

Resonant Inc
Form 10-Q/A
October 10, 2014
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

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

For the quarterly period ended June 30, 2014

or

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

For the transition period from _____ to _____ .

Commission File Number 001-36467

RESONANT INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

45-4320930
(I.R.S. Employer
Identification No.)

110 Castilian Drive, Suite 100

Santa Barbara, California 93117

(Address of principal executive offices, zip code)

(805) 308-9803

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if smaller reporting company)

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

As of August 1, 2014, the issuer had 6,897,695 shares of common stock issued and outstanding.

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Explanatory Note

We filed a Quarterly Report on Form 10-Q for quarter ended June 30, 2014 with the Securities and Exchange Commission on August 14, 2014, (the Original Filing). We are filing this Amendment No. 1 to Quarterly Report on Form 10-Q/A (the Form 10-Q/A) to amend and restate our unaudited condensed consolidated financial statements and related disclosures for the three and six months ended June 30, 2014 and 2013, as discussed in Note 9 (*Restatement of Financial Statements*) to the accompanying restated unaudited condensed consolidated financial statements.

Decision to Restate and Reliance on Prior Financials

On October 2, 2014, we concluded that investors should no longer rely on the previously issued unaudited condensed consolidated financial statements for the three and six month periods ended June 30, 2014 in our Original Filing (the Affected Periods). We reached our conclusion after discussion with our Audit Committee and a joint discussion with our independent registered public accounting firm. This Form 10-Q/A reflects the appropriate corrections for the Affected Periods.

We also identified a material weakness in our internal controls as of June 30, 2014. We are taking steps to remediate this weakness.

Valuation of Warrant Liabilities

We reviewed the accounting treatment of our bridge warrants, financing warrants and consulting warrants (the Subject Warrants) and concluded that the related warrant liabilities should have been permanently reclassified as equity effective as of May 29, 2014, the date of our initial public offering (the IPO). We based our conclusion on the fact that the redemption and put features of the Subject Warrants automatically terminated on the date of the IPO. Consequently, we should have also ceased recording any further fair value adjustments after the date of the IPO associated with quarterly adjustments to the fair value of warrant liabilities. Due to the elimination of the warrant liabilities, we will not record any further quarterly adjustments for the fair value of warrant liabilities or any associated gain or loss from such adjustments.

Weighted Average Shares Outstanding and Earnings per Share

We discovered an error in the calculation of the weighted average shares outstanding for the Affected Periods. Correcting this error has increased the loss per share for both of the Affected Periods.

Revision to Notes to Condensed Consolidated Financial Statements

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We concluded that the notes to the condensed consolidated financial statements should be amended to include additional disclosures for warrant liabilities, fair value of financial instruments and restatement of condensed consolidated financial statements.

Restated Items

This Form 10-Q/A amends and restates Item 1 of Part I, *Financial Statements*, Item 2 of Part I, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and Item 4 of Part I, *Controls and Procedures*, of the Original Filing, in each case, solely as a result of, and to reflect, the modifications made to the accounting treatment of certain items, as discussed in Note 9. Pursuant to the rules of the SEC, Item 6 of Part II of the Original Filing has been amended to contain the currently-dated certifications from our principal executive officer and principal financial officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of our principal executive officer and principal financial officer are attached to this Form 10-Q/A as Exhibits 31.1, 31.2 and 32.1.

This Form 10-Q/A sets forth only those items of the Original Filing that have been amended and, other than as described above, none of the other disclosures in the Original Filing have been amended or updated. Among other things, forward-looking statements made in the Original Filing have not been revised to reflect events that occurred or facts that became known to us after the filing of the Original Filing, and such forward-looking statements should be read in their historical context.

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RESONANT INC.

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Table of Contents**PART I: FINANCIAL INFORMATION****Item 1. Financial Statements****RESONANT INC.****Condensed Consolidated Balance Sheets***(unaudited)*

	December 31, 2013	June 30, 2014 (as restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,338,979	\$ 17,353,866
Prepaid expenses and other current assets	182,930	81,099
Deferred finance costs	745,039	
TOTAL CURRENT ASSETS	4,266,948	17,434,965
PROPERTY AND EQUIPMENT		
Fixed assets	231,120	771,807
Less: Accumulated depreciation and amortization	(7,360)	(73,581)
PROPERTY AND EQUIPMENT NET	223,760	698,226
NONCURRENT ASSETS		
Patents and domain names, net	379,703	435,396
Other assets	11,782	11,782
TOTAL NONCURRENT ASSETS	391,485	447,178
TOTAL ASSETS	\$ 4,882,193	\$ 18,580,369
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 91,974	\$ 640,064
Accrued expenses	163,375	24,360
Accrued salaries and payroll related expenses	13,504	98,193
Derivative liabilities	5,056,502	
Note payable		
Convertible notes	7,740,843	
TOTAL CURRENT LIABILITIES	13,066,198	762,617
LONG-TERM LIABILITIES		
Warrants	3,276,084	
Other liabilities	3,876	67,783
TOTAL LIABILITIES	16,346,158	830,400
Commitments and contingencies (Note 7)		

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STOCKHOLDERS EQUITY (DEFICIT)

Common stock, \$0.001 par value, 10,000,000 authorized and 999,999 outstanding as of December 31, 2013, and 47,000,000 authorized and 6,897,695 outstanding as of June 30, 2014	1,000	6,897
Preferred stock, \$0.001 par value, none authorized or outstanding as of December 31, 2013, and 3,000,000 authorized and none outstanding as of June 30, 2014		
Additional paid-in capital	1,000	35,322,890
Accumulated deficit	(11,465,965)	(17,579,818)
TOTAL STOCKHOLDERS EQUITY (DEFICIT)	(11,463,965)	17,749,969
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	\$ 4,882,193	\$ 18,580,369

See Notes to Condensed Consolidated Financial Statements

Table of Contents**RESONANT INC.****Condensed Consolidated Statements of Operations***(Unaudited)*

	Resonant LLC Period from April 1, 2013 to June 16, 2013	Resonant Inc. Period from June 17, 2013 to June 30, 2013	Resonant Inc. Three Months Ended June 30, 2014 (as restated)	Resonant LLC Period from January 1, 2013 to June 16, 2013	Resonant Inc. Period from June 17, 2013 to June 30, 2013	Resonant Inc. Six Months Ended June 30, 2014 (as restated)
REVENUES	\$	\$	\$	\$	\$	\$
OPERATING EXPENSES						
Research and development expenses	78,566	29,933	968,807	195,403	29,933	1,403,666
General and administrative expenses	12,965	750,421	454,632	135,993	750,421	976,547
Depreciation and amortization	2,575		62,003	4,905		75,344
TOTAL OPERATING EXPENSES	94,106	780,354	1,485,442	336,301	780,354	2,455,557
OPERATING LOSS	(94,106)	(780,354)	(1,485,442)	(336,301)	(780,354)	(2,455,557)
OTHER INCOME (EXPENSE)						
Interest income		231	1,640		231	2,193
Interest expense	(145,190)	(169,104)	(2,098,832)	(199,961)	(169,104)	(2,807,862)
Fair value adjustments to warrant and derivative liabilities			251,767			(2,015,599)
Bridge warrant expense		(312,486)		(247,669)	(312,486)	
Other income			1,163,772			1,163,772
TOTAL OTHER EXPENSE	(145,190)	(481,359)	(681,653)	(447,630)	(481,359)	(3,657,496)
LOSS BEFORE INCOME TAXES	(239,296)	(1,261,713)	(2,167,095)	(783,931)	(1,261,713)	(6,113,053)
Provision for income taxes	(800)			(800)		(800)
NET LOSS	\$ (240,096)	\$ (1,261,713)	\$ (2,167,095)	\$ (784,731)	\$ (1,261,713)	\$ (6,113,853)
NET LOSS PER SHARE - BASIC AND DILUTED						
	\$	\$	(1.26) \$	(0.69) \$	\$	(1.26) \$
						(2.95)
Weighted average shares outstanding - basic and diluted		999,999	3,136,955		999,999	2,074,380

See Notes to Condensed Consolidated Financial Statements

Table of Contents**RESONANT INC.****Condensed Consolidated Statements of Stockholders Equity (Deficit)***(Unaudited)*

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in	Deficit	Stockholders
			Capital		Equity (Deficit)
Balance, December 31, 2013	999,999	\$ 1,000	\$ 1,000	\$ (11,465,965)	\$ (11,463,965)
Sale of common stock in our initial public offering	3,105,000	3,105	17,725,710		17,728,815
Offering costs of our initial public offering			(2,388,027)		(2,388,027)
Fair value of warrants issued in connection with our initial public offering			901,185		901,185
Reclassification of warrant liabilities			3,658,411		3,658,411
Conversion of convertible notes	2,787,667	2,787	9,397,213		9,400,000
Write-off of derivative liability upon conversion of notes payable			5,526,003		5,526,003
Issuance of common stock from vesting of restricted stock units, net of shares used to pay taxes	5,029	5	38,819		38,824
Fair value of stock options issued to advisors and consultants			211,801		211,801
Sale of warrants			1,000		1,000
Stock-based compensation			249,775		249,775
Net loss				(6,113,853)	(6,113,853)
Balance, June 30, 2014 (as restated)	6,897,695	\$ 6,897	\$ 35,322,890	\$ (17,579,818)	\$ 17,749,969

See Notes to Condensed Consolidated Financial Statements

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

	Resonant LLC Period from January 1, 2013 to June 16, 2013	Resonant Inc. Period from June 17, 2013 to June 30, 2013	Resonant Inc. Six Months Ended June 30, 2014 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	\$ (784,731)	\$ (1,261,713)	\$ (6,113,853)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	4,905		75,344
Amortization of deferred finance costs	200,000	162,756	2,404,196
Stock-based compensation			500,400
Warrants issued for payment of services		715,794	
Non-cash rent expense	22,338		
Bridge warrant expense	247,669	312,486	
Gain on extinguishment of derivative liability			(1,163,772)
Fair value adjustments to warrant and derivative liabilities			2,015,599
Changes in assets and liabilities:			
Prepays and other current assets	(108,722)	34,267	101,831
Other assets			
Accounts payable	332,044	(219,744)	548,090
Accrued expenses	(75,489)	(8,765)	(139,015)
Accrued compensation			84,689
Other liabilities			63,907
Net cash used in operating activities	(161,986)	(264,919)	(1,622,584)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures			(540,687)
Expenditures for patents and domain names	(75,696)		(64,815)
Net cash used in investing activities	(75,696)		(605,502)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of note payable		(100,000)	
Proceeds from bridge loan	200,000		
Payment of bridge loan		(200,000)	
Proceeds from issuance of convertible note		7,000,000	
Deferred financing cost		(1,154,234)	
Proceeds from sale of common stock from the IPO			18,630,000
IPO cost			(2,388,027)
Proceeds from issuance of warrants	1,000		1,000
Net cash provided by financing activities	201,000	5,545,766	16,242,973
NET INCREASE (DECREASE) IN CASH	(36,682)	5,280,847	14,014,887
CASH Beginning of period	89,044	52,362	3,338,979
CASH End of period	\$ 52,362	\$ 5,333,209	\$ 17,353,866
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest	\$	\$	\$ 403,667
Taxes	\$	\$	\$ 800

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SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Issuance of subordinated note in exchange for Class C units	\$	\$	2,400,000	\$
Charge to equity for difference in fair value of subordinate note	\$	\$	2,133,855	\$
Debt discount in conjunction with senior note	\$	\$	266,145	\$
Debt discount in conjunction with senior note	\$	\$	329,886	\$
Debt discount in conjunction with senior note-derivative	\$	\$	2,005,015	\$
Conversion of senior note	\$	\$		\$ 7,000,000
Conversion of subordinated note	\$	\$		\$ 2,400,000
Extinguishment of derivative liability	\$	\$		\$ 5,526,003
Reclassification warrant liabilities to additional paid-in capital	\$	\$		\$ 3,658,411

See Notes to Condensed Consolidated Financial Statements

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RESONANT INC.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

NOTE 1 ORGANIZATION AND DESCRIPTION OF BUSINESS

Overview

Resonant Inc. is a late-stage development company located in Santa Barbara, California. We are the successor of Resonant LLC, a limited liability company formed on May 29, 2012 (our inception date). We were incorporated on January 19, 2012 as a wholly-owned subsidiary of Superconductor Technologies Inc., or STI, and became an independent company on July 6, 2012. As a result of an exchange transaction that occurred on June 17, 2013, the units of membership interest issued by Resonant LLC were exchanged for shares of our common stock, resulting in a change in the form of ownership of our company. The condensed consolidated statements of operations presented in our condensed consolidated financial statements represent the activities of Resonant LLC, as the predecessor company, for the periods from January 1, 2013 to June 16, 2013 and April 1, 2013 to June 16, 2013, and the activities of Resonant Inc., as the successor company, for the period from June 17, 2013 to June 30, 2013 and the three and six months ended June 30, 2014 (as restated). The condensed consolidated balance sheets presented in the condensed consolidated financial statements represent the activities of Resonant Inc., as the successor company, as of December 31, 2013 and June 30, 2014 (as restated).

We are creating innovative filter designs for radio frequency, or RF, front-ends for the mobile device industry. The RF front-end is the circuitry in a mobile device responsible for analog signal processing and is located between the device's antenna and its digital baseband. We use a fundamentally new technology called Infinite Synthesized Networks™, or ISN™, to configure and connect resonators, the building blocks of RF filters. Filters are a critical component of the RF front-end used to select desired radio frequency signals and reject unwanted signals. We plan to use ISN to develop new classes of filter designs.

We plan to license our designs to companies that make part or all of the RF front-end. We intend to retain ownership of our designs and we expect to be compensated through license fees and/or to charge royalties based on sales of RF front-end modules that incorporate our designs. We do not currently intend to manufacture or sell any physical products or operate as a contract design company developing designs for a fee.

We are currently developing our first design, a duplexer or filter, in collaboration with Skyworks Solutions, Inc., or Skyworks, under the terms of a development agreement. Skyworks has an option to license our duplexer design at already agreed-upon royalty rates upon completion. The terms of the license would give Skyworks exclusivity on our first filter design for a limited time on the relevant duplexer band. There is no assurance that we can complete our first design or that our design will have acceptable performance. In addition, our first design will compete with other products and solutions available to Skyworks and may not be selected even if fully compliant with all specifications.

We were founded as Resonant LLC on May 29, 2012 and commenced business on July 6, 2012 with initial contributions from our founders and STI. The founders contributed \$200,000 and agreed to work full-time without pay until we secured adequate funding. STI contributed a patent

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portfolio, software, equipment, temporary office space and an early version of our first development agreement.

The founders loaned us an aggregate of \$200,000 during the first quarter of 2013, and we issued a series of warrants to the founders in connection with these loans. We repaid the loans in the second quarter of 2013.

We changed our form of ownership from a limited liability company to a corporation in an exchange transaction on June 17, 2013. The founders exchanged all of their units and warrants of Resonant LLC for common stock and warrants of Resonant Inc. STI exchanged all of its units of Resonant LLC for a \$2.4 million Subordinated Convertible Note of Resonant Inc. The note issued to STI was to mature on September 17, 2014, was interest free, was secured by all of our assets, was subordinated to our Senior Convertible Notes and would automatically convert into 700,000 shares of our common stock upon consummation of a qualified offering.

We closed our first financing on June 17, 2013. We issued \$7.0 million of Senior Convertible Notes in a private placement. The notes were to mature on September 17, 2014, bore interest at 6.0% per annum, were secured by all of our assets and would automatically convert into 2,087,667 shares of our common stock upon consummation of a qualified offering. Interest was payable in cash or shares of common stock. We paid a placement agent a commission of \$700,000 and issued the agent warrants to purchase 208,763 shares of our common stock. We also issued the placement agent a warrant to purchase 222,222 shares of our common stock for business consulting services.

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Initial Public Offering

We closed an initial public offering, or IPO, of 3,105,000 shares of common stock (which includes the exercise in full by the underwriter of its over-allotment option) at a price of \$6.00 per share on June 3, 2014. We received aggregate net proceeds, after deducting underwriting discounts and commissions and estimated offering expenses, of approximately \$16.2 million. Our common stock commenced trading on the Nasdaq Capital Market under the symbol RESN on May 29, 2014 (the IPO Date). The Securities and Exchange Commission declared effective a registration statement relating to these securities on May 28, 2014.

MDB Capital Group, LLC, or MDB, acted as the sole underwriter for our IPO. Simultaneous with the funding of the IPO, we issued the underwriter a 5-year warrant to purchase 310,500 shares of common stock at an exercise price of \$7.50 per share. The warrant is not exercisable until November 24, 2014 (180-days from the date of the underwriting agreement).

Our Senior Convertible Notes automatically converted into 2,087,667 shares of common stock effective upon the completion of the IPO. We paid in cash the accrued interest of \$403,667. Similarly, our Subordinated Convertible Note automatically converted into 700,000 shares of common stock. There was no accrued interest on this note. The shares issued on conversion of the Senior Convertible Notes are subject to a 180-day lockup expiring November 24, 2014, and the shares issued on conversion of the Subordinated Convertible Note are subject to a 12-month lockup expiring May 28, 2015.

Capital Resources and Liquidity

We have earned no revenue since inception, and our operations have been funded with capital contributions and debt. We have incurred accumulated losses totaling \$17.6 million through June 30, 2014 (as restated). These losses are primarily the result of research and development costs associated with commercializing our technology, combined with start-up and financing costs. We expect to continue to incur substantial costs for commercialization of our technology on a continuous basis because our business model involves developing and licensing custom filter designs.

Our condensed consolidated financial statements contemplate the continuation of our business as a going concern. However, we are subject to the risks and uncertainties associated with a new business. We do not yet have the ability to earn revenue and have incurred significant losses from operations since inception. At December 31, 2013 and June 30, 2014 (as restated), we had an accumulated deficit of \$11.5 million and \$17.6 million (as restated), respectively, and cash and cash equivalents of \$3.3 million and \$17.4 million, respectively.

We recently completed an initial public offering to raise additional capital. There is no assurance that the proceeds will be sufficient to provide us with adequate resources to fund future operations, and we may need additional financing to continue with our plan of commercialization and for general working capital. Further, if we are unable to complete the duplexer design under the development agreement or Skyworks declines to license the design, we will require additional financing. No assurance can be given that any form of additional financing can be obtained, that the terms of such financing will be acceptable or that such financing would not be dilutive to existing shareholders.

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The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate our continuation as a going concern, and assumes continuity of operations, realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The matters described in the preceding paragraphs raise substantial doubt about our ability to continue as a going concern. Recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheets is dependent upon our ability to meet our financing requirements on a continuing basis, and become profitable in our future operations. The accompanying condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts and classification of liabilities that might be necessary should we be unable to continue in existence.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates The accompanying condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, for interim financial information and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal accruals) considered for a fair presentation have been included. Operating results for the three months and six months ended June 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013 and related notes thereto included in our registration statement on Form S-1 filed with the Securities and Exchange Commission, or the SEC, on May 28, 2014. The condensed consolidated balance sheet as of December 31, 2013 included herein was derived from the audited financial statements as of that date, but does not include all notes and other disclosures required by U.S. GAAP.

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

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

The carrying amount of our warrant liabilities and our derivative liability related to the Senior Convertible Notes were marked to market each reporting date until the warrants and derivative liability are settled. Prior to the IPO Date, the fair value of the financing warrant liability and derivative liability (*see Note 3 and Note 4*) were estimated using a Monte Carlo option-pricing model, which takes into consideration the market values of comparable public companies, considering among other factors, the use of multiples of earnings, and adjusted to reflect the restrictions on the ability of our securities to trade in an active market. As of the IPO Date, the fair value of our warrants was estimated using a Black-Scholes option valuation technique as it embodies all of the requisite assumptions (including trading volatility, remaining term to maturity, market price, strike price, and risk free rates) necessary to fair value these instruments. Estimates of expected term were based on the estimated time to expiration. The risk-free interest rate was based on the U.S. Treasury yield for a term consistent with the estimated expected term. We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we use an expected dividend yield of zero. Our expected volatility was derived from the historical volatilities of several public companies in similar industries because we have limited information on the volatility of the price of our common stock because we have no trading history. When making the selections of our industry peer companies to be used in the volatility calculation, we consider operational area, size, business model, industry and the business of potential comparable companies. These historical volatilities are weighted based on certain qualitative factors and combined to produce a single volatility factor. All of the warrant liabilities and the derivative liability are valued using level 3 inputs (*see Note 8 for the range of assumptions used*).

Prior to the IPO Date, the determination of the value of our common stock, and for purposes of establishing the value of the warrants and derivatives related to the bridge financing, the senior convertible notes, the subordinated convertible notes and the consulting warrants, management considered several factors and the probability of achieving each one of them. The significant factors were (1) securing adequate funding to complete the single-band commercial surface acoustic wave, or SAW, duplexer design under the terms of the development agreement with Skyworks; (2) developing a working duplexer product that meets the specifications of Skyworks; and (3) Skyworks exercising its licensing option if the duplexer product met its specifications. The probabilities for achieving each of these factors changed during the periods from January 31, 2013 to June 16, 2013 and December 31, 2013. These probabilities were affected by our ability to hire technical personnel to develop the technology and design the product, establish a management team to develop a business plan, secure financing, execute the business plan, and interact with Skyworks to achieve the milestones contained in the development agreement with Skyworks. As we made progress in each of these areas over the period from January 31, 2013 through December 31, 2013 the probability elements in each of these factors changed and increased. These increases resulted in higher valuations of our common stock and accordingly the values of the warrants and derivatives at each of these periods. Following our IPO, we used the current market value of our common stock to assist in determining the value of the warrants, derivatives and stock options using the Black-Scholes option valuation model.

Deferred Finance Costs Costs relating to our senior convertible note and subordinated convertible note financings were capitalized and amortized over the term of the related debt using the effective interest method. Due to the conversion of these notes to common stock in connection with the IPO, the unamortized deferred finance costs were fully expensed. Amortization of deferred financing costs charged to interest expense was \$51,102, \$169,704 and \$386,649 for the period from June 17, 2013 to June 30, 2013, for the three and six months ended June 30, 2014, respectively.

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Research and Development Costs and expenses that can be clearly identified as research and development are charged to expense as incurred in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 730-10, *Research and Development*.

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

The shares used to compute net loss per share represent the weighted-average common shares outstanding for the period from June 17, 2013 to June 30, 2013 and for the three and six month periods ended June 30, 2014. Further, as our stockholders have the right to participate in any dividend declared on our common stock, basic and diluted EPS are potentially subject to computation

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using the two-class method, under which our undistributed earnings are allocated amongst the common stockholders. However, as we recorded a net loss for the periods from June 17, 2013 to June 30, 2013, and for the three and six months ended June 30, 2014, presentation of EPS using the two class method was not necessary. EPS is not presented for the period from April 1, 2013 to June 16, 2013 or January 1, 2013 to June 16, 2013 as we were a limited liability company.

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

	Period from June 17, 2013 to June 30, 2013	For the Three and Six Months ended June 30, 2014
Common stock warrants	680,984	991,484
Common stock options		376,500
Convertible debt	2,787,667	
Total shares excluded from net loss per share attributable to common stockholders	3,468,651	1,367,984

Derivative Instruments We account for free-standing derivative instruments and hybrid instruments that contain embedded derivative features in accordance with ASC Topic 815, *Accounting for Derivative Instruments and Hedging Activities*, or ASC 815, as well as related interpretations of this topic. In accordance with this topic, derivative instruments and hybrid instruments are recognized as either assets or liabilities in the balance sheet and are measured at fair values with gains or losses recognized in earnings. Embedded derivatives that are not clearly and closely related to the host contract are bifurcated and are recognized at fair value with changes in fair value recognized as either a gain or loss in earnings. We determine the fair value of derivative instruments and hybrid instruments based on available market data using appropriate valuation models, giving consideration to all of the rights and obligations of each instrument.

We estimate fair values of derivative instruments and hybrid instruments using various techniques (and combinations thereof) that are considered to be consistent with the objective of measuring fair values. In selecting the appropriate technique, we consider, among other factors, the nature of the instrument, the market risks that it embodies and the expected means of settlement. For less complex instruments, such as free-standing warrants, we generally use the Black-Scholes option valuation model, adjusted for the effect of dilution, because it embodies all of the requisite assumptions (including trading volatility, estimated terms, dilution and risk free rates) necessary to fair value these instruments. Estimating fair values of derivative financial instruments requires the development of significant and subjective estimates that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. Under ASC 815, increases in the trading price of our common stock and increases in fair value during a given financial quarter result in the application of non-cash derivative expense. Conversely, decreases in the trading price of our common stock and decreases in fair value during a given financial quarter would result in the application of non-cash derivative income. In situations where the Black-Scholes option valuation model is not deemed appropriate, we will use a Monte Carlo option-pricing model to determine the fair value of derivative instruments.

Income Taxes We account for income taxes in accordance with ASC Topic 740, *Income Taxes*, or ASC 740, which requires the recognition of deferred tax assets and liabilities for the future consequences of events that have been recognized in our condensed consolidated financial statements or tax returns. The measurement of the deferred items is based on enacted tax laws. In the event the future consequences of differences between financial reporting bases and the tax bases of our assets and liabilities result in a deferred tax asset, ASC 740 requires an evaluation of the probability of being able to realize the future benefits indicated by such asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or the entire deferred tax asset will not be realized. As part of the process of preparing our consolidated financial statements, we are required to estimate our income tax expense in each of the jurisdictions in which we operate. We also assess temporary differences resulting from differing treatment of items for tax and accounting differences. We record a valuation allowance to reduce the deferred tax assets to the amount of future tax benefit that is more likely than not to be realized. For the period

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when we were organized as a limited liability company, we were treated as a partnership for federal and state income tax purposes under the entity classification domestic default rules. As of June 30, 2014, no liability for unrecognized tax benefits was required to be reported. We recognize interest and penalties related to income tax matters in income taxes, and there were none during the period from January 1, 2013 to June 16, 2013, the period from June 17, 2013 to June 30, 2013 and for the three and six months ended June 30, 2014.

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

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Recent Accounting Pronouncements

Development Stage Enterprise Effective June 2014 the FASB issued amendment 2014-10 for ASC Topic 915, *Development Stage Entities*. The amendment has eliminated the reporting distinction for development stage entities. We have adopted this amendment effective with our June 30, 2014 reporting period.

NOTE 3 BRIDGE LOANS, MEMBER LOAN AND CONVERTIBLE DEBT

Senior Convertible Note

We entered into a securities purchase agreement on June 17, 2013 for the sale to multiple investors of \$7.0 million in principal amount of senior secured convertible promissory notes, which we refer to as Senior Convertible Notes. MDB served as placement agent in this financing. We closed the sale on the same day and issued \$7.0 million in principal amount of Senior Convertible Notes. We also paid \$700,000 to MDB as a placement agent fee. The net cash proceeds were \$6.3 million. We also issued to MDB a warrant to purchase shares of our common stock as consideration for its financing services, and another warrant to purchase shares of our common stock as consideration for business consulting services. The Senior Convertible Notes bore interest at a 6% per annum and were scheduled to mature on September 17, 2014 unless earlier converted.

The conversion feature included in the terms of the Senior Convertible Notes was determined to be a derivative liability that we bifurcated for accounting purposes. We measured the derivative liability at fair value at the issue date of Senior Convertible Notes based on a Monte Carlo option-pricing model and determined the value to be \$1.9 million. The derivative liability was recorded with a corresponding debit to debt discount that was amortized as interest expense using the effective interest method over the life of the instrument. At the time of issuance, the Senior Convertible Notes and derivative liability were recorded on the balance sheet as a long-term note because the notes mature on September 17, 2014 (greater than one year). At December 31, 2013, these amounts are included in current liabilities. Upon a Qualified IPO, or other event that results in the conversion of the notes into common stock, a portion of the carrying value of the derivative liability would be accounted for as an extinguishment of debt and any remaining unamortized debt discount would be expensed at such date. At December 31, 2013, the Monte Carlo option-pricing model used the following assumptions to estimate fair value: equity value of \$20.0 million, different conversion prices for different scenarios, time to maturity of 9-15 months under the scenarios based on the expected date of a Qualified IPO, volatility of 102.1% and risk free rate of 0.19%. As noted above, in connection with the Senior Convertible Notes and as a result of the warrants issued to MDB as consideration for its placement agent services, we determined that an additional discount to the debt should be recorded in the amount of \$300,000, and we were amortizing this amount using the effective interest method over the life of the instrument. The Senior Convertible Notes did not include any financial covenants.

Upon the completion of the IPO, which was considered a Qualified IPO under the Senior Convertible Note agreement, the Senior Convertible Notes were converted into 2,087,667 shares of common stock as of the date of the IPO and unpaid interest of \$403,667 was paid from the proceeds of the IPO. Additionally, the unamortized debt discount of \$780,147 was fully amortized to interest expense for the three and six months ended June 30, 2014. Interest expense for the three and six months ended June 30, 2014 was \$288,746 and \$727,601, respectively, and was \$88,770 for both the three and six months ended June 30, 2013.

Subordinated Convertible Note

On June 17, 2013, we issued to STI a subordinated senior secured convertible note in the principal amount \$2.4 million, which we refer to as the Subordinated Convertible Note, as consideration for our acquisition from STI of its 300,000 Class C units of Resonant LLC and 100 shares of our common stock. The Subordinate Convertible Note did not bear interest and was scheduled to mature on September 17, 2014 unless earlier converted.

The Subordinated Convertible Note was non-interest bearing. We considered the effective interest rate of the Subordinated Convertible Note to be at least 11.8% per annum as the Subordinated Convertible Note was subordinated to the Senior Convertible Notes and had greater inherent risk, and, therefore, it should carry a higher interest rate than that of the Senior Convertible Notes. We calculated a discount to the face value of the Subordinated Convertible Note of \$300,000, which we recorded as debt discount and were amortizing as interest expense over the life of the Subordinated Convertible Note using the effective interest rate method. The Subordinated Convertible Note did not include any financial covenants.

Upon the completion of the IPO, which was considered a Qualified IPO under the Subordinated Convertible Note agreement, the Subordinated Convertible Note was converted into 700,000 shares of common stock as of the date of the IPO and there was no unpaid interest. Additionally, the unamortized debt discount of \$60,917 was fully amortized to interest expense for the three months ended June 30, 2014. Interest expense for the three and six months ended June 30, 2014 was \$37,260 and \$90,489, respectively, and was \$8,280 for both the three and six months ended June 30, 2013.

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NOTE 4 WARRANT LIABILITIES (as restated)

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

Bridge Warrants

In connection with and as an inducement to make the bridge loans in January and March 2013, Resonant LLC issued to each of our three founders five-year warrants to purchase Class B units of Resonant LLC at an exercise price of \$0.40 per unit, which we refer to as the Bridge Warrants. The Bridge Warrants were issued in two tranches, at the same time the bridge loan was funded, with each founder receiving warrants for 20,833 Class B units on each of January 31, 2013 (for a total of 62,499 Class B units) and March 19, 2013 (for a total of 62,499 Class B units). The founders paid an aggregate of \$1,000 in cash for the Bridge Warrants.

We estimated the initial fair value of the Bridge Warrants issued in January 2013 to be \$200,000 using the Black-Scholes option valuation model and the following assumptions: exercise price of \$0.40 per unit; implied unit price of \$3.75; expected volatility of 60%; expected dividend rate of 0%; risk free interest rate of 0.88%; and expiration date of 5 years. We estimated the initial fair value of the Bridge Warrants issued in March 2013 to be \$200,000 using the Black-Scholes option valuation model and the following assumptions: exercise price of \$0.40 per unit; implied unit price of \$3.60; expected volatility of 60%; expected dividend rate of 0%; risk free interest rate of 0.80%; and expiration date of 5 years. (See Note 2).

On June 17, 2013, in connection with our acquisition of all of the outstanding membership interests of Resonant LLC in an exchange transaction, the founders exchanged their Bridge Warrants to purchase an aggregate of 124,998 Class B units of Resonant LLC for Bridge Warrants to purchase an aggregate of 249,999 shares of our common stock at an exercise price of \$0.20 per share. All other terms of the Bridge Warrants remained the same. We revalued the Bridge Warrants on June 17, 2013 to \$400,000 using the Black-Scholes option valuation model with the following assumptions: exercise price of \$0.20 per share; implied stock price of \$3.23; expected volatility of 60%; expected dividend rate of 0%; risk free interest rate of 1.06%; and expiration date of 5 years. At each reporting period prior to the date of our IPO, any changes to the fair value of the Bridge Warrants were recorded in the condensed consolidated statements of operations. (See Note 8).

Consulting Warrant, Financing Warrant and Underwriting Warrant

Upon consummation of our Senior Convertible Note financing, (see Note 3), for business consulting services provided by MDB, we issued to MDB a seven-year warrant to purchase 222,222 shares of our common stock at an exercise price of \$0.01 per share, which we refer to as the Consulting Warrant. The Consulting Warrant is exercisable six months after the completion of our initial public offering and prior to June 15, 2020. We estimated the initial fair value of the Consulting Warrant to be \$700,000 using the Black-Scholes option valuation model with the following assumptions: exercise price of \$0.01 per share; implied stock price of \$3.23; expected volatility of 68.8%; expected dividend rate of 0%; risk free interest rate of 1.57%; and expiration date of 7 years. (See Note 2).

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In addition, for placement agent services provided by MDB in connection with our Senior Convertible Note financing, we issued to MDB a seven-year warrant to purchase shares of our common stock, which we refer to as the Financing Warrant. The Financing Warrant is exercisable six months after the completion of our initial public offering and prior to June 15, 2020. The Financing Warrant is exercisable for a number of shares of our common stock equal to \$700,000 divided by the Financing Warrant's exercise price. Prior to consummation of our Qualified IPO, the exercise price is equal to \$6,000,000 divided by the Fully Diluted Shares. Upon consummation of our Qualified IPO, the exercise price is adjusted to be equal to the conversion price of our Senior Convertible Notes. As the value of the Financing Warrant depends on future price movements of our equity, we estimated the fair value of the Financing Warrant at December 31, 2013 to be \$700,000 using a Monte Carlo option-pricing model with the following assumptions: equity value of \$20 million, different conversion prices for different scenarios, time to maturity of 6.5 years, volatility of 65.3% and risk free rate of 2.28%. (See Note 2).

In connection with the closing of our IPO, we also issued a third warrant to MDB related to their role as the sole underwriter for our IPO. We refer to this as the Underwriting Warrant. We issued them a 5-year warrant to purchase 310,500 shares of common stock at an exercise price of \$7.50 per share. The warrant is not exercisable until November 24, 2014 (180-days from the date of the underwriting agreement) and expires May 28, 2019. We estimated the fair value of the Underwriting Warrant at issuance date to be \$901,185 using the Black-Scholes option valuation model with the following assumptions: market price of the stock of \$6.00 per share, time to maturity of 5 years, volatility of 63.1%, zero expected dividend rate and risk free rate of 1.5%. (See Note 2).

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A roll-forward of warrant activity from December 31, 2013 to June 30, 2014 is shown in the following table:

	Issued and Outstanding Warrants as of January 1, 2014	Warrants Issued	Warrants Exercised/ Expired	Issued and Outstanding Warrants as of June 30, 2014
Bridge Warrants	249,999			249,999
Consulting Warrant	222,222			222,222
Financing Warrant(1)	208,763			208,763
Underwriting Warrant		310,500		310,500
	680,984	310,500		991,484

(1) The number of shares of common stock underlying the Financing Warrant was determined using an exercise price of \$3.35 per share, assuming the IPO price of our common stock in a Qualified IPO would be at least \$5.59 per share. Upon completion of the IPO with a price of \$6.00 per share, the number of shares was considered unchanged and final.

The fair value of the warrant liabilities was \$3.3 million and \$0 at December 31, 2013 and June 30, 2014 (as restated), respectively. During the period from June 17, 2013 to June 30, 2013 and the three and six months ended June 30, 2014, we recorded a gain (loss) of \$0, \$251,767 (as restated) and (\$382,327) (as restated), respectively, for the change in fair value of the warrants.

For the valuation of the warrants as of the IPO Date, we determined the inputs to the Black-Scholes option valuation model used to value the warrants as follows: the fair value stock price as of the IPO Date, the IPO price of \$6.00; the expected volatility was based on the volatility of common stock of a group of comparable public companies corresponding to the warrant's time to expiration; the estimate of expected term was based on the expiration date of the warrant; the risk-free interest rate was based on the U.S. Treasury yield for a term consistent with the estimated expected term of the warrant; and the expected dividend rate was zero as we do not anticipate paying dividends on our common stock. (See Note 8).

For periods prior to the IPO Date, we used the Monte-Carlo option pricing model which takes into consideration the historical volatilities of comparable public companies using data from Capital IQ and implied volatiles from Bloomberg considering the differences in size among the public companies and us, and the warrant's time to expiration. Estimates of expected term were based on the estimated time to expiration. The risk-free interest rate was based on the U.S. Treasury yield for a term consistent with the estimated expected term. The Monte-Carlo model used daily steps, assuming 252 trading days per year, which was based on 52 weeks of 5 trading days less 8 holidays, a standard assumption in the industry.

NOTE 5 STOCKHOLDERS' EQUITY (DEFICIT)

Upon the formation of Resonant LLC, STI contributed assets to Resonant LLC in exchange for 300,000 Class C units, which constituted a 37.5% ownership interest in Resonant LLC. Our three founders simultaneously contributed \$200,000 (\$66,667 each) to Resonant LLC in exchange for 500,000 Class B units (166,667 units each), or a 62.5% ownership interest in Resonant LLC. In connection with his investment, each founder retained the right, but not the obligation, to require Resonant LLC to repurchase all of the Class B units held by the founder only if: (i) the founder's service agreement with Resonant LLC was terminated; (ii) Resonant LLC and the other members of Resonant LLC declined to

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exercise their right to purchase the founder's Class B units following termination of his services agreement; and (iii) the founder desired to work for a third party that, among other activities, engaged in a competing business. Upon exercise by a founder of his put right, Resonant LLC was obligated to purchase the founder's Class B units at a price equal to the founder's capital account balance in Resonant LLC. As a result of the allocation of the losses to the Class B unit holders, their capital account balances became zero.

The operating agreement provided that members did not have any voting rights except for those significant business matters expressly listed in the operating agreement, including the operating budget and hiring of key executives. The majority vote of each class of units was required for those matters. In addition, the Class B unit holders designated two managers and the Class C unit holder designated one manager. Although the managers ran the day-to-day business, all key business activities and decisions required the approval of a majority of the Class B unit holders and the Class C unit holder as noted above. Because STI was a member of Resonant LLC, with a 50% control factor, the value of the assets STI contributed to Resonant LLC was recorded at their carryover bases.

Resonant LLC reserved 200,000 Class A units for issuance as equity compensation, but no Class A units were ever issued.

Resonant Inc. was organized on January 14, 2012 by STI but had not conducted any operations through June 16, 2013. The common stock originally issued to STI on formation was surrendered and cancelled in the exchange transaction pursuant to which Resonant LLC became our wholly-owned subsidiary. (See Note 1 and Note 3).

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NOTE 6 STOCK BASED COMPENSATION

2014 Omnibus Incentive Plan

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

Option Valuation

We have computed the fair value of options granted using the Black-Scholes option valuation model. Option forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate will be adjusted periodically based on the extent to which actual option forfeitures differ, or are expected to differ, from the previous estimate, when it is material. The expected term used for options issued to non-employees is the contractual life and the expected term used for options issued to employees is the estimated period of time that options granted are expected to be outstanding. We utilized the simplified method to develop an estimate of the expected term of plain vanilla employee option grants. Since our stock has not been publicly traded for a sufficiently long period of time, we are utilizing an expected volatility figure based on a review of the historical volatilities, over a period of time, equivalent to the expected life of the instrument being valued, of similarly positioned public companies within its industry. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

Stock Options

On May 28, 2014, our board of directors granted to various employees, board of directors and consultants from the 2014 Omnibus Incentive Plan, stock options to purchase an aggregate of 364,000 shares of our common stock at an exercise price of \$6.00 per share with a term of ten years. The options granted to employees were incentive stock options and had an aggregate grant date fair value of \$1.2 million utilizing the Black-Scholes option valuation model. Our board of directors also issued restricted stock units for the purchase an aggregate of 174,500 shares of our common stock. The options had an aggregate grant date fair value of \$1,122,800 utilizing the Black-Scholes option valuation model.

On June 30, 2014, we granted incentive stock options for the purchase of 12,500 shares of our common stock to two new employees. The options have an exercise price of \$7.20 per share with a term of ten years. The options vest quarterly over sixteen quarters for one grant and for the other grant, vest 25% at the end of twelve months from the grant date and quarterly thereafter for the next twelve quarters. The options had an aggregate grant date fair value of \$65,638 utilizing the Black-Scholes option valuation model.

We estimated the fair value of stock options awarded during the three and six months ended June 30, 2014 using the Black-Scholes option valuation model. The fair values of stock options granted were estimated using the following assumptions:

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**Option Grants
Awarded During the
Three Months
Ended June 30, 2014**

Stock Price	\$6.00 to \$7.72
Dividend Yield	0%
Expected Volatility	69.8%
Risk-free interest rate	2.010%
Expected Life	6.93 to 7 years

Stock-based compensation expense related to stock options for both employees and non-employees was \$461,576, for both the three and six months ended June 30, 2014 and was \$0 for both the three and six months ended June 30, 2013. For the three and six months ended June 30, 2014, stock-based compensation related to stock options of \$210,754 and \$250,822 was reflected in research and development and general and administrative expenses, respectively, on the accompanying condensed consolidated statements of operations. As of June 30, 2014, the unamortized value of options held by employees was \$938,800. As of June 30, 2014, the unamortized portion will be expensed over a weighted average period of 3.53 years. We also recorded \$38,824 of stock-based compensation related to the 5,029 restricted stock unit shares that vested during the three and six months ended June 30, 2014. For the three and six months ended June 30, 2014, stock-based compensation related to restricted stock unit shares of \$24,341 and \$14,483 was reflected in research and development and general and administrative expenses, respectively, on the accompanying condensed consolidated statements of operations. The shares issued were net of employee related withholding taxes paid with shares.

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Stock Option Award Activity

The following is a summary of our stock option activity during the three and six months ended June 30, 2014:

	Number of Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Life In Years	Value
Outstanding, January 1, 2014		\$	\$		\$
Granted	376,500	6.00	4.01	9.91	1,525,415
Exercised					
Forfeited					
Outstanding, June 30, 2014	376,500	\$ 6.00	\$ 4.01	9.91	\$ 1,525,415
Exercisable, January 1, 2014		\$	\$		\$
Vested	106,891	6.00	4.01		461,576
Exercised					
Forfeited					
Exercisable, June 30, 2014	106,891	\$ 6.00	\$ 4.01	9.91	\$ 461,576

The following table presents information related to stock options outstanding and exercisable at June 30, 2014:

Options Outstanding		Options Exercisable	
Exercise Price	Outstanding Number of Options	Weighted Average Remaining Life In Years	Exercisable Number of Options
\$ 6.00	364,000	9.91	106,891
7.20	12,500	10.0	
	376,500	9.91	106,891

Stock-based compensation consists of the following:

	For the Three and Six Months Ended June 30, 2013	For the Three and Six Months Ended June 30, 2014
Employees	\$	\$ 274,108
Consultants/Advisors		226,292
	\$	\$ 500,400

NOTE 7 COMMITMENT AND CONTINGENCIES

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In October 2013, we signed a lease for new office space for our corporate headquarters, and moved into the new location in the first quarter of 2014. The lease has a term of 38 months and a rental cost of approximately \$5,412 per month, increasing 3% annually after the first fourteen months. In addition, our share of building operating costs are estimated to be \$2,101 per month. In November 2013, we signed a lease for our satellite development office in Burlingame, CA. The lease has a two-year term, and rental costs of approximately \$4,046 per month. In April 2014, we amended the lease associated with our corporate headquarters to add additional space which increase our rent to \$8,286 per month beginning August 1, 2014 plus estimated monthly operating costs to be \$2,201.

Rent expense related to our facilities for the period from January 1, 2013 to June 16, 2013 and the period from June 17, 2013 to June 30, 2013 was \$22,338 and \$0, respectively, and for the three and six months ended June 30, 2014, was \$26,064 and \$51,362, respectively.

Table of Contents**NOTE 8 FAIR VALUE MEASUREMENTS AND DERIVATIVE INSTRUMENTS (as restated)**

We measure our financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. Additionally, we are required to provide disclosure and categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value while Level 3 generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The fair value hierarchy is defined as follows:

Level 1 Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

Our common stock purchase warrants issued in conjunction with debt and consulting services are detachable, or free standing, instruments. In addition, we have recorded a derivative liability associated with the conversion feature in our Senior Convertible Note. We estimate fair values of these warrants and derivative liabilities utilizing Level 3 inputs for all classes of warrants and derivative liabilities issued. Other than the Financing Warrant and Senior Convertible Note derivative liability, we use the Black-Scholes option valuation technique as it embodies all of the requisite assumptions (including trading volatility, remaining term to maturity, market price, strike price, and risk free rates) necessary to fair value these instruments. To determine the value of the Financing Warrant and Senior Convertible Note derivative liability, we used a Monte Carlo option-pricing model, which takes into consideration the market values of comparable public companies, considering among other factors, the use of multiples of earnings, and adjusted to reflect the restrictions on the ability of our shares to trade in an active market. We determined that as the Financing Warrant and debt conversion can only be exercised upon the probability of satisfying a performance condition such as a Qualifying IPO or Fundamental Transaction, as provided for in the applicable instrument, and thus a closed-form model such as the Black-Scholes option valuation model would not be appropriate (*see Note 4*).

The following assumptions were used in the Monte Carlo option-valuation model to determine the fair value of the Financing Warrant and Senior Convertible Note derivative liability during the period from June 17, 2013 to June 30, 2013:

	Expected Life (Years)	Risk Free Rate	Volatility	Probability of a Capital Raise
Financing Warrant	6.5 - 7	1.57 - 2.28%	65.3 - 68.6%	
Senior Convertible Note Derivative Liability	0.75 - 1.75	0.19 - 0.24%	81.0 - 102.1%	75 - 90%

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The following assumptions were used in the Black-Scholes option-pricing model to determine the fair value of the warrant liabilities:

	December 31, 2013	IPO Date (May 29, 2014)
Assumptions:		
Risk-free interest rate	0.8% - 2.45%	1.25% - 2.31%
Expected dividend yield	0%	0%
Expected volatility	60.0% - 65.6%	64.0% - 69.6%
Expected term (in years)	4.08 - 7.0	3.50 - 6.05

We used a fair value per share of our common stock of \$5.54 and \$6.00 as of December 31, 2013 and the IPO Date, respectively, to determine the fair value of derivative and warrant liabilities.

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Liabilities measured at fair value on a recurring basis as of December 31, 2013, are as follows:

	Fair Value Measurements Using			
	Balance as of December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Senior convertible note derivative	\$ 5,056,502	\$	\$	\$ 5,056,502
Bridge loan warrants	1,338,071			1,338,071
Consulting warrant	1,228,616			1,228,616
Financing warrant	709,397			709,397
Total	\$ 8,332,586	\$	\$	\$ 8,332,586

As a result of the expiration of the redemption and put option features included in the Bridge Warrants, Consulting Warrant and Financing Warrant as of the IPO Date, under accounting rules, these warrant liabilities are no longer classified as liabilities and there are no warrant liabilities or other liabilities to be measured at fair value on a recurring basis as of June 30, 2014.

We estimated the fair value of our warrants and Senior Convertible Note derivative at the time of issuance and subsequently re-measured using the Black-Scholes option valuation model or Monte Carlo option-pricing model as discussed above, at each reporting date prior to the IPO Date, using the following inputs: the risk-free interest rates; the expected dividend rates; the remaining expected life of the warrants; and the expected volatility of the price of the underlying common stock. Under the Monte Carlo option-pricing model, we estimated the fair value of the Senior Convertible Note derivative liability and Financing Warrant liability at the time of issuance and on subsequent re-measurement dates considering the probability of achieving a milestone, the cost of capital, and the estimated time period the right would be outstanding. The estimates were based, in part, on subjective assumptions.

The following table provides a reconciliation of all liabilities measured at fair value using Level 3 significant unobservable inputs:

	Warrant Liabilities(1) (as restated)	Senior Convertible Note Derivative Liability(2)
Balance at December 31, 2013	\$ 3,276,084	\$ 5,056,502
Issuance of warrant and derivative liabilities		
Change in fair value	382,327	1,633,272
Write-off due to conversion and IPO	(3,658,411)	(6,689,774)
Balance at June 30, 2014	\$	\$

(1) The change in the fair value of the warrants was recorded as a gain of \$251,767 (as restated) and a reduction of (\$382,327) (as restated) to other income in the condensed consolidated statement of operations for the three and six months ended June 30, 2014, respectively. Due to the expiration of the redemption and put option features included in the Bridge Warrants, Consulting Warrant and Financing

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Warrant as of the IPO Date, these warrant liabilities were recorded as an increase of \$3.7 million (as restated) to additional paid-in capital in the condensed consolidated balance sheet as of June 30, 2014.

(2) The extinguishment of the senior convertible note derivative liability was recorded as an increase of \$5.5 million to additional paid-in capital and a gain of \$1.2 million to other income in the condensed consolidated statement of operations for both the three and six months ended June 30, 2014, respectively.

NOTE 9 RESTATEMENT OF FINANCIAL STATEMENTS

Background of the Restatement

On October 2, 2014, we concluded that investors should no longer rely on the previously issued unaudited condensed consolidated financial statements for the three and six month periods ended June 30, 2014 in our Quarterly Report on Form 10-Q for the three and six months ended June 30, 2014 and 2013. We reached our conclusion after consultation with our Audit Committee and a joint discussion with our independent registered public accounting firm.

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Valuation of Warrant Liabilities

We reviewed the accounting treatment of our Bridge Warrants, Financing Warrant and Consulting Warrant (the Subject Warrants) and concluded that the related warrant liabilities should have been permanently reclassified as equity effective as of May 29, 2014, the date of our IPO. We based our conclusion on the fact that the redemption and put features of the Subject Warrants automatically terminated on the IPO Date. Consequently, we should have ceased recording any further fair value adjustments after the IPO Date associated with quarterly adjustments to the fair value of warrant liabilities. We also should have valued the Subject Warrants for the second quarter of 2014 as of the IPO Date rather than June 30, 2014. The change in the valuation date required a restatement of fair value adjustments to warrant and derivative liabilities, total other expense, loss before income taxes, net loss, and net loss per share basic and diluted on our statements of operations and warrant and total liabilities, additional paid-in capital, accumulated deficit and total stockholder s equity on our balance sheet, as of and for the three and six months ended June 30, 2014.

Weighted Average Shares Outstanding and Earnings per Share

We also determined there was an error in the calculation of the weighted average shares outstanding which resulted in an increase in the loss per share for the three months ended June 30, 2014 and for the six months ended June 30, 2014, before and after the restatements of earnings as discussed above.

A summary of the effects of the restatement as of and for the three and six month periods ended June 30, 2014 are as follows:

Condensed Consolidated Balance Sheet	As of June 30, 2014				Notes
	As Previously Reported	Adjustments	As Restated		
Warrant liabilities	\$ 4,838,199	\$ (4,838,199)	\$		(3)
Total liabilities	\$ 5,668,599	\$ (4,838,199)	\$ 830,400		(3)
Additional paid-in capital	\$ 31,664,479	\$ 3,658,411	\$ 35,322,890		(2)
Accumulated deficit	\$ (18,759,606)	\$ 1,179,788	\$ (17,579,818)		(1)
Total stockholder s equity	\$ 12,911,770	\$ 4,838,199	\$ 17,749,969		(3)

Condensed Consolidated Statement of Operations	For the three months ended June 30, 2014				Notes
	As Previously Reported	Adjustments	As Restated		
Fair value adjustments to warrant and derivative liabilities	\$ (928,021)	\$ 1,179,788	\$ 251,767		(1)
Total other expense	\$ (1,861,441)	\$ 1,179,788	\$ (681,653)		(1)
Loss before income taxes	\$ (3,346,883)	\$ 1,179,788	\$ (2,167,095)		(1)
Net loss	\$ (3,346,883)	\$ 1,179,788	\$ (2,167,095)		(1)
Net loss per share	\$ (0.81)		\$ (0.69)		(1),(4)
Weighted average shares outstanding basic and diluted	4,136,954	(999,999)	3,136,955		(4)

For the six months ended June 30, 2014

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Condensed Consolidated Statement of Operations	As Previously Reported	Adjustments	As Restated	Notes
Fair value adjustments to warrant and derivative liabilities	\$ (3,195,387)	\$ 1,179,788	\$ (2,015,599)	(1)
Total other expense	\$ (4,837,284)	\$ 1,179,788	\$ (3,657,496)	(1)
Loss before income taxes	\$ (7,292,841)	\$ 1,179,788	\$ (6,113,053)	(1)
Net loss	\$ (7,293,641)	\$ 1,179,788	\$ (6,113,853)	(1)
Net loss per share	\$ (2.37)		\$ (2.95)	(1),(4)
Weighted average shares outstanding basic and diluted	3,074,379	(999,999)	2,074,380	(4)

Notes:

- (1) Adjustment to reduce the fair value of the warrant liabilities.
- (2) Adjustment to reclassify the warrant liabilities to additional paid-in capital.
- (3) Adjustment to reduce the fair value of the warrant liabilities and reclassify the warrant liabilities to additional paid-in capital.
- (4) Adjustment to the number of weighted average shares outstanding.

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NOTE 10 SUBSEQUENT EVENT

In August 2014, we entered into an agreement with our investor relations firm, or IR Firm, to provide us with investor relations services. Pursuant to the agreement, in addition to monthly cash compensation of \$8,500 per month, we issued to the IR Firm a 3-year consulting warrant, or IR Consulting Warrant, for the purchase of 42,000 shares of common stock. The IR Consulting Warrant has an exercise price of \$8.31.

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

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

- *the status of filter designs under development;*

- *the prospects for licensing filter designs upon completion of development;*

- *plans for other filter designs not currently in development;*

- *potential customers for our designs;*

- *the timing and amount of future royalty streams;*

- *the expected duration of our capital resources;*

- *our hiring plans;*

- *the impact of our designs on the mobile device market;*

- *our business strategy;*

- *our intentions, expectations and beliefs regarding anticipated growth, market penetration and trends in our business;*

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- *the timing and success of our plan of commercialization;*
- *our dependence on growth in our customers' businesses;*
- *the effects of market conditions on our stock price and operating results;*
- *our ability to maintain our competitive technological advantages against competitors in our industry;*
- *our ability to timely and effectively adapt our existing technology and have our technology solutions gain market acceptance;*
- *our ability to introduce new offerings and bring them to market in a timely manner;*
- *our ability to maintain, protect and enhance our intellectual property;*
- *the effects of increased competition in our market and our ability to compete effectively;*
- *our plans to use the proceeds from our initial public offering;*
- *costs associated with defending intellectual property infringement and other claims;*
- *our expectations concerning our relationships with customers and other third parties;*
- *our expectations concerning relationships between our customers and their manufacturers;*
- *the attraction and retention of qualified employees and key personnel;*

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- *future acquisitions of or investments in complementary companies or technologies; and*
- *our ability to comply with evolving legal standards and regulations, particularly concerning requirements for being a public company and United States export regulations.*

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These forward-looking statements speak only as of the date of this Form 10-Q/A and are subject to uncertainties, assumptions and business and economic risks. As such, our actual results could differ materially from those set forth in the forward-looking statements as a result of the factors set forth below in Part II, Item 1A, Risk Factors, and in our other reports filed with the Securities and Exchange Commission. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Form 10-Q may not occur, and actual results could differ materially and adversely from those anticipated or implied in our forward-looking statements.

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

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

Overview

Resonant is a late-stage development company creating innovative filter designs for radio frequency, or RF, front-ends for the mobile device industry. The RF front-end is the circuitry in a mobile device responsible for analog signal processing and is located between the device's antenna and its digital baseband. We use a fundamentally new technology called Infinite Synthesized Networks™, or ISN™, to configure and connect resonators, the building blocks of RF filters. Filters are a critical component of the RF front-end used to select desired radio frequency signals and reject unwanted signals. We plan to use ISN to develop new classes of filter designs.

We believe licensing our designs is the most direct and effective means of delivering our solutions to the market. Our target customers make part or all of the RF front-end. We intend to retain ownership of our designs, and we expect to be compensated through license fees and royalties based on sales of RF front-end modules that incorporate our designs. We do not intend to manufacture or sell any physical products or operate as a contract design company developing designs for a fee.

We are currently developing our first design, a duplexer, in collaboration with Skyworks Solutions, Inc., under the terms of a development agreement. Duplexers are two filters combined into a single component which simultaneously selects both the transmit and receive signals. Skyworks has an option to license our duplexer design at already agreed-upon royalty rates upon completion. There is no assurance that we can complete our design or that our first design will have acceptable performance. In addition, our design will compete with other products and solutions available to Skyworks and may not be selected even if fully compliant with all specifications.

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We were founded as Resonant LLC on May 29, 2012 (our inception date). We commenced business on July 6, 2012 with initial contributions from our founders and Superconductor Technologies Inc., or STI. The founders contributed \$200,000 and agreed to work full-time without pay until we secured adequate funding. STI contributed a patent portfolio, software, equipment, temporary office space and an early version of our first development agreement with Skyworks.

The founders loaned us an aggregate of \$200,000 during the first quarter of 2013, and we issued a series of warrants to the founders in connection with these loans. We refer to the founder loans as Bridge Loans and the founder warrants as Bridge Loan Warrants. We repaid the Bridge Loans in the second quarter of 2013.

We changed our form of ownership from a limited liability company to a corporation in an exchange transaction on June 17, 2013. The founders exchanged all of their units and warrants of Resonant LLC for common stock and warrants of Resonant Inc. STI exchanged all of its units of Resonant LLC for a \$2.4 million subordinated convertible note of Resonant Inc., or Subordinated Convertible Note. The Subordinated Convertible Note was scheduled to mature on September 17, 2014, was interest free, was secured by all of our assets and was subordinated to our senior convertible notes. This note was converted into common stock in our IPO.

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We closed our first financing on June 17, 2013. We issued \$7.0 million of senior convertible notes, or Senior Convertible Notes, in a private placement. The Senior Convertible Notes were scheduled to mature on September 17, 2014, bore interest at 6.0% per annum and were secured by all of our assets. These notes were converted into common stock in our IPO.

We paid MDB Capital Group, LLC, or MDB, which served as placement agent, a commission of \$700,000 and issued it warrants to purchase 208,763 shares of common stock, which we refer to as the Financing Warrant. We also issued MDB on June 17, 2013 warrants to purchase 222,222 shares of common stock for business consulting services, which we refer to as the Consulting Warrant.

We have earned no revenue since inception, and our operations have been funded with the initial capital contributions and debt. We have incurred accumulated losses totaling \$17.6 million (as restated) from inception through June 30, 2014. These losses are primarily the result of research and development costs associated with commercializing our technology, combined with start-up and financing costs. We expect to continue to incur substantial costs for commercialization of our technology on a continuous basis because our business model involves developing and licensing custom filter designs.

Our condensed consolidated financial statements contemplate the continuation of our business as a going concern. However, we are subject to the risks and uncertainties associated with a new business. We do not yet have the ability to earn revenue and have incurred significant losses from operations since inception. At December 31, 2013 and June 30, 2014, we had an accumulated deficit of \$11.5 million and \$17.6 million (as restated), respectively, and cash and cash equivalents of \$3.3 million and \$17.4 million, respectively.

Initial Public Offering

We closed an initial public offering, or IPO, of 3,105,000 shares of common stock (which includes the exercise in full by the underwriter of its over-allotment option) at a price of \$6.00 per share on June 3, 2014. We received aggregate net proceeds, after deducting underwriting discounts and commissions and estimated offering expenses, of \$16.2 million. Our common stock commenced trading on the Nasdaq Capital Market under the symbol RESN on May 29, 2014 (the IPO Date). The Securities and Exchange Commission declared effective a registration statement relating to these securities on May 28, 2014.

MDB acted as the sole underwriter for our IPO. Simultaneous with the funding of the IPO, we issued the underwriter a 5-year warrant to purchase 310,500 shares of common stock at an exercise price of \$7.50 per share. The warrant is not exercisable until November 24, 2014 (180-days from the date of the underwriting agreement). We refer to this warrant as the Underwriting Warrant.

Our Senior Convertible Notes automatically converted into 2,087,667 shares of common stock effective upon the completion of the IPO. We paid in cash the accrued interest of \$404,000. Similarly, our Subordinated Convertible Note automatically converted into 700,000 shares of common stock. There was no accrued interest on this note. The shares issued on conversion of the Senior Convertible Note are subject to a 180-day lockup expiring November 24, 2014, and the shares issued on conversion of the Subordinated Convertible Note are subject to a 12-month lockup expiring May 28, 2015.

Plan of Operation

We plan to commercialize our technology by creating filter designs that address the problems created by the growing number of frequency bands in the RF front-end of mobile devices. First, we plan to develop a series of single-band surface acoustic wave, or SAW, filter designs for frequency bands presently dominated by larger and more expensive bulk acoustic wave, or BAW, filters. Second, we plan to develop a series of tunable filter designs that replace multiple filters. In order to succeed, we must convince RF front-end suppliers that our filter designs can significantly reduce the size and cost of their products.

Our primary activity in the near term will be continued work on a duplexer design under our existing development agreement with Skyworks. We expect to complete work on the duplexer design before the end of 2014. There is no assurance that we can complete our design or that our design will have acceptable performance. In addition, our design will compete with other products and solutions available to Skyworks and may not be selected even if fully compliant with all specifications.

We expect to begin development of our first tunable filter design before the end of 2014. This will require recruiting and hiring additional personnel. We have started discussions with several prospective customers for a design. These discussions are ongoing and may not result in any agreements. We expect to proceed with our plan to develop a tunable filter design regardless of the outcome of these discussions. We may not succeed in the development of a commercially viable tunable filter design or secure any customers for such designs.

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We plan to pursue filter design agreements and joint ventures with potential customers and other strategic partners. These types of arrangements may subsidize filter design costs, as well as offer complementary technology and market intelligence and other avenues to revenue. However, we intend to retain ownership of our technology, designs and related improvements. We expect to pursue development of multiple designs for multiple customers, and grant each customer a royalty-bearing license to a specific design with some limited period of exclusivity.

We expect to use the net proceeds from our initial public offering for product development to commercialize our technology, research and development, the development of our patent strategy and expansion of our patent portfolio, to pay accrued interest on outstanding indebtedness, as well as for working capital and other general corporate purposes. Our anticipated costs include employee salaries and benefits, compensation paid to consultants, capital costs for research and other equipment, costs associated with development activities including travel and administration, legal expenses, sales and marketing costs, general and administrative expenses, and other costs associated with an early stage, publicly-traded technology company. We anticipate increasing the number of employees from our current 15 to approximately 50; however, this is highly dependent on the nature of our development efforts and our success in commercialization. We anticipate adding employees for research and development, as well as general and administrative functions, to support our efforts. We expect to incur consulting expenses related to technology development and other efforts as well as legal and related expenses to protect our intellectual property.

The amounts that we actually spend for any specific purpose may vary significantly and will depend on a number of factors including, but not limited to, the pace of progress of our commercialization and development efforts, actual needs with respect to product testing, development and research, market conditions, and changes in or revisions to our marketing strategies. In addition, we may use a portion of any net proceeds to acquire complementary products, technologies or businesses; however, we do not have plans for any acquisitions at this time. We will have significant discretion in the use of any net proceeds. Investors will be relying on the judgment of our management regarding the application of the proceeds of any sale of our common stock.

Commercial development of new technology is, by its nature, unpredictable. Although we will undertake development efforts with commercially reasonable diligence, there can be no assurance that the net proceeds from this offering will be sufficient to enable us to commercialize our technology to the extent needed to create future sales to sustain operations as contemplated herein. If the net proceeds from this offering are insufficient for this purpose, we will consider other options to continue our path to commercialization, including, but not limited to, additional financing through follow-on stock offerings, debt financing, co-development agreements, curtailment of operations, suspension of operations, sale or licensing of developed intellectual or other property, or other alternatives.

If the net proceeds from the public offering are not sufficient to develop our technology and enable future sales, we may be required to scale back our development plans by reducing expenditures for employees, consultants, business development and marketing efforts, and other envisioned expenditures. This could reduce our ability to commercialize our technology or require us to seek further funding earlier, or on less favorable terms.

We cannot assure you that our technology will be accepted, that we will ever earn revenues sufficient to support our operations or that we will ever be profitable. Furthermore, since we have no committed source of financing, we cannot assure you that we will be able to raise money as and when we need it to continue our operations. If we cannot raise funds as and when we need them, we may be required to severely curtail, or even to cease, our operations.

Critical Accounting Policies

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We prepare our condensed consolidated financial statements in accordance with U.S. GAAP. The preparation of condensed consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statements presentation, financial condition, results of operations, and cash flows will be affected. Refer to Note 2 of the condensed consolidated financial statement footnotes for further discussion.

Results of Operations

The condensed consolidated statements of operations presented in our condensed consolidated financial statements represent the activities of (a) Resonant LLC, as predecessor company, for the period from January 1, 2013 to June 16, 2013, and (b) Resonant Inc., as successor company, for the period from June 17, 2013 to June 30, 2013 and the three and six months ended June 30, 2014 (as restated).

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For comparison purposes, for the three and six months ended June 30, 2013, we have combined the condensed statements of operations of Resonant LLC for the period from January 1, 2013 to June 16, 2013 and of Resonant Inc. for the period from June 17, 2013 to June 30, 2013, as shown in the following table:

	Three Months Ended June 30, 2013			Six Months Ended June 30, 2013		
	Resonant LLC Period From April 1, 2013 to June 16, 2013	Resonant Inc. Period From June 17, 2013 to June 30, 2013	Total Three Months Ended June 30, 2013	Resonant LLC Period From January 1, 2013 to June 16, 2013	Resonant Inc. Period From June 17, 2013 to June 30, 2013	Total Six Months Ended June 30, 2013
	\$	\$	\$	\$	\$	\$
Revenue						
Operating Expenses:						
Research and development expenses	78,566	29,933	108,499	195,403	29,933	225,336
General and administrative expenses	12,965	750,421	763,386	135,993	750,421	886,414
Depreciation and amortization	2,575		2,575	4,905		4,905
Total operating expenses	94,106	780,354	874,460	336,301	780,354	1,116,655
Operating loss	(94,106)	(780,354)	(874,460)	(336,301)	(780,354)	(1,116,655)
Other income (expense):						
Interest income		231	231		231	231
Interest expense	(145,190)	(169,104)	(314,294)	(199,961)	(169,104)	(369,065)
Fair value adjustments to warrant and derivative liabilities						
Bridge warrant expense		(312,486)	(312,486)	(247,669)	(312,486)	(560,155)
Other income (expense)						
Total other expense	(145,190)	(481,359)	(626,549)	(447,630)	(481,359)	(928,989)
Loss before income taxes	(239,296)	(1,261,713)	(1,501,009)	(783,931)	(1,261,713)	(2,045,644)
Provision for income taxes	(800)		(800)	(800)		(800)
Net loss	\$ (240,096)	\$ (1,261,713)	\$ (1,501,809)	\$ (784,731)	\$ (1,261,713)	\$ (2,046,444)

Comparison of the Three Months Ended June 30, 2013 and 2014 (as restated)

Research and Development. Research and development expenses consist of the direct engineering and other costs associated with the development and commercialization of our technology, including the development of filter designs under development agreements. These consist primarily of the cost of employees and consultants, and to a lesser extent costs for equipment, software and supplies. We also include the costs for our intellectual property development program under research and development. This program focuses on patent strategy and invention extraction. Research and development expenses increased from \$108,000 in the second quarter of 2013 to \$969,000 in the second quarter of 2014. The increase of \$861,000 is primarily the result of the increased payroll, consulting and development costs related to increased activity on a duplexer design under development for a potential customer. There were no employees until late June 2013 when we completed the Senior Convertible Note financing.

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Our research and development efforts are focused currently on the development of a duplexer design for Skyworks under the development agreement. We expect expenditures on this duplexer design to continue increasing in 2014 and into 2015 as we hire additional technical staff and invest in equipment, software and supplies for the duplexer design and the tunable filter project.

We have started discussions with a several prospective customers for a tunable filter design. These discussions are ongoing and may not result in any agreements. We expect to proceed with our plan to develop a tunable filter design regardless of the outcome of these discussions. We may not succeed in the development of a commercially viable tunable filter design or secure any customers for such designs.

We plan to actively pursue other development agreements with potential customers and strategic partners. Research and development costs would further increase if and when we secure additional development agreements.

General and Administrative Expenses. General and administrative expenses include salaries, taxes and employee benefits for executives and administrative staff. It also includes expenses for corporate overhead such as rent for our facilities, travel expenses, telecommunications, investor relations, insurance, professional fees and business consulting fees. We did not have any paid executives or administrative staff until after our Senior Convertible Note financing in June 2013. The founders served as our executives, and they worked without salary or benefits until the financing. After the financing, we began paying them salaries and hiring administrative personnel. We expect increases in this category of costs throughout 2014. We hired a general counsel in January 2014, and a chief financial officer and a controller in June 2014.

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General and administrative expenses decreased \$308,000, from \$763,000 in the second quarter of 2013 to \$455,000 in the second quarter of 2014. The decrease is primarily due to a non-cash charge of \$716,000 in 2013 for the fair value of the Consulting Warrants issued to MDB for business consulting services. The consulting services were completed in 2013, and therefore we did not incur similar charges in 2014. Excluding the effect of the warrant charges, general and administrative expenses increased by \$408,000. The increase was due primarily increased payroll, benefit costs, directors and officers insurance, finance costs and accounting expenses.

We anticipate that our general and administrative expenses will increase in the future as we continue to build our infrastructure to support our growth. Additionally, we anticipate increased expenses related to the legal, audit, regulatory and investor relations services associated with maintaining compliance with Securities and Exchange Commission and NASDAQ requirements, director and officer insurance premiums and other costs associated with operating as a public company.

Interest Income. Interest income increased by \$1,409, from \$231 in the second quarter of 2013 to \$1,640 in the second quarter of 2014 primarily due to the increased cash balances from the net proceeds of the IPO. We expect interest income to increase modestly in 2014 as we earn interest on our increased cash balances.

Interest Expense. Interest expense consists of accrued interest on debt instruments and the amortization of debt discounts. We value our debt instruments and their various features and derivatives at fair value, and the resulting adjustments require debt discounts to these values that are booked at lower than face value. The debt discounts were being amortized over the expected life of the debt instrument. However, the remaining debt discount and debt issuance costs were expensed in June 2014 due to the conversion of all notes into common stock in connection with our IPO.

Interest expense increased by \$1.8 million, from \$314,000 in the second quarter of 2013 to \$2.1 million in the second quarter of 2014. The increase consists primarily of amortization and write-off of debt discounts and deferred financing costs due to the conversion of the convertible notes: \$1.1 million for the Senior Convertible Notes, \$98,000 for the Subordinated Convertible Note and \$528,000 for the deferred financing costs. We also incurred and paid \$404,000 of interest on the Senior Convertible Notes for the three months in 2014. We repaid the Bridge Loans in June 2013. The Senior Convertible Notes and the Subordinated Convertible Note were converted into common stock in June 2014 in connection with our IPO. Debt discounts and deferred financing cost amortizations ceased upon conversion of these notes.

Fair Value Adjustments to Warrant and Derivative Liabilities. We recorded all of our warrant and derivative liabilities at their fair value at issuance and adjust the liabilities quarterly to reflect changes in their fair value. Quarterly adjustments to the fair value of these liabilities generate non-cash expense if they increase and non-cash income if they decrease. The fair value of these liabilities may fluctuate significantly from quarter to quarter. The net fair value of all these liabilities increased in 2014, resulting in non-cash gain for the warrants of \$252,000 (as restated) in the second quarter of 2014. There was no increase to the fair value of the warrant and derivative liabilities as of June 30, 2013. These instruments were originally issued on June 17, 2013, and their values did not change in the intervening two weeks. The increase in the fair value of the warrants in 2014 is primarily due to our increasing share price and the related enterprise valuation. Due to the expiration of the redemption and put option features included in the Bridge Warrants, Financing Warrant and Consulting Warrant as of the IPO Date, there will be no further fair value adjustments of such warrants in the future.

Bridge Warrant Expense. Bridge warrant expense represents the non-cash expense associated with (a) the original issuance of the Bridge Loan Warrants in the first quarter of 2013 by Resonant LLC and (b) the issuance of replacement warrants by Resonant Inc. in the exchange transaction on June 17, 2013. Bridge warrant expense totaled \$312,000 in the second quarter of 2013 and \$0 in the second quarter of 2014. We incurred \$248,000 of expense for the original issuance. This represents the difference between the fair value of the Bridge Loan Warrants on the date of

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original issuance and the principal amount of the associated Founder Bridge Loans. We incurred an additional \$312,000 of expense upon issuance of the replacement warrants in the exchange transaction. This reflects the increase in the fair value of the Bridge Loan Warrants between the original date of issuance and the date of the exchange transaction. There will be no future bridge warrant expense.

Other Income. Other income consisted of a \$1.2 million non-cash gain from the extinguishment of the derivative liability associated with our Senior Convertible Notes. Due to the conversion of these notes, the derivative liability balance was accounted for as an extinguishment of debt with a portion recognized as a gain and classified in other income in the second quarter of 2014. Consequently, we will not incur any further charges associated with fluctuations in the fair value of the derivative liability. There were no items in other income for the 2013 period.

Income Taxes. We have no revenues and are currently operating at a loss. Consequently, our only tax liabilities were for the minimum taxes for the states in which we conduct business.

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Comparison of the Six Months Ended June 30, 2013 and 2014 (as restated)

Research and Development. Research and development expenses increased from \$225,000 in the first six months of 2013 to \$1.4 million in the first six months of 2014. The increase of \$1.2 million is the result of the increased payroll, consulting costs and development costs related to increased activity on a duplexer design under development for a potential customer. There were no employees until late June 2013 when we completed the Senior Convertible Note financing.

General and Administrative Expenses. General and administrative expenses increased from \$886,000 in the first six months of 2013 to \$977,000 in first six months of 2014. The increase of \$91,000 consists primarily of payroll and related expenses associated with our increased staffing following our June 2013 financing and our June 2014 IPO. The six months for 2013 consisted primarily of a non-cash charge of \$716,000 for the fair value of the warrants issued for business consulting services. The consulting services were completed in 2013, and therefore we did not incur similar charges in 2014. Excluding the effect of the warrant charges, general and administrative expenses increased by \$807,000. The increase was due primarily to increased payroll, benefit costs, D&O insurance, finance costs and accounting expenses. We anticipate that our general and administrative expenses will continue to increase as a result of planned growth and the costs associated with operating as a public company.

Interest Income. Interest income increased by \$1,962 from \$231 in the first six months of 2013 to \$2,193 in the first six months of 2014 primarily due to the increased cash balances from the net proceeds from the IPO. We expect interest income to increase modestly in 2014 as we earn interest on our increased cash balances.

Interest Expense. Interest expense increased by \$2.4 million, from \$369,000 in the first six months of 2013 to \$2.8 million in the first six months of 2014. The increase consists primarily of amortization and write-off of debts discounts and deferred financing costs due to the conversion of the convertible notes: \$1.5 million for the Senior Convertible Notes, \$151,000 for the Subordinated Convertible Note and \$745,000 for the deferred financing costs. We also incurred and paid \$404,000 of interest on the Senior Convertible Notes for the first six months of 2014. We repaid the Bridge Loans in June 2013. The Senior Convertible Notes and the Subordinated Convertible Note were converted into common stock in June 2014 in connection with our initial public offering. Debt discounts and deferred financing cost amortizations ceased upon conversion of these notes.

Fair Value Adjustments to Warrant and Derivative Liabilities. We recorded all of our warrant and derivative liabilities at their fair value at issuance and adjust the liabilities quarterly to reflect changes in their fair value. Quarterly adjustments to the fair value of these liabilities generate non-cash expense if they increase and non-cash income if they decrease. The fair value of these liabilities may fluctuate significantly from quarter to quarter. The net fair value of all these liabilities increased in 2014, resulting in non-cash expense for the warrant of \$2.0 million (as restated) for the first six months of 2014. There was no increase of the fair value of the warrant and derivative liabilities as of June 30, 2013. These instruments were originally issued on June 17, 2013, and their values did not change in the intervening two weeks. The increase in the fair value of the warrants in 2014 is primarily due to our increasing share price and the related enterprise valuation. Due to the expiration of the redemption and put option features included in the Bridge Warrants, Financing Warrant and Consulting Warrant as of the IPO Date, there will be no further fair value adjustments of such warrants in the future.

Bridge Warrant Expense. We incurred bridge warrant expense of \$560,000 in the first six months of 2013 and \$0 in the first six months of 2014. This represents the non-cash expense associated with the original issuance of the Bridge Loan Warrants in the first quarter of 2013 by Resonant LLC. We repaid the Bridge Loans in June 2013. Consequently, we did not incur any bridge warrant expense in 2014 and will not incur further expense for these warrants.

Other Income. Other income consisted of a \$1.2 million non-cash gain from the write-off of the derivative liability associated with our Senior Convertible Notes. Due to the conversion of these notes, the derivative liability balance was accounted for as an extinguishment of debt with a portion recognized as a gain and classified in other income for the first six months of 2014. Consequently, we will not incur any further charges associated with fluctuations in the fair value of the derivative liability. There were no items in other income for the 2013 period.

Income Taxes. We have no revenues and are currently operating at a loss. Consequently, our only tax liabilities for both periods were for minimum taxes in the States where we conduct business.

Liquidity and Capital Resources

Financing Activities

We have earned no revenue since inception. Our operations have been funded with capital contributions, debt and equity.

We began operations in July 2012 with initial capital contributions from our founders and STI. The founders contributed \$200,000 and agreed to work full-time without pay until we secured adequate funding. STI contributed a patent portfolio, software, equipment, temporary office space and an early version of our first development agreement. The founders received Class B units in Resonant LLC, but later exchanged their Class B units for common stock of Resonant Inc. STI received Class C units in Resonant LLC, but later exchanged its Class C units for the \$2.4 million Subordinated Convertible Note of Resonant Inc.

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The Bridge Loans provided \$200,000 of additional funding during the first and second quarters of 2013.

We raised \$6.3 million of net proceeds from the sale of Senior Convertible Notes in June 2013, and we used part of the proceeds to repay the Bridge Loans. In June 2014, we sold 3,105,000 shares of common stock in an IPO generating net proceeds of \$16.2 million.

We had current assets of \$17.4 million and current liabilities of \$763,000 million at June 30, 2014, resulting in working capital of \$16.6 million. This compares to a working capital deficit of \$8.8 million at December 31, 2013. The change in working capital is primarily the result of the net proceeds from our IPO and the related conversion of all outstanding notes to common stock.

We believe our cash resources will provide sufficient funding for planned operations into 2016. We may need additional financing to continue with our plan of commercialization and for general working capital. Further, if we are unable to complete the duplexer design under the development agreement or Skyworks declines to license the design, we will require additional financing. No assurance can be given that any form of additional financing can be obtained, that the terms of such financing will be acceptable or that such financing would not be dilutive to existing shareholders. Thus, our ability to achieve revenue-generating operations and, ultimately, achieve profitability may depend on whether we can obtain additional capital when we need it and will depend on whether we complete the development of our technology and find customers who will license our designs.

Cash Flow Analysis

The condensed consolidated statements of cash flows presented in our consolidated financial statements represent the activities of (a) Resonant LLC, as predecessor company, for the period from January 1, 2013 to June 16, 2013, and (b) Resonant Inc., as successor company, for the period from June 17, 2013 to June 30, 2013 and the three and six months ended June 30, 2014 (as restated).

Operating activities used cash of \$427,000 in first six months of 2013 and \$1.6 million in the first six months of 2014. The increase of \$1.2 million is primarily the result of increased operating costs following our Senior Convertible Note financing in June 2013 and an increase in costs associated with our IPO. These cash uses were offset by some non-cash related costs for stock-based compensation, amortization of deferred financing and debt discount costs.

Investing activities used cash of \$76,000 in the first six months of 2013 and \$606,000 in the first six months of 2014. The increase of \$530,000 consisted primarily of the build out our new corporate headquarters, the purchase of equipment and computers due to the increase in employees in 2014 as well as our investment in patents.

Financing activities provide cash of \$5.7 million in the first six months of 2013 and \$16.2 million in the first six months of 2014. For 2013, cash provided by financing activities was primarily the result of the net proceeds from the issuance of \$7.0 million in Senior Convertible Notes in June 2013, net of bridge loan repayments. For 2014, cash provided by financing activities was primarily the result of the net proceeds from our IPO of \$18.6 million offset by \$2.3 million in cash expended for IPO costs in 2014.

Off-Balance Sheet Transactions

We do not have any off-balance sheet arrangements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined by paragraph (e) of Rules 13a-15(f) or 15d-15(f) under the Securities and Exchange Act of 1934, as amended, designed to ensure that we are able to collect the information we are required to disclose in the reports we file with the SEC and to approve, summarize and disclose this information within the time periods specified in the rules of the SEC. Our Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining these procedures, and, as required by the rules of the SEC, evaluate their effectiveness. Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2014, the end of the period covered by this report, and based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the time of the Original Filing.

We reevaluated our disclosure controls and procedures in connection with the accounting review discussed in Note 9. In connection with this reevaluation, we identified a material weakness in our internal controls as of June 30, 2014. Specifically, our lack of sufficient policies and procedures in the review of complex financial instruments and a clerical error in the computation of loss per share resulted in restatements to our financial statements included in the Original Filing. Based on this material weakness, management has concluded that our disclosure controls and procedures were not effective as of June 30, 2014.

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Changes in Internal Controls over Financial Reporting

There was no change in our internal control over financial reporting during the fiscal quarter ended June 30, 2014 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. The material weakness associated with our financial reporting discussed above was subsequently identified and resulted in the initiation of remediation activities subsequent to the filing of the June 30, 2014 Form 10-Q.

Remediation of a Material Weakness in Internal Control over Financial Reporting

We recognize the importance of the control environment as it sets the overall tone for the organization and is the foundation for all other components of internal control. Consequently, we are designing and implementing remediation measures to address the material weakness and enhance our internal control over financial reporting. The Company is taking the following actions, which we believe will remediate the material weakness in internal control over financial reporting:

- Our finance team plans to revise its policies and procedures with regards to the review of complex financial instruments to thoroughly analyze all terms and conditions of an agreement from a legal and accounting standpoint; and
- We have added an additional level of review of the analysis of the earnings per share calculation.

We are committed to a strong internal control environment and will continue to review the effectiveness of our internal controls over financial reporting and other disclosure controls and procedures. As we continue to evaluate and work to improve our internal control over financial reporting, management may determine to take additional measures.

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Exhibit Number	Exhibit Description	Form	Incorporated by Reference		Filing Date	Filed Herewith
			File Number	Exhibit		
3.1	Amended and Restated Certificate of Incorporation of the Registrant	8-K	001-36467	3.1	06-05-14	
3.2	Amended and Restated Bylaws of the Registrant	8-K	001-36467	3.2	06-05-14	
10.1*	Registrant's amended and restated 2014 Omnibus Incentive Plan, including form agreements	S-1/A	333-193552	10.2	04-11-14	
10.2*	Outside Director Compensation Policy	S-1	333-193552	10.7	01-24-14	
10.3	Warrant Agreement issued to MZ Group	10-Q	001-36467	10.3	08-14-14	
31.1	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1#	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS**	XBRL Instance Document					X
101.SCH**	XBRL Taxonomy Extension Schema Document					X
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB**						X

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XBRL Taxonomy Extension Label
Linkbase Document

101.PRE** XBRL Taxonomy Extension Presentation
Linkbase Document

X

* A management contract or compensatory plan or arrangement.

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

** The information in this exhibit is furnished and deemed not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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SIGNATURES

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

Date: October 10, 2014

Resonant Inc.
(Registrant)

By:

/s/ John Philpott
John Philpott
Chief Financial Officer
(Principal Financial and Accounting Officer)