

REFINITIV

DELTA REPORT

10-Q

OWLT - OWLET, INC.

10-Q - JUNE 30, 2023 COMPARED TO 10-Q - MARCH 31, 2023

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TOTAL DELTAS 878

█ CHANGES 179

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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 **March 31, 2023** **June 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	OWLT	New York Stock Exchange
Warrants to purchase Class A Common Stock	OWLT WS	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 No

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" 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 **May 10, 2023** **August 10, 2023**, the registrant had **117,672,234** **8,477,224** 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;
- the impact of the warning letter, dated October 1, 2021, from the United States Food and Drug Administration (the "FDA"), later corrected in an amendment to such letter dated October 5, 2021 (the letter and amendment collectively, the "Warning Letter") the subsequent suspension of distribution of the Owlet Smart Sock (the "Smart Sock") in the U.S. and our ability to obtain necessary marketing authorization for the medical device features of the Owlet Dream Sock (the "Dream Sock") and the Smart Sock where required;
- 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 and "warrants" refers to our publicly traded warrants.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

Assets	Assets	March 31, 2023	December 31, 2022	Assets	June 30, 2023	December 31, 2022
Current assets:	Current assets:			Current assets:		
Cash and cash equivalents	Cash and cash equivalents	\$ 24,765	\$ 11,231	Cash and cash equivalents	\$ 24,746	\$ 11,231
Accounts receivable, net of allowance for doubtful accounts of \$2,948 and \$3,013, respectively		15,395	15,958	Accounts receivable, net of allowance for doubtful accounts of \$2,898 and \$3,013, respectively	12,978	15,958
Accounts receivable, net of allowance for doubtful accounts of \$2,898 and \$3,013, respectively				Accounts receivable, net of allowance for doubtful accounts of \$2,898 and \$3,013, respectively	12,978	15,958
Inventory	Inventory	14,744	18,515	Inventory	12,389	18,515
Prepaid expenses and other current assets	Prepaid expenses and other current assets	4,957	5,558	Prepaid expenses and other current assets	1,633	5,558
Total current assets	Total current assets	59,861	51,262	Total current assets	51,746	51,262

Property and equipment, net	Property and equipment, net	834	1,108	Property and equipment, net	609	1,108
Right of use assets, net	Right of use assets, net	1,928	2,260	Right of use assets, net	1,639	2,260
Intangible assets, net	Intangible assets, net	2,270	2,279	Intangible assets, net	2,253	2,279
Other assets	Other assets	1,035	1,195	Other assets	1,017	1,195
Total assets	Total assets	\$ 65,928	\$ 58,104	Total assets	\$ 57,264	\$ 58,104
Liabilities, Convertible Preferred Stock, and Stockholders' Equity (Deficit)						
Liabilities, Convertible Preferred Stock, and Stockholders' Equity (Deficit)				Liabilities, Convertible Preferred Stock, and Stockholders' Equity (Deficit)		
Current liabilities:	Current liabilities:			Current liabilities:		
Accounts payable	Accounts payable	\$ 30,841	\$ 30,432	Accounts payable	\$ 22,758	\$ 30,432
Accrued and other expenses	Accrued and other expenses	14,038	19,984	Accrued and other expenses	11,205	19,984
Current portion of deferred revenues	Current portion of deferred revenues	1,042	1,148	Current portion of deferred revenues	1,036	1,148
Line of credit	Line of credit	—	4,685	Line of credit	8,176	4,685
Current portion of long-term debt	Current portion of long-term debt	4,798	10,353	Current portion of long-term debt	5,204	10,353
Total current liabilities	Total current liabilities	50,719	66,602	Total current liabilities	48,379	66,602
Long-term debt, net	Long-term debt, net	3,500	—	Long-term debt, net	2,000	—
Noncurrent lease liabilities	Noncurrent lease liabilities	715	1,162	Noncurrent lease liabilities	265	1,162
Common stock warrant liabilities	Common stock warrant liabilities	24,945	724	Common stock warrant liabilities	26,574	724
Other long-term liabilities	Other long-term liabilities	2,007	251	Other long-term liabilities	1,769	251
Total liabilities	Total liabilities	81,886	68,739	Total liabilities	78,987	68,739
Commitments and contingencies (Note 5)	Commitments and contingencies (Note 5)			Commitments and contingencies (Note 5)		
Series A convertible preferred stock, 0.0001 par value, 100,000,000 shares authorized as of March 31, 2023 and December 31, 2022; 30,000 and 0 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively (liquidation preference of \$30,000)		4,520	—	Series A convertible preferred stock, \$0.0001 par value, 10,741,071 shares authorized as of June 30, 2023 and December 31, 2022; 30,000 and 0 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively (liquidation preference of \$30,000)		5,593
Series A convertible preferred stock, \$0.0001 par value, 10,741,071 shares authorized as of June 30, 2023 and December 31, 2022; 30,000 and 0 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively (liquidation preference of \$30,000)				Series A convertible preferred stock, \$0.0001 par value, 10,741,071 shares authorized as of June 30, 2023 and December 31, 2022; 30,000 and 0 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively (liquidation preference of \$30,000)		—
Stockholders' equity (deficit):	Stockholders' equity (deficit):			Stockholders' equity (deficit):		

Common stock, \$0.0001 par value, 1,000,000,000 shares authorized as of March 31, 2023 and December 31, 2022; 117,465,938 and 115,388,135 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively.	12	12	Common stock, \$0.0001 par value, 107,142,857 shares authorized as of June 30, 2023 and December 31, 2022; 8,441,683 and 8,242,009 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively.	1	1
Additional paid-in capital	Additional paid-in capital	214,135	212,111	Additional paid-in capital	215,775
Accumulated deficit	Accumulated deficit	(234,625)	(222,758)	Accumulated deficit	(243,092)
Total stockholders' equity (deficit)		(20,478)	(10,635)		
Total liabilities, convertible preferred stock, and stockholders' equity (deficit)	\$ 65,928	\$ 58,104			
Total stockholders' deficit			Total stockholders' deficit	(27,316)	(10,635)
Total liabilities, convertible preferred stock, and stockholders' deficit			Total liabilities, convertible preferred stock, and stockholders' deficit	\$ 57,264	\$ 58,104

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)

		For the Three Months Ended		Three Months Ended June 30,		Six Months Ended June 30,	
		March 31,		2023		2023	
		2023	2022	2023	2022	2023	2022
Revenues	Revenues	\$ 10,736	\$ 21,538	Revenues	\$ 13,088	\$ 18,348	\$ 23,824
Cost of revenues	Cost of revenues	6,583	12,782	Cost of revenues	7,855	11,726	14,438
Gross profit	Gross profit	4,153	8,756	Gross profit	5,233	6,622	9,386
Operating expenses:	Operating expenses:			Operating expenses:			
General and administrative	General and administrative	8,866	10,276	General and administrative	6,124	9,492	14,990
Sales and marketing	Sales and marketing	3,353	11,631	Sales and marketing	3,078	9,723	6,431
Research and development	Research and development	2,890	8,545	Research and development	2,745	7,770	5,635
Total operating expenses	Total operating expenses	15,109	30,452	Total operating expenses	11,947	26,985	27,056
Operating loss	Operating loss	(10,956)	(21,696)	Operating loss	(6,714)	(20,363)	(17,670)
Other income (expense):				Other (expense) income:			
Other (expense) income:				Interest expense, net			
Interest expense, net	Interest expense, net	(2,812)	(226)	Interest expense, net	(52)	(203)	(2,864)
							(429)

Common stock warrant liability adjustment	Common stock warrant liability adjustment	1,912	(6,876)	Common stock warrant liability adjustment	(1,629)	8,811	283	1,935
Other income (expense), net		(11)	47					
Total other income (expense), net		(911)	(7,055)					
Other (expense) income, net				Other (expense) income, net				
Total other (expense) income, net				(67)	63	(78)	109	
Loss before income tax provision	Loss before income tax provision	(11,867)	(28,751)	Total other (expense) income, net	(1,748)	8,671	(2,659)	1,615
Income tax provision	Income tax provision	—	(7)	Loss before income tax provision	(8,462)	(11,692)	(20,329)	(40,443)
Net loss and comprehensive loss	Net loss and comprehensive loss	(11,867)	(28,758)	Income tax provision	(5)	(26)	(5)	(33)
Accretion on Series A convertible preferred stock	Accretion on Series A convertible preferred stock	(653)	—	Net loss and comprehensive loss	(8,467)	(11,718)	(20,334)	(40,476)
Net loss attributable to common stockholders	Net loss attributable to common stockholders	\$ (12,520)	\$ (28,758)	Accretion on Series A convertible preferred stock	(1,326)	—	(1,979)	—
Net loss per share attributable to common stockholders, basic and diluted	Net loss per share attributable to common stockholders, basic and diluted	\$ (0.11)	\$ (0.26)	Net loss attributable to common stockholders	\$ (9,793)	\$ (11,718)	\$ (22,313)	\$ (40,476)
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted	Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted	113,545,429	110,384,313	Net loss per share attributable to common stockholders, basic and diluted	\$ (1.19)	\$ (1.48)	\$ (2.73)	\$ (5.12)
				Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted	8,213,247	7,915,156	8,162,102	7,899,959

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

Orwell, 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						Series A Convertible Preferred Stock					
	Common Stock		Total Stockholders'				Common Stock		Additional Paid-in Capital			
	Shares	Amount	Shares	Amount	Capital	Accumulated Deficit	Equity (Deficit)	Shares	Amount	Shares	Amount	
Balance as of December 31, 2021	Balance as of December 31, 2021	— \$ —	112,996,568	\$ 11	\$ 198,602	\$ (143,422)	\$ 55,191	Balance as of December 31, 2021	— \$ —	8,071,183	\$ 1	\$ 198,611
Issuance of common stock upon exercise of stock options	Issuance of common stock upon exercise of stock options	— —	88,808	—	48	—	48	Issuance of common stock upon exercise of stock options	— —	6,343	—	4

Issuance of common stock for restricted stock units vesting	Issuance of common stock for restricted stock units vesting	—	—	321,098	—	—	—	—	—	—	22,935	—	
Share-based compensation	Share-based compensation	—	—	—	—	3,336	—	3,336	—	—	—	3,336	
Net loss	Net loss	—	—	—	—	—	(28,758)	(28,758)	Net loss	—	—	—	
Balance as of March 31, 2022	Balance as of March 31, 2022	—	\$	—	113,406,474	\$ 11	201,986	\$ (172,180)	29,817	Balance as of March 31, 2022	—	\$ 8,100,461	\$ 1 201,990
Balance as of December 31, 2022	—	\$	—	115,388,135	\$ 12	212,111	\$ (222,758)	\$ (10,635)					
Issuance of Series A convertible preferred stock	30,000	3,867	—	—	—	—	—	—	—	—	—	—	
Preferred stock issuance costs	—	—	—	—	(311)	—	—	(311)	—	—	—	—	
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	Issuance of common stock upon exercise of stock options	—	—	252,757	—	55	—	55	—	29,866	—	160	
Issuance of common stock for restricted stock units vesting	Issuance of common stock for restricted stock units vesting	—	—	1,613,578	—	—	—	—	—	16,454	—	—	
Issuance of common stock for employee stock purchase plan	—	—	—	211,468	—	101	—	101	—	—	—	—	
Share-based compensation	Share-based compensation	—	—	—	—	2,789	—	2,789	—	—	—	3,273	
Net loss	Net loss	—	—	—	—	—	(11,867)	(11,867)	Net loss	—	—	—	
Balance as of March 31, 2023	30,000	\$ 4,520	117,465,938	\$ 12	\$ 214,135	\$ (234,625)	\$ (20,478)						
Balance as of June 30, 2022	—	\$	—	—	—	—	—	—	Balance as of June 30, 2022	—	\$ 8,146,781	\$ 1 205,439	

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	1	212,122		
			8,242,009				(222,758)	(10,635)
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
Share-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	—	—	—	—
Share-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)

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)

	For the Three Months Ended March 31,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cash flows from operating activities:				
Cash flows from operating activities:			Cash flows from operating activities	
Net loss	Net loss	\$ (11,867)	Net loss	\$ (20,334)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:				
Adjustments to reconcile net loss to net cash used in operating activities:			Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	Depreciation and amortization	293	Depreciation and amortization	530
Share-based compensation	Share-based compensation	2,789	Share-based compensation	5,433
Common stock warrant liability adjustment	Common stock warrant liability adjustment	(1,912)	Common stock warrant liability adjustment	(283)
Amortization of right of use assets	Amortization of right of use assets	332	Amortization of right of use assets	667
Other adjustments, net	Other adjustments, net	177	Other adjustments, net	94
Changes in assets and liabilities:			Changes in assets and liabilities:	
Accounts receivable	Accounts receivable	480	Accounts receivable	2,925
Prepaid expenses and other assets	Prepaid expenses and other assets	1,261	Prepaid expenses and other assets	4,103
Inventory	Inventory	3,771	Inventory	6,222
		(6,191)		(13,922)
		5,512		8,756
		(6,733)		(11,392)

Accounts payable and accrued and other expenses	Accounts payable and accrued and other expenses	(5,661)	(1,830)	Accounts payable and accrued and other expenses	(16,134)	(4,499)
Other, net	Other, net	963	(572)	Other, net	20	(588)
Net cash used in operating activities	Net cash used in operating activities	(9,374)	(27,396)	Net cash used in operating activities	(16,757)	(55,660)
Cash flows from investing activities	Cash flows from investing activities			Cash flows from investing activities		
Purchase of property and equipment	Purchase of property and equipment	(6)	(234)	Purchase of property and equipment	(6)	(419)
Purchase of intangible assets	Purchase of intangible assets	(2)	(466)	Purchase of intangible assets	(13)	(824)
Net cash used in investing activities	Net cash used in investing activities	(8)	(700)	Net cash used in investing activities	(19)	(1,243)
Cash flows from financing activities	Cash flows from financing activities			Cash flows from financing activities		
Proceeds from issuance of preferred stock	Proceeds from issuance of preferred stock	30,000	—	Proceeds from issuance of preferred stock, net of \$295 of paid transaction costs	29,793	—
Proceeds from issuance of preferred stock, net of \$295 of paid transaction costs				Proceeds from short-term borrowings	52,531	22,583
Proceeds from short-term borrowings	Proceeds from short-term borrowings	32,895	16,744	Payments of short-term borrowings	(51,189)	(20,693)
Payments of short-term borrowings	Payments of short-term borrowings	(38,635)	(13,514)	Proceeds from long-term borrowings	500	—
Proceeds from long-term borrowings				Payments of long-term borrowings	(1,500)	(3,000)
Payments of long-term borrowings	Payments of long-term borrowings	(1,500)	(1,500)	Other, net	156	215
Other, net	Other, net	156	49	Net cash provided by financing activities	22,916	1,779
Net cash provided by (used in) financing activities				Net cash provided by (used in) financing activities	30,291	(895)
Net change in cash and cash equivalents	Net change in cash and cash equivalents	13,534	(26,317)	Net change in cash and cash equivalents	13,515	(57,798)
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	11,231	95,054	Cash and cash equivalents at beginning of period	11,231	95,054
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	\$ 24,765	\$ 68,737	Cash and cash equivalents at end of period	\$ 24,746	\$ 37,256

The accompanying notes are an integral part of these unaudited condensed consolidated 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 \$234,625 \$243,092 as of March 31, 2023 June 30, 2023. During the three six months ended March 31, 2023 June 30, 2023 and 2022, we had negative cash flows from operations of \$9,374 \$16,757 and \$27,396, \$55,660, respectively. As of March 31, 2023 June 30, 2023, we had \$24,765 \$24,746 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 will be deferred until September 2023. This most recent amendment also revised the financial covenants 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, reduced demand for the Company's products, or the FDA's denial of the Company's de novo classification request for marketing authorization. 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 **March 31, 2023** **June 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 **March 31, 2023** **June 30, 2023** and December 31, 2022.

Property and Equipment, net

Property and equipment consisted of the following as of:

		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022
Tooling and manufacturing equipment	Tooling and manufacturing equipment	\$ 2,731	\$ 2,731	Tooling and manufacturing equipment	\$ 2,731	\$ 2,731
Furniture and fixtures	Furniture and fixtures	639	639	Furniture and fixtures	639	639
Computer equipment	Computer equipment	640	660	Computer equipment	601	660
Software	Software	106	106	Software	106	106
Leasehold improvements	Leasehold improvements	35	29	Leasehold improvements	35	29
Total property and equipment	Total property and equipment	4,151	4,165	Total property and equipment	4,112	4,165
Less accumulated depreciation and amortization	Less accumulated depreciation and amortization	(3,317)	(3,057)	Less accumulated depreciation and amortization	(3,503)	(3,057)
Property and equipment, net	Property and equipment, net	\$ 834	\$ 1,108	Property and equipment, net	\$ 609	\$ 1,108

Depreciation and amortization expense on property and equipment was **\$274** **\$225** and **\$309** **\$320** for the three months ended **March 31, 2023** **June 30, 2023** and **March 31, 2022** **June 30, 2022**, respectively. For the three months ended **March 31, 2023** **June 30, 2023** and **March 31, 2022** **June 30, 2022**, the Company allocated **\$182** **\$148** and **\$190** **\$208**, 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 \$500 and \$629 for the six months ended June 30, 2023 and June 30, 2022, respectively. For the six months ended June 30, 2023 and June 30, 2022, the Company allocated \$330 and \$398, 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 \$2,270, \$2,253, net of accumulated amortization of \$225 \$236 as of **March 31, 2023** **June 30, 2023** and \$2,279, net of accumulated amortization of \$206, as of December 31, 2022.

Capitalized software development costs were \$1,873 on **March 31, 2023** **June 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 six months ended **March 31, 2023** **June 30, 2023** or 2022.

The Company did not recognize any impairment charges for intangible assets during the three or six months ended **March 31, 2023** **June 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 \$4,727 \$1,717 and \$6,756 as of **March 31, 2023** June 30, 2023 and December 31, 2022, respectively. Accrued sales returns included \$3,407 \$36 and \$4,958 as of **March 31, 2023** June 30, 2023 and December 31, 2022, respectively, for product returns related to the Warning Letter.

Changes in accrued warranty were as follows:

	For the Three Months Ended March 31,				For the Three Months Ended June 30,			
	2023		2022		2023		2022	
	Accrued warranty, beginning of period	Provision for warranties issued during the period						
Accrued warranty, beginning of period	\$ 712	\$ 661	\$ 592	\$ 725				
Provision for warranties issued during the period	35	200	81	193				
Settlements of warranty claims during the period	(155)	(136)	(82)	(143)				
Accrued warranty, end of period	<u>\$ 592</u>	<u>\$ 725</u>	<u>\$ 591</u>	<u>\$ 775</u>				

Stockholders' Equity

	For the Six Months Ended June 30,			
	2023		2022	
Accrued warranty, beginning of period	\$ 712	\$ 661		
Provision for warranties issued during the period	116	394		
Settlements of warranty claims during the period	(237)	(280)		
Accrued warranty, end of period	<u>\$ 591</u>	<u>\$ 775</u>		

The Company is authorized to issue up to 100,000,000 shares of \$0.0001 par value preferred stock, of which 30,000 and 0 shares were outstanding as of March 31, 2023 and December 31, 2022, respectively.

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:

	For the Three Months Ended March 31,				Three Months Ended June 30,		Six Months Ended June 30,	
	2023		2022		2023	2022	2023	2022
	Beginning balance	Deferral of revenues	Beginning balance	Deferral of revenues	Beginning balance	Deferral of revenues	Beginning balance	Deferral of revenues
Beginning balance	\$ 1,386	\$ 395	\$ 1,235	744	\$ 1,257	480	\$ 1,312	687
Deferral of revenues								
Recognition of deferred revenues	Recognition of deferred revenues	(524)	Recognition of deferred revenues	(667)	Recognition of deferred revenues	(514)	Recognition of deferred revenues	(620)
Ending balance	<u>\$ 1,257</u>	<u>\$ 1,312</u>			<u>\$ 1,223</u>	<u>\$ 1,379</u>	<u>\$ 1,223</u>	<u>\$ 1,379</u>

The Company recognized \$483 \$456 and \$550 \$498 of revenue during the three months ended **March 31, 2023** **June 30, 2023** and 2022, respectively, that was included in the deferred revenue balance at the beginning of the respective period. The Company recognized \$797 and \$838 of revenue during the six months ended **June 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:

	March 31, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Term note payable to SVB, maturing on October 1, 2024	Term note payable to SVB, maturing on October 1, 2024 \$ 7,000	\$ 8,000	Term note payable to SVB, maturing on October 1, 2024 \$ 7,000	\$ 8,000
Financed insurance premium	Financed insurance premium 1,298	2,353	Financed insurance premium 204	2,353
Total debt	Total debt 8,298	10,353	Total debt 7,204	10,353
Less: current portion	Less: current portion (4,798)	(10,353)	Less: current portion (5,204)	(10,353)
Total long-term debt, net	Total long-term debt, net \$ 3,500	\$ —	Total long-term debt, net \$ 2,000	\$ —

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 "LSA") with Silicon Valley Bank. The 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 LSA with Silicon Valley Bank, now a division of First Citizens Bank and Trust Company (the "SVB Amendment"), that (i) deferred certain payments of principal by the Company until September 1, 2023, (ii) had Silicon Valley Bank waive certain stated events of default, (iii) to expand the eligibility of inventory and accounts that the Company can borrow against, (iv) to modify certain financial covenants required of the Company, and (v) certain other revisions in the first amendment revisions.

In connection with the amendment to the LSA executed on March 27, 2023, the Company granted Silicon Valley Bank a warrant to purchase 150,000 10,714 shares of the Company's common stock at a price of \$0.38 \$5.32 per share, expiring on **March 27, 2035**

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 for a summary of all common stock warrants currently outstanding.

On August 10, 2023, the Company entered into the second amendment to the LSA with Silicon Valley Bank, now a division of First Citizens Bank and Trust Company, that clarified the calculation of the financial covenants under the agreement.

As of the date of this Report, the Company was in compliance with all applicable covenants under the LSA.

Line of Credit

The LSA provides for a \$10,000 revolving line of credit (the "SVB Revolver") as of **March 31, 2023** **June 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 **March 31, 2023** **June 30, 2023**, borrowing base availability was \$7,086, \$8,364.

The SVB Revolver facility matures and terminates on April 22, 2024. As of **March 31, 2023** **June 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 **March 31, 2023** **June 30, 2023** there were no was \$8,176 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 \$7,000 was outstanding as of **March 31, 2023** **June 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. **Maturity Date**.

The Company believes that the fair value of the Term Loan approximates the recorded amount as of **March 31, 2023** **June 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 **March 31, 2023** **June 30, 2023**, future aggregate maturities of the Term Note and Financed Insurance Premium payables were as follows:

Years Ending December 31,	Years Ending December 31,		Years Ending December 31,	
		Amount		Amount
2023 (excluding the three months ended March 31, 2023)		\$ 3,298		
2023 (excluding the six months ended June 30, 2023)			2023 (excluding the six months ended June 30, 2023)	\$ 2,204
2024	2024	5,000	2024	5,000
Total	Total	\$ 8,298	Total	\$ 7,204

Financed Insurance Premium

In July 2022, 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 \$3,041 to be paid in eleven equal monthly payments, all of which accrue interest at a rate of 4.40%. In October 2022, the Company obtained additional general corporate liability policies and entered into an additional short-term commercial premium finance agreement with First Insurance Funding totaling \$826 to be paid in eleven equal monthly payments, accruing interest at a rate of 6.80%. As of **March 31, 2023** **June 30, 2023**, the remaining principal balance on the combined financed insurance premiums was **\$1,298** **\$204**.

As of March 31, 2023,

In July 2023, the Company **was** 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 **compliance with all applicable covenants**, **eleven equal monthly payments**, accruing interest at a rate of **8.29%**.

Note 5. Commitments and Contingencies

During February 2023, the Company entered 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 **three** **six** months ended **March 31, 2023** **June 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, Butala v. Owlet, Inc., et al., Case No. 2:21-cv-09016, and Cherian v. Owlet, Inc., et al., Case No. 2:21-cv-09293. Both complaints allege 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 (i) purchased the Company's common stock between March 31, 2021 and October 4, 2021 or (ii) held common stock in Sandbridge Acquisition Corporation ("SBG") as of June 1, 2021 and were eligible to vote at SBG's special meeting held on July 14, 2021. 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 Smart Sock product as a medical device requiring marketing authorization. The Court has consolidated the Butala and Cherian cases but has yet to appoint a lead plaintiff. The Company intends to vigorously defend itself against these claims, including by filing a motion to dismiss 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.

Stock-based Compensation Expense

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

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022	2023	2022
General and administrative	General and administrative	\$ 1,436	\$ 1544	General and administrative	\$ 1,461	\$ 1,864
Sales and marketing	Sales and marketing	492	740	Sales and marketing	476	673
Research and development	Research and development	861	1,034	Research and development	707	720
Total stock-based compensation	Total stock-based compensation	\$ 2,789	\$ 3,318	Total stock-based compensation	\$ 2,644	\$ 3,257

During the three and six months ended March 31, 2022 June 30, 2022, the Company capitalized \$18 \$16 and \$33 of stock-based compensation attributable to internally developed software. There was no stock-based compensation capitalized during the three or six months ended March 31, 2023 June 30, 2023.

As of March 31, 2023 June 30, 2023, the Company had \$1,863 \$1,565 of unrecognized stock-based compensation costs related to non-vested options that will be recognized over a weighted-average period of 1.6 1.4 years, \$11,079 \$8,503 of unrecognized stock-based compensation costs related to unvested RSUs that will be recognized over a weighted-average period of 2.4 years, and \$776 \$651 of unrecognized stock-based compensation costs related to unvested PRSUs that will be recognized over a weighted-average period of 1.9 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 110,204,066 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. Holders 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 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, except as required by Delaware law.

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 2,040.8163 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 \$0.333 \$4.66 per share, is immediately exercisable, and will expire on February 17, 2028. None of the warrants have been exercised as of March 31, 2023 June 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 \$2,413 \$1,963 of issuance costs related to the offering, of which \$295 were accrued but not yet paid as of March 31, 2023 June 30, 2023. Issuance costs allocated to the preferred stock of \$311 \$253 were recorded as a reduction to paid-in capital, the Series A preferred stock. Issuance costs allocated to the liability classified warrants of \$2,102 \$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 Sandbridge Acquisition Corporation ("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 23,000,000 units. Each unit consisted warrants to purchase an aggregate of one share 821,428 shares of Class A the Company's common stock and one-half at a price of one redeemable warrant \$161.00 per share ("SBG Public Warrants"). Each whole SBG Public Warrant entitles the holder to purchase one share of Common Stock at a price of \$11.50 per share, subject to adjustment. Following the closing of the Initial Public Offering on September 17, 2020, the Company completed the sale of 6,600,000 warrants (the "SBG Private Placement 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, 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."

SBG Public Warrants may only be exercised for a whole number of shares. No fractional warrants will be issued upon separation of the Units and only whole warrants will trade. 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. As a result of the Merger, both the 11,500,000 Public Warrants and 6,600,000 Private Placement Warrants are redeemable for shares of Common Stock.

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 three six months ended March 31, 2023; June 30, 2023:

		Outstanding				As of December 31, 2022	Shares		As of June 30, 2023
		December 31, 2022	Warrants Issued	Warrants Exercised	Outstanding March 31, 2023		Issuable by New Warrants	Shares Purchased by Exercise	
SBG Public Warrants	SBG Public Warrants	11,500,000	—	—	11,500,000	SBG Public Warrants	821,428	—	821,428
SBG Private Placement Warrants	SBG Private Placement Warrants	6,600,000	—	—	6,600,000	SBG Private Placement Warrants	471,428	—	471,428
February 2023 Warrants	February 2023 Warrants	—	110,204,066	—	110,204,066	February 2023 Warrants	—	7,871,712	7,871,712
SVB Warrants (Note 4)	SVB Warrants (Note 4)	—	150,000	—	150,000	SVB Warrants (Note 4)	—	10,714	10,714
Total	Total	18,100,000	110,354,066	—	128,454,066	Total	1,292,856	7,882,426	9,175,282

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.

March 31, 2023				June 30, 2023			
Level 1	Level 2	Level 3	Balance	Level 1	Level 2	Level 3	Balance

Assets:	Assets:						Assets:	Assets:					
Money market funds	Money market funds	\$ 23,963	\$ —	\$ —	\$ 23,963		Money market funds	\$ 20,556	\$ —	\$ —	\$ 20,556		
Total assets	Total assets	\$ 23,963	\$ —	\$ —	\$ 23,963		Total assets	\$ 20,556	\$ —	\$ —	\$ 20,556		
Liabilities:	Liabilities:						Liabilities:	Liabilities:					
SBG Public Warrants	SBG Public Warrants	\$ 445	\$ —	\$ —	\$ 445		SBG Public Warrants	\$ —	\$ —	\$ 149	\$ 149		
SBG Private Placement Warrants	SBG Private Placement Warrants	—	255	—	255		SBG Private Placement Warrants	—	—	86	86		
February 2023 Warrants	February 2023 Warrants	—	—	24,245	24,245		February 2023 Warrants	—	—	26,339	26,339		
Total liabilities	Total liabilities	\$ 445	\$ 255	\$ 24,245	\$ 24,945		Total liabilities	\$ —	\$ —	\$ 26,574	\$ 26,574		
December 31, 2022													December 31, 2022
		Level 1	Level 2	Level 3	Balance			Level 1	Level 2	Level 3	Balance		
Assets:	Assets:						Assets:	Assets:					
Money market funds	Money market funds	\$ 11,070	\$ —	\$ —	\$ 11,070		Money market funds	\$ 11,070	\$ —	\$ —	\$ 11,070		
Total assets	Total assets	\$ 11,070	\$ —	\$ —	\$ 11,070		Total assets	\$ 11,070	\$ —	\$ —	\$ 11,070		
Liabilities:	Liabilities:						Liabilities:	Liabilities:					
SBG Public Warrants	SBG Public Warrants	\$ 460	\$ —	\$ —	\$ 460		SBG Public Warrants	\$ 460	\$ —	\$ —	\$ 460		
SBG Private Placement Warrants	SBG Private Placement Warrants	—	264	—	264		SBG Private Placement Warrants	—	264	—	264		
Total liabilities	Total liabilities	\$ 460	\$ 264	\$ —	\$ 724		Total liabilities	\$ 460	\$ 264	\$ —	\$ 724		

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 March 31, 2023 June 30, 2023 are also included within Level 1 of the fair value hierarchy because they are valued using quoted market prices. 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. The SBG Private Placement Warrants are included within Level 2 of the fair value hierarchy as the Company determined that prices and correspondingly, the SBG Private Placement Warrants are economically equivalent to the SBG Public Warrants and estimated the fair value of the SBG Private Placement Warrants can no longer be valued based on the 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 June 30, 2023, using the Black-Scholes option pricing model with the following assumptions:

SBG Common Stock Warrants - Black-Scholes Inputs		June 30, 2023
OWLT stock price		\$ 4.76
Exercise price of warrants		\$ 161.00
Term in years		3.04
Risk-free interest rate		4.48 %
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 March 31, 2023 June 30, 2023, using the Black-Scholes option pricing model with the following assumptions:

February 2023	February 2023				February 2023	February 2023				
Warrants -	Warrants -				Warrants -	Warrants -				
Black-Scholes	Black-Scholes				Black-Scholes	Black-Scholes				
Inputs	Inputs	February 17, 2023		March 31, 2023		Inputs	February 17, 2023		June 30, 2023	
OWLT stock price	OWLT stock price	\$	0.341	\$	0.324	OWLT stock price	\$	4.78	\$	4.76
Exercise price of warrants	Exercise price of warrants	\$	0.333	\$	0.333	Exercise price of warrants	\$	4.66	\$	4.66
Term in years	Term in years	5.00		4.88		Term in years	5.00		4.63	
Risk-free interest rate	Risk-free interest rate	4.10	%	3.61	%	Risk-free interest rate	4.10	%	4.20	%
Volatility	Volatility	85.00	%	85.00	%	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 March 31, 2023/June 30, 2023:

	February 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		(\$1,888) (283)
Balance as of March 31, 2023/June 30, 2023	\$ 24,245	26,574

There were no transfers between Level 1 and Level 2 in the periods reported. The SBG Public Warrants and SBG Private Placement Warrants were no transfers transferred into or out of Level 3 in the period reported, 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	\$ 0.330 4.62
Exercise price of warrants	\$ 0.380 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 March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022	2023	2022	2023	2022
Numerator:	Numerator:			Numerator:			
Net loss and comprehensive loss	Net loss and comprehensive loss	\$ (11,867)	\$ (28,758)	\$ (8,467)	\$ (11,718)	\$ (20,334)	\$ (40,476)
Accretion on Series A convertible preferred stock	Accretion on Series A convertible preferred stock	(653)	—	(1,326)	—	(1,979)	—

Net loss attributable to common stockholders ⁽¹⁾	Net loss attributable to common stockholders ⁽¹⁾	\$ (12,520)	\$ (28,758)	Net loss attributable to common stockholders ⁽¹⁾	\$ (9,793)	\$ (11,718)	\$ (22,313)	\$ (40,476)
Denominator:	Denominator:			Denominator:				
Weighted-average common shares used in computed net loss per share	Weighted-average common shares used in computed net loss per share			Weighted-average common shares used in computed net loss per share				
attributable to common stockholders	attributable to common stockholders			attributable to common stockholders				
basic and diluted	basic and diluted	113,545,429	110,384,313	basic and diluted	8,213,247	7,915,156	8,162,102	7,899,959
Net loss per share attributable to common stockholders	Net loss per share attributable to common stockholders			Net loss per share attributable to common stockholders				
basic and diluted	basic and diluted	\$ (0.11)	\$ (0.26)	basic and diluted	\$ (1.19)	\$ (1.48)	\$ (2.73)	\$ (5.12)

(1) For the three and six months ended March 31, 2023 June 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 six months ended March 31, 2022 June 30, 2022.

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

	Stock options	As of March 31,		As of June 30,		As of June 30, 2022
		2023	2022	2023	2022	
Stock options	Stock options	7,418,570	9,866,965	Stock options	473,240	665,117
RSUs	RSUs	5,117,168	6,557,326	RSUs	299,646	482,987
PRSUs	PRSUs	1,222,526	1,842,105	PRSUs	79,803	131,578
ESPP shares committed	ESPP shares committed	333,447	234,133	ESPP shares committed	28,721	17,849
Common stock warrants	Common stock warrants	128,454,066	18,100,000	Common stock warrants	9,175,289	1,292,857
Convertible preferred stock	Convertible preferred stock	61,224,489	—	Convertible preferred stock	4,373,178	—
Total	Total	203,770,266	36,600,529	Total	14,429,877	2,590,388

The Company's 2,807,500 200,536 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 March 31, 2023 June 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):

	United States	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022	2023	2022	2023	2022
United States	United States	\$ 9,543	\$ 18,712	United States	\$ 11,834	\$ 15,876	\$ 21,377
International	International	1,193	2,826	International	1,254	2,472	2,447
Total revenues	Total revenues	\$ 10,736	\$ 21,538	Total revenues	\$ 13,088	\$ 18,348	\$ 23,824

Other than the United States, no individual country exceeded 10% of total revenues for either of the three or six months ended **March 31, 2023** **June 30, 2023** and **March 31, 2022** **June 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):

		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022
United States	United States	\$ 2,185	\$ 2,615	United States	\$ 1,813	\$ 2,615
International	International	577	753	International	435	753
Total long-lived assets, net	Total long-lived assets, net	\$ 2,762	\$ 3,368	Total long-lived assets, net	\$ 2,248	\$ 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 **three** **six** months ended **March 31, 2023** **June 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "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, **commissions**, 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 to the condensed consolidated financial statements, 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 March 31,				For the Three Months Ended June 30,				For the Six Months Ended June 30,			
		2023		2022		2023		2022		2023		2022	
		Revenues	Cost of revenues	Gross profit	Operating expenses:	Revenues	Cost of revenues	Gross profit	Operating expenses:	Revenues	Cost of revenues	Gross profit	Operating expenses:
Revenues	Revenues	\$ 10.7	\$ 21.5	\$ (10.8)	(50.2 %)	\$ 13.1	\$ 18.3	\$ (5.3)	(28.7 %)	\$ 23.8	\$ 39.9	\$ (16.1)	(40.3 %)
Cost of revenues	Cost of revenues	6.6	12.8			7.9	11.7			14.4	24.5		
Gross profit	Gross profit	4.2	8.8			5.2	6.6			9.4	15.4		
Operating expenses:	Operating expenses:												
General and administrative	General and administrative	8.9	10.3			6.1	9.5			15.0	19.8		
Sales and marketing	Sales and marketing	3.4	11.6			3.1	9.7			6.4	21.4		
Research and development	Research and development	2.9	8.5			2.7	7.8			5.6	16.3		
Total operating expenses	Total operating expenses	15.1	30.5			11.9	27.0			27.1	57.4		
Operating loss	Operating loss	(11.0)	(21.7)			(6.7)	(20.4)			(17.7)	(42.1)		
Other income (expense):	Other income (expense):												
Interest expense, net	Interest expense, net	(2.8)	(0.2)			(0.1)	(0.2)			(2.9)	(0.4)		
Common stock warrant liability adjustment	Common stock warrant liability adjustment	1.9	(6.9)			(1.6)	8.8			0.3	1.9		
Other income (expense), net	Other income (expense), net	—	—			(0.1)	0.1			(0.1)	0.1		
Total other income (expense), net	Total other income (expense), net	(0.9)	(7.1)			(1.7)	8.7			(2.7)	1.6		
Loss before income tax provision	Loss before income tax provision	(11.9)	(28.8)			(8.5)	(11.7)			(20.3)	(40.4)		
Income tax provision	Income tax provision	0.0	0.0			0.0	0.0			0.0	0.0		
Net loss and comprehensive loss	Net loss and comprehensive loss	\$ (11.9)	\$ (28.8)			\$ (8.5)	\$ (11.7)			\$ (20.3)	\$ (40.5)		

Revenues

		For the Three Months Ended March 31,				For the Three Months Ended June 30,				For the Six Months Ended June 30,			
		Change		Change		Change		Change		Change		Change	
		(dollars in millions)	(dollars in millions)	2023	2022	(dollars in millions)	(dollars in millions)	2023	2022	(dollars in millions)	(dollars in millions)	2023	2022
Revenues	Revenues	\$ 10.7	\$ 21.5	\$ (10.8)	(50.2 %)	\$ 13.1	\$ 18.3	\$ (5.3)	(28.7 %)	\$ 23.8	\$ 39.9	\$ (16.1)	(40.3 %)

Revenues decreased by \$10.8 million \$5.3 million, or 50.2% 28.7%, from \$21.5 million \$18.3 million for the three months ended March 31, 2022 June 30, 2022 to \$10.7 million \$13.1 million for the three months ended March 31, 2023 June 30, 2023. The decrease was primarily due to lower sales of Owlet Sock products, impacted by retailers targeting lower consumer sell-through inventory levels, and reflecting macroeconomic conditions.

Revenues decreased by \$16.1 million, or 40.3%, from \$39.9 million for the six months ended June 30, 2022 to \$23.8 million for the six months ended June 30, 2023. The decrease was primarily due to lower sales of Owlet Sock products, impacted by retailers targeting lower inventory levels, reflecting macroeconomic conditions. Additionally, the six months ended March 31, 2022 included the initial launch of the Dream Sock product and included significant sell-in sales of that new product across all channel partners. Provisions for returns and chargeback allowances decreased significantly as compared to partners, which did not occur in the same corresponding period in the prior year, primarily due to the impact of the FDA Warning Letter. 2023.

Cost of Revenues and Gross Profit

(dollars in millions)	For the Three Months Ended March 31,				For the Three Months Ended June 30,				For the Six Months Ended June 30,				
			Change				Change				Change		
	2023	2022	\$	%	2023	2022	\$	%	2023	2022	\$	%	
Cost of revenues	\$ 6.6	\$ 12.8	\$ (6.2)	(48.5 %)	Cost of revenues	\$ 7.9	\$ 11.7	\$ (3.9)	(33.0 %)	\$ 14.4	\$ 24.5	\$ (10.1)	(41.1 %)
Gross profit	\$ 4.2	\$ 8.8	\$ (4.6)	(52.6 %)	Gross profit	\$ 5.2	\$ 6.6	\$ (1.4)	(21.0 %)	\$ 9.4	\$ 15.4	\$ (6.0)	(39.0 %)
Gross margin	38.7 %	40.7 %			Gross margin	40.0 %	36.1 %			39.4 %	38.6 %		

Cost of revenues decreased by \$6.2 million \$3.9 million, or 48.5% 33.0%, from \$12.8 million \$11.7 million for the three months ended March 31, 2022 June 30, 2022 to \$6.6 million \$7.9 million for the three months ended March 31, 2023 June 30, 2023. The decrease was primarily due to the decrease in product sales. Gross margin decreased increased from 40.7% 36.1% for the three months ended March 31, 2022 June 30, 2022 to 38.7% 40.0% for the three months ended March 31, 2023 June 30, 2023 primarily due to higher lower direct product costs costs.

Cost of revenues decreased by \$10.1 million, or 41.1%, from cost inflation. \$24.5 million for the six months ended June 30, 2022 to \$14.4 million for the six months ended June 30, 2023. The decrease was primarily due to the decrease in product sales. Gross margin was relatively flat, increasing from 38.6% for the six months ended June 30, 2022 to 39.4% for the six months ended June 30, 2023.

General and Administrative

(dollars in millions)	For the Three Months Ended March 31,				For the Three Months Ended June 30,				For the Six Months Ended June 30,				
			Change				Change				Change		
	2023	2022	\$	%	2023	2022	\$	%	2023	2022	\$	%	
General and administrative	\$ 8.9	\$ 10.3	\$ (1.4)	(13.7 %)	General and administrative	\$ 6.1	\$ 9.5	\$ (3.4)	(35.5 %)	\$ 15.0	\$ 19.8	\$ (4.8)	(24.2 %)

General and administrative expense decreased by \$1.4 million \$3.4 million, or 13.7% 35.5%, from \$10.3 million \$9.5 million for the three months ended March 31, 2022 June 30, 2022 to \$8.9 million \$6.1 million for the three months ended March 31, 2023 June 30, 2023. The decrease was driven primarily by lower compensation expense, including share-based compensation, from reduced general and administrative headcount as a result of the restructuring actions taken during the fiscal year 2022. Additionally, the Company took cost saving measures to reduce spend on consulting services.

General and administrative expense decreased by \$4.8 million, or 24.2%, from \$19.8 million for the six months ended June 30, 2022 to \$15.0 million for the six months ended June 30, 2023. The decrease was driven primarily by lower compensation expense, including share-based compensation, from reduced general and administrative headcount as a result of the restructuring actions taken during the fiscal year 2022. Additionally, the Company took cost saving measures to reduce spend on consulting services, but this was offset by incurred transaction costs relating to the February 2023 preferred stock offering.

Sales and Marketing

(dollars in millions)	For the Three Months Ended March 31,				For the Three Months Ended June 30,				For the Six Months Ended June 30,				
			Change				Change				Change		
	2023	2022	\$	%	2023	2022	\$	%	2023	2022	\$	%	
Sales and marketing	\$ 3.4	\$ 11.6	\$ (8.3)	(71.2 %)	Sales and marketing	\$ 3.1	\$ 9.7	\$ (6.6)	(68.3 %)	\$ 6.4	\$ 21.4	\$ (14.9)	(69.9 %)

Sales and marketing expense decreased by \$6.6 million, or 68.3%, from \$9.7 million for the three months ended June 30, 2022 to \$3.1 million for the three months ended June 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 \$8.3 million \$14.9 million, or 71.2% 69.9%, from \$11.6 million \$21.4 million for the three six months ended March 31, 2022 June 30, 2022 to \$3.4 million \$6.4 million for the three six months ended March 31, 2023 June 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, the Company reduced spend on digital advertising and retail channel marketing spend.

Research and Development

(dollars in millions)	(dollars in millions)	For the Three Months Ended March 31,				For the Three Months Ended June 30,				For the Six Months Ended June 30,				
		Change		Change		Change		Change		Change		Change		
		2023	2022	\$	%	2023	2022	\$	%	2023	2022	\$	%	
Research and development	Research and development	\$ 2.9	\$ 8.5	\$ (5.7)	(66.2 %)	Research and development	\$ 2.7	\$ 7.8	\$ (5.0)	(64.7 %)	\$ 5.6	\$ 16.3	\$ (10.7)	(65.5 %)

Research and development expense decreased by \$5.7 million \$5.0 million, or 66.2% 64.7%, from \$8.5 million \$7.8 million for the three months ended March 31, 2022 June 30, 2022 to \$2.9 million \$2.7 million for the three months ended March 31, 2023 June 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 \$10.7 million, or 65.5%, from \$16.3 million for the six months ended June 30, 2022 to \$5.6 million for the six months ended June 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)	(dollars in millions)	For the Three Months Ended March 31,				For the Three Months Ended June 30,				For the Six Months Ended June 30,				
		Change		Change		Change		Change		Change		Change		
		2023	2022	\$	%	2023	2022	\$	%	2023	2022	\$	%	
Interest expense, net	Interest expense, net	\$ (2.8)	\$ (0.2)	\$ (2.6)	1,144.2 %	Interest expense, net	\$ (0.1)	\$ (0.2)	\$ (0.2)	74.4 %	\$ (2.9)	\$ (0.4)	\$ (2.4)	567.6 %
Common stock warrant liability adjustment	Common stock warrant liability adjustment	\$ 1.9	\$ (6.9)	\$ 8.8	(128 %)	Common stock warrant liability adjustment	\$ (1.6)	\$ 8.8	\$ (10.4)	(118.5 %)	\$ 0.3	\$ 1.9	\$ (1.7)	(85.4 %)
Other income, net	Other income, net	\$ —	\$ —	\$ (0.1)	NM	Other income, net	\$ (0.1)	\$ 0.1	\$ (0.1)	(206.3 %)	\$ (0.1)	\$ 0.1	\$ (0.2)	(171.6 %)
NM - Not meaningful														

Interest expense increased was steady, decreasing by \$2.6 million \$0.2 million, from \$0.2 million for the three months ended March 31, 2022 June 30, 2022 to \$2.8 million \$0.1 million for the three months ended March 31, 2023 June 30, 2023.

For the three months ended June 30, 2023, we recognized a loss of \$1.6 million as compared to a gain of \$8.8 million for the same period in the prior year resulting from an increase in the fair value of common stock warrants outstanding.

Interest expense increased by \$2.4 million, from \$0.4 million for the six months ended June 30, 2022 to \$2.9 million for the six months ended June 30, 2023. As noted in Part I, Item 1, Note 5, "Commitments and Contingencies" of this Report, the Company 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 three six months ended March 31, 2023 June 30, 2023.

For the three six months ended March 31, 2023 June 30, 2023, we recognized a gain of \$1.9 million \$0.3 million as compared to a loss gain of \$6.9 million \$1.9 million for the same period in the prior year resulting from a decrease an increase 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, the Company 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 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 **110,204,066** **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 \$30.0 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. Holders 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 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, except as required by Delaware law.

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 **2,040.8163** **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 **\$0.333** **\$4.66** per share, is immediately exercisable, and will expire on February 17, 2028. None of the warrants have been exercised as of **March 31, 2023** **June 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.

The Company incurred **\$2.4 million** **\$2.0 million** of issuance costs related to the offering, of which **\$0.3 million** were accrued but not yet paid as of **March 31, 2023** **June 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 **\$2.1 million** **\$1.7 million** were recorded as an expense within general and administrative expenses.

On March 10, 2023, Silicon Valley Bank ("SVB") 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 SVB receivership, which provided that all depositors would have access to all their money starting March 13, 2023. As of the date of this Report, all cash deposited with SVB, now a division of First Citizens Bank and Trust Company, by the Company has been accessible by the Company.

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), 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 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 **\$234.6 million** **\$243.1 million** as of **March 31, 2023** **June 30, 2023**. During the three months ended **March 31, 2023** **June 30, 2023** and 2022, we had negative cash flows from operations of **\$9.4 million** **\$16.8 million** and **\$27.4 million** **\$55.7 million**, respectively. As of **March 31, 2023** **June 30, 2023**, we had **\$24.8 million** **\$24.7 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 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 above, 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 \$30.0 million.

- As described in Note 4 to the financial statements presented in Item 1 of this Report, in March 2023 the Company further amended its financing arrangement with SVB, under which the principal payments on the term note will be deferred until September 2023. This most recent amendment also revised the financial covenants 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, reduced demand for the Company's products, or the FDA's denial of the Company's de novo classification request for marketing authorization. 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.

Loan and Security Agreement with Silicon Valley Bank

On November 23, 2022, the Company entered into the Third Amended and Restated Loan and Security Agreement (the "LSA") with Silicon Valley Bank. The 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 LSA with Silicon Valley Bank, now a division of First Citizens Bank and Trust Company (the "SVB Amendment"), that (i) deferred certain payments of principal by the Company until September 1, 2023, (ii) had Silicon Valley bank waive certain stated events of default, (iii) to expand the eligibility of inventory and accounts that the Company can borrow against, (iv) to modify certain financial covenants required of the Company, and (v) certain other revisions in the first amendment. revisions.

Line of Credit

The LSA provides for a \$10.0 million revolving line of credit (the "SVB Revolver") as of March 31, 2023 June 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 March 31, 2023 June 30, 2023, borrowing base availability was \$7.1 million \$8.4 million.

The SVB Revolver facility matures and terminates on April 22, 2024. As of March 31, 2023 June 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 \$7.0 million was outstanding as of March 31, 2023 June 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. Maturity Date.

The Company believes that the fair value of the Term Loan approximates the recorded amount as of March 31, 2023 June 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).

On August 10, 2023, the Company entered into the second amendment to the LSA with Silicon Valley Bank, now a division of First Citizens Bank and Trust Company, that clarified the calculation of the financial covenants under the agreement.

As of March 31, 2023, the date of this Report, the Company was in compliance with all applicable covenants. covenants under the LSA.

Financed Insurance Premium

In July 2022, 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 \$3.0 million to be paid in eleven equal monthly payments, all of which accrue interest at a rate of 4.40%. In October 2022, the Company

obtained additional general corporate liability policies and entered into an additional short-term commercial premium finance agreement with First Insurance Funding totaling \$0.8 million to be paid in eleven equal monthly payments, accruing interest at a rate of 6.80%. As of **March 31, 2023** **June 30, 2023**, the remaining principal balance on the combined financed insurance premiums was **\$1.3** **\$0.2** million.

Cash Flows

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

	Three Months Ended March 31,				Six Months Ended June 30,			
	2023		2022		2023		2022	
	Net cash used in operating activities	\$ (9.4)	Net cash used in operating activities	\$ (27.4)	Net cash used in operating activities	\$ (16.8)	Net cash used in operating activities	\$ (55.7)
Net cash used in investing activities	Net cash used in investing activities	—	Net cash used in investing activities	(0.7)	Net cash used in investing activities	—	Net cash used in investing activities	(1.2)
Net cash provided by financing activities	Net cash provided by financing activities	22.9	Net cash provided by financing activities	1.8	Net cash provided by financing activities	30.3	Net cash provided by financing activities	(0.9)
Net change in cash and cash equivalents	Net change in cash and cash equivalents	\$ 13.5	Net change in cash and cash equivalents	\$ (26.3)	Net change in cash and cash equivalents	\$ 13.5	Net change in cash and cash equivalents	\$ (57.8)

Operating Activities

For the **three** **six** months ended **March 31, 2023** **June 30, 2023**, net cash used in operating activities was **\$9.4 million** **\$16.8 million** as compared to net cash used in operating activities of **\$27.4 million** **\$55.7 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 **three** **six** months ended **March 31, 2023** **June 30, 2023**, the Company used substantially no cash for investing activities, as compared to **\$0.7** **\$1.2 million** for the **three** **six** months ended **March 31, 2022** **June 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 **three** **six** months ended **March 31, 2023** **June 30, 2023**, net cash provided by financing activities **increased** was **\$30.3 million** as compared to **\$22.9 million** from **\$1.8 million** cash used in financing activities of **\$0.9 million** for the **three** **six** months ended **March 31, 2022** **June 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 2022 Annual Report on Form 10-K, other than policies disclosed in this Form 10-Q.

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 **March 31, 2023****June 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 **March 31, 2023****June 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 **March 31, 2023****June 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

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 **March 31, 2023****June 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.

In the ordinary course of business we face various claims brought by third parties, and we may, from time to time, make claims or take legal actions to assert our rights, including intellectual property rights as well as claims relating to employment matters and the safety or efficacy of our products. Any of these claims could subject us to costly litigation, and, while we generally believe that we have adequate insurance to cover many different types of liabilities, our insurance carriers may deny coverage, may be inadequately capitalized to pay on valid claims, or our policy limits may be inadequate to fully satisfy any damage awards or settlements. If this were to happen, the payment of any such awards could have a material adverse effect on our business, financial condition and results of operations. Additionally, any such claims, whether or not successful, could damage our reputation and business.

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., et al., Case No. 2:21-cv-09016, and the second captioned Cherian v. Owlet, Inc., et al., Case No. 2:21-cv-09293. Both complaints allege violations of the Securities Exchange Act of 1934 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; 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. 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. The Court has consolidated the Butala and Cherian cases but has yet to appoint a lead plaintiff. The Company intends to vigorously defend itself against these claims, including by filing a motion to dismiss 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, which could materially affect our business, financial condition or results. Except as described below and elsewhere in this Report, there have been no material changes from the risk factors previously disclosed in our Form 10-K.

Our failure to meet the NYSE's continued listing requirements could result in a delisting of our common stock.

If we fail to satisfy the NYSE's continued listing requirements, the NYSE may take steps to delist our common stock. For example, in April 2023, we were notified by NYSE that we were not in compliance with Section 802.01B of the NYSE Listed Company Manual as the average global market capitalization of our common stock over a consecutive 30 trading-day period and, at the same time, our last reported stockholders' equity were each less than \$50 million. As permitted under the NYSE rules, In May 2023, we plan to submit a business plan advising the NYSE of the definitive actions we have had taken or are as of the date of that submission and were planning on taking that would in order to bring us into compliance with NYSE continued listing standards within 18 months of receipt of the NYSE Notification (the "Cure Period"). The NYSE will review the plan and determine whether we have made a reasonable demonstration of our ability to regain compliance with the relevant standards within the Cure Period. There can be no assurance that we will be able to achieve the NYSE will agree that we have demonstrated actions identified in our ability plan to regain compliance with the relevant standards or that those actions will result in our market capitalization equaling or exceeding \$50 million within the Cure Period or, Period. Even if we regain compliance, there can be no assurance that we will be able to maintain compliance with these or any other NYSE listing requirements.

Delisting from the NYSE could make trading our common stock more difficult for investors, potentially leading to declines in our share price and liquidity. In addition, without a NYSE market listing, stockholders may have a difficult time getting a quote for the sale or purchase of our common stock, the sale or purchase of our common stock would likely be made more difficult and the trading volume and liquidity of our common stock could decline. Delisting from the NYSE could also result in negative publicity and could also make it more difficult for us to raise additional capital. The absence of such a listing may adversely affect the acceptance of our common stock as currency or the value accorded by other parties. If our common stock is delisted by the NYSE, our common stock may be eligible to trade on an over-the-counter quotation system, such as the OTCQB market, where an investor may find it more difficult to sell our common stock or obtain accurate quotations as to the market value of our common stock. We cannot assure you that our common stock, if delisted from the NYSE, would be eligible to be listed on another national securities exchange or quoted on an over-the counter quotation system.

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

Our directors, executive officers and holders of 5% or more of our capital stock and their respective affiliates beneficially own and/or have the right to acquire a significant amount of our common stock. As of June 30, 2023, these stockholders beneficially owned shares of our common stock and/or Series A convertible preferred stock that represented approximately 70.5% of the voting power of our capital stock. Accordingly, these stockholders will be able to influence us through this ownership position. Subject to any fiduciary duties owed to our other stockholders under Delaware law, these stockholders may be able to exercise significant influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, and will have some control over our management and policies. Some of these persons or entities may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree or which are not in your best interests. Our largest stockholders, Eclipse Ventures LLC and its affiliates ("Eclipse"), beneficially own approximately 38.75% of the voting power of our capital stock, which excludes voting power it may acquire upon exercise of warrants it acquired in the February 2023 private placement. For as long as Eclipse holds a significant amount of our Series A convertible preferred stock and common stock, it will be able to exert significant control over us. Eclipse may also determine to sell substantial amounts of our securities in one or more transactions, including to one or several private parties in negotiated transactions, which may result in those buyers subsequently being able to exert significant control over us.

This concentrated control, including that solely of Eclipse, may limit or preclude other stockholders' ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, these stockholders could use their voting influence to maintain our existing management and directors in office or support or reject other management and Board proposals that are subject to stockholder approval, such as amendments to our employee stock plans and approvals of significant financing transactions, and may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that stockholders may believe are in their best interest.

Despite having received 510(k) clearance from the FDA for our prescription-only, BabySat pediatric monitor, such clearance does not ensure commercial success of this product, which will require us to implement processes, procedures and operations necessary to market and sell medical devices. We may not be successful in implementing these conditions, which could subject us to new risks.

In June 2023, we received 510(k) clearance from the FDA for BabySat, a prescription-only pulse oximeter indicated for use in measuring and displaying functional oxygen saturation of arterial hemoglobin and pulse rate and for spot-checking and/or continuous monitoring of well-perfused patients, greater than one month old up to 18 months old and weighing between 6 and 30 pounds, in the home environment. This is the first medical device marketing authorization we have received. In order to market and distribute a BabySat or other medical devices, we will need to modify certain of our internal business operations to ensure they comply with medical device requirements and to enable distribution of the product in accordance with its prescription-only marketing authorization. For example, in the direct-to-consumer model we utilize to distribute our current products, including the Dream Sock and Owlet Cam (as well as Smart Sock, in certain countries outside of the United States), consumers purchase our products directly from us or one of our retailers, and we will not be able to utilize this model to distribute BabySat in accordance with its prescription-only marketing authorization. Though we are currently exploring a number of new distribution channels, including working with durable medical equipment distributors, healthcare institutions, and other healthcare payor and provider channels, we may not be successful in identifying, or implementing with our current resources, an appropriate distribution channel. Further, even though we have received FDA clearance for BabySat, we will still need to demonstrate the business and clinical rationale and justifications of this product in order for healthcare institutions and providers to be convinced of the need to prescribe it, and we may not be successful in these efforts.

We distribute our products into international markets and, in some of these jurisdictions, we will be required to obtain and maintain regulatory authorizations, including clearances, approvals, or other certifications, in order to commercialize certain of our products, which can be a lengthy and time-consuming process. If a foreign governmental authority were to require marketing authorization or similar certification for any product that we sell, we could be subject to international regulatory enforcement actions, and/or be required to cease selling, or recall, the product pending receipt of marketing authorization or similar certification from such other governmental authority or notified body, which could harm our financial results.

We currently sell the Smart Sock and Dream Sock in certain countries outside of the United States, and we expect certain of our pipeline products to be regulated as medical devices that will require marketing authorizations or certifications. In response to inquiries from the FDA and regulatory authorities in other jurisdictions regarding the marketing of the Smart Sock and Dream Sock, we have communicated our beliefs that such products are not medical devices that require medical device or similar marketing authorization or certification from such other regulatory authorities or notified bodies. However, certain regulatory authorities have expressed that they do not agree with that conclusion and in some instances have required us to obtain marketing authorization or other certification to continue to sell the product. If we ultimately do not obtain marketing authorization or similar certification following such regulatory body's review of any submissions we make for such products, we may be required to recall and/or cease distribution of those products until after marketing authorization or similar certification has been received.

For example, we have marketed and sold Dream Sock in Canada since January 2022. Health Canada, the regulatory authority responsible for the Canadian medical device market, initially asserted that the Dream Sock was a medical device that can no longer be sold in Canada unless a relevant license has been issued. In the second half of 2022, we responded with our position that the Dream Sock is not a medical device, and Health Canada has not affirmatively concluded that it agrees or disagrees with our position. If Health Canada does not agree with our position, we may be required to cease distribution of the product into the Canadian market and may be subject to enforcement action.

In addition, we have been marketing and selling the Smart Sock in the United Kingdom ("UK"). The Medicines and Healthcare products Regulatory Agency ("MHRA"), the regulatory authority responsible for the UK medical device market, has asserted that the Smart Sock requires certification by a notified body and subsequent registration as a medical device in the UK, and indicated it would allow us to continue to market the Smart Sock in the UK until the end of 2022. We requested an extension to that grace period and have continued to communicate with MHRA to provide updates regarding our continuing efforts to obtain marketing authorization, including our submission in June 2023 to our notified body, i.e., an independent organization accredited or designated by MHRA, for their review of Dream Sock with Health Notifications. The MHRA has responded to our communications but has not affirmatively extended the grace period for marketing Smart Sock. If the MHRA determines that we are not permitted to continue marketing Smart Sock notwithstanding our request to extend the grace period, we may have to cease distribution of the product in the UK and could be subject to enforcement action. Moreover, there is no assurance that we will be able to obtain in a timely manner the marketing authorization or certification for Dream Sock with Health Notifications, which we intend to market in the UK if and when registered.

The path to market varies among international jurisdictions and may require additional or different product testing than required to obtain FDA marketing authorization. Certifications or marketing authorizations from one foreign regulatory authority or notified body does not ensure certification or marketing authorization by any other foreign regulatory authority or notified body or by the FDA. If we fail to receive necessary certifications or marketing authorizations to commercialize our products in foreign jurisdictions on a timely basis, or at all, or if we later lose such certifications or marketing authorizations, our business, financial condition and results of operations could be adversely affected. Furthermore, foreign regulatory requirements may change from time to time, which could adversely affect our ability to market new products and services, or continue to market existing products and services, internationally.

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

Except as previously disclosed in our Current Report on Form 8-K filed with the SEC on February 21, 2023, there were no unregistered sales of equity securities for the three months ended March 31, 2023. None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

(a) Executive Change in Control Severance Plan

On August 11, 2023, the Compensation Committee of the Board of Directors (the "Committee") adopted the Owlet, Inc. Executive Change in Control Severance Plan (the "CIC Severance Plan"). The following executives are eligible to participate in the CIC Severance Plan ("Plan Participants"): (i) each employee who is an "officer" of the Company within the

meaning of Rule 16a-1(f) of the Exchange Act ("Tier 1 Participants") and (ii) other employees at the level of Senior Vice President or above who have been designated by the CIC Severance Plan administrator as eligible to participate ("Tier 2 Participants").

Plan Participants are eligible to receive compensation and benefits in the event of an involuntary termination of employment by the Company without cause, or a resignation from employment with the Company for good reason,

which occurs within 3 months prior to, or 12 months after, the effective date of a change in control of the Company (a "Covered Termination").

The CIC Severance Plan generally provides for the following payments and benefits upon a Covered Termination of a Plan Participant, which are in addition to any applicable accrued but unpaid obligations of the Company: (A) a lump sum payment equal to (i) 12 months (for Tier 1 Participants) or 6 months (for Tier 2 Participants) of the applicable Plan Participant's annual base salary, plus (ii) the Plan Participant's target bonus for, and prorated based on the number of days employed in, the year in which the Covered Termination occurs; (B) continued health coverage for a period of 12 months (for Tier 1 Participants) or 6 months (for Tier 2 Participants), or until the Plan Participant and their covered dependents become eligible for healthcare coverage under another employer's plan(s), and (C) accelerated vesting of equity awards outstanding and unvested as of the date of the Covered Termination.

The CIC Severance Plan does not provide for any payments or benefits upon a Plan Participant's termination for cause, voluntary resignation without good reason, or due to death or disability.

The foregoing description is only a summary and is qualified in its entirety by reference to the full text of the CIC Severance Plan, a copy of which is filed as Exhibit 10.5 to this Report and incorporated herein by reference.

All other terms and conditions under the respective officers' employment agreements remain unchanged.

(b) None.

(c) Not Applicable.

Item 6. Exhibits

Exhibit Number	Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
2.1†	2.1†	Merger Agreement dated as of February 15, 2021, by and among the Registrant, Project Olympus Merger Sub, Inc. and Owllet Baby Care Inc.	8-K	001-39516	2.1	2/16/2021	2.1†	Merger Agreement dated as of February 15, 2021, by and among the Registrant, Project Olympus Merger Sub, Inc. and Owllet Baby Care Inc.	8-K	001-39516	2.1	2/16/2021
3.1	3.1	Second Amended and Restated Certificate of Incorporation of Owllet, Inc.	S-4	333-254888	3.3	3/31/2021	3.1	Second Amended and Restated Certificate of Incorporation of Owllet, Inc.	S-4	333-254888	3.3	3/31/2021
3.2	3.2	Certificate of Designation of Series A Convertible Preferred Stock of Owllet, Inc.	8-K	001-39516	3.1	2/21/2023	3.2	Certificate of Designation of Series A Convertible Preferred Stock of Owllet, Inc.	8-K	001-39516	3.1	2/21/2023
3.3	3.3	Amended and Restated Bylaws of Owllet, Inc.	S-4	333-254888	3.4	3/31/2021	3.3	Second Amendment to the Second Amended and Restated Certificate of Incorporation of Owllet, Inc.	8-K	001-39516	3.1	7/7/2023
3.4							3.4	Amended and Restated Bylaws of Owllet, Inc.	S-4	333-254888	3.4	3/31/2021

4.1	4.1	Warrant Agreement, dated September 14, 2020, between Sandbridge Acquisition Corp. and Continental Stock Transfer & Trust Company.	8-K	001-39516	4.1	9/18/2020	4.1	Warrant Agreement, dated September 14, 2020, between Sandbridge Acquisition Corp. and Continental Stock Transfer & Trust Company.	8-K	001-39516	4.1	9/18/2020
4.2	4.2	Specimen Warrant Certificate.	S-1	333-24832	4.4	9/1/2020	4.2	Specimen Warrant Certificate.	S-1	333-24832	4.4	9/1/2020
4.3	4.3	Form of Warrant to Purchase Common Stock.	8-K	001-39516	4.1	2/21/2023	4.3	Form of Warrant to Purchase Common Stock.	8-K	001-39516	4.1	2/21/2023
10.1		Investment Agreement, dated February 17, 2023, by and among Owlet, Inc. and the investors listed on Schedule I thereto (Institutional Accounts).	8-K	001-39516	10.1	2/21/2023						
10.2		Investment Agreement, dated February 17, 2023, by and among Owlet, Inc. and the investors listed on Schedule I thereto (Excluded Investors).	8-K	001-39516	10.2	2/21/2023						
10.3		Amended and Restated Stockholders Agreement, dated February 17, 2023, by and among Owlet, Inc., Eclipse Ventures Fund, L.P., Eclipse Continuity Fund I, L.P. and Eclipse Early Growth Fund I, L.P.	8-K	001-39516	10.3	2/21/2023						
10.4		First Amendment to the Third Amended and Restated Loan and Security Agreement, dated March 27, 2023, between Silicon Valley Bank, as bank lender, and Owlet, Inc. and its subsidiary, Owlet Baby Care, Inc., as borrowers.	8-K	001-39516	10.1	3/31/2023						
10.5*					10.5*			Owlet, Inc. Executive Change in Control Severance Plan				

31.1*	31.1*	<u>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.</u>	31.1*	<u>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.</u>
31.2*	31.2*	<u>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.</u>	31.2*	<u>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.</u>
32.1**	32.1**	<u>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.</u>	32.1**	<u>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.</u>
101.INS*	101.INS*	<u>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.</u>	101.INS*	<u>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.</u>
101.SCH*	101.SCH*	<u>Inline XBRL Taxonomy Extension Schema Document.</u>	101.SCH*	<u>Inline XBRL Taxonomy Extension Schema Document.</u>
101.CAL*	101.CAL*	<u>Inline XBRL Taxonomy Extension Calculation Linkbase Document.</u>	101.CAL*	<u>Inline XBRL Taxonomy Extension Calculation Linkbase Document.</u>
101.DEF*	101.DEF*	<u>Inline XBRL Taxonomy Extension Definition Linkbase Document.</u>	101.DEF*	<u>Inline XBRL Taxonomy Extension Definition Linkbase Document.</u>

101.LAB*	101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document	101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document	101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*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.

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: **May 12, 2023** August 14, 2023

By: **/s/ Kurt Workman**

Name: **Kurt Workman**

Title: **President and Chief Executive Officer**

(Principal Executive Officer)

Date: **May 12, 2023** August 14, 2023

By: **/s/ Kathryn R. Scolnick**

Name: **Kathryn R. Scolnick**

Title: **Chief Financial Officer**

(Principal Financial Officer and Principal Accounting Officer)

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Exhibit 10.5

OWLET, INC.

EXECUTIVE CHANGE IN CONTROL SEVERANCE PLAN (AND SUMMARY PLAN DESCRIPTION)

Effective August 14, 2023

This Owlet, Inc. Executive Change in Control Severance Plan (this “**Plan**”) is effective as of August 14, 2023. The purpose of this Plan is to provide severance benefits to certain eligible employees of Owlet, Inc. or its wholly-owned subsidiary, Owlet Baby Care, Inc. (together, the “**Company**”) whose employment with the Company is terminated under the circumstances described below.

This Plan is an employee welfare benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”). This Plan document is also the summary plan description of this Plan. References in this Plan to “you” or “your” are references to a Covered Employee (as defined below). Capitalized terms not otherwise defined herein shall have the meanings set forth in Section 4 below.

1. **General Eligibility.** In order to be eligible for benefits under this Plan, you must (i) be, at any time during a Change in Control Period, an employee of the Company employed in the United States who is (A) an "officer" of the Company within the meaning of Rule 16a-1(f) of the Securities Exchange Act of 1934 (a "**Tier 1 Participant**") or (B) at the level of Senior Vice President or above who is not a Tier 1 Participant and who has been designated in writing by the Plan Administrator as eligible to participate in the Plan (a "**Tier 2 Participant**"), and (ii) if required by the Plan Administrator, have executed a participation agreement in a form provided by the Company (a "**Covered Employee**").

2. **Covered Termination During Change in Control Period.** If you experience a Covered Termination during a Change in Control Period, and if you deliver to the Company a general release of all claims against the Company and its affiliates substantially in the form attached hereto as Appendix A (a "**Release of Claims**") that becomes effective and irrevocable within 60 days, or such shorter period of time specified by the Company, following such Covered Termination, then in addition to any accrued but unpaid salary, bonus, benefits, vacation and expense reimbursement payable in accordance with applicable law:

(a) **Severance.** You shall be entitled to receive a severance payment equal to 12 months (if you are a Tier 1 Participant) or six months (if you are a Tier 2 Participant) of your annual base salary at the rate in effect immediately prior to the Termination Date, payable in a cash lump sum, less applicable withholdings, on the first payroll date following the date the Release of Claims becomes effective and irrevocable.

(b) **Prorated Target Bonus.** You shall be entitled to receive your annual target bonus for the year in which the Termination Date occurs, prorated based on the number of days in such year during which you were employed by the Company. The prorated bonus will be payable in a cash lump sum, less applicable withholdings, on the first payroll date following the date the Release of Claims becomes effective and irrevocable.

(c) **Continued Healthcare.** If you elect to receive continued healthcare coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), the Company shall directly pay, or reimburse you for, the premium for you and your covered dependents during the period (the "**COBRA Period**") from the Termination Date through the earlier of (i) the 12-month (if you are a Tier 1 Participant) or six-month (if you are a Tier 2 Participant) anniversary of the Termination Date and (ii) the date you and your covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s); provided, however, that if (1) any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the continuation coverage period to be, exempt from the application of Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**"), under Treasury Regulation Section 1.409A-1(a)(5), (2) the Company is otherwise unable to continue to cover you or your dependents under its group health plans, or (3) the Company cannot provide the benefit without violating applicable law (including, without limitation,

Section 2716 of the Public Health Service Act), then, in any such case, an amount equal to each remaining Company subsidy shall thereafter be paid to you in substantially equal monthly installments over the COBRA Period (or remaining portion thereof). After the Company ceases to pay or reimburse premiums pursuant to the preceding sentence, you may, if eligible, elect to continue healthcare coverage at your expense in accordance with the provisions of COBRA.

(d) **Equity Awards.** Except as otherwise provided in an individual equity award agreement, (i) each outstanding and unvested equity award, including, without limitation, each stock option and restricted stock unit award, held by you that, after giving effect to the Change in Control, vests based solely on continued services shall automatically become vested and, if applicable, exercisable, in each case, with respect to 100% of the number of unvested shares underlying such award as of the Termination Date, and (ii) each outstanding and unvested equity award, including, without limitation, each stock option and restricted stock unit award, held by you that vests in whole or in part based on the attainment of performance-based vesting conditions (each, a "**Performance-Based Equity Award**") shall automatically become vested and, if applicable, exercisable, in each case, with respect to the number of shares underlying such Performance-Based Equity Award that would vest based on the achievement of target performance thereunder as of the Termination Date.

3. **Certain Reductions.** Notwithstanding anything herein to the contrary, the Company shall reduce your severance benefits under this Plan, in whole or in part, by any other severance benefits, pay in lieu of notice, or other similar benefits payable to you by the Company in connection with your termination, including but not limited to payments or benefits pursuant to (a) any applicable legal requirement, including, without limitation, the Worker Adjustment and Retraining Notification Act, or (b) any other Company agreement, arrangement, policy or practice relating to your termination of employment with the Company. The benefits provided under this Plan are intended to satisfy, to the greatest extent possible, any and all statutory obligations that may arise out of your termination of employment. Such reductions shall be applied on a retroactive basis, with severance benefits previously paid being recharacterized as payments pursuant to the Company's statutory obligation.

4. **Definitions.** For the purposes of this Plan, the following terms shall have the following meanings:

(a) **"Board"** means the board of directors of Owlet, Inc.

(b) **"Cause"** means your (i) unauthorized use or disclosure of the Company's confidential information or trade secrets, (ii) material breach of any agreement between you and the Company, (iii) material failure to comply with the Company's written policies or rules, (iv) conviction of, or your plea of "guilty" or "no contest" to, a felony or crime involving moral turpitude, (v) commission of an act of fraud, embezzlement, misappropriation of funds, misrepresentation, malfeasance, breach of fiduciary duty or other willful and material act of misconduct, or (vi) failure to substantially perform your assigned duties, which failure has not been cured (if curable) within 30 days after receiving written notification of such failure from the Company.

(c) **"Change in Control"** has the meaning ascribed to such term, or term of similar effect, in the Company's then-current equity incentive plan. Notwithstanding the foregoing, a Change in Control must also constitute a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5), with respect to any compensation or benefit that is subject to Section 409A of the Code.

(d) **"Change in Control Period"** means the period beginning 3 months prior to a Change in Control and ending 12 months thereafter.

(e) **"Covered Termination"** means the termination of your employment with the Company effected by the Company other than for Cause or your resignation of employment with the Company for Good Reason, and does not include a Death or Disability Termination.

(f) **"Death or Disability Termination"** means the termination of your employment with the Company due to death or Disability.

(g) **"Disability"** means your inability, due to physical or mental incapacity, to substantially perform your duties and responsibilities to the Company for 180 days out of any 270 consecutive days.

(h) **"Good Reason"** means any of the following that occurs without your prior consent: (i) a material reduction in your authority, duties or responsibilities to the Company; (ii) a material reduction in your base salary, unless such reduction is part of a generalized salary reduction affecting similarly situated employees; or (iii) the relocation of your primary workplace more than 35 miles from your then-current primary workplace. Any such event shall not constitute Good Reason unless you provide the Company with written notice thereof no later than 30 days following the initial occurrence of such event, the Company fails to cure such condition (if capable of being cured) within 30 days of receipt of such notice, and you terminate your employment with the Company within 30 days after the expiration of such 30 day cure period.

(i) **"Plan Administrator"** means the Compensation Committee of the Board and, solely with respect to employees who are not "executive officers" within the meaning of Section 13(k) of the Securities Exchange Act of 1934, as amended, the Chief Executive Officer of the Company.

(j) **"Plan Sponsor"** means Owlet Baby Care, Inc.

(k) **"Termination Date"** means the date on which you experience a Covered Termination.

5. **Taxes.** All payments to be made under this Plan will be subject to appropriate tax withholding and other deductions.

6. **Amendment of Plan.** Prior to the consummation of a Change in Control, the Plan Administrator shall have the power to amend or terminate this Plan from time to time in its discretion and for any reason (or no reason). On or following the consummation of a Change in Control, the Plan may not be terminated or amended until the later of the first anniversary of the consummation of the Change in Control or the date all payments and benefits eligible to be received hereunder shall have been paid.

7. **Claims Procedures.**

(a) Normally, you do not need to present a formal claim to receive benefits payable under this Plan.

(b) If any person (the **"Claimant"**) believes that benefits are being denied improperly, that this Plan is not being operated properly, that fiduciaries of this Plan have breached their duties, or that the Claimant's legal rights are being violated with respect to this Plan, the Claimant must file a formal claim, in writing, with the Plan Administrator.

(c) A formal claim must be filed within 90 days after the date the Claimant first knew or should have known of the facts on which the claim is based, unless the Plan Administrator in writing consents otherwise or the deadline to file a claim is temporarily extended under the rules described in Appendix B. The Plan Administrator shall provide a Claimant, on request, with a copy of the claims procedures established under subsection (d).

(d) The Plan Administrator has adopted procedures for considering claims (which are set forth in Appendix B), which it may amend from time to time, as it sees fit. These procedures shall comply with all applicable legal requirements. These procedures may provide that final and binding arbitration shall be the ultimate means of contesting a denied claim (even if the Plan Administrator or its delegates failed to follow the prescribed procedures with respect to the claim such that the claim was deemed denied). The right to receive benefits under this Plan is contingent on a Claimant using the prescribed claims and arbitration procedures to resolve any claim.

8. **Plan Administration.**

(a) The Plan Administrator is responsible for the general administration and management of this Plan and shall have all powers and duties necessary to fulfill its responsibilities, including, but not limited to, the discretion to interpret and apply this Plan and to determine all questions relating to eligibility for benefits. This Plan shall be interpreted in accordance with its terms and their intended meanings. However, the Plan Administrator and all Plan fiduciaries shall have the discretion to interpret or construe ambiguous, unclear, or implied (but omitted) terms in any manner they deem to be appropriate in their sole discretion, and to make any findings of fact needed in the administration of this Plan. The validity of any such interpretation, construction, decision, or finding of fact shall not be given de novo review if challenged in court, by arbitration, or in any other forum, and shall be upheld unless clearly arbitrary or capricious.

(b) All actions taken and all determinations made in good faith by the Plan Administrator or by Plan fiduciaries will be final and binding on all persons claiming any interest in or under this Plan. To the extent the Plan Administrator or any Plan fiduciary has been granted discretionary authority under this Plan, the Plan Administrator's or Plan fiduciary's prior exercise of such authority shall not obligate it to exercise its authority in a like manner thereafter.

(c) If, due to errors in drafting, any Plan provision does not accurately reflect its intended meaning, as demonstrated by consistent interpretations or other evidence of intent, or as determined by the Plan Administrator in its sole discretion, the provision shall be considered ambiguous and shall be interpreted by the Plan Administrator and all Plan fiduciaries in a manner consistent with its intent, as determined in the sole discretion of the Plan Administrator. The Plan Sponsor may amend this Plan retroactively to cure any such ambiguity.

(d) No Plan fiduciary shall have the authority to answer questions about any pending or final business decision of the Company or any affiliate that has not been officially announced, to make disclosures about such matters, or even to discuss them, and no person shall rely on any unauthorized, unofficial disclosure. Thus, before a decision is officially announced, no fiduciary is authorized to tell any employee, for example, that the employee will or will not be laid off or that the Company will or will not offer exit incentives in the future. Nothing in this subsection shall preclude any fiduciary from fully participating in the consideration, making, or official announcement of any business decision.

(e) This Section may not be invoked by any person to require this Plan to be interpreted in a manner inconsistent with its interpretation by the Plan Administrator or other Plan fiduciaries.

9. **Plan Application.** This Plan shall be the only plan, agreement or arrangement with respect to which benefits may be provided to a Covered Employee upon a termination of employment during a Change in Control Period and supersedes all prior agreements, arrangements or related communications of the Company relating to separation benefits or accelerated vesting benefits, in each case, during a Change in Control Period for the Covered Employees, whether formal or informal, or written or unwritten. Subject to the foregoing, any benefits under this Plan will be provided to Covered Employees in lieu of benefits that would be incurred during a Change in Control Period under any other separation plan or agreement (including any employment agreement or offer letter).

10. **Funding and Payment of Benefits.** This Plan shall be maintained in a manner to be considered "unfunded" for purposes of ERISA. The Company shall be required to make payments only as benefits become due and payable. No person shall have any right, other than the right of an unsecured general creditor against the Company, with respect to the benefits payable hereunder, or which may be payable hereunder, to any employee. If the Company, acting in its sole discretion, establishes a reserve or other fund associated with this Plan, no person shall have any right to or interest in any specific amount or asset of such reserve or fund by reason of amounts which may be payable to such person under this Plan, nor shall such person have any right to receive any payment under this Plan except as and to the extent expressly provided in this Plan. The assets in any such reserve or fund shall be part of the general assets of the Company, subject to the control of the Company.

11. **Successors.** Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's capital stock, business and/or assets shall assume the obligations under this Plan and agree expressly to perform any of the Company's obligations under this Plan. For the avoidance of doubt, any successor to any affiliate of the Company, including without limitation, a successor to a subsidiary of the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise), to all or substantially all of such affiliate's business and/or assets shall assume the obligations under this Plan and agree expressly to perform any of the Company's obligations under this Plan as such obligations relate to the employees eligible under this Plan employed by the affiliate of the Company. For all purposes under this Plan, the term "Company" shall include any successor to the Company's and/or Company's affiliate's business and/or assets which executes and delivers an assumption agreement or which becomes bound by the terms of the Plan by operation of law. All of your rights hereunder shall inure to the benefit of, and be enforceable by, your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

12. **Limitation On Employee Rights; At-Will Employment.** This Plan shall not give any employee the right to be retained in the service of the Company or interfere with or restrict the right of the Company to discharge or retire the employee. All employees of the Company are employed at will.

13. **No Third-Party Beneficiaries.** This Plan shall not give any rights or remedies to any person other than eligible employees hereunder (or their estates or beneficiaries, in the event of an eligible employee's death) and the Company.

14. **Governing Law.** This Plan is a welfare plan subject to ERISA and it shall be interpreted, administered, and enforced in accordance with that law. To the extent that state law is applicable, the statutes and common law of the jurisdiction in which the Company's headquarters is located shall apply, excluding any that mandate the use of another jurisdiction's laws.

15. **No Assignment of Benefits.** The rights of any person to payments or benefits under this Plan shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection shall be void.

16. **Miscellaneous.** Where the context so indicates, the singular will include the plural and vice versa. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Plan. Unless the context clearly indicates to the contrary, a reference to a statute or document shall be construed as referring to any subsequently enacted, adopted, or executed counterpart.

17. **Section 409A.**

(a) **Separation from Service.** Notwithstanding any provision to the contrary in this Plan, no amount deemed deferred compensation subject to Section 409A of the Code shall be payable pursuant to this Plan unless your termination of employment constitutes a "separation from service" with the Company within the meaning of Section 409A of the Code and the Department of Treasury regulations and other guidance promulgated thereunder ("**Separation from Service**").

(b) **Specified Employee.** Notwithstanding any provision to the contrary in this Plan, if you are deemed at the time of your Separation from Service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which you are entitled under this Plan is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of your benefits shall not be provided to you prior to the earlier of (A) the expiration of the six-month period measured from the date of your Separation from Service or (B) the date of your death. Upon the first business day following the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section shall be paid in a lump sum to you, and any remaining payments due under this Plan shall be paid as otherwise provided herein.

(c) **Expense Reimbursements and In-Kind Benefits.** To the extent that any reimbursements or in-kind benefits provided pursuant to this Plan are subject to the provisions of Section 409A of the Code, any such reimbursements payable to you pursuant to this Plan 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 or in-kind benefits provided in

one year shall not affect the amount eligible for reimbursement or in-kind benefits to be provided in any subsequent year, and your right to reimbursement or in-kind benefits under this Plan will not be subject to liquidation or exchange for another benefit.

(d) **Installments.** For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), your right to receive any installment payments under this Plan shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment.

18. Limitation on Payments. Notwithstanding anything in this Plan to the contrary, if any payment or distribution you would receive pursuant to this Plan or otherwise ("Payment") would (a) constitute a "parachute payment" within the meaning of Section 280G of the Code and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then such Payment shall either be (i) delivered in full, or (ii) delivered as to such lesser extent which would result in no portion of such Payment 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, results in the receipt by you on an after-tax basis, of the largest payment, notwithstanding that all or some portion the Payment may be taxable under Section 4999 of the Code. The accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall perform the foregoing calculations. The Company shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder. The accounting firm shall provide its calculations to you and the Company within 15 calendar days after the date on which your right to a Payment is triggered (if requested at that time by you or the Company) or such other time as requested by the you or the Company. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon you and the Company. Any reduction in payments and/or benefits pursuant to this Section 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.

APPENDIX A

RELEASE OF CLAIMS

This Release of Claims ("Release") is entered into as of _____, 20____, between [_____] ("Employee") and Owlet, Inc., a Delaware corporation (the "Company" and, together with Employee, the "Parties"), effective [eight days after]₁ [upon]₂ Employee's signature hereto (the "Effective Date") [, unless Employee revokes Employee's acceptance of this Release as provided in Paragraph 1(c), below.₂]

1. Employee's Release of the Company. Employee understands that by agreeing to this Release, Employee is agreeing not to sue, or otherwise file any claim against, the Company or any of its employees or other agents for any reason whatsoever based on anything that has occurred as of the date Employee signs this Release.

(a) On behalf of Employee and Employee's heirs and assigns, Employee hereby releases and forever discharges the "Releasees" hereunder, consisting of the Company, and each of its owners, affiliates, subsidiaries, divisions, predecessors, successors, assigns, agents, directors, officers, partners, employees, and insurers, and all persons acting by, through, under or in concert with them, or any of them, of and from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, loss, cost or expense, of any nature whatsoever, known or unknown, fixed or contingent (hereinafter called "Claims"), which Employee now has or may hereafter have against the Releasees, or any of them, by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof, including, without limiting the generality of the foregoing, any Claims arising out of, based upon, or relating to Employee's hire, employment, remuneration or resignation by the Releasees, or any of them, including Claims arising under federal, state, or local laws relating to employment, Claims of any kind that may be brought in any court or administrative agency, any Claims arising under [the Age Discrimination in Employment Act ("ADEA"), 29 U.S.C. § 621, et seq.]; Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991, 42 U.S.C. § 2000 et seq.; the Equal Pay Act, 29 U.S.C. § 206(d); the Civil Rights Act of 1866, 42 U.S.C. § 1981; the Family and Medical Leave Act of 1993, 29 U.S.C. § 2601 et seq.; the Americans with Disabilities Act of 1990, 42 U.S.C. § 12101 et seq.; the False Claims Act, 31 U.S.C. § 3729 et seq.; the Employee Retirement Income Security Act, 29 U.S.C. § 1001 et seq.; the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101 et seq. the Fair Labor Standards Act, 29 U.S.C. § 215 et seq., the Sarbanes-Oxley Act of 2002; the Utah Antidiscrimination Act; the Utah Employment Relations and Collective Bargaining Act; the Utah Right to Work Act; the Utah Drug and Alcohol Testing Act; the Utah Minimum Wage Act; the Utah Employment Selection Procedures Act; the Utah Occupational Safety and Health Act; the employment and civil rights laws of Utah; and any and all other federal, state and local laws, statutes, executive orders, regulations, municipal ordinances, common law, and any other jurisdiction worldwide; Claims for breach of contract; Claims arising in tort, including, without limitation,

Claims of wrongful dismissal or discharge, discrimination, harassment, retaliation, fraud, misrepresentation, defamation, libel, infliction of emotional distress, violation of public policy, and/or breach of the implied covenant of good faith and fair dealing; and Claims for damages or other remedies of any sort, including, without limitation, compensatory damages, punitive damages, injunctive relief and attorney's fees.⁵

(b) Notwithstanding the generality of the foregoing, Employee does not release the following claims:

1 NTD: For employees 40 and over.

2 NTD: For employees under 40.

3 NTD: For employees 40 and over.

4 NTD: For employees 40 and over.

5 NTD: To be expanded if Employee is located outside of Utah.

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(i) Claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law;

(ii) Claims for workers' compensation insurance benefits under the terms of any worker's compensation insurance policy or fund of the Company;

(iii) Claims to continued participation in certain of the Company's group benefit plans pursuant to the terms and conditions of COBRA;

(iv) Claims to any benefit entitlements vested as the date of Employee's employment termination, pursuant to written terms of any Company employee benefit plan;

(v) Claims for indemnification under any indemnification agreement with the Company, the Company's Bylaws or any other applicable law; and

(vi) Employee's right to bring to the attention of the Equal Employment Opportunity Commission claims of discrimination; provided, however, that Employee does release Employee's right to secure any damages for alleged discriminatory treatment.

(c) In accordance with the Older Workers Benefit Protection Act of 1990, Employee has been advised of the following:

(i) Employee has the right to consult with an attorney before signing this Release;

(ii) Employee has been given at least [21 OR 45] days to consider this Release;

(iii) Employee has seven days after signing this Release to revoke it, and Employee will not receive the severance benefits provided by the Owlet, Inc. Executive Change in Control Severance Plan (the "**CIC Severance Plan**") unless and until such seven day period has expired. If Employee wishes to revoke this Release, Employee must deliver notice of Employee's revocation in writing, no later than 5:00 p.m. on the seventh day following Employee's execution of this Release to [_____].⁶

2. **Employee Representations.** Employee represents and warrants that:

(a) Employee has returned to the Company all Company property in Employee's possession;

(b) Employee is not owed wages, commissions, bonuses or other compensation, other than wages through the date of the termination of Employee's employment and any accrued, unused vacation earned through such date, and any payments that become due under the [Owlet, Inc. Executive Change in Control Severance Plan (the "**CIC Plan**")][CIC Severance Plan];

(c) During the course of Employee's employment Employee did not sustain any injuries for which Employee might be entitled to compensation pursuant to worker's compensation law or Employee has disclosed any injuries of which Employee is currently, reasonably aware for which Employee might be entitled to compensation pursuant to worker's compensation law; and

(d) Employee has not initiated any adversarial proceedings of any kind against the Company or against any other person or entity released herein, nor will Employee do so in the future, except as specifically allowed by this Release.

3. **Severability.** The provisions of this Release are severable. If any provision is held to be invalid or unenforceable, it shall not affect the validity or enforceability of any other provision.

4. **Choice of Law.** This Release shall in all respects be governed and construed in accordance with the laws of the State of [Utah],⁷ including all matters of construction, validity and performance, without regard to conflicts of law principles.

5. **Integration Clause.** This Release and the CIC Severance Plan contain the Parties' entire agreement with regard to the separation of Employee's employment and supersede and replace any prior agreements as to those matters, whether oral or written. This Release may not be changed or modified, in whole or in part, except by an instrument in writing signed by Employee and a duly authorized officer or director of the Company.

6. **Execution in Counterparts.** This Release may be executed in counterparts with the same force and effectiveness as though executed in a single document. Electronic signatures shall have the same force and effectiveness as original signatures.

7. **Intent to be Bound.** The Parties have carefully read this Release in its entirety; fully understand and agree to its terms and provisions; and intend and agree that it is final and binding on all Parties.

(Signature page follows)

The Parties have executed the foregoing on the dates shown below.

EMPLOYEE OWLET, INC.

By:

Title:

Date: _____ Date: _____

APPENDIX B

Detailed Claims and Arbitration Procedures

1. Claims Procedure

Claims for benefits under the Plan shall be administered in accordance with Section 503 of ERISA and the Department of Labor Regulations thereunder. The Plan Administrator shall make all determinations as to the rights of any Claimant. A Claimant may authorize a representative to act on his or her behalf with respect to any claim under the Plan.

Initial Claims

All claims shall be presented to the Plan Administrator in writing at the address in Appendix C. Within 90 days after receiving a claim, a claims official appointed by the Plan Administrator shall consider the claim and issue his or her determination thereon in writing. If the Plan Administrator or claims official determines that an extension of time is necessary, the claims official may extend the determination period for up to an additional 90 days by giving the Claimant written notice indicating the special circumstances requiring the extension of time prior to the termination of the initial 90-day period. Any claims that the Claimant does not pursue in good faith through the initial claims stage shall be treated as having been irrevocably waived.

Claims Decisions

If the claim is granted, the benefits or relief the Claimant seeks shall be provided. If the claim is wholly or partially denied, the claims official shall, within 90 days (or a longer period, as described above), provide the Claimant with written notice of the denial, setting forth, in a manner calculated to be understood by the Claimant: (1) the specific reason or reasons for the denial; (2) specific references to the provisions on which the denial is based; (3) a description of any additional material or information necessary for the Claimant to perfect the claim, together with an explanation of why the material or information is necessary; and (4) an explanation of the procedures for appealing denied claims and time limits applicable to such procedures, including a statement of the Claimant's right to submit a request for arbitration after the appeal is denied or deemed denied. If the Claimant can establish that the claims official has failed to respond to the claim in a timely manner, the Claimant may treat the claim as having been denied by the claims official.

Appeals of Denied Claims

Each Claimant shall have the opportunity to appeal the claims official's denial of a claim. All appeals shall be presented to the Plan Administrator in writing at the address in Appendix C. The appeal will be reviewed by the Plan Administrator or its designee (the "claims official"). A Claimant must appeal a denied claim within 60 days after receipt of written notice of denial of the claim, or within 60 days after it was due if the Claimant did not receive it by its due date, subject to the temporary extension of deadlines described in the paragraph below. The Claimant shall have the opportunity to submit written comments, documents, records and other information relating to the Claimant's claim. The Claimant (or the Claimant's duly authorized representative) shall be provided upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the Claimant's claim. The appeals official shall take into account during its review all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefits review. Any claims that the Claimant does not pursue in good faith through the appeals stage, such as by failing to file a timely appeal request, shall be treated as having been irrevocably waived.

Appeals Decisions

The decision by the appeals official shall be made not later than 60 days after the written appeal is received by the Plan Administrator, however, if the appeals official determines that an extension of time is necessary, the appeals official may extend the determination period for up to an additional 60 days by

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giving the Claimant written notice indicating the special circumstances requiring the extension of time prior to the termination of the initial 60 day period.

However, if the appeals official is a committee that meets at least quarterly, then the decision by the appeals official shall be made not later than the date of the meeting that immediately follows the Plan's receipt of an appeal request, unless the appeal request is filed within 30 days preceding the date of such meeting. In such case, a benefit determination may be made by no later than the date of the second meeting following the Plan's receipt of the appeal request. If special circumstances require a further extension of time for processing, a benefit determination shall be rendered no later than the third meeting of the appeals official following the Plan's receipt of the appeal request. If such an extension of time for review is required, the appeals official shall provide the Claimant with written notice of the extension, describing the special circumstances and the date as of which the benefit determination will be made, prior to the commencement of the extension. The appeals official shall notify the Claimant of the benefit determination as soon as possible but not later than five days after it has been made.

The appeal decision shall be in writing, shall be set forth in a manner calculated to be understood by the Claimant and shall include the following: (1) the specific reason or reasons for the denial; (2) specific references to the Plan provisions on which the denial is based; (3) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the Claimant's claim, and (4) a statement of the Claimant's right to submit a request for arbitration and the deadline for doing so. If a Claimant does not receive the appeal decision by the date it is due, the Claimant may deem the appeal to have been denied. Subject to applicable law, any decision made in accordance with the claims procedures in this Appendix B is final and binding on all parties and shall be given the maximum possible deference allowed by law.

Procedures

The Plan Administrator shall adopt procedures by which initial claims shall be considered and appeals shall be resolved; different procedures may be established for different claims. All procedures shall be designed to afford a Claimant full and fair consideration of his or her claim and appeal.

Arbitration of Rejected Appeals

If a Claimant has pursued a claim through the appeal stage of these claims procedures, the Claimant may contest the actual or deemed denial of that claim through arbitration, as described below. In no event shall any denied claim be subject to resolution by any means (such as in a court of law) other than arbitration in accordance with the following provisions.

2. Arbitration Procedure

Request for Arbitration

A Claimant must submit a request for arbitration to the Plan Administrator within 60 days after receipt of the written denial of an appeal (or within 60 days after he or she should have received the determination). The Claimant or the Plan Administrator may bring an action in any court of appropriate jurisdiction to compel arbitration in accordance with these procedures.

Applicable Arbitration Rules

If the Claimant has entered into a valid arbitration agreement with the Company, the arbitration shall be conducted in accordance with that agreement. If not, the rules set forth in the balance of this Appendix shall apply: The arbitration shall be held under the auspices of the Judicial Arbitration and Mediation Service ("JAMS"). Except as provided below, the arbitration shall be in accordance with JAMS' then-current employment dispute resolution rules. A copy of the rules currently in effect can be found at <https://www.jamsadr.com/rules-employment-arbitration>. The Arbitrator shall apply the Federal Rules of Evidence and shall have the authority to entertain a motion to dismiss or a motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The Federal Arbitration Act shall govern all arbitrations that take place under these

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Detailed Claims and Arbitration Procedures (or that are required to take place under them) and shall govern the interpretation or enforcement of these Procedures or any arbitration award. To the extent that the Federal Arbitration Act is inapplicable, Utah law pertaining to arbitration agreements shall apply.

Arbitrator

The arbitrator (the "Arbitrator") shall be an attorney familiar with employee benefit matters who is licensed to practice law in the state in which the arbitration is convened. The Arbitrator shall be selected in the following manner from a list of eleven arbitrators drawn by the sponsoring organization

under whose auspices the arbitration is being conducted and taken from its panel of labor and employment arbitrators. Each party shall designate all arbitrators on the list whom they find acceptable; the parties shall then alternately strike arbitrators from the list of arbitrators acceptable to both parties, with the party who did not initiate the arbitration striking first. If only one arbitrator is acceptable to both parties, he or she will be the Arbitrator. If none of the arbitrators is acceptable to both parties, a new panel of arbitrators shall be obtained from the sponsoring organization and the selection process shall be repeated.

Location

The arbitration will take place in or near the city in which the Claimant is or was last employed by the Company or in which the Plan is principally administered, whichever is specified by the Plan Administrator, or in such other location as may be acceptable to both the Claimant and the Plan Administrator.

Authority of Arbitrator

The Arbitrator shall have the authority to resolve any factual or legal claim relating to the Plan or relating to the interpretation, applicability, or enforceability of these arbitration procedures, including, but not limited to, any claim that these procedures are void or voidable. The Arbitrator may grant a Claimant's claim only if the Arbitrator determines that it is justified because: (1) the appeals official erred on an issue of law; or (2) the appeals official's findings of fact, if applicable, were not supported by substantial evidence. The arbitration shall be final and binding on all parties.

Limitation on Scope of Arbitration

The Claimant may not present any evidence, facts, arguments, or theories at the arbitration that the Claimant did not pursue in his or her appeal, except in response to new evidence, facts, arguments, or theories presented on behalf of the other parties to the arbitration. However, an arbitrator may permit a Claimant to present additional evidence or theories if the Arbitrator determines that the Claimant was precluded from presenting them during the claim and appeal procedures due to procedural errors of the Plan Administrator or its delegates. Each Claimant may only submit individual claims to the Arbitrator, and the Arbitrator may only review individual, not class, claims.

Administrative Record

The Plan Administrator shall submit to the Arbitrator a certified copy of the record on which the appeals official's decision was made.

Experts, Depositions, and Discovery

Except as otherwise permitted by the Arbitrator on a showing of substantial need, either party may: (1) designate one expert witness; (2) take the deposition of one individual and the other party's expert witness; (3) propound requests for production of documents; and (4) subpoena witnesses and documents relating to the discovery permitted in this paragraph.

Pre-Hearing Procedures

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At least 30 days before the arbitration hearing, the parties must exchange lists of witnesses, including any expert witnesses, and copies of all exhibits intended to be used at the hearing. The Arbitrator shall have jurisdiction to hear and rule on pre-hearing disputes and is authorized to hold pre-hearing conferences by telephone or in person, as the Arbitrator deems necessary.

Transcripts

Either party may arrange for a court reporter to provide a stenographic record of the proceedings at the party's own cost.

Post-Hearing Procedures

Either party, on request at the close of the hearing, may be given leave to file a post-hearing brief within the time limits established by the Arbitrator.

Costs and Attorneys' Fees

Each party shall bear its own costs and attorneys' fees in connection with the arbitration, provided that the Company shall bear the costs of the Arbitrator and administrative fees.

Arbitration Award

The Arbitrator shall render an award and opinion in the form typically rendered in labor arbitrations. Within 20 days after issuance of the Arbitrator's award and opinion, either party may file with the Arbitrator a motion to reconsider, which shall be accompanied by a supporting brief. If such a motion is filed, the other party shall have 20 days from the date of the motion to respond, after which the Arbitrator shall reconsider the issues raised by the motion and either promptly confirm or promptly change his or her decision. The decision shall then be final and conclusive on the parties. Arbitrator fees and other costs of a motion for reconsideration shall be borne by the losing party, unless the Arbitrator orders otherwise. Either party may bring an action in any court of appropriate jurisdiction to enforce an arbitration award. A party opposing enforcement of an arbitration award may not do so in an enforcement proceeding, but must bring a separate action in a court of competent jurisdiction to set aside the award. In any such action, the standard of review shall be the same as that applied by an appellate court reviewing the decision of a trial court in a nonjury trial.

Severability

The invalidity or unenforceability of any part of these arbitration procedures shall not affect the validity of the rest of the procedures.

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APPENDIX C

ADDITIONAL INFORMATION RIGHTS UNDER ERISA

As a participant in the Plan, you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan participants will be entitled to:

Receive Information About Your Plan and Benefits

1. Examine, without charge, at the Company's headquarters, all documents governing the Plan, if any, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with U.S. Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefit Administration .
2. Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.
3. Receive a summary of the Plan's annual financial report, if any. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including the Company, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your right under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules. Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits, which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about your Plan, you should contact the Plan Administrator. If you should have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N. W., Washington, D. C. 20210.

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You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

ADMINISTRATIVE INFORMATION

Name of Plan:

Owlet, Inc. Executive Change in Control Severance Plan

Plan Sponsor:

Owlet Baby Care, Inc.

3300 N. Ashton Blvd, Ste. 300

Lehi, Utah, 84043

Tel: (844) 334-5330

Plan Administrator:

Compensation Committee of the Board of Directors

Owlet, Inc.

3300 N. Ashton Blvd, Ste. 300

Lehi, Utah, 84043

Tel: (844) 334-5330

Type of Administration:

Self-Administered

Type of Plan:

Severance Pay Employee Welfare Benefit Plan

Employer Identification Number:

47-2570945

Direct Questions Regarding the Plan to:

Owlet Legal Department

legal@owletcare.com

Agent for Service of Legal Process:

3300 N. Ashton Blvd., Ste. 300

Lehi, Utah, 84043

Tel: (844) 334-5330

Service of Legal Process may also be made upon the Plan Administrator.

Plan Year End:

December 31

Plan Number:

502

Funding:

The Plan is unfunded. Plan benefits are paid as needed from the general assets of the Company.

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Exhibit 31.1

**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:

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REFINITIV 

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: May 12, 2023 August 14, 2023

By:

/s/ Kurt Workman

Kurt Workman

President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**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: **May 12, 2023** August 14, 2023

By:

/s/ Kathryn R. Scolnick

Kathryn R. Scolnick

Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**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 **March 31, 2023** June 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: **May 12, 2023** August 14, 2023

By:

/s/ Kurt Workman

Kurt Workman

President and Chief Executive Officer
(Principal Executive Officer)

Date: **May 12, 2023** **August 14, 2023**

By:

/s/ Kathryn R. Scolnick

Kathryn R. Scolnick

Chief Financial Officer

(Principal Financial Officer)

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