.**

**6.1** The amendments set forth in Section 2, above, are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Bank may now have or may have in the future under or in connection

with any Loan Document.

**6.2** This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

**7. Release by Borrower.**

**7.1** FOR GOOD AND VALUABLE CONSIDERATION, Borrower hereby forever relieves, releases, and discharges Bank and its present or former employees, officers, directors, agents, representatives, attorneys, and each of them, from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs and expenses, actions and causes of action, of every type, kind, nature, description or character whatsoever, whether known or unknown, suspected or unsuspected, absolute or contingent, arising out of or in any manner whatsoever connected with or related to facts, circumstances, issues, controversies or claims existing or arising from the beginning of time through and including the date of execution of this Amendment (collectively "**Released Claims**"). Without limiting the foregoing, the Released Claims shall include any and all liabilities or claims arising out of or in any manner whatsoever connected with or related to the Loan Documents, the recitals hereto, any instruments, agreements or documents executed in connection with any of the foregoing or the origination, negotiation, administration, servicing and/or enforcement of any of the foregoing.

**7.2** In furtherance of this release, Borrower expressly acknowledges and waives any and all rights under Section 1542 of the California Civil Code, which provides as follows:

"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party." (Emphasis added.)

**7.3** By entering into this release, Borrower recognizes that no facts or representations are ever absolutely certain and it may hereafter discover facts in addition to or different from those which it presently knows or believes to be true, but that it is the intention of Borrower hereby to fully, finally and forever settle and release all matters, disputes and differences, known or unknown, suspected or unsuspected; accordingly, if Borrower should subsequently discover that any fact that it relied upon in entering into this release was untrue, or that any understanding of the facts was incorrect, Borrower shall not be entitled to set aside this release by reason thereof, regardless of any claim of mistake of fact or law or any other circumstances whatsoever. Borrower acknowledges that it is not relying upon and has not relied upon any representation or statement made by Bank with respect to the facts underlying this release or with regard to any of such party's rights or asserted rights.

**7.4** This release may be pleaded as a full and complete defense and/or as a cross- complaint or counterclaim against any action, suit, or other proceeding that may be instituted, prosecuted or attempted in breach of this release. Borrower acknowledges that the release contained herein constitutes a material inducement to Bank to enter into this Amendment, and that Bank would not have done so but for Bank's expectation that such release is valid and enforceable in all events.

**7.5** Borrower hereby represents and warrants to Bank, and Bank is relying thereon, as follows:

**(a)** Except as expressly stated in this Amendment, neither Bank nor any agent, employee or representative of Bank has made any statement or representation to Borrower regarding any fact relied upon by Borrower in entering into this Amendment.

**(b)** Borrower has made such investigation of the facts pertaining to this Amendment and all of the matters appertaining thereto, as it deems necessary.

**(c)** The terms of this Amendment are contractual and not a mere recital.

**(d)** This Amendment has been carefully read by Borrower, the contents hereof are known and understood by Borrower, and this Amendment is signed freely, and without duress, by Borrower.

**(e)** Borrower represents and warrants that it is the sole and lawful owner of all right, title and interest in and to every claim and every other matter which it releases herein, and that it has not heretofore assigned or transferred, or purported to assign or transfer, to any person, firm or entity any claims or other matters herein released. Borrower shall indemnify Bank, defend and hold it harmless from and against all claims based upon or arising in connection with prior assignments or purported assignments or transfers of any claims or matters released herein.

**8. Due Authorization.** To induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank that it has the power and due authority to execute and deliver this Amendment.

**9. Waiver Fee; Bank Expenses.** In addition to the other fees due to Bank under the Loan Documents, in consideration of Bank's agreements hereunder, Borrower shall pay to Bank a fully earned, non-refundable waiver fee in the amount of \$41,000.00 (the "Waiver Fee"), payment of which shall be deferred until the earliest to occur of (i) an Event of Default, (ii) January 31, 2024, and (iii) the repayment of the Obligations in full. The Waiver Fee shall constitute a portion of the Obligations and be secured by all Collateral. Borrower shall also reimburse Bank for all unreimbursed Bank Expenses, including without limitation, all legal fees and expenses incurred in connection with this Amendment.

**10. Integration.** This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.

**11. Counterparts.** This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including portable document format (PDF) or any electronic signature complying with the United States Electronic Signatures in Global and National Commerce (ESIGN) Act of 2000, e.g., [www.docusign.com](http://www.docusign.com)) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. If this Amendment is placed in escrow with any party or its respective counsel, no agreement shall be binding against any party hereto unless and until all documents have been released from escrow in writing by Bank or its counsel.

**12. Governing Law.** This Amendment and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of California.

**13. Effectiveness.** This Amendment shall be deemed effective upon (a) the due execution and

delivery to Bank of this Amendment by each party hereto; and (b) Borrower's payment to Bank for all unreimbursed Bank Expenses, including without limitation, all legal fees and expenses incurred in connection with this Amendment.

[Signature page follows.]

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

**BANK BORROWER**

FIRST-CITIZENS BANK & TRUST  
COMPANY (successor by purchase to the Federal  
Deposit Insurance Corporation as receiver for Silicon  
Valley Bridge Bank, N.A. (as successor to Silicon Valley  
Bank))

By: Zach Norris Name: Zach Norris  
Title: Managing Director

OWLET BABY CARE, INC.

By: Kathryn Scolnick Name: Kathryn  
Scolnick  
Title: Chief Financial Officer

OWLET, INC.

By: Kathryn Scolnick Name: Kathryn  
Scolnick  
Title: Chief Financial Officer

Schedule I  
**EXHIBIT A**  
**COMPLIANCE STATEMENT**

TO: FIRST-CITIZENS BANK & TRUST COMPANY Date: \_\_  
 FROM: OWLET BABY CARE INC. and OWLET, INC.

Under the terms and conditions of the Loan and Security Agreement between Borrower and Bank (as amended, modified, supplemented and/or restated from time to time, the "Agreement"), Borrower is in complete compliance for the period ending \_\_ with all required covenants except as noted below. Attached are the required documents evidencing such compliance, setting forth calculations prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

**Please indicate compliance status by circling Yes/No under "Complies" column.**

Reporting Covenants	Required	Complies
Monthly financial statements with Compliance Statement	Monthly within 30 days	Yes No
Annual financial statements (CPA Audited)	FYE within 180 days	Yes No
10-Q, 10-K and 8-K	Within 5 days after filing with SEC	Yes No
A/R & A/P Agings, along with reconciliations, detailed debtor report, and general ledger	Monthly within 30 days	Yes No
Borrowing Base Statements	Monthly within 7 days	Yes No
Board approved projections	FYE within 60 days and as amended/updated	Yes No
The following Intellectual Property was registered after the Effective Date (if no registrations, state "None")		

Financial Covenant	Required	Actual	Complies
<b>Maintain as indicated:</b>			
Minimum Liquidity	\$15,000,000.00	\$	Yes No
Minimum Adjusted EBITDA	See Schedule 1	\$__	Yes No

\_\_\_\_ The following financial covenant analyses and information set forth in Schedule 1 attached hereto are true and correct as of the date of this Compliance Statement.

The following are the exceptions with respect to the statements above: (If no exceptions exist, state "No exceptions to note.")



**Schedule 1 to Compliance Statement Financial Covenants**  
**of Borrower**

In the event of a conflict between this Schedule and the Agreement, the terms of the Agreement shall govern.

Dated: \_\_\_\_

**I. Liquidity** (Section 5.10(a)) Required: \$15,000,000.00

Actual:

- A. Unrestricted and unencumbered cash and Cash Equivalents \$\_\_\_\_
- B. The lesser of (i) the Revolving Line or (ii) the amount available under the Borrowing \$\_\_\_\_ Base in each case not to exceed \$10,000,000.00.
- C. The outstanding principal balance of any Advances \$\_\_\_\_
- D. Availability Amount (Line B minus Line C) \$\_\_\_\_
- E. Liquidity (line A plus line D) \$\_\_\_\_

Is line C equal to or greater than \$15,000,000.00?

No, not in compliance  Yes, in compliance

**II. Adjusted EBITDA** (Section 5.10(b))

Required:

**Fiscal Quarter Minimum Adjusted EBITDA**

Ending December 31, 2023

Ending March 31, 2024 and each fiscal quarter  
 [\*\*\*] thereafter

A. Net Income \$\_\_\_

B. To the extent included in the determination of Net Income

1. The provision for income taxes \$\_\_\_

2. Depreciation expense \$\_\_\_

3. Amortization expense \$\_\_\_

4. Net Interest Expense \$\_\_\_

5. Non-cash stock compensation expense \$\_\_\_

6. Non-recurring transaction expenses associated with raising preferred equity in \$\_\_\_ an aggregated amount not to exceed \$1,000,000.00 at any given time

7. Non-cash warrant expense \$\_\_\_

8. The sum of lines 1 through 7 \$\_\_\_

C. \_\_\_\_\_Adjusted EBITDA (line A plus line B.8)

Is line C equal to or greater than the amount required for the corresponding measuring period set forth in the chart above?

No, not in compliance  Yes, in compliance

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kurt Workman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Owlet, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023

By:

/s/ Kurt Workman

Kurt Workman

Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kathryn R. Scolnick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Owlet, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023

By:

/s/ Kathryn R. Scolnick

Kathryn R. Scolnick

Chief Financial Officer

(Principal Financial Officer)

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

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Owlet, Inc., a Delaware corporation (the "Company"), does hereby certify, to the best of such officer's knowledge, that in connection with the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

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

Date: November 13, 2023

By:

/s/ Kurt Workman

Kurt Workman

Chief Executive Officer  
(Principal Executive Officer)

Date: November 13, 2023

By:

/s/ Kathryn R. Scolnick

Kathryn R. Scolnick

Chief Financial Officer  
(Principal Financial Officer)