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

# FORM 10-Q

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

For the quarterly period ended June 30, 2019
or

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

For the transition period from________ to ___________

Commission File Number: **000-56004**

**ONDAS HOLDINGS INC.**
(Exact name of registrant as specified in its charter)

| **Nevada** | **47-2615102** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**165 Gibraltar Court, Sunnyvale, California 94089**
(Address of principal executive offices) (Zip Code)

**(888) 350-9994**
(Registrant's telephone number)

**N/A**
(Former name, former address and former fiscal year, if changed since last report)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| | | |

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

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

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

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

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

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

The number of shares outstanding of the issuer's common stock as of August 14, 2019 was 50,463,732.

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**ONDAS HOLDINGS INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**

| | June 30, 2019 (Unaudited) | December 31, 2018 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 590,902 | $ 1,129,863 |
| Accounts receivable, net | 39,510 | 30,440 |
| Inventory, net | 407,169 | 347,945 |
| Operating lease right of use assets | 323,751 | - |
| Other current assets | 729,055 | 533,481 |
| Total current assets | 2,090,387 | 2,041,729 |
| Property and equipment, net | 503,732 | 502,146 |
| Other Assets: | | |
| Operating lease right of use assets, net of current | 471,832 | - |
| Licenses | 200,000 | - |
| Intangible assets, net | 96,333 | 53,288 |
| Deferred offering costs | - | 14,982 |
| Lease deposits | 57,851 | 49,376 |
| Total other assets | 826,016 | 117,646 |
| Total assets | $ 3,420,135 | $ 2,661,521 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current Liabilities: | | |
| Accounts payable | $ 1,715,820 | $ 1,111,929 |
| Secured promissory note, net of debt discount of $0 and $72,038, respectively | - | 10,063,208 |
| Notes payable | 4,079,438 | 3,882,868 |
| Operating lease liabilities | 567,063 | - |
| Accrued expenses and other current liabilities | 3,082,131 | 2,188,271 |
| Total current liabilities | 9,444,452 | 17,246,276 |
| Long-Term Liabilities: | | |
| Secured promissory notes, net of debt discount $23,319 and $0, respectively | 18,548,201 | - |
| Notes payable | 300,000 | 300,000 |
| Accrued Interest | 255,206 | - |
| Operating lease liabilities, net of current | 595,448 | - |
| Total long-term liabilities | 19,698,855 | 300,000 |
| Total liabilities | 29,143,307 | 17,546,276 |
| Commitments and Contingencies | | |
| Stockholders' Deficit: | | |
| Preferred stock - par value $0.0001: 10,000,000 shares authorized | - | - |
| Common stock - par value $0.0001; 350,000,000 shares authorized; 50,463,732 issued and outstanding | 5,046 | 5,046 |
| Additional paid in capital | 17,563,770 | 17,491,734 |
| Accumulated deficit | (43,305,888) | (32,381,535) |
| Other accumulated comprehensive income | 13,900 | - |
| Total stockholders' deficit | (25,723,172) | (14,884,755) |
| Total liabilities and stockholders' deficit | $ 3,420,135 | $ 2,661,521 |

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

**ONDAS HOLDINGS INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Revenues, net | $ 193,157 | $ 16,444 | $ 225,451 | $ 45,826 |
| Cost of goods sold | 50,646 | 11,141 | 55,948 | 12,109 |
| Gross profit | 142,511 | 5,303 | 169,503 | 33,717 |
| Operating expenses: | | | | |
| General and administration | 1,223,443 | 398,482 | 2,838,173 | 563,842 |
| Sales and marketing | 1,685,241 | 390,020 | 3,554,212 | 527,201 |
| Research and development | 1,499,111 | 534,632 | 3,160,530 | 823,872 |
| Total operating expense | 4,407,795 | 1,323,134 | 9,552,915 | 1,914,915 |
| Operating loss | (4,265,284) | (1,317,831) | (9,383,412) | (1,881,198) |
| Other income (expense) | | | | |
| Interest expense | (719,106) | (412,099) | (1,276,284) | (551,072) |
| Impairment of deferred offering and financing costs | (120,632) | - | (270,632) | - |
| Change in fair value of derivative liability | - | (106,773) | - | (975,902) |
| Interest income | 1,667 | - | 1,667 | - |
| Other income | 2,727 | 6,810 | 4,308 | 6,810 |
| Total other income (expense) | (835,344) | (512,062) | (1,540,941) | (1,520,164) |
| Loss before provision for income taxes | (5,100,628) | (1,829,893) | (10,924,353) | (3,401,362) |
| Provision for income taxes | - | - | - | - |
| Net loss | $ (5,100,628) | $ (1,829,893) | $ (10,924,353) | $ (3,401,362) |
| Net loss per share - basic and diluted | $ (0.10) | $ (0.10) | $ (0.22) | $ (0.16) |
| Weighted average number of common shares outstanding, basic and diluted | 50,463,732 | 19,141,947 | 50,463,732 | 21,460,390 |

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

**ONDAS HOLDINGS INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Net loss | $ (5,100,628) | $ (1,829,893) | $ (10,924,353) | $ (3,401,362) |
| Other comprehensive income | | | | |
| Foreign currency translation income | 9,239 | - | 13,900 | - |
| Comprehensive loss | $ (5,091,389) | $ (1,829,893) | $ (10,910,453) | $ (3,401,362) |

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

**ONDAS HOLDINGS INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
(Unaudited)

| | Common Stock | | Additional Paid in | Accumulated | Other Accumulated Comprehensive | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Deficit | Income | Total |
| **Balance, December 31, 2018** | 50,463,732 | $ 5,046 | $ 17,491,734 | $ (32,381,535) | $ - | $ (14,884,755) |
| Stock-based compensation | - | - | 47,023 | - | - | 47,023 |
| Comprehensive income | - | - | - | - | 4,661 | 4,661 |
| Net loss | - | - | - | (5,823,725) | - | (5,823,725) |
| **Balance, March 31, 2019** | 50,463,732 | 5,046 | 17,538,757 | (38,205,260) | 4,661 | (20,656,796) |
| Stock-based compensation | - | - | 25,013 | - | - | 25,013 |
| Comprehensive income | - | - | - | - | 9,239 | 9,239 |
| Net loss | - | - | - | (5,100,628) | - | (5,100,628) |
| **Balance, June 30, 2019** | 50,463,732 | $ 5,046 | $ 17,563,770 | $ (43,305,888) | $ 13,900 | $ (25,723,172) |

| | Common Stock | | Additional Paid in | Accumulated | Subscriptions | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Deficit | Receivable | Total |
| **Balance, December 31, 2017** | 16,797,744 | $ 1,679 | $ 12,361,205 | $ (20,284,671) | $ - | $ (7,921,787) |
| Issuance of shares in private placement | 6,648,586 | 665 | 4,031 | - | - | 4,696 |
| Net loss | - | - | - | (1,571,469) | - | (1,571,469) |
| **Balance, March 31, 2018** | 23,446,330 | 2,344 | 12,365,236 | (21,856,140) | - | (9,488,560) |
| Issuance of shares in private placement | - | - | - | - | (3,326) | (3,326) |
| Net loss | - | - | - | (1,829,893) | - | (1,829,893) |
| **Balance, June 30, 2018** | 23,446,330 | $ 2,344 | $ 12,365,236 | $ (23,686,033) | $ (3,326) | $ (11,321,779) |

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

**ONDAS HOLDINGS INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**

| | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITES** | | |
| Net loss | $ (10,924,353) | $ (3,401,362) |
| Adjustments to reconcile net loss to net cash flows used in operating activities: | | |
| Depreciation | 67,682 | 7,531 |
| Allowance for doubtful accounts | - | (7,914) |
| Amortization of debt discount and deferred financing costs | 48,719 | 75,450 |
| Amortization of intangible assets | 429 | - |
| Amortization of right of use assets | 110,161 | - |
| Impairment of operating lease | 259,926 | - |
| Impairment of deferred offering and financing costs | 270,632 | - |
| Accreted interest | 86,274 | - |
| Stock-based compensation | 72,035 | - |
| Change in fair value of derivative liability | - | 975,902 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (9,070) | 29,589 |
| Inventory | (59,224) | (120,332) |
| Other current assets | (383,874) | (52,898) |
| Accounts payable | 603,891 | (12,900) |
| Accrued expenses and other current liabilities | 1,090,430 | 179,945 |
| Accrued interest-related party | 255,206 | - |
| Net cash flows used in operating activities | (8,511,136) | (2,326,989) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of licenses | (200,000) | - |
| Purchase of equipment | (69,268) | (14,692) |
| Patent costs | (43,474) | (20,812) |
| Deposits | (8,475) | (46,965) |
| Net cash flows used in investing activities | (321,217) | (82,469) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from secured promissory note | 8,350,000 | 4,925,000 |
| Payments for deferred offering costs | (67,350) | - |
| Proceeds from convertible notes payable | - | 100,000 |
| Proceeds from sale of common stock | - | 1,371 |
| Repayment of advances from related party | - | (155,645) |
| Net cash flows provided by financing activities | 8,282,650 | 4,870,726 |
| (Decrease) increase in cash and cash equivalents | (549,703) | 2,461,268 |
| Effect of foreign currency translation on cash | 10,742 | - |
| Cash and cash equivalent, beginning of period | 1,129,863 | 456,018 |
| Cash and cash equivalents, end of period | $ 590,902 | $ 2,917,286 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash paid for interest | $ 690,675 | $ 350,640 |
| Cash paid for income taxes | $ - | $ - |
| SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES: | | |
| Interest converted to debt | $ 196,570 | $ 17,310 |
| Subscriptions receivable | $ - | $ (3,326) |
| Derivative liability | $ - | $ 1,141,995 |

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

**ONDAS HOLDINGS INC.**
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

The Company

Ondas Holdings Inc. ("Ondas Holdings" or the "Company") was originally incorporated in Nevada on December 22, 2014 under the name of Zev Ventures Incorporated. On September 28, 2018, we closed the Acquisition (see below), changed our name to Ondas Holdings Inc., and Ondas Networks Inc., a Delaware corporation ("Ondas Networks"), became our sole focus and wholly owned subsidiary. The corporate headquarters for the Company and operational headquarters for Ondas Networks is located in Sunnyvale, California. Unless otherwise stated or unless the context otherwise requires, the description of our business set forth below is provided on a combined basis, taking into account our subsidiary, Ondas Networks. Ondas Networks was originally incorporated in Delaware on February 16, 2006 under the name of Full Spectrum Inc. On August 10, 2018, the name was changed to Ondas Networks Inc.

Ondas Networks' wireless networking products are applicable to a wide range of mission critical functions that require secure communications over large geographic areas. We provide wireless connectivity solutions enabling mission-critical Industrial Internet applications and services. We refer to these applications as the Mission-Critical Internet of Things (MC-IoT).

We design, develop, manufacture, sell and support FullMAX, our multi-patented, state-of-the-art, point-to-multipoint, Software Defined Radio (SDR) system for secure, licensed, private, wide-area broadband networks. Our customers purchase FullMAX system solutions to deploy wide-area intelligent networks (WANs) for smart grids, smart pipes, smart fields and any other mission critical network that needs internet protocol connectivity. We sell our products and services globally through a direct sales force and value-added sales partners to critical infrastructure providers including electric utilities, water and wastewater utilities, oil and gas producers, and for other critical infrastructure applications in areas such as homeland security and defense, and transportation.

Our future capital requirements will depend upon many factors, including progress with developing, manufacturing and marketing our technologies, the time and costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and other proprietary rights, our ability to establish collaborative arrangements, marketing activities and competing technological and market developments, including regulatory changes and overall economic conditions in our target markets.

Our business consists of a single segment of products and services all of which are sold and provided in the United States and certain international markets.

The Acquisition

On September 28, 2018, we entered into the Agreement and Plan of Merger and Reorganization (the "Merger Agreement") with Zev Merger Sub, Inc. and Ondas Networks to acquire Ondas Networks. The transactions contemplated by the Merger Agreement were consummated on September 28, 2018 (the "Closing"), and pursuant to the terms of the Merger Agreement, all outstanding shares of common stock of Ondas Networks, $0.00001 par value per share, (the "Ondas Networks Share(s)"), were exchanged for shares of our common stock, $0.0001 par value per share (the "Company Shares"). Accordingly, Ondas Networks became our wholly-owned subsidiary and its business became the business of the Company.

At the Closing, each Ondas Networks Share outstanding immediately prior to the Closing was converted into 3.823 Company Shares (the "Exchange Ratio"), with all fractional shares rounded down to the nearest whole share. Accordingly, we issued an aggregate of 25,463,732 Company Shares for all of the then-outstanding Ondas Networks Shares.

In connection with the Closing, we amended and restated our articles of incorporation, effective September 28, 2018 to (i) change our name to Ondas Holdings Inc. and (ii) increase our authorized capital to 360,000,000 shares, consisting of 350,000,000 shares of common stock, par value $0.0001 per share, and 10,000,000 shares of "blank check" preferred stock, par value $0.0001 per share. In connection with the Acquisition, our trading symbol changed to "ONDS" effective at the opening of business on October 5, 2018.

Also in connection with the Closing, (i) our sole director appointed additional individuals, who previously were members of the board of directors of Ondas Networks and its chief executive officer, to serve on our board of directors, and our board of directors subsequently appointed executive officers; (ii) the former holders of the Ondas Networks Shares executed lock-up agreements (the "Lock-Up Agreements"), which provide for an initial 12-month lock-up period followed by a subsequent 12-month limited sale period, commencing with the date of the Closing; (iii) we entered into a Common Stock Repurchase Agreement with Energy Capital, LLC, a current stockholder of the Company ("Energy Capital"), pursuant to which the entity sold an aggregate of 32.6 million Company Shares (the "Repurchase Shares") to us at $0.0001 per share, for an aggregate consideration of $3,260, which the Repurchase Shares were canceled and returned to our authorized but unissued shares; (iv) our board of directors approved, and our stockholders adopted, the 2018 Incentive Stock Plan (the "2018 Plan") pursuant to which 10 million Company Shares have been reserved for issuance to employees, including officers, directors and consultants; and (v) we entered into a Loan and Security Agreement with Energy Capital, pursuant to which Energy Capital agreed to lend us an aggregate principal amount of up to $10 million, subject to specified conditions.

In accordance with ASC 805-40, *Reverse Acquisitions*, the historical capital stock account of Ondas Networks immediately prior to the Closing was carried forward and retroactively adjusted to reflect the par value of the outstanding stock of the Company, including the number of shares issued in the Closing as we are the surviving legal entity. Additionally, retained earnings of Ondas Networks have been carried forward after the Closing. All share and per share amounts in the condensed consolidated financial statements and related notes have been retrospectively adjusted to reflect the one for 3.823 exchange of shares of common stock in connection with the Acquisition.

Liquidity

We have incurred losses since inception and have funded our operations primarily through debt and the sale of capital stock. At June 30, 2019, we had an accumulated deficit of approximately $43.3 million and short-term borrowings outstanding of approximately $4.1 million, all of which was due on July 31, 2019, and subsequently extended (See NOTE 7 for additional details). At June 30, 2019, we had long-term borrowings outstanding of approximately $18.8 million. As of June 30, 2019, we had cash and cash equivalents of approximately $0.6 million and a working capital deficit of approximately $7.4 million.

Our future capital requirements will depend upon many factors, including progress with developing, manufacturing and marketing our technologies, the time and costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and other proprietary rights, our ability to establish collaborative arrangements, marketing activities and competing technological and market developments, including regulatory changes and overall economic conditions in our target markets.

Our ability to generate revenue and achieve profitability depends on our completion of our second-generation products and commencing the manufacture, marketing and sales of those products. These activities, including our planned research and development efforts, will require significant uses of working capital through the end of 2019 and beyond. Based on our current operating plans, we believe that our existing cash and cash equivalents will be sufficient to meet our anticipated operating needs through September 30, 2019. We currently do not have sufficient funds to repay certain debt obligations totaling approximately $3.8 million upon maturity on October 31, 2019 and must secure additional equity or debt capital in order to repay those obligations. At the present time we have no commitments for any such funding and no assurance can be provided that we will be able to raise the needed funds on commercially acceptable terms or at all. These factors raise substantial doubt about our ability to continue as a going concern through August 14, 2020. The financial information contained in these financial statements have been prepared on a basis that assumes that we will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. This financial information and these financial statements do not include any adjustments that may result from the outcome of this uncertainty.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial statements for interim periods in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The information included in this quarterly report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and the accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 ("2018 Form 10-K"). The Company's accounting policies are described in the "*Notes to Consolidated Financial Statements*" in the 2018 Form 10-K and are updated, as necessary, in this Form 10-Q. The year-end condensed consolidated balance sheet data presented for comparative purposes was derived from the audited financial statements but does not include all disclosures required by U.S. GAAP. The results of operations for the six months ended June 30, 2019 are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and our wholly owned subsidiaries, Ondas Networks and FS Partners (FS Partners has not begun operations), and our majority owned subsidiaries, Full Spectrum Holding and Ondas Network Limited (both have not begun operations). All significant inter-company accounts and transactions between these entities have been eliminated in these unaudited condensed consolidated financial statements.

Use of Estimates

The process of preparing financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements. Such management estimates include those relating to revenue recognition, inventory write-downs to reflect net realizable value, assumptions used in the valuation of stock-based awards and warrants, and valuation allowances against deferred tax assets. Actual results could differ from those estimates.

Inventory

Inventories, which consist solely of equipment components, are stated at the lower of cost (first-in, first-out) or net realizable value, net of reserves for obsolete inventory. We continually analyze our slow-moving and excess inventories. Based on historical and projected sales volumes and anticipated selling prices, we established reserves. Inventory that is in excess of current and projected use is reduced by an allowance to a level that approximates its estimate of future demand. Products that are determined to be obsolete are written down to net realizable value. As of June 30, 2019 and December 31, 2018, we determined that no such reserves were necessary.

Inventory consists of the following:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Raw Material | $ 376,724 | $ 307,947 |
| Finished Goods | 30,445 | 39,998 |
| TOTAL INVENTORY | $ 407,169 | $ 347,945 |

Stock-Based Compensation

The Company follows the fair value recognition provisions in ASC 718, Compensation – Stock Compensationand the provisions of ASU 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting* for stock-based transactions with non-employees. Stock based compensation expense recognized during the year includes compensation expense for all share-based payments based on a grant date fair value estimated in accordance with the provisions in the FASB guidance for stock compensation. The grant date is the date at which an employer and employee reach a mutual understanding of the key terms and conditions of a share-based payment award.

Fair Value of Financial Instruments

Our financial instruments consist primarily of receivables, accounts payable, accrued expenses and short and long-term debt. The carrying amount of receivables, accounts payable and accrued expenses approximates fair value because of the short-term maturity of such instruments. We have elected not to carry our debt instruments at fair value. The carrying amount of our debt approximates fair value. Interest rates that are currently available to us for issuance of short and long-term debt with similar terms and remaining maturities are used to estimate the fair value of our short and long-term debt.

We have categorized our assets and liabilities that are valued at fair value on a recurring basis into a three-level fair value hierarchy in accordance with U.S. GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and lowest priority to unobservable inputs (Level 3).

Assets and liabilities recorded in the balance sheets at fair value are categorized based on a hierarchy of inputs, as follows:

**Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities.
**Level 2** – Quoted prices for similar assets or liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.
**Level 3** – Unobservable inputs for the asset or liability.

At June 30, 2019 and December 31, 2018, we had no instruments requiring a fair value determination.

The following table provides a summary of changes in fair value associated with the Level 3 liabilities for the six months ended June 30, 2019 and for the year ended December 31, 2018:

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | |
|---|---|---|
| | Six Months Ended June 30, 2019 | Year ended December 31, 2018 |
| Balance, beginning of period | $ - | $ (166,093) |
| Issuances of derivative liability | - | - |
| Reclassification to additional paid in capital | - | 1,141,995 |
| Change in fair value of derivative liability | - | (975,902) |
| Balance, end of period | $ - | $ - |

The above table of Level 3 liabilities begins with the prior period balance and adjusts the balance for changes that occurred during the current period. The ending balance of the Level 3 financial instrument presented above represent our best estimates and may not be substantiated by comparisons to independent markets and, in many cases, could not be realized in immediate settlement of the instruments.

Deferred Offering Costs

The Company capitalizes certain legal, professional accounting and other third-party fees that are directly associated with in-process equity financings as deferred offering costs until such financings are consummated. After consummation of the equity financing, these costs are recorded in stockholders' deficit as a reduction of additional paid-in capital generated as a result of the offering. Should a planned equity financing be abandoned, the deferred offering costs will be expensed immediately as a charge to operating expenses in the consolidated statement of operations. In accordance with this policy, in June 2019 the Company expensed $120,632 of deferred offering costs.

Debt Issuance Costs

Debt issuance costs represent costs incurred for the issuance of debt. Once the associated debt instrument is issued, these costs would be recorded as a debt discount and amortized using the effective interest method over the term of the related debt instrument. Upon abandonment of a pending financing transaction, the related deferred financing costs are charged to interest expense. In accordance with this policy, in March 2019 the Company expensed $150,000 financing costs.

Foreign Currency

Our functional currency is the U.S. dollar. The functional currency of our foreign operations, generally, is the respective local currency for each foreign subsidiary. Assets and liabilities of foreign operations denominated in local currencies are translated at the spot rate in effect at the applicable reporting date. Our condensed consolidated statements of income are translated at the weighted average rate of exchange during the applicable period. The resulting unrealized cumulative translation adjustment is recorded as a component of accumulated other comprehensive income (loss) in stockholders' equity. Realized and unrealized transaction gains and losses generated by transactions denominated in a currency different from the functional currency of the applicable entity are recorded in other income (loss) in the period in which they occur.

ASC 606, Revenue from Contracts with Customers

On January 1, 2018, we adopted ASC 606*, Revenue from Contracts with Customers* ("ASC 606"), using the modified retrospective method with respect to all non-completed contracts. ASC 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes nearly all existing revenue recognition guidance, including industry-specific guidance. The new guidance is based on the principle that an entity should recognize revenue to depict the transfer of products or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those products or services. The new guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgment and changes in judgments and assets recognized from costs incurred to fulfill a contract. The adoption of ASC 606 did not have a material effect on our financial position, results of operations, or internal controls over financial reporting.

Under ASC 606, the Company recognizes revenue when the customer obtains control of promised products or services, in an amount that reflects the consideration which is expected to be received in exchange for those products or services. The Company recognizes revenue following the five-step model prescribed under ASC 606: (i) identify contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the products or services it transfers to the customer.

At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the products or services promised within each contract and determines those that are performance obligations and assesses whether each promised product or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. To the extent the transaction price includes variable consideration, we estimate the amount of variable consideration that should be included in the transaction price utilizing the expected value method. Variable consideration is included in the transaction price if, in our judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available. Sales, value add, and other taxes collected on behalf of third parties are excluded from revenue. For the six months ended June 30, 2019 and 2018, none of our contracts with customers included variable consideration.

Contracts that are modified to account for changes in contract specifications and requirements are assessed to determine if the modification either creates new or changes the existing enforceable rights and obligations. Generally, contract modifications are for products or services that are not distinct from the existing contract due to the inability to use, consume or sell the products or services on their own to generate economic benefits and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price and measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis. For the six months ended June 30, 2019 and 2018, there were no modifications to contract specifications.

The Company is engaged in the development, marketing and sale of wireless radio systems for secure, wide area mission-critical business-to-business networks. We generate revenue primarily from the sale of the FullMAX System and the delivery of related services.

Product revenue is comprised of sales of the Company's software defined base station and remote radios, its network management and monitoring system, and accessories. The Company's software and hardware is sold with a limited one-year basic warranty included in the price. The limited one-year basic warranty is an assurance-type warranty, is not a separate performance obligation, and thus no transaction price is allocated to it. The nature of tasks under the limited one-year basic warranty only provide for remedying defective product(s) covered by the warranty. Product revenue is generally recognized when the customer obtains control of our product, which occurs at a point in time, and may be upon shipment or upon delivery based on the contractual shipping terms of a contract, or upon installation when the combined performance obligation is not distinct within the context of the contract.

Service revenue is comprised of separately priced extended warranty sales, network support and maintenance, remote monitoring, as well as ancillary services directly related to the sale of the Company's wireless communications products including wireless network design, systems engineering, radio frequency planning, software configuration, product training, installation, and onsite support. The extended warranty sold by the Company provides a level of assurance beyond the coverage for defects that existed at the time of a sale or against certain types of covered damage. The extended warranty includes 1) factory hardware repair or replacement, at our election, of the base station and remote radios, 2) software upgrades, bug fixes and new features of the radio software and NMS, 3) deployment and network architecture support, and 4) technical support by phone and email. Extended warranty, network support and maintenance, and remote monitoring revenues are recognized ratably over the term of the service contract. Ancillary service revenues are recognized at the point in time when those services have been provided to the customer and the performance obligation has been satisfied.

If the customer contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. We enter into certain contracts that have multiple performance obligations, one or more of which may be delivered subsequent to the delivery of other performance obligations. We allocate the transaction price based on the estimated relative standalone selling prices of the promised products or services underlying each performance obligation. We determine standalone selling prices based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, we estimate the standalone selling price considering available information such as market conditions and internally approved pricing guidelines related to the performance obligations. Revenue is then allocated to the performance obligations using the relative selling prices of each of the performance obligations in the contract.

Our payment terms vary and range from Net 15 to Net 30 days from the date of the invoices.

*Disaggregation of Revenue*

The following tables present our disaggregated revenues by Type of Revenue and Timing of Revenue:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Type of Revenue | | | | |
| Product revenue | $ 138,760 | $ 4,000 | $ 151,723 | $ 8,000 |
| Service revenue | 54,178 | 12,044 | 73,509 | 36,458 |
| Other revenue | 219 | 400 | 219 | 1,368 |
| Total revenue | $ 193,157 | $ 16,444 | $ 225,451 | $ 45,826 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Timing of Revenue | | | | |
| Revenue recognized point in time | $ 183,860 | $ 4,401 | $ 202,167 | $ 9,368 |
| Revenue recognized over time | 9,297 | 12,043 | 23,284 | 36,458 |
| Total revenue | $ 193,157 | $ 16,444 | $ 225,451 | $ 45,826 |

*Contract Assets and Liabilities*

We recognize a receivable or contract asset when we perform a service or transfer a good in advance of receiving consideration. A receivable is recorded when our right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. A contract asset is recorded when our right to consideration in exchange for good or services that we have transferred to a customer is conditional on something other than the passage of time. We did not have any contract assets recorded at June 30, 2019 or December 31, 2018.

We recognize a contract liability when we receive consideration, or if we have the unconditional right to receive consideration, in advance of satisfying the performance obligation. A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration, or an amount of consideration is due from the customer. The table below details the activity in our contract liabilities during the six months ended June 30, 2019, and the year ended December 31, 2018, and is included in other current liabilities in the Company's unaudited condensed consolidated balance sheet.

| | Six Months Ended June 30, 2019 | Year Ended December 31, 2018 |
|---|---|---|
| Balance at beginning of period | $ 20,631 | $ 30,690 |
| Additions | 28,326 | 32,106 |
| Transfer to revenue | (30,784) | (42,166) |
| Balance at end of period | $ 18,173 | $ 20,631 |

*Warranty Reserve*

We provide a limited one-year assurance-type warranty on our software and hardware products. The assurance-type warranty covers defects in material and workmanship only. If a warranted software or hardware component is determined to be defective after being tested by the Company, the Company will repair, replace or refund the price of the covered hardware and/or software to the customer (not including any shipping, handling, delivery or installation charges). We estimate, based upon a review of historical warranty claim experience, the costs that may be incurred under our warranties and record a liability in the amount of such estimate at the time a product is sold. Factors that affect our warranty liability include the number of units sold, historical and anticipated rates of warranty claims, and cost per claim. We periodically assess the adequacy of our recorded warranty liability and adjust the accrual as claims data and historical experience warrants. The Company has assessed the costs of fulfilling its existing assurance-type warranties and has determined that the estimated outstanding warranty obligation at June 30, 2019 and December 31, 2018 are immaterial to the Company's financial statements.

Accounting Standard Update 2016-02, Leases

Under Topic 842, operating lease expense is generally recognized evenly over the term of the lease. The Company has operating leases primarily consisting of office space with remaining lease terms of 18 months to 47 months. Current facility leases include our offices in Sunnyvale, CA and Chengdu, Sichuan Province, People's Republic of China. Lease costs were $139,135 and $277,890 for the three and six months ended June 30, 2019. There was no sublease rental income for the six months ended June 30, 2019.

Leases with an initial term of twelve months or less are not recorded on the balance sheet. For lease agreements entered into or reassessed after the adoption of Topic 842, we combine the lease and non-lease components in determining the lease liabilities and right of use ("ROU") assets.

Our lease agreements generally do not provide an implicit borrowing rate; therefore, an internal incremental borrowing rate is determined based on information available at lease commencement date for purposes of determining the present value of lease payments. We used the incremental borrowing rate on December 31, 2018 for all leases that commenced prior to that date.

*Lease Costs*

| | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2019 |
|---|---|---|
| Components of total lease costs: | | |
| Operating lease expense | $ 148,141 | $ 296,226 |
| Short-term lease costs [1] | 14,963 | 27,680 |
| Total lease costs | $ 163,104 | $ 323,906 |

(1) Represents short-term leases which are immaterial.

*Lease Positions as of June 30, 2019*

ROU lease assets and lease liabilities for our operating leases were recorded in the unaudited condensed consolidated balance sheet as follows:

| | As of June 30, 2019 |
|---|---|
| Assets: | |
| Operating lease assets, current | $ 323,751 |
| Operating lease assets, net of current | 471,832 |
| Total lease assets | $ 795,583 |
| | |
| Liabilities: | |
| Operating lease liabilities, current | $ 567,063 |
| Operating lease liabilities, net of current | 595,448 |
| Total lease liabilities | $ 1,162,511 |

*Lease Terms and Discount Rate*

| | |
|---|---|
| Weighted average remaining lease term (in years) – operating lease | 2.5 |
| Weighted average discount rate – operating lease | 14% |

*Cash Flows*

| | Six Months Ended June 30, 2019 |
|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows for operating leases | $ 240,417 |

*Undiscounted Cash Flows*

Future lease payments included in the measurement of lease liabilities on the unaudited condensed consolidated balance sheet as of June 30, 2019, for the following five years and thereafter are as follows:

| Years ending December 31, | |
|---|---|
| 2019 (6 months) | $ 310,150 |
| 2020 | 645,248 |
| 2021 | 173,545 |
| 2022 | 116,392 |
| 2023 | 67,895 |
| Total future minimum lease payments | 1,313,230 |
| Lease imputed interest | (150,719) |
| Total | $ 1,162,511 |

In March 2019, one of our long-term operating leases was abandoned and the likelihood of entering into a sublease agreement for the property was minimal; therefore, the Right to Use Asset value of $259,926 was considered impaired and the amount was charged to asset impairment on the accompanying unaudited condensed consolidated financial statements.

Net Loss Per Common Share

Net loss per share for all periods presented is based on the equity structure of the legal acquirer, which assumes common stock is outstanding and is reflected on a retrospective basis for all periods presented. Basic net loss per share is computed by dividing net loss by the weighted average shares of common stock outstanding for each period. Diluted net loss per share is the same as basic net loss per share since the Company has net losses for each period presented.

Potentially dilutive securities related to convertible debt for the six months ended June 30, 2019 and 2018 totaled 140,678 and 1,541,485, respectively, and have been excluded from the computation of diluted net loss per share because the effect of their inclusion would have been anti-dilutive.

Concentration of Customers

Because we have only recently invested in our customer service and support organization, a small number of customers have accounted for a substantial amount of our revenue.

The table below sets forth the Company's customers that accounted for greater than 10% of its revenues for the three- and six-month periods ended June 30, 2019 and 2018, respectively:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| Customer | 2019 | 2018 | 2019 | 2018 |
| A | 31% | - | 27% | - |
| B | 31% | - | 27% | - |
| C | 13% | - | 22% | 16% |
| D | 20% | - | 18% | - |
| E | - | 87% | - | 80% |

Customers D accounted for 100% of the Company's accounts receivable balance at June 30, 2019.

Recent Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB"), issued Accounting Standards Update ("ASU"), 2018-13 that eliminates certain disclosure requirements for fair value measurements for all entities, requires public entities to disclose certain new information and modifies some disclosure requirements. The FASB developed the amendments to Accounting Standards Codification ("ASC") 820 as part of its broader disclosure framework project, which aims to improve the effectiveness of disclosures in the notes to financial statements by focusing on requirements that clearly communicate the most important information to users of the financial statements. The new guidance is effective for all entities for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. An entity is permitted to early adopt either the entire standard or only the provisions that eliminate or modify requirements. We are currently evaluating the effect of this guidance on our disclosures.

In June 2018, the FASB issued ASU 2018-07, Compensation - Stock Compensation (Topic 718): *Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 2018-07"). The amendments in ASU 2018-07 expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company has elected to early adopt ASU 2018-07 effective as of October 1, 2018. The adoption of this pronouncement had no impact on our accompanying condensed consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11 ("ASU 2017-11"), Earnings Per Share ("Topic 260"), *Distinguishing Liabilities from Equity* ("Topic 480"), and *Derivatives and Hedging* ("Topic 815"). ASU 2017-11 is intended to simplify the accounting for financial instruments with characteristics of liabilities and equity. Among the issues addressed are: (i) determining whether an instrument (or embedded feature) is indexed to an entity's own stock; (ii) distinguishing liabilities from equity for mandatorily redeemable financial instruments of certain nonpublic entities; and (iii) identifying mandatorily redeemable non-controlling interests. ASU 2017-11 was effective for the Company on January 1, 2019. The adoption of this pronouncement had no impact on our accompanying condensed consolidated financial statements.

**NOTE 3 – OTHER CURRENT ASSETS**

Other current assets consist of the following:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Advances for raw material purchases | $ 291,160 | $ - |
| Prepaid insurance | 234,727 | 102,743 |
| Other prepaid expenses | 133,040 | 40,654 |
| Prepaid marketing costs | 42,013 | 125,525 |
| Deposits | 28,115 | 31,965 |
| Miscellaneous receivables | - | 44,294 |
| Prepaid financing costs | - | 188,300 |
| TOTAL OTHER CURRENT ASSETS | $ 729,055 | $ 533,481 |

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Leasehold improvements | $ 263,098 | $ 256,920 |
| Vehicle | 149,916 | 143,560 |
| Furniture and fixtures | 133,951 | 132,088 |
| Computer Equipment | 116,518 | 87,087 |
| Software | 61,287 | 61,287 |
| Test Equipment | 25,440 | - |
| | 750,210 | 680,942 |
| Less: accumulated depreciation | (246,478) | (178,796) |
| TOTAL PROPERTY AND EQUIPMENT | $ 503,732 | $ 502,146 |

Depreciation expense for the three and six months ended June 30, 2019 was $34,982 and $67,682, respectively. Depreciation expense for the three and six months ended June 30, 2018 was $4,896 and $7,531, respectively.

**NOTE 5 – INTANGIBLE ASSETS**

Our intangible assets include patent costs totaling $96,956 less amortization of patent costs of $623 at June 30, 2019. Our intangible assets include patent costs totaling $53,482 less amortization of patent costs of $194 at December 31, 2018.

Estimated amortization expense for the next five years for the patent cost currently being amortized is as follows:

| Year Ending December 31, | Estimated Amortization |
|---|---|
| 2019 (6 months) | $ 233 |
| 2020 | $ 465 |
| 2021 | $ 465 |
| 2022 | $ 465 |
| 2023 | $ 465 |

## NOTE 6 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Accrued payroll and other benefits | $ 2,372,799 | $ 1,659,577 |
| Accrued professional fees | 174,439 | 126,384 |
| Accrued interest | 137,384 | 138,605 |
| D&O insurance financing payable | 134,640 | 52,530 |
| Accrued travel and entertainment | 129,673 | 30,000 |
| Other accrued expenses | 81,296 | - |
| Accrued rent and facilities costs | 33,727 | 160,544 |
| Deferred revenue | 18,173 | 20,631 |
| TOTAL ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES | $ 3,082,131 | $ 2,188,271 |

## NOTE 7 – NOTES PAYABLE AND OTHER FINANCING AGREEMENTS

Loan Agreements

In October 2007, Ondas Networks entered into a 6% per annum loan agreement, as amended, with an entity in the amount of $550,000 in connection with the issuance of common stock of Ondas Networks (the “October 2007 Loan”); however, the October 2007 Loan was not memorialized. The original maturity date of the October 2007 Loan was September 30, 2011. On February 11, 2016, the entity and Ondas Networks entered into a Loan Amendment to amend the October 2007 Loan to (i) extend the maturity date to April 1, 2017 and (ii) clear and waive any existing defaults. On November 30, 2017, the entity and Ondas Networks entered into a Loan Modification Agreement to further amend the October 2007 Loan to (i) transfer all accrued and unpaid interest ($17,310) as of December 31, 2017 to principal in January 2018, (ii) extend the maturity date to December 31, 2018, (iii) clear and waive any existing defaults, and (iv) amend the interest rate to 10% per annum effective January 1, 2018. On October 1, 2018, the entity entered into an Assignment and Assumption Agreement to assign all of its rights and obligations including all principal and interest owing under the October 2007 Loan to an unaffiliated third party. On March 30, 2019, Ondas Networks entered into an Amendment to further amend the October 2007 Loan to transfer all accrued and unpaid interest through March 30, 2019 in the amount of $14,183 to principal and to extend the maturity date to June 30, 2019. On June 24, 2019, Ondas Networks entered into an Amendment to further amend the October 2007 Loan to transfer all accrued and unpaid interest through June 30, 2019 in the amount of $14,537 to principal and to extend the maturity date to July 31, 2019. As of July 31, 2019, Ondas Networks entered into an Amendment to further amend the October 2007 Loan, among other things, to extend the maturity date to October 31, 2019 (see NOTE 12 for further details). At June 30, 2019 and December 31, 2018, the outstanding balance of the October 2007 Loan was $596,030 and $567,310, respectively.

On December 31, 2013, Ondas Networks entered into a 10% per annum Promissory Note, as amended, with an entity (the “Lender”) in the amount of $250,000, of which $25,000 was repaid in February 2015 (the “December 2013 Note”). The original maturity of the December 2013 Note was December 31, 2014. On November 1, 2014, Ondas Networks entered into a Loan Agreement, as amended, with the Lender in the amount of $210,000. (the “November 2014 Loan”). The original maturity of the November 2014 Loan was March 16, 2015. The interest through the original maturity date of the November 2014 Loan was a fixed amount of $16,800. Subsequent to the original maturity date, the November 2014 Loan accrued interest at a rate of 18% per annum. On September 15, 2015, Ondas Networks and the Lender verbally agreed to amend the November 2014 Loan to decrease the interest rate to 10% per annum. On April 1, 2016, the Lender and Ondas Networks entered into a Loan Amendment to amend the December 2013 Note and November 2014 Loan to (i) extend the maturity dates to April 1, 2017, and (ii) clear and waive any existing defaults. On November 30, 2017, the Lender and Ondas Networks entered into a Loan Modification Agreement to further amend the December 2013 Note and November 2014 Loan to (i) transfer all accrued and unpaid interest on the December 2013 Note and November 2014 Loan ($60,679 and $49,170, respectively, as of December 31, 2017) to principal, (ii) extend the maturity dates to December 31, 2018, and (iii) clear and waive any existing defaults. On March 30, 2019, the Lender and Ondas Networks entered into an Amendment to further amend the December 2013 Note and November 2014 Loan to transfer all accrued and unpaid interest through March 30, 2019 in the amount of $7,142 and $6,479, respectively, to principal and to extend the maturity dates to June 30, 2019. On April 1, 2019, the Lender entered into a partial assignment and assumption agreement with two individuals (the “Assignees”) (the “Assignment Agreements”), pursuant to which the Assignees paid the Lender an aggregate of $270,000 in exchange for 48.34% of the rights, title and interest in, to and under the December 2013 Note and the November 2014 Loan. As of July 31, 2019, Ondas Networks entered into an Amendment to further amend the December 2013 Note and November 2014 Loan, among other things, to extend the maturity dates to October 31, 2019 (see NOTE 12 for further details). At June 30, 2019 and December 31, 2018, the outstanding balance of the December 2013 Note was $304,479 and $285,679, respectively. At June 30, 2019 and December 31, 2018, the outstanding balance of the November 2014 Loan was $267,953 and $259,170, respectively.

On April 1, 2015, Ondas Networks entered into a 10% per annum Loan Agreement, as amended, with two individuals in the amount of $50,000 (the "April 2015 Note"). The original maturity of the April 2015 Note was July 1, 2015. The accrued interest on the April 2015 Note through the original maturity date was $4,000. Subsequent to the original maturity date, the April 2015 Note accrued interest at a rate of 10% per annum. On February 11, 2016, the individuals and Ondas Networks entered into a Loan Amendment to amend the April 2015 Note to (i) extend the maturity date to April 1, 2017 and (ii) clear and waive any existing defaults. On November 30, 2017, the individuals and Ondas Networks entered into a Loan Modification Agreement to further amend the April 2015 Note to (i) transfer all accrued and unpaid interest ($16,511) as of December 31, 2017 to principal, (ii) extend the maturity date to December 31, 2018 and (iii) clear and waive any existing defaults. On March 30, 2019, Ondas Networks entered into an Amendment to further amend the April 2015 Note to transfer all accrued and unpaid interest through March 30, 2019 in the amount of $1,663 to principal and to extend the maturity date to June 30, 2019. On June 24, 2019, Ondas Networks entered into an Amendment to further amend the April 2015 Note to transfer all accrued and unpaid interest through June 30, 2019 in the amount of $1,704 to principal and to extend the maturity date to July 31, 2019. As of July 31, 2019, Ondas Networks entered into an Amendment to further amend the April 2015 Note, among other things, to extend the maturity date to October 31, 2019 (see NOTE 12 for further details). At June 30, 2019 and December 31, 2018, the outstanding balance of the April 2015 Note was $69,878 and $66,511, respectively.

Financing Agreement

On November 3, 2016, Ondas Networks entered into a Purchase Order Financing Agreement with an accompanying 20% per annum Promissory Note, as amended, with an individual in the amount of $250,000 (the "November 2016 Note"). The original maturity of the November 2016 Note was the earlier of the payment of the purchase order for which the loan was advanced or 180 days after issuance. On December 20, 2016, Ondas Networks entered into a second Purchase Order Financing Agreement with an accompanying 10% per annum Promissory Note, as amended, with the same individual in the amount of $100,000 (the "December 2016 Note"). The original maturity of the December 2016 Note was the earlier of the payment of the purchase order for which the loan was advanced or 180 days after issuance. On November 30, 2017, the individual and Ondas Networks entered into a Loan Modification Agreement to amend the November and December 2016 Notes to (i) transfer all accrued and unpaid interest on the November and December 2016 Notes ($47,000 and $5,591, respectively) as of December 31, 2017 to principal, (ii) extend the maturity dates to December 31, 2018, and (iii) clear and waive any existing defaults. On March 30, 2019, Ondas Networks entered into an Amendment to further amend the November and December 2016 Notes to transfer all accrued and unpaid interest through March 30, 2019 in the amount of $7,425 and $2,640, respectively, to principal and to extend the maturity dates to June 30, 2019. On June 30, 2019, Ondas Networks entered into an Amendment to further amend the November and December 2016 Notes to transfer all accrued and unpaid interest through June 30, 2019 in the amount of $7,610 and $2,706, respectively, to principal and to extend the maturity dates to July 31, 2019. As of July 31, 2019, Ondas Networks entered into an Amendment to further amend the November and December 2016 Notes, among other things, to extend the maturity dates to October 31, 2019 (see NOTE 12 for further details) At June 30, 2019 and December 31, 2018, the outstanding balance of the November 2016 Note was $312,036 and $297,000, respectively. At June 30, 2019 and December 31, 2018, the outstanding balance of the December 2016 Note was $110,937 and $105,591, respectively.

On February 28, 2014, Ondas Networks entered into a Purchase Order Financing Agreement, as amended, (the "Financing Agreement") with an entity. Interest on the Financing Agreement accrued at 30% per annum for the first 104 days and at 51% per annum thereafter. Between June 2014 and January 2015, Ondas Networks received an aggregate of $660,000 of which $285,000 was repaid. At December 31, 2015, the principal outstanding totaled $375,000 and accrued interest totaled $223,393. During 2016, and for the period from January 1, 2017 through November 17, 2017, additional interest was accrued totaling $191,250 and $168,282, respectively. On November 17, 2017, the entity and Ondas Networks entered into an Amendment to Purchase Order Financing Agreement and agreed to (i) transfer all accrued and unpaid interest to principal, (ii) reduce the per annum interest rate to 10%, (iii) set the maturity date to December 31, 2018, and (iv) combine the Purchase Order Financing Agreements into a single loan (the "November 2017 Loan"). On March 30 and April 30, 2019, Ondas Networks entered into Amendments to further amend the November 2017 Loan to transfer all accrued and unpaid interest through March 30 and April 30, 2019 in the amount of $23,948 and $8,182, respectively, to principal and to extend the maturity dates to April 30 and subsequently, the earlier of (i) the closing of an underwritten offering of shares of the Company's common stock pursuant to a registration statement on Form S-1, or (ii) June 30, 2019. On June 24, 2019, Ondas Networks entered into an Amendment to further amend the Financing Agreement to transfer all accrued and unpaid interest through June 30, 2019 in the amount of $16,365 to principal and to extend the maturity date to July 31, 2019. As of July 31, 2019, Ondas Networks entered into an Amendment to further amend the November 2017 Loan, among other things, to extend the maturity date to October 31, 2019 (see NOTE 12 for further details) At June 30, 2019 and December 31, 2018, the outstanding balance of the February 2014 Financing Agreement was $1,006,420 and $957,925, respectively.

Promissory Notes

On December 14, 2015, Ondas Networks approved a private placement offering, as amended, ("Private Placement") seeking to sell to investors certain 10% promissory notes in the aggregate face amount of $750,000, which amount was later increased to $1,250,000, with a term of 18 months ("Private Placement Notes"). In connection with the Private Placement Notes, each investor (the "Private Placement Noteholders") received warrants to purchase shares of common stock of Ondas Networks ("Private Placement Warrants"), equal to 25% of the principal amount of the Private Placement Notes, exercisable at the lower of (i) $2.00 per share or (ii) 40% of the selling price of Ondas Networks' shares in its proposed initial public offering.

In December 2015, pursuant to the terms of Security Purchase Agreements, Ondas Networks completed the sale of an aggregate of $325,000 in Private Placement Notes to Private Placement Noteholders, of which $25,000 was repaid during 2017, and issued them Private Placement Warrants to purchase an aggregate of 81,250 shares of common stock of Ondas Networks, with a term of ten years, at an exercise price of $2.00 and a fair value of $63,398. As of January 1, 2018, the Private Placement Warrants for the 81,250 shares of Ondas Networks common stock were surrendered to Ondas Networks in exchange for participation in a private placement of Ondas Networks' shares dated April 13, 2018.

Between February and July 2016, pursuant to the terms of Security Purchase Agreements, Ondas Networks completed the sale of an aggregate of $925,000 in Private Placement Notes to Private Placement Noteholders and issued them Private Placement Warrants to purchase an aggregate of 231,250 shares of Ondas Networks common stock, with a term of ten years, at an exercise price of $2.00 and a fair value of $168,678. As of January 1, 2018, the Private Placement Warrants for the 231,250 shares of Ondas Networks common stock were surrendered to Ondas Networks in exchange for participation in a private placement of Ondas Networks' shares dated April 13, 2018.

On November 30, 2017, the Private Placement Noteholders and Ondas Networks entered into Loan Modification Agreements to amend the Private Placement Notes to (i) transfer all accrued and unpaid interest ($118,682) as of December 31, 2017 to principal, (ii) extend the maturity date to December 31, 2018 and (iii) clear and waive any existing defaults.

On March 30, 2019, Ondas Networks entered into Amendments to further amend the Private Placement Notes to transfer all accrued and unpaid interest through March 30, 2019 in the amount of $33,592 to principal and to extend the maturity dates to June 30, 2019. On June 24, 2019, Ondas Networks entered into Amendments to further amend the Private Placement Notes to transfer all accrued and unpaid interest through June 30, 2019 in the amount of $34,432 to principal and to extend the maturity dates to July 31, 2019. As of July 31, 2019, Ondas Networks entered into Amendments to further amend the Private Placement Notes, among other things, to extend the maturity date on one of the Private Placement Notes to September 30, 2021 and the remaining Private Placement Notes to October 31, 2019 (see NOTE 12 for further details). At June 30, 2019 and December 31, 2018, the outstanding balances of the Private Placement Notes were $1,411,706 and $1,343,682, respectively.

Convertible Promissory Notes

During 2017, Ondas Networks and certain entities and individuals entered into convertible promissory notes defined herein as (i) notes with mutual conversion preferences ("Group 1 Notes") and (ii) notes with unilateral conversion preferences ("Group 2 Notes").

On July 11, 2018, the Ondas Networks board of directors, by written consent, approved certain changes to the outstanding convertible promissory notes. The action approved changes to the Group 2 Notes to match the Group 1 Notes and authorized the issuance of a Security Holder Consent Agreement wherein each holder of a Group 2 Note would agree to the change. The changes modified the conversion option for the Group 2 Notes which resulted in a loss on extinguishment of debt in the amount of $44,348 and caused the derivative liability related to the Group 2 Notes to cease to exist and be classified as additional paid in capital at its fair value on July 11, 2018 in the amount of $1,141,995.

On September 28, 2018, in conjunction with the Merger Agreement discussed in NOTE 1, the holders of Group 1 Notes and all but one holder of Group 2 Notes converted their outstanding convertible promissory notes into an aggregate of 2,017,416 Company Shares. At both June 30, 2019 and December 31, 2018, the total outstanding balance of the remaining convertible promissory note (the "Note") was $300,000. The maturity date of the Note is based on the payment of 0.6% of quarterly gross revenue until 1.5 times the amount of the Note is paid.

Notes payable and other financing consists of:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| **Short Term:** | | |
| Loan Agreements | $ 1,238,340 | $ 1,178,670 |
| Financing Agreement | 1,429,392 | 1,360,516 |
| Promissory Notes | 1,411,706 | 1,343,682 |
| | $ 4,079,438 | $ 3,882,868 |
| | | |
| **Long Term:** | | |
| Convertible Promissory Notes | $ 300,000 | $ 300,000 |
| | $ 300,000 | $ 300,000 |

## NOTE 8 –SECURED PROMISSORY NOTES

Steward Capital Holdings LP

On March 9, 2018, we entered into a loan and security agreement (the "Agreement") with Steward Capital Holdings LP (the "Steward Capital") wherein Steward Capital made available to us a loan in the aggregate principal amount of up to $10,000,000 (the "Loan"). On March 9, 2018, the Company and Steward Capital entered into a Secured Term Promissory Note for $5,000,000, having a maturity date of September 9, 2019 ("Tranche A"). The Note bears interest at a per annum rate equal to the greater of (a) 11.25% or (b) 11.25% plus the Prime Rate, less, 3.25%. The Agreement also includes payments of $25,000 in loan commitment fees and $100,000 (1%) of the funding in loan facility charges. The loan commitment fees and $50,000 in loan facility charges associated with Tranche A were recorded as debt discount and amortized ratably over the life of the loan. There is also an end of term charge of $250,000. The end of term charge is being recorded as accreted costs over the term of the loan. The Note is secured by substantially all of the assets of the Company.

On October 9, 2018, the Company and Steward Capital entered into a second Secured Term Promissory Note for $5,000,000 having a maturity date of April 9, 2020 (the "Second Note") to complete the Agreement for $10,000,000. The Second Note bears interest at a per annum rate equal to the greater of (a) 11.25% or (b) 11.25% plus the Prime Rate, less, 3.25%. Pursuant to the terms of the Agreement, the Company is required to pay a $50,000 loan facility charge.

On June 18, 2019, the Company and Steward Capital entered into a letter of agreement to amend the Loan and Security Agreement (the "First Amendment") to (i) extend and amend the Maturity Date, as defined in Section 1.1 of the Agreement, to read in its entirety "means September 9, 2020"; (ii) waive the repayment requirement to Steward Capital under Section 2.3 of the Agreement, in connection with the currently proposed public offering of the Company as described in the Company's Registration Statement on Form S-1, as amended, originally filed on April 12, 2019 , and (iii) waive the restriction by Steward Capital on the prepayment of Indebtedness under Section 7.4 of the Agreement. In connection with the waivers, extension and amendment, the Company agreed to pay to Steward Capital, upon the earlier of (a) the completion of the public offering as set forth in Section 2.3 of the Agreement and (b) ten (10) days following the Company's receipt of Steward's written demand therefor, a fee equal to three percent (3%) of the current outstanding principal balance of the Loan (as defined in the Agreement).

The Agreement also contains covenants which include certain restrictions with respect to subsequent indebtedness, liens, loans and investments, asset sales and share repurchases and other restricted payments, subject to certain exceptions. The Agreement also contains financial reporting obligations. An event of default under the Agreement includes, but is not limited to, breach of covenants, insolvency, and occurrence of any default under any agreement or obligation of the Company. In addition, the Agreement contains a customary material adverse effect clause which states that in the event of a material adverse effect, an event of default would occur, and the lender has the option to accelerate and demand payment of all or any part of the loan. A material adverse effect is defined in the Agreement as a material change in our business, operations, properties, assets or financial condition or a material impairment of its ability to perform all obligations under its Agreement. We were not in default of any conditions under the Loan and Security Agreements as of June 30, 2019.

As of June 30, 2019, the principal balance was $10,000,000, net of debt discount of $23,319 and accreted cost totaled $212,854.

Energy Capital, LLC

On October 1, 2018, we entered into a loan and security agreement (the 'Loan and Security Agreement") with Energy Capital, LLC ("Energy Capital") wherein Energy Capital made available to us a loan in the aggregate principal amount of up to $10,000,000 (the "Loan"). Between January 29 and June 27, 2019, the Company and Energy Capital entered into a series of secured term promissory notes (the "Loan Agreements") for an aggregate of $8,350,000. The advance proceeds were utilized primarily for operating capital and inventory. The principal amount outstanding under the Loan Agreements bear interest at a per annum rate equal to the greater of (a) 11.25% or (b) 11.25% plus the Prime Rate (as published by the Wall Street Journal (National Edition)), less 3.25%. The Loan Agreements contain customary events of default and affirmative and negative covenants for transactions of this nature. Upon an event of default, Energy Capital has the right to require the Company to prepay the outstanding principal amount of the Loan Agreements plus all accrued and unpaid interest. All amounts outstanding under the Loan Agreements are secured by a lien on the Company's assets, subject to terms of outstanding debt obligations, and become due and payable on the earlier to occur of September 30, 2019 or the completion by the Company of a capital raise with minimum proceeds to the Company of $20 million. On April 2, 2019, the Company and Energy Capital entered into a First Amendment to Loan and Security Agreement (the "First Amendment") to (i) amend the notice provisions of an Advance Request under the Loan Agreement from at least five (5) business days to at least one (1) business day before the Advance Date, (ii) increase the amount of the Advance from up to $1,000,000 a month to up to $1,500,000 a month, and (iii) change the definition of the term Maturity Date from the earlier of September 30, 2019 or 10 business days following the date of an Underwritten Public Offering to September 30, 2020.

## NOTE 9 – STOCKHOLDERS' EQUITY

Equity Incentive Plan

In connection with the Closing, our board of directors approved, and our stockholders adopted, the 2018 Equity Incentive Plan (the "2018 Plan") pursuant to which 10 million Company Shares have been reserved for issuance to employees, including officers, directors and consultants. The 2018 Plan shall be administered by the Board, provided however, that the Board may delegate such administration to the Committee. Subject to the provisions of the 2018 Plan, the Board and/or the Committee shall have authority to grant, in its discretion, incentive stock options, or non-statutory options, stock awards or restricted stock purchase offers.

As of June 30, 2019, the Board has not approved any stock option grants made pursuant to the 2018 Plan.

During 2019, the Company entered into an agreement where 378,478 stock awards with deferred distribution ("RSUs") were promised to a consultant for the Company pursuant to the 2018 Plan. For the three and six months ended June 30, 2019, $10,120 and $30,359, respectively, in related stock compensation expense has been recorded and is included in the accompanying condensed consolidated financial statements. The Company has not yet executed the RSU agreement with the consultant.

During 2019, the Company entered into agreements where an aggregate of 408,478 restricted stock units pursuant to the 2018 Plan were promised to employees for services provided during 2019. Accordingly, the Company has recorded expense of $14,893 and $41,677 for the three and six months ended June 30, 2019, respectively, with respect to such awards which is included in the accompanying condensed consolidated financial statements. The Company has not yet executed RSU agreements with the employees.

The total amount of non-vested restricted units awarded as of June 30, 2019 is 488,722 shares. The weighted average grant-date fair value for the restricted stock awards is $0.25. The weighted average vesting period of the restricted stock awards is 2.0 years. As of June 30, 2019, unrecognized compensation expense related to the unvested portion of the Company's restricted stock awards was $125,227, which is expected to be recognized over a weighted average period of 1.5 years.

The Company recognizes stock compensation expense generally upon the grant date and over the period of vesting or period that services will be provided. Compensation associated with shares issued or to be issued to consultants and other non-employees is recognized over the expected service period beginning on the measurement date which is generally the time the Company and the service provider enter into a commitment whereby the Company agrees to grant shares in exchange for the services to be provided.

## NOTE 10 – COMMITMENTS AND CONTINGENCIES

We may be involved in legal proceedings, claims and assessments arising in the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. There are no such loss contingencies that are included in the financial statements as of June 30, 2019.

## NOTE 11 – RELATED PARTY TRANSACTIONS

At the Closing, we entered into a Loan and Security Agreement with Energy Capital, a greater than 10% stockholder of the Company, pursuant to which Energy Capital agreed to lend an aggregate principal amount of up to $10 million, subject to specified conditions. For further details, see NOTES 8 and 12.

## NOTE 12 – SUBSEQUENT EVENTS

*Advances under Loan and Security Agreement*

On July 12 and August 13, 2019, we drew down advances of $750,000 and $900,000, respectively, available under the Loan and Security Agreement with Energy Capital entered into on October 1, 2018 by the Company and Energy Capital (see NOTE 8 for further details of the terms). The advance proceeds will be utilized primarily for operating capital.

*Extensions of Certain Loan Agreements, Financing Agreements and Promissory Notes*

On August 7, 8 and 9, 2019, effective as of July 31, 2019, the Company and certain lenders entered into amendments to their respective debt agreements and promissory notes wherein one lender extended the maturity date on his loan to September 30, 2021, and the remaining lenders extended the maturity date of their loans to October 31, 2019. In addition to extending the maturity dates of those instruments to October 31, 2019, those lenders agreed that if the Company completes an equity offering of not less than $8,000,000 on or before the maturity date, at or at less than a specified offering price per security, the lenders shall extinguish their indebtedness in exchange for securities of the Company upon the same terms and conditions of the investors in such equity offering, provided Energy Capital participates in an extinguishment of all the indebtedness owed to it under the Loan Agreement in such equity offering.

*Employee Severance*

On August 7, 2019, the Company entered into Severance Agreements and General Release of Claims (the "Severance Agreements") with certain members of the Company's senior management (the "Senior Managers"). Pursuant to the Severance Agreements, the Senior Managers received accrued wages, accrued and unused paid-time off and other benefits due under employee benefit plans through the separation date. Pursuant to the Severance Agreements, one Senior Manager will receive a derivative security to purchase 575,000 shares of common stock of the Company and the other Senior Manager will receive a derivative security to purchase 100,000 shares of common stock of the Company, which securities vest immediately subsequent to the next sale of common stock of the Company for gross proceeds of not less than $1 million in gross proceeds (the "Raise") with an exercise price equal to the price per share of common stock in the Raise. Additionally, each of the Senior Managers shall receive (i) $25,000 upon completion of the Raise and (ii) $50,000 upon the Company realizing from one or a series of transactions not less than $10 million in gross proceeds from the sale of common stock of the Company in addition to the Raise. The Severance Agreements contain general releases on behalf of each of the Senior Managers.

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

**General**

The following discussion and analysis provide information which our management believes to be relevant to an assessment and understanding of the results of operations and financial condition of Ondas Holdings Inc. ("we" or the "Company"). This discussion should be read together with our condensed consolidated financial statements and the notes included therein, which are included in this Quarterly Report on Form 10-Q (the "Report"). This information should also be read in conjunction with the information contained in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission (the "SEC") on March 19, 2019, including the audited consolidated financial statements and notes included therein as of and for the year ended December 31, 2018. This discussion contains forward-looking statements that involve risks and uncertainties. For a description of factors that may cause our actual results to differ materially from those anticipated in these forward-looking statements, please refer to the below section of this Report titled "Cautionary Note Regarding Forward-Looking Statements." The reported results will not necessarily reflect future results of operations or financial condition. Unless otherwise defined herein, all initially capitalized terms herein shall be as defined in our Annual Report on Form 10-K.

**Overview**

Ondas Holdings Inc. was originally incorporated in Nevada on December 22, 2014 under the name of Zev Ventures Incorporated ("Zev Ventures"). On September 28, 2018, we consummated a reverse acquisition transaction to acquire a privately held company, Ondas Networks Inc., and changed our name from "Zev Ventures Incorporated" to "Ondas Holdings Inc." As a result, Ondas Networks Inc. ("Ondas Networks") became our wholly owned subsidiary and we refer to this transaction as the "Acquisition." In connection with the closing of the Acquisition, we discontinued the prior business of Zev Ventures as a reseller of sporting and concert tickets and our sole business became that of Ondas Networks.

Ondas Networks' wireless networking products are applicable to a wide range of mission critical operations that require secure communications over large geographic areas. We provide wireless connectivity solutions enabling mission-critical Industrial Internet applications and services. We refer to these applications as the Mission-Critical Internet of Things (MC-IoT).

We design, develop, manufacture, sell and support FullMAX, our multi-patented, state-of-the-art, point-to-multipoint, SDR system for secure, licensed, private, wide-area broadband networks. Our customers purchase FullMAX system solutions to deploy wide-area intelligent networks (WANs) for smart grids, smart pipes, smart fields and any other mission critical network that needs internet protocol connectivity. We sell our products and services globally through a direct sales force and value-added sales partners to critical infrastructure providers including electric utilities, water and wastewater utilities, oil and gas producers, and for other critical infrastructure applications in areas such as homeland security and defense, and transportation.

In 2015, Ondas Networks began working closely with the Institute of Electrical and Electronics Engineers (IEEE), the Utilities Technology Council (UTC), the Electric Power Research Institute (EPRI) and leading U.S. electric utilities to develop a new mission critical wireless Industrial Internet standard. Ondas Networks served in a leadership capacity during the development of the new IEEE 802.16s standard for private cellular networks, which was published in the fourth quarter of 2017. The specifications in the IEEE 802.16s standard are primarily based on our FullMAX technology and many of our customers and industrial partners actively supported our technology during the standards-making process. We believe that the standard will be instrumental in driving widespread adoption of the technology by the electric utility and other critical infrastructure industries both in the United States and international markets. Since IEEE 802.16s was published, there has been a significant increase in interest from customers in end markets including oil and gas, water and wastewater, transportation and homeland security. We believe we are currently the only supplier able to offer IEEE 802.16s compliant systems and are actively working with customers and industry partners to help develop and support a multi-vendor MC-IoT industry ecosystem for this standard.

Our FullMAX system of wireless base stations, fixed and mobile remote radios and supporting technology is designed to enable highly secure and reliable Industrial-grade connectivity for truly mission-critical applications. The target customers for our products operate in critical infrastructure sectors of the global economy. Private cellular networks are typically the preferred choice of these large industrial customers with business operations spanning large field areas. Private networks provide enhanced protection against cyber terrorism, as well as natural and man-made disasters, and the ability for the operator to maintain and control their desired quality of service. Our IEEE 802.16s compliant equipment is designed to optimize performance of unused or underutilized low frequency licensed radio spectrum and narrower channels. A FullMAX wireless network is significantly less expensive to build compared to traditional LTE networks given its ability to optimize the performance of lower cost radio spectrum (non-traditional LTE bands) and provide much greater coverage. In all of our industrial end markets, the adoption of low-cost edge computing and increased penetration of "smart machinery" and sensors is driving demand for next-generation networks for IoT applications such as those powered by FullMAX.

In addition to selling our FullMAX solutions for dedicated private wide area networks, we offer a mission critical wireless service to industrial customers and municipalities in the form of a Managed Private Network. We currently have demonstration networks in the metropolitan New York area and in Northern California in association with a nationwide spectrum owner. We have deployed, with our spectrum associate, a FullMAX-powered network along the east coast covering the "Route 95 corridor" reaching from eastern Pennsylvania and southern New Jersey and the metropolitan New York network northward up to the metropolitan Boston area. In addition, we have recently deployed networks and are offering managed services in the state of Alaska and the Gulf of Mexico utilizing the 700 MHz licenses we acquired in the second quarter of 2019 and have established pilot customers in those regions. Collectively, these networks cover tens of thousands of square miles in some of the nation's most strategic economic areas. When fully commercialized, this managed service will be priced on a monthly usage basis for our customers.

Our business consists of a single segment of products and services all of which are sold and provided in the United States and certain international markets.

**Results of Operations**

Three months ended June 30, 2019 compared to three months ended June 30, 2018

| | Three Months Ended June 30, 2019 | Three Months Ended June 30, 2018 | Increase (Decrease) |
|---|---|---|---|
| Revenue | $ 193,157 | $ 16,444 | $ 176,713 |
| Cost of sales | 50,646 | 11,141 | 39,505 |
| Gross profit | 142,511 | 5,303 | 137,208 |
| Operating expenses: | | | |
| General and administrative | 1,223,443 | 398,482 | 824,961 |
| Sales and marketing | 1,685,241 | 390,020 | 1,295,221 |
| Research and development | 1,499,111 | 534,632 | 964,479 |
| Total operating expense | 4,407,795 | 1,323,134 | 3,084,661 |
| Operating loss | (4,265,284) | (1,317,831) | 2,947,453 |
| Other expense | (835,344) | (512,062) | 323,282 |
| Net loss | (5,100,628) | (1,829,893) | 3,270,735 |
| Other comprehensive income | 9,239 | - | 9,239 |
| Comprehensive loss | $ (5,091,389) | $ (1,829,893) | $ 3,261,496 |

*Revenue*

Our revenue was $193,157 for the three months ended June 30, 2019 compared to $16,444 for the three months ended June 30, 2018. Revenues during the three months ended June 30, 2019 were primarily generated via small customer product deployments and maintenance/service contracts, which revenues during the same period in 2018 was solely generated via maintenance/service contracts.

*Cost of sales*

Our cost of sales was $50,646 for the three months ended June 30, 2019 compared to $11,141 for the three months ended June 30, 2018. The increase in cost of sales was a result of costs related to product deployments.

*Gross profit*

Our gross profit increased $137,208 for the three months ended June 30, 2019 compared to the three months ended June 30, 2018 based on the changes in revenue and costs of sales as discussed above. Gross margin for the periods in 2019 and 2018 was 74% and 32%, respectively.

*Operating Expenses*

Our principal operating costs include the following items as a percentage of total expense.

| | Three Months Ended June 30, 2019 | Three Months Ended June 30, 2018 |
|---|---|---|
| Human resource costs, including benefits | 49% | 27% |
| Travel and entertainment | 6% | 5% |
| Other general and administration costs: | | |
| Professional fees and consulting expenses | 28% | 46% |
| Other expense | 5% | 6% |
| Depreciation and amortization | 1% | -% |
| Other research and deployment costs, excluding human resources and travel and entertainment | 6% | 11% |
| Other sales and marketing costs, excluding human resources and travel and entertainment | 5% | 5% |

As a direct result of (i) the Acquisition and (ii) the $14,100,000 provided by the loan and security agreements discussed herein and in *NOTE 8* in the accompanying condensed consolidated financial statements, in mid-2018, the Company was able to launch its business expansion effort to open new markets for FullMAX and invest in product development programs, through significant increase in human resources costs and professional and consulting costs.

Operating expenses increased by $3,084,661, or 233% as a result of the following items:

| | (000s) |
|---|---|
| Human resource costs, including benefits | $ 1,802 |
| Travel and entertainment | 206 |
| Other general and administration costs: | |
| Professional fees and consulting costs | 621 |
| Other expense | 153 |
| Depreciation and amortization | 31 |
| Other research and deployment costs, excluding human resources and travel and entertainment | 103 |
| Other sales and marketing costs, excluding human resources and travel and entertainment | 169 |
| | $ 3,085 |

*Operating Loss*

As a result of the foregoing, our operating loss increased $2,947,453, or 223%, to $4,265,284 for the three months ended June 30, 2019, compared with $1,317,831 for the three months ended June 30, 2018, primarily as a result of increases associated with administrative support and increased spending as we ramp up our sales and marketing and research and development efforts.

*Other Expense*

Other non-operating expense increased by $323,282, or 63%, to $835,344 for the three months ended June 30, 2019, compared with $512,062 for the three months ended June 30, 2018. For the three months ended June 30, 2018, we reported a change in fair value related to a derivative liability of $106,773. In September 2018, as part of the Acquisition, the convertible debt was converted into the Common Stock of the Company, and as a result a change in fair value was not reported for the three months ended June 30, 2019. This reduction of change in fair value was primarily offset by an increase in interest expense and write off of prepaid financing costs of $427,649.

*Net Loss*

As a result of the net effects of the foregoing, net loss increased $3,270,735, or 179%, to $5,100,628 for the three months ended June 30, 2019, compared with $1,829,893 for the three months ended June 30, 2018. Net loss per share of common stock, basic and diluted, was $(0.10) for the three months ended June 30, 2019 and June 30, 2018.

Six months ended June 30, 2019 compared to six months ended June 30, 2018

| | Six months ended June 30, | | Increase |
|---|---|---|---|
| | 2019 | 2018 | (Decrease) |
| Revenue | $ 225,451 | $ 45,826 | $ 179,625 |
| Cost of sales | 55,948 | 12,109 | 43,839 |
| Gross profit | 169,503 | 33,717 | 135,786 |
| Operating expenses: | | | |
| General and administrative | 2,838,173 | 563,842 | 2,274,331 |
| Sales and marketing | 3,554,212 | 527,201 | 3,027,011 |
| Research and development | 3,160,530 | 823,872 | 2,336,658 |
| Total operating expense | 9,552,915 | 1,914,915 | 7,638,000 |
| Operating loss | (9,383,412) | (1,881,198) | 7,502,214 |
| Other income (expense) | (1,540,941) | (1,520,164) | 20,777 |
| Net loss | (10,924,353) | (3,401,362) | 7,522,991 |
| Other comprehensive income | 13,900 | - | 13,900 |
| Comprehensive loss | $ (10,910,453) | $ (3,401,362) | $ 7,509,091 |

*Revenue*

Our revenue was $225,451 for the six months ended June 30, 2019 compared to $45,826 for the six months ended June 30, 2018. Revenues during the six months ended June 30, 2019 were primarily generated via small customer product deployments and maintenance/service contracts, which revenues during the same period in 2018 was solely generated via maintenance/service contracts.

*Cost of sales*

Our cost of sales was $55,948 for the six months ended June 30, 2019 compared to $12,109 for the six months ended June 30, 2018. The increase in cost of sales was a result of costs related to product deployments.

*Gross profit*

Our gross profit increased $135,786 for the six months ended June 30, 2019 compared to the six months ended June 30, 2018 based on the changes in revenue and costs of sales as discussed above. Gross margin for the periods in 2019 and 2018 was 75% and 74%, respectively.

*Operating Expenses*

Our principal operating costs include the following items as a percentage of total expense.

| | Six Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| Human resource costs, including benefits | 47% | 28% |
| Travel and entertainment | 5% | 5% |
| Other general and administration costs: | | |
| Professional fees and consulting expenses | 26% | 46% |
| Other expense | 10% | 6% |
| Depreciation and amortization | 1% | -% |
| Other research and deployment costs, excluding human resources and travel and entertainment | 5% | 11% |
| Other sales and marketing costs, excluding human resources and travel and entertainment | 6% | 4% |

As a direct result of (i) the Acquisition and (ii) the $14,100,000 provided by the loan and security agreements discussed herein and in *NOTE 8* in the accompanying condensed consolidated financial statements, in mid-2018, the Company was able to launch its business expansion effort to open new markets for FullMAX and invest in product development programs, through significant increase in human resources costs and professional and consulting costs.

Operating expenses increased by $7,638,000 (399%) as a result of the following items:

| | | (000s) |
|---|---|---|
| Human resource costs, including benefits | $ | 3,914 |
| Travel and entertainment | | 408 |
| Other general and administration costs: | | |
| Professional fees and consulting costs | | 1,619 |
| Other expense | | 848 |
| Depreciation and amortization | | 61 |
| Other research and deployment costs, excluding human resources and travel and entertainment | | 293 |
| Other sales and marketing costs, excluding human resources and travel and entertainment | | 495 |
| | $ | 7,638 |

*Operating Loss*

As a result of the foregoing, our operating loss increased $7,502,214, or 399%, to $9,383,412 for the six months ended June 30, 2019, compared with $1,881,198 for the six months ended June 30, 2018, primarily as a result of increased spending as we ramp up our sales and marketing and research and development efforts and increases associated with administrative support.

*Other Expense*

Other non-operating expense increased by $20,777, or 1%, to $1,540,941 for the six months ended June 30, 2019, compared with $1,520,164 for the six months ended June 30, 2018. For the six months ended June 30, 2018, we reported a change in fair value related to a derivative liability of $975,902. In September 2018, as part of the Acquisition, the convertible debt was converted into the Common Stock of the Company, and as a result a change in fair value was not reported for the six months ended June 30, 2019. This reduction of change in fair value was primarily offset by an increase in interest expense and write off of prepaid financing costs of $995,843.

*Net Loss*

As a result of the net effects of the foregoing, net loss increased $7,522,991, or 221%, to $10,924,353 for the six months ended June 30, 2019, compared with $3,401,362 for the six months ended June 30, 2018. Net loss per share of common stock, basic and diluted, was $(0.22) for the six months ended June 30, 2019, compared with approximately $(0.16) for the six months ended June 30, 2018.

**Summary of (Uses) and Sources of Cash**

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| Net cash used in operating activities | $ | 8,511,136 | $ | (2,326,989) |
| Net cash used in investing activities | | (321,217) | | (82,469) |
| Net cash provided by financing activities | | 8,282,650 | | 4,870,726 |
| (Decrease) increase in cash | | (549,703) | | 2,461,268 |
| Effect of foreign currency transaction on cash | | 10,742 | | - |
| Cash and cash equivalents, beginning of period | | 1,129,863 | | 456,018 |
| Cash and cash equivalents, end of period | $ | 590,902 | $ | 2,917,286 |

The principal use of cash in operating activities for the six months ended June 30, 2019 was to fund the Company's current expenses primarily related to sales and marketing and research and development activities necessary to allow us to service and support a higher level of business activity as we expand into new industry and geographic markets. The increase in cash flows used in operating activities of $6,184,147 is primarily a result of the addition of personnel, both employees and third-party consulting services. The increase in cash flows used in investing activities of $238,748 is primarily a result of the purchase of two wireless spectrum licenses for $200,000. The increase in cash provided by financing activities of $3,411,924 is primarily a result of the loan and security agreements totaling $8,350,000 during the six months ended June 30, 2019 compared with $4,925,000, net of closing fees for the same period in 2018 (see *NOTE* 8 in the accompanying condensed consolidated financial statements for further details).

For a summary of our outstanding Notes Payable and Other Financing Agreements and Secured Promissory Note, see *NOTES 7* and *8* in the accompanying condensed consolidated financial statements.

**Liquidity and Capital Resources**

We have incurred losses since inception and have funded our operations primarily through debt and the sale of capital stock. At June 30, 2019, we had an accumulated deficit of approximately $43 million and short-term borrowings outstanding of approximately $4.1 million, all of which were due on July 31, 2019, and subsequently extended (See NOTE 7 for additional details). At June 30, 2019 we had long-term borrowings outstanding of approximately $18.8 million. As of June 30, 2019, we had cash and cash equivalents of approximately $0.6 million and a working capital deficit of approximately $7.4 million.

Our future capital requirements will depend upon many factors, including progress with developing, manufacturing and marketing our technologies, the time and costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and other proprietary rights, our ability to establish collaborative arrangements, marketing activities and competing technological and market developments, including regulatory changes and overall economic conditions in our target markets.

Our ability to generate revenue and achieve profitability depends on our completion of our second-generation products and commencing the manufacture, marketing and sales of those products. These activities, including our planned research and development efforts, will require significant uses of working capital through the end of 2019 and beyond. Based on our current operating plans, we believe that our existing cash and cash equivalents will be sufficient to meet our anticipated operating needs through September 30, 2019. We currently do not have sufficient funds to repay certain debt obligations totaling approximately $3.8 million upon maturity on October 31, 2019 and must secure additional equity or debt capital in order to repay those obligations. At the present time we have no commitments for any such funding and no assurance can be provided that we will be able to raise the needed funds on commercially acceptable terms or at all. These factors raise substantial doubt about our ability to continue as a going concern through August 14, 2020. The financial information contained in these financial statements have been prepared on a basis that assumes that we will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. This financial information and these financial statements do not include any adjustments that may result from the outcome of this uncertainty.

**Off-Balance Sheet Arrangements**

As of June 30, 2019, we had no off-balance sheet arrangements.

**Contractual Obligations**

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, we are not required to provide this information.

**Critical Accounting Estimates**

Management’s discussion and analysis of financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses, as well as related disclosures. We base our estimates and judgments on historical experience and other assumptions that we believe to be reasonable at the time and under the circumstances, and we evaluate these estimates and judgments on an ongoing basis. Information concerning our critical accounting policies with respect to these items is available in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on March 19, 2019. There have been no significant changes in our critical accounting polies since the filing of the Form 10-K.

**Recent Accounting Pronouncements**

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-13 that eliminates certain disclosure requirements for fair value measurements for all entities, requires public entities to disclose certain new information and modifies some disclosure requirements. The FASB developed the amendments to Accounting Standards Codification (“ASC”) 820 as part of its broader disclosure framework project, which aims to improve the effectiveness of disclosures in the notes to financial statements by focusing on requirements that clearly communicate the most important information to users of the financial statements. The new guidance is effective for all entities for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. An entity is permitted to early adopt either the entire standard or only the provisions that eliminate or modify requirements. We are currently evaluating the effect of this guidance on our disclosures.

In June 2018, the FASB issued ASU 2018-07, Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting (“ASU 2018-07”). The amendments in ASU 2018-07 expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company has elected to early adopt ASU 2018-07 effective as of October 1, 2018. The adoption of this pronouncement had no impact on our accompanying condensed consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11 (“ASU 2017-11”), Earnings Per Share (“Topic 260”),*Distinguishing Liabilities from Equity* (“Topic 480”), and *Derivatives and Hedging* (“Topic 815”). ASU 2017-11 is intended to simplify the accounting for financial instruments with characteristics of liabilities and equity. Among the issues addressed are: (i) determining whether an instrument (or embedded feature) is indexed to an entity’s own stock; (ii) distinguishing liabilities from equity for mandatorily redeemable financial instruments of certain nonpublic entities; and (iii) identifying mandatorily redeemable non-controlling interests. ASU 2017-11 is effective for the Company on January 1, 2019. The adoption of this pronouncement had no impact on our accompanying condensed consolidated financial statements.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, which we refer to as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, that relate to future events or to our future operations or financial performance. Any forward-looking statement involves known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statement. Forward-looking statements include statements, other than statements of historical fact, about:

- our plans to develop our FullMAX system of wireless base stations;
- our plans to develop remote radios;
- the adoption by our target industries of the new IEEE 802.16s standard for private cellular networks;
- our future development priorities;
- our estimates regarding the size of our potential target markets;
- our expectations about the impact of new accounting standards;
- our future operations, financial position, revenues, costs, expenses, uses of cash, capital requirements, our need for additional financing or the period for which our existing cash resources will be sufficient to meet our operating requirements; or
- our strategies, prospects, plans, expectations, forecasts or objectives.

Words such as “believe,” “expect,” “anticipate,” “estimate,” “forecast,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “targets,” “likely,” “will,” “would,” “could,” “should,” “continue,” “scheduled” and similar expressions or phrases, or the negative of those expressions or phrases, are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Report, we caution you that these statements are based on our estimates or projections of the future that are subject to known and unknown risks and uncertainties and other important factors that may cause our actual results, level of activity, performance, experience or achievements to differ materially from those expressed or implied by any forward-looking statement. Actual results, level of activity, performance, experience or achievements may differ materially from those expressed or implied by any forward-looking statement as a result of various important factors, including our critical accounting policies and risks and uncertainties relating to:

- our ability to obtain additional financing on reasonable terms, or at all;
- our ability to repay our indebtedness;
- the accuracy of our estimates regarding expenses, costs, future revenues, uses of cash and capital requirements;
- the market acceptance of our wireless connection products and the IEEE 802.16s standard;
- our ability to develop future generations of our current products;
- our ability to generate significant revenues and achieve profitability;
- our ability to successfully commercialize our current and future products, including their rate and degree of market acceptance;
- our ability to attract and retain key scientific or management personnel and to expand our management team;

- our ability to establish licensing, collaboration or similar arrangements on favorable terms and our ability to attract collaborators with development, regulatory and commercialization expertise;
- our ability to manage the growth of our business;
- expenditures not resulting in commercially successful products;
- our outreach to global markets, particularly China;
- our commercialization, marketing and manufacturing capabilities and strategy;
- our ability to expand, protect and maintain our intellectual property position;
- the success of competing third-party products;
- our ability to fully remediate our identified internal control material weaknesses;
- regulatory developments in the United States and other countries; and
- our ability to comply with regulatory requirements relating to our business, and the costs of compliance with those requirements, including those on data privacy and security.

These and other risks and uncertainties are described in greater detail under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on March 19, 2019. As a result of the risks and uncertainties, the results or events indicated by the forward-looking statements may not occur. We caution you not to place undue reliance on any forward-looking statement.

In addition, any forward-looking statement in this Report represents our views only as of the filing date of this Report and should not be relied upon as representing our views as of any subsequent date. We anticipate that subsequent events and developments may cause our views to change. Although we may elect to update these forward-looking statements publicly at some point in the future, we specifically disclaim any obligation to do so, except as required by applicable law. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

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

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this item.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms and is accumulated and communicated to our management, as appropriate, in order to allow timely decisions in connection with required disclosure.

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2019. Based upon that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that the deficiencies in our internal control over financial reporting identified in our Annual Report on Form 10-K for the year ended December 31, 2018 continue to exist, and as such our disclosure control and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective as of June 30, 2019 for the following reasons: we have limited accounting staff and our Chief Executive Officer and Chief Financial Officer were responsible for initiating transactions, had custody of assets, recorded and reconciled transactions, and prepared our quarterly financial reports without the sufficient segregation of conflicting duties normally required for effective internal control.

As set forth below, management will take steps to remediate the control deficiencies identified above. Notwithstanding the control deficiencies described above, we have performed additional analyses and other procedures to enable management to conclude that our consolidated financial statements included in this Report fairly present, in all material respects, our financial condition and results of operations as of and for the quarter ended June 30, 2019.

As set forth below, management will take steps to remediate the control deficiencies identified above. Notwithstanding the control deficiencies described above, we have performed additional analyses and other procedures to enable management to conclude that our consolidated financial statements included in this Report fairly present, in all material respects, our financial condition and results of operations as of and for the three months ended June 30, 2019.

**Management's Remediation Plan**

As of the date of this Report, we have not remediated the control deficiencies identified above. To remediate such control deficiencies, we plan to implement the following change in the next fiscal year as resources allow:

- Appoint additional qualified personnel to address inadequate segregation of duties and implement modifications to our financial controls to address such inadequacies; and
- Adopt sufficient written policies and procedures for accounting and financial reporting.

While management and our Audit Committee are closely monitoring the implementation of these remediation plans, there is no assurance that the aforementioned plans will be sufficient to fully remediate the deficiencies identified above and that additional remediation steps may be necessary.

**Changes in Internal Control**

Other than the remediation plan set forth above, there were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the three months ended June 30, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Limitations on Effectiveness of Controls and Procedures**

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

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. Litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. We are not currently involved in any legal proceeding or investigation by a governmental agency that we believe will have a material adverse effect on our business, financial condition or operating results.

### Item 1A. Risk Factors.

For information regarding known material risks that could affect our results of operations, financial condition and liquidity, please see the information under the caption “Risk Factors” in our Annual Report on Form 10-K filed with the SEC on March 19, 2019, including the audited consolidated financial statements and notes included therein as of and for the year ended December 31, 2018.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None, other than those previously disclosed in a Current Report on Form 8-K.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

None.

**Item 6. Exhibits**

| Exhibit No. | Name of Document |
|---|---|
| 10.1 | First Amendment to Loan and Security Agreement dated April 2, 2019 by and between Ondas Holdings Inc. and Energy Capital LLC (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 3, 2019 (File No. 000-56004)) |
| 10.2 | Amendment to Secured Promissory Note dated April 2, 2019 (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 3, 2019 (File No. 000-56004)) |
| 10.3 | Form of Amendment (incorporated herein by reference to Exhibit 10.0 to the Company's Current Report on Form 8-K filed on April 4, 2019 (File No. 000-56004)) |
| 10.4 | Secured Promissory Note for $1,000,000 issued to Energy Capital, LLC by Ondas Holdings Inc. dated April 11, 2019 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 16, 2019 (File No. 000-56004)) |
| 10.5 | Secured Promissory Note for $900,000 issued to Energy Capital, LLC by Ondas Holdings Inc. dated April 24, 2019 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 30, 2019 (File No. 000-56004)) |
| 10.6 | Form of Loan Extension Agreement (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed May 1, 2019 (File No. 000-56004)) |
| 10.7 | Secured Promissory Note for $500,000 issued to Energy Capital, LLC by Ondas Holdings Inc. dated May 13, 2019 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 14, 2019 (File No. 000-56004)) |
| 10.8 | Secured Promissory Note for $750,000 issued to Energy Capital, LLC by Ondas Holdings Inc. dated May 28, 2019 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 30, 2019 (File No. 000-56004)) |
| 10.9 | Secured Promissory Note for $750,000 issued to Energy Capital, LLC by Ondas Holdings Inc. dated June 11, 2019 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 17, 2019 (File No. 000-56004)) |
| 10.10 | First Amendment to Loan and Security Agreement dated as of June 18, 2019 by and between Ondas Holdings Inc. and Steward Capital Holdings, LP (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on June 18, 2019 (File No. 000-56004)) |
| 10.11 | Amendment to Secured Promissory Notes dated June 18, 2019 (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on June 18, 2019 (File No. 000-56004)) |
| 10.12 | Form of Amendment (incorporated herein by reference to Exhibit 10.0 to the Company's Current Report on Form 8-K filed June 27, 2019 (File No. 000-56004)) |
| 10.13 | Form of Loan Extension Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 27, 2019 (File No. 000-56004)) |
| 10.14 | Secured Promissory Note for $750,000 issued to Energy Capital, LLC by Ondas Holdings Inc. dated June 27, 2019 (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on June 27, 2019 (File No. 000-56004)) |
| 31.1 | Certification of Chief Executive Officer of Periodic Report pursuant to Rule 13a-14a and Rule 15d-14(a) dated August 14, 2019* |
| 31.2 | Certification of Chief Financial Officer of Periodic Report pursuant to Rule 13a-14a and Rule 15d-14(a) dated August 14, 2019* |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 dated August 14, 2019** |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 dated August 14, 2019** |
| 101.INS | XBRL Instance Document* |
| 101.SCH | XBRL Taxonomy Extension Schema Document* |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document* |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document* |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document* |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document* |

* Filed herewith.

** This certification is being furnished and shall not be deemed "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.

## 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: August 14, 2019

ONDAS HOLDINGS INC.

By: /s/ Eric A. Brock
Eric A. Brock
Chairman and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Stewart W. Kantor
Stewart W. Kantor
President and Chief Financial Officer
(Principal Financial and Accounting Officer)

**EXHIBIT 31.1**

CERTIFICATION PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric A. Brock, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Ondas Holdings Inc.;

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

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

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

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

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

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

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

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

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

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

August 14, 2019

/s/ Eric A. Brock
Eric A. Brock
Chairman and Chief Executive Officer
(Principal Executive Officer)

**EXHIBIT 31.2**

CERTIFICATION PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stewart W. Kantor, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Ondas Holdings Inc.;

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

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

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

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

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

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

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

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

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

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

August 14, 2019

/s/ Stewart W. Kantor

Stewart W. Kantor
President and Chief Financial Officer
(Principal Financial and Accounting Officer)

**EXHIBIT 32.1**

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

In connection with the quarterly report of Ondas Holdings Inc. (the "Company") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission (the "Report"), I, Eric A. Brock, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

August 14, 2019

/s/ Eric A. Brock
Eric A. Brock
Chairman and Chief Executive Officer
(Principal Executive Officer)

A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**EXHIBIT 32.2**

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

In connection with the quarterly report of Ondas Holding Inc. (the "Company") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission (the "Report"), I, Stewart W. Kantor, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

August 14, 2019

/s/ Stewart W. Kantor

Stewart W. Kantor
President and Chief Financial Officer
(Principal Financial Officer)

A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.