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, 2025

or

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

For the transition period from _____ to _____

Commission File Number 001-40133

ENVOY MEDICAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	**86-1369123**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4875 White Bear Parkway, White Bear Lake, MN 55110
(Address of principal executive offices)

(877) 900-3277
(Registrant's telephone number, including area code)

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Class A Common Stock, par value $0.0001 per share	COCH	The Nasdaq Stock Market LLC
Redeemable Warrants, each exercisable for one share of Class A Common Stock at an exercise price of $11.50 per share	COCHW	The Nasdaq Stock Market LLC

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

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 ☒

As of July 30, 2025, the registrant had 21,520,932 shares of Class A Common Stock, par value $0.0001 per share, issued and outstanding.

ENVOY MEDICAL, INC.

Quarterly Report on Form 10-Q
For the Quarterly Period ended June 30, 2025

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ENVOY MEDICAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In thousands, except share and per share amounts)

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

	June 30, 2025	December 31, 2024
Assets		
Current assets:		
Cash	$ 5,287	$ 5,483
Accounts receivable, net	43	38
Other receivable	20	780
Inventories	1,587	1,708
Prepaid expenses and other assets, current	576	887
Total current assets	7,513	8,896
Property and equipment, net	1,136	1,275
Operating lease right-of-use asset (related party)	828	879
Prepaid expenses and other assets	423	488
Total assets	$ 9,900	$ 11,538
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 1,619	$ 1,652
Accrued expenses	4,696	3,713
Accrued interest (related party)	1,034	703
Other current liabilities	179	573
Forward purchase agreement warrant liability	14	472
Product warranty liability, current portion	260	282
Operating lease liability, current portion (related party)	198	143
Total current liabilities	8,000	7,538
Term loans payable (related party)	27,932	18,716
Product warranty liability, net of current portion	1,733	1,771
Operating lease liability, net of current portion (related party)	703	802
Publicly traded warrant liability	500	662
Other liability	891	891
Total liabilities	39,759	30,380
Commitments and contingencies (see Note 13)		
Stockholders' deficit		
Series A Preferred Stock, $0.0001 par value; 100,000,000 shares authorized and 10,000,000 shares designated as of June 30, 2025 and December 31, 2024; 4,126,667 shares issued and outstanding as of June 30, 2025 and December 31, 2024	—	—
Class A Common Stock, $0.0001 par value; 400,000,000 shares authorized as of June 30, 2025 and December 31, 2024; 21,520,932 and 21,326,609 shares issued and outstanding as of June 30, 2025 and December 31, 2024, respectively	2	2
Additional paid-in capital	268,170	266,013
Accumulated deficit	(297,912)	(284,734)
Accumulated other comprehensive loss	(119)	(123)
Total stockholders' deficit	(29,859)	(18,842)
Total liabilities and stockholders' deficit	$ 9,900	$ 11,538

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

ENVOY MEDICAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)
(In thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	**2024**	**2025**	**2024**
Net revenues	$ 78	$ 68	$ 124	$ 127
Costs and operating expenses:				
Cost of goods sold	234	245	460	398
Research and development	2,485	2,591	5,233	4,951
Sales and marketing	361	497	719	822
General and administrative	2,068	1,587	3,889	3,691
Total costs and operating expenses	5,148	4,920	10,301	9,862
Operating loss	(5,070)	(4,852)	(10,177)	(9,735)
Other income (expense):				
Change in fair value of forward purchase agreement put option liability	—	—	—	103
Change in fair value of forward purchase agreement warrant liability	37	244	458	(18)
Change in fair value of publicly traded warrant liability	(32)	801	162	(376)
Interest expense, related party	(624)	(132)	(1,119)	(168)
Other expense, net	(1)	(8)	(12)	(23)
Total other income (expense), net	(620)	905	(511)	(482)
Net loss	(5,690)	(3,947)	(10,688)	(10,217)
Cumulative preferred dividends	(1,252)	(1,365)	(2,490)	(2,730)
Net loss attributable to common stockholders, basic and diluted	$ (6,942)	$ (5,312)	$ (13,178)	$ (12,947)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.32)	$ (0.29)	$ (0.62)	$ (0.70)
Weighted-average Class A Common Stock outstanding, basic and diluted	21,383,852	18,599,982	21,355,388	18,599,982
Other comprehensive income (loss):				
Foreign currency translation adjustment	(2)	(1)	4	(2)
Other comprehensive income (loss)	(2)	(1)	4	(2)
Comprehensive loss	$ (5,692)	$ (3,948)	$ (10,684)	$ (10,219)

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

ENVOY MEDICAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(UNAUDITED)
(In thousands, except share amounts)

	For the Three and Six Months Ended June 30, 2025							
	Series A Preferred Stock		Class A Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Deficit
Balance at December 31, 2024	4,126,667	$ —	21,326,609	$ 2	$ 266,013	$ (284,734)	$ (123)	$ (18,842)
Dividends on the Series A Preferred Stock	—	—	—	—	—	(1,238)	—	(1,238)
Stock-based compensation	—	—	—	—	160	—	—	160
Issuance of warrants associated with Term Loans	—	—	—	—	688	—	—	688
Foreign currency translation adjustment	—	—	—	—	—	—	6	6
Net loss	—	—	—	—	—	(4,998)	—	(4,998)
Balance at March 31, 2025	4,126,667	$ —	21,326,609	$ 2	$ 266,861	$ (290,970)	$ (117)	(24,224)
Dividends on the Series A Preferred Stock	—	—	—	—	—	(1,252)	—	(1,252)
Stock-based compensation	—	—	—	—	146	—	—	146
Issuance of warrants associated with Term Loans	—	—	—	—	882	—	—	882
Proceeds from sale of Common Stock from at-the-market ("ATM") offering	—	—	134,771	—	204	—	—	204
Issuance of Common Stock under employee stock purchase plan	—	—	59,552	—	77	—	—	77
Foreign currency translation adjustment	—	—	—	—	—	—	(2)	(2)
Net loss	—	—	—	—	—	(5,690)	—	(5,690)
Balance at June 30, 2025	4,126,667	$ —	21,520,932	$ 2	$ 268,170	$ (297,912)	$ (119)	$ (29,859)

	For the Three and Six Months Ended June 30, 2024							
	Series A Preferred Stock		Class A Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Deficit
Balance at December 31, 2023	4,500,000	$ —	18,599,982	$ 2	$ 255,596	$ (257,256)	$ (118)	$ (1,776)
Dividends on the Series A Preferred Stock	—	—	—	—	—	(1,365)	—	(1,365)
Sale of Common Stock through forward purchase agreement	—	—	—	—	1,683	—	—	1,683
Stock-based compensation	—	—	—	—	123	—	—	123
Issuance of warrants associated with Term Loans	—	—	—	—	179	—	—	179
Foreign currency translation adjustment	—	—	—	—	—	—	(1)	(1)
Net loss	—	—	—	—	—	(6,270)	—	(6,270)
Balance at March 31, 2024	4,500,000	$ —	18,599,982	$ 2	$ 257,581	$ (264,891)	$ (119)	(7,427)
Dividends on the Series A Preferred Stock	—	—	—	—	—	(1,365)	—	(1,365)
Stock-based compensation	—	—	—	—	142	—	—	142
Issuance of warrants associated with Term Loans	—	—	—	—	197	—	—	197
Foreign currency translation adjustment	—	—	—	—	—	—	(1)	(1)
Net loss	—	—	—	—	—	(3,947)	—	(3,947)
Balance at June 30, 2024	4,500,000	$ —	18,599,982	$ 2	$ 257,920	$ (270,203)	$ (120)	$ (12,401)

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

ENVOY MEDICAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands)

	Six Months Ended June 30,	
	2025	**2024**
Cash flows from operating activities		
Net loss	$ (10,688)	$ (10,217)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	146	76
Interest expense and amortization of debt discount on term loans payable (related party)	1,118	168
Amortization of prepaid insurance	493	539
Stock-based compensation	306	265
Change in fair value of publicly traded warrant liability	(162)	376
Change in fair value of forward purchase agreement warrant liability	(458)	18
Change in fair value of forward purchase agreement put option liability	—	(103)
Change in operating lease right-of-use asset (related party)	51	(645)
Change in inventory reserve	10	262
Changes in operating assets and liabilities:		
Accounts receivable, net	(5)	(104)
Other receivable	760	148
Inventories	111	(440)
Prepaid expenses and other assets	(42)	13
Accounts payable	(33)	35
Operating lease liability (related party)	(44)	734
Accrued expenses	312	(1,339)
Product warranty liability	(60)	(21)
Net cash used in operating activities	(8,185)	(10,235)
Cash flows from investing activities		
Purchases of property and equipment	(7)	(357)
Deposits on equipment not yet placed in service	—	(542)
Net cash used in investing activities	(7)	(899)
Cash flows from financing activities		
Payments on insurance financing loans	(469)	(519)
Proceeds from the issuance of term loans payable (related party)	10,000	7,500
Dividends paid to stockholders of Series A Preferred Stock	(1,820)	—
Proceeds from sale of Common Stock from ATM offering	204	—
Proceeds from issuance of Common Stock under employee stock purchase plan	77	—
Proceeds from the sale of Common Stock associated with forward purchase agreement, net of transaction costs	—	1,683
Net cash provided by financing activities	7,992	8,664
Effect of exchange rate changes on cash	4	(2)
Net decrease in cash	(196)	(2,472)
Cash, beginning of period	5,483	4,218
Cash, end of period	$ 5,287	$ 1,746
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 20	$ 23
Non-cash investing and financing activities:		
Accrued and unpaid dividends on Series A Preferred Stock	$ 670	$ 2,730
Accrued interest capitalized into term loans payable (related party)	$ 600	$ —
Financing of prepaid insurance	$ 75	$ 65
Warrants issued with term loans payable (related party)	$ 1,570	$ 376

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

1. Nature of the Business and Basis of Presentation

Envoy Medical, Inc. ("Envoy Medical" or the "Company") is a hearing health company focused on providing innovative medical technologies across the hearing loss spectrum. Envoy Medical's technologies are designed to shift the paradigm within the hearing industry and bring both providers and patients the hearing devices they desire. The Company's first commercial product, the Esteem® Fully Implanted Active Middle Ear Implant ("Esteem FI-AMEI"), is a fully implanted active middle ear hearing device. The Esteem FI-AMEI was approved for sale in 2010 by the United States Food and Drug Administration ("FDA").

Envoy Medical believes the fully implanted Acclaim® Cochlear Implant ("Acclaim CI") is a first-of-its-kind cochlear implant. Envoy Medical's fully implanted technology includes a sensor designed to leverage the natural anatomy of the ear instead of a microphone to capture sound. The Acclaim CI is designed to address severe to profound sensorineural hearing loss that is not adequately addressed by hearing aids. The Acclaim CI will only be indicated for adults who have been deemed adequate candidates by a qualified physician. The Acclaim CI received the Breakthrough Device Designation from the FDA in 2019.

On September 29, 2023 (the "Closing Date"), a merger transaction between Envoy Medical Corporation, Anzu Special Acquisition Corp I ("Anzu") and Envoy Merger Sub, Inc., a directly, wholly owned subsidiary of Anzu ("Merger Sub") was completed (hereinafter, the "Merger" or "Business Combination") pursuant to the business combination agreement, dated as of April 17, 2023 (as amended, the "Business Combination Agreement"). In connection with the closing of the Merger (the "Closing"), Merger Sub merged with Envoy Medical Corporation, with Envoy Medical Corporation surviving the merger as a wholly owned subsidiary of Anzu. In connection with the Closing, Anzu changed its name to Envoy Medical, Inc. The Company's Class A common stock, par value $0.0001 per share ("Common Stock"), and the Company's public warrants commenced trading on the Nasdaq Stock Market LLC ("Nasdaq") on October 2, 2023 under the symbols "COCH" and "COCHW," respectively.

On April 17, 2023, prior to entering into the Business Combination Agreement, Anzu and Envoy Medical Corporation entered into an agreement (as amended to date, the "Forward Purchase Agreement") with Meteora Special Opportunity Fund I, LP ("MSOF"), Meteora Capital Partners, LP ("MCP"), Meteora Select Trading Opportunities Master, LP ("MSTO") and Meteora Strategic Capital, LLC ("MSC" and, collectively with MSOF, MCP and MSTO, the "Sellers" or "Meteora parties") for an over-the-counter equity prepaid forward transaction.

Pursuant to the terms of the Forward Purchase Agreement, on the Closing Date, the Sellers purchased 425,606 shares of the Company's Common Stock (the "Recycled Shares") directly from the redeeming stockholders of Anzu. Also, effective upon the Closing Date, the Company paid to the Sellers a prepayment amount of $4.5 million required under the Forward Purchase Agreement directly from the trust account and transferred to the Sellers 8,512 shares of the Company's Common Stock (the "Share Consideration"). During the year ended December 31, 2024, the Sellers sold the full amount of the Recycled Shares and, pursuant to the Forward Purchase Agreement, the Company received $4.00 per share sold, or $1.7 million.

In addition, pursuant to the subscription agreement dated April 17, 2023 (as amended to date, the "Subscription Agreement"), by and between Anzu and Anzu SPAC GP I LLC (the "Sponsor"), the Company issued, and certain affiliates of the Sponsor purchased, concurrently with the Closing, an aggregate of 1,000,000 shares of the Company's Series A preferred stock, par value $0.0001 per share ("Series A Preferred Stock") in a private placement (the "PIPE Transaction") at a price of $10.00 per share for an aggregate purchase price of $10.0 million.

The unaudited condensed consolidated financial statements include the accounts of Envoy Medical and its wholly-owned subsidiaries Envoy Medical Corporation and Envoy Medical GmbH (Ansbach) (GmbH), which operates a sales office in Germany. All intercompany accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Going Concern

Since inception, the Company has incurred cumulative losses from operations and has an accumulated deficit of $297.9 million at June 30, 2025. From February 2024 to June 2025, the Company received advances of $30.0 million from term loans provided by a related party (see Note 8). In February 2024, the Company received net proceeds of $1.7 million from the sale of 425,606 shares of Common Stock held by the Meteora parties (see Note 1). On various dates in 2024, the Company received net proceeds of $1.8 million from the exercise by the Meteora parties of Shortfall Warrants, as defined below, for 664,883 shares of Common Stock (see Note 9). In May and June 2025, the Company received net proceeds of $0.2 million from the ATM offering (see Note 9). The Company had cash of $5.3 million as of June 30, 2025.

Management believes that its existing cash balances combined with future capital raises through debt and equity and cash receipts from product sales will be sufficient to fund ongoing operations through at least one year from the date the unaudited condensed consolidated financial statements are issued. However, there can be no assurance that the Company will be successful in achieving its strategic plans, that the Company's cash balances and future capital raises will be sufficient to support its ongoing operations, or that any additional financing will be available in a timely manner or on acceptable terms, if at all. If the Company is unable to raise sufficient financing when needed or events or circumstances occur such that the Company does not meet its strategic plans, the Company may be required to reduce certain of its discretionary spending. The Company may be unable to develop new or enhanced production methods, or be unable to fund capital expenditures, which could have a material adverse effect on the Company's financial position, results of operations, cash flows, and ability to achieve its intended business objectives. These matters raise substantial doubt about the Company's ability to continue as a going concern. The unaudited condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern and do not include adjustments to reflect the possible effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Unaudited Financial Information

The Company's unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial reporting and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Pursuant to these rules and regulations, they do not include all information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments, consisting of a normal recurring nature, considered necessary for a fair statement of the Company's financial condition and results of operations. Operating results for the periods presented are not necessarily indicative of the results that might be expected for the full year. As such, the information included in this report should be read in conjunction with the Company's audited consolidated financial statements as of and for the year ended December 31, 2024, which are included in the Company's Form 10-K, dated and filed with the SEC on March 31, 2025, which is accessible on the SEC's website at www.sec.gov. The unaudited condensed consolidated balance sheet as of December 31, 2024 has been derived from the audited consolidated financial statements of the Company, but does not include all the disclosures required by U.S. GAAP.

During the six months ended June 30, 2025, there were no changes to the Company's significant accounting policies as described in the Company's audited consolidated financial statements as of and for the year ended December 31, 2024.

Use of Estimates

The preparation of unaudited condensed consolidated 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 contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions reflected in these unaudited condensed consolidated financial statements include but are not limited to the useful lives of property and equipment, the net realizable value of inventory, product warranty liability, stock-based compensation expense, the present value of the lease liability, the fair value of the forward purchase agreement warrant liability, and the outcome of litigation. Estimates and assumptions are reviewed periodically and the effect of changes, if any, are reflected in the unaudited condensed consolidated statements of operations and comprehensive loss.

Revisions

Contingent Sponsor Shares

The Company corrected the presentation of Common Stock outstanding that previously included 1,000,000 contingent sponsor shares that were included in the previously issued unaudited condensed consolidated statement of changes in stockholders' deficit for the three and six months ended June 30, 2024. These contingent sponsor shares are now excluded from the number of shares of Common Stock outstanding as of June 30, 2024. The Company determined that the correction was not material to any prior annual or interim periods and therefore, amendments of previously filed reports are not required.

The effect of the contingent sponsor shares revision on the Common Stock amounts on each of the impacted financial statement line items within the Company's unaudited condensed consolidated statement of changes in stockholders' deficit for the three and six months ended June 30, 2024 was as follows:

	Six Months Ended June 30, 2024		
	As Previously Reported	Adjustments	As Revised
Balance at December 31, 2023	19,599,982	(1,000,000)	18,599,982
Balance at June 30, 2024	19,599,982	(1,000,000)	18,599,982

	Three Months Ended June 30, 2024		
	As Previously Reported	Adjustments	As Revised
Balance at March 31, 2024	19,599,982	(1,000,000)	18,599,982
Balance at June 30, 2024	19,599,982	(1,000,000)	18,599,982

Classification of Prepaid Insurance

The Company corrected the presentation of the non-current prepaid insurance expense that was not classified as long-term assets in the previously issued audited consolidated financial statements as of and for the year ended December 31, 2024. The Company determined that the correction was not material to any prior annual or interim periods and therefore, amendments of previously filed reports are not required.

Classification of Accrued Interest (Related Party)

The Company corrected the presentation of the accrued interest (related party) that was not classified as a separate financial statement line item in the previously issued audited consolidated financial statements as of and for the year ended December 31, 2024. The Company determined that the correction was not material to any prior annual or interim periods and therefore, amendments of previously filed reports are not required.

The effect of the classification of prepaid insurance expense and accrued interest (related party) revisions on each of the impacted financial statement line items within the Company's audited consolidated balance sheet as of December 31, 2024 was as follows:

	December 31, 2024		
	As Previously Reported	Adjustments	As Revised
Prepaid expenses and other assets, current	$ 1,375	$ (488)	$ 887
Total current assets	9,384	(488)	8,896
Prepaid expenses and other assets	—	488	488
Accrued expenses	4,416	(703)	3,713
Accrued interest (related party)	—	703	703

Financing of Prepaid Insurance

The Company corrected the presentation of prepaid insurance expenses and insurance financing liabilities, including the related amortization and interest expense, that were not included in the previously issued unaudited condensed consolidated financial statements for the three and six months ended June 30, 2024. The Company determined that the correction was not material to any prior annual or interim periods and therefore, amendments of previously filed reports are not required.

The effect of the contingent sponsor shares and financing of prepaid insurance revisions on each of the impacted financial statement line items within the Company's unaudited condensed consolidated statements of operations and comprehensive loss for the three and six months ended June 30, 2024 was as follows:

	Six Months Ended June 30, 2024		
	As Previously Reported	Adjustments	As Revised
General and administrative	$ 3,714	$ (23)	$ 3,691
Total costs and operating expenses	9,885	(23)	9,862
Operating loss	(9,758)	23	(9,735)
Other expense, net	—	(23)	(23)
Total other income (expense), net	(459)	(23)	(482)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.66)	$ (0.04)	$ (0.70)
Weighted-average Class A Common Stock outstanding, basic and diluted	19,599,982	(1,000,000)	18,599,982

	Three Months Ended June 30, 2024		
	As Previously Reported	Adjustments	As Revised
General and administrative	$ 1,595	$ (8)	$ 1,587
Total costs and operating expenses	4,928	(8)	4,920
Operating loss	(4,860)	8	(4,852)
Other expense, net	—	(8)	(8)
Total other income (expense), net	913	(8)	905
Net loss per share attributable to common stockholders, basic and diluted	$ (0.27)	$ (0.02)	$ (0.29)
Weighted-average Class A Common Stock outstanding, basic and diluted	19,599,982	(1,000,000)	$ 18,599,982

The effect of the financing of prepaid insurance revision on the accumulated deficit amounts on each of the impacted financial statement line items within the Company's unaudited condensed consolidated statement of changes in stockholders' deficit for the three and six months ended June 30, 2024 was as follows:

	Six Months Ended June 30, 2024		
	As Previously Reported	Adjustments	As Revised
Balance at December 31, 2023	$ (257,242)	$ (14)	$ (257,256)
Balance at June 30, 2024	(270,189)	(14)	(270,203)

	Three Months Ended June 30, 2024		
	As Previously Reported	Adjustments	As Revised
Balance at March 31, 2024	$ (264,877)	$ (14)	$ (264,891)
Balance at June 30, 2024	(270,189)	(14)	(270,203)

The effect of the financing of prepaid insurance revision on each of the impacted financial statement line items within the Company's unaudited condensed consolidated statement of cash flows for the six months ended June 30, 2024 was as follows:

	Six Months Ended June 30, 2024		
	As Previously Reported	Adjustments	As Revised
Amortization of prepaid insurance	$ —	$ 539	$ 539
Prepaid expenses and other assets	33	(20)	13
Net cash used in operating activities	(10,754)	519	(10,235)
Payments on insurance financing loans	—	(519)	(519)
Net cash provided by financing activities	9,183	(519)	8,664
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ —	$ 23	$ 23
Non-cash investing and financing activities:			
Financing of prepaid insurance	$ —	$ 65	$ 65

3. Fair Value Measurements

The following tables provide information related to the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2025 and December 31, 2024 (in thousands):

	June 30, 2025			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Forward purchase agreement warrant liability	$ —	$ —	$ 14	$ 14
Publicly traded warrant liability	500	—	—	500
	$ 500	$ —	$ 14	$ 514

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Forward purchase agreement warrant liability	$ —	$ —	$ 472	$ 472
Publicly traded warrant liability	662	—	—	662
	$ 662	$ —	$ 472	$ 1,134

The fair value of the forward purchase agreement warrant liability is a Level 3 fair value measurement, and was estimated using Monte Carlo simulation models. The use of significant unobservable inputs could result in those inputs being different at the reporting dates and which could result in a significantly higher or lower fair value measurement at the reporting dates. The following table presents the quantitative information regarding Level 3 fair value measurements of the forward purchase agreement warrant liability as of June 30, 2025 and December 31, 2024:

	June 30, 2025	December 31, 2024
Stock price	$ 1.42	$ 1.43
Initial exercise price	$ 10.46	$ 10.46
Annual volatility	67.0%	130.0%
Remaining term (in years)	0.50	1.00
Risk-free rate	4.20%	4.08%

The Company has classified the publicly traded warrant liability within Level 1 of the hierarchy as the warrant is separately listed and traded in an active market. The publicly traded warrant's listed price in an active market was used as the fair value.

The following table summarizes the activity for the Company's Level 3 instruments measured at fair value on a recurring basis (in thousands):

	Forward Purchase Agreement Warrant Liability
Balance as of December 31, 2024	$ 472
Change in fair value	(458)
Balance as of June 30, 2025	$ 14

There were no transfers between Level 1 and Level 2, nor into and out of Level 3, during the periods presented.

4. Inventories

Inventories consisted of the following (in thousands):

	June 30, 2025	December 31, 2024
Raw materials	$ 1,406	$ 1,386
Work-in-progress	61	203
Finished goods	120	119
	$ 1,587	$ 1,708

5. Property and Equipment, Net

Property and equipment consisted of the following (in thousands):

	June 30, 2025	December 31, 2024
Lab equipment	$ 3,106	$ 3,106
Production equipment	2,250	2,249
Computer equipment	654	648
Office equipment	102	102
Total	6,112	6,105
Less: Accumulated depreciation	(4,976)	(4,830)
Property and equipment, net	$ 1,136	$ 1,275

Depreciation expense was $0.1 million for the six months ended June 30, 2025 and 2024. Depreciation expense was less than $0.1 million for the three months ended June 30, 2025 and 2024.

6. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	June 30, 2025	December 31, 2024
Accrued excise tax	$ 2,088	$ 2,248
Dividends payable	1,361	691
Accrued payroll	526	204
Accrued other	721	570
Total accrued expenses	$ 4,696	$ 3,713

7. Product Warranty Liability

Changes in warranty liability were as follows (in thousands):

	Amount
Balance as of December 31, 2024	$ 2,053
Utilization	(60)
Balance at June 30, 2025	$ 1,993

The assumptions utilized in developing the liability as of June 30, 2025 include an estimated cost per unit of $6 thousand, an average sound processor / battery assembly (“Battery”) life of five years, inflationary increase of 3.9%, and an average patient life calculated based on probabilities outlined in the PRI-2012 mortality tables, published from the Society of Actuaries. Additionally, a discount rate of 5.4% was used in the calculation as of June 30, 2025.

8. Debt (Related Party)

February 2024 Term Loan

In February 2024, the Company issued a promissory note (the "February 2024 Term Loan") with a minimum principal amount of $5.0 million and up to $10.0 million to GAT Funding, LLC ("GAT"), an entity controlled by Glen A. Taylor, a member of the Company's board of directors and a controlling stockholder of the Company. At closing, the Company drew down $5.0 million from the February 2024 Term Loan. Provided that no event of default had occurred and the Company submitted a request for funding certifying that the Company had less than $7.5 million of net tangible assets, the Company had the ability to draw the remaining $5.0 million in $2.5 million tranches, as long as each request was made prior to February 1, 2025. In both May 2024 and July 2024, the Company requested and received additional advances of $2.5 million under the February 2024 Term Loan. As of June 30, 2025, the balance outstanding on the February 2024 Term Loan was $10.2 million, net of discount.

The February 2024 Term Loan has a five-year term and matures on February 27, 2029. The principal amount drawn bears interest at a rate of 8.0% per annum and is paid quarterly in arrears after the second anniversary of the February 2024 Term Loan. Interest will accrue and is not payable for the first two years of the term and will compound and be added to the principal balance of the February 2024 Term Loan both on the first and second anniversary of the February 2024 Term Loan. The Company may prepay the accrued interest and principal of the February 2024 Term Loan without penalty, with 10 days' notice.

August 2024 Term Loan

In August 2024, the Company issued an additional promissory note (the "August 2024 Term Loan") with a principal amount of up to $10.0 million to GAT. At closing, the Company drew down $5.0 million from the August 2024 Term Loan. Provided that no event of default had occurred and the Company submitted a request for funding certifying that the Company had less than $7.5 million of net tangible assets, the Company had the ability to draw the remaining $5.0 million in $2.5 million tranches, as long as each request is made prior to August 1, 2025. In December 2024, the Company requested and received an additional advance of $5.0 million under the August 2024 Term Loan. As of June 30, 2025, the balance outstanding on the August 2024 Term Loan was $9.3 million, net of discount.

The August 2024 Term Loan has a five-year term and matures on August 27, 2029. The principal amount drawn bears interest at a rate of 8.0% per annum and is paid quarterly in arrears after the second anniversary of the August 2024 Term Loan. Interest will accrue and is not payable for the first two years of the term and will compound and be added to the principal balance of the August 2024 Term Loan both on the first and second anniversary of the August 2024 Term Loan. The Company may prepay the accrued interest and principal of the August 2024 Term Loan without penalty, with 10 days' notice.

As a commitment fee, the Company is required to issue warrants to purchase 250,000 shares of its Common Stock for each $2.5 million of principal funded under the February 2024 Term Loan and August 2024 Term Loan. The warrants have an exercise price equal to the closing price on the date of funding of the applicable tranche.

Warrants - February 2024 Term Loan and August 2024 Term Loan

At closing of the initial funding of the February 2024 Term Loan, the Company issued warrants to purchase 500,000 shares of Common Stock at an exercise price of $1.24 per share. These warrants expire on February 27, 2026. Upon the second draw made in May 2024, the Company issued warrants to purchase 250,000 shares of Common Stock at an exercise price of $3.04 per share. These warrants expire on May 28, 2026. Upon the third draw made in July 2024, the Company issued warrants to purchase 250,000 shares of Common Stock at an exercise price of $2.25 per share. These warrants expire on July 23, 2026.

At closing of the initial funding of the August 2024 Term Loan, the Company issued warrants to purchase 500,000 shares of Common Stock at an exercise price of $2.97 per share. These warrants expire on August 27, 2026. Upon the second draw made in December 2024, the Company issued warrants to purchase 500,000 shares of Common Stock at an exercise price of $2.20 per share. These warrants expire on December 11, 2026.

March 2025 Term Loan

In March 2025, the Company issued a promissory note (the "March 2025 Term Loan" and, collectively with the February 2024 Term Loan and August 2024 Term Loan, the "Term Loans") with a minimum principal amount of $5.0 million and up to $10.0 million to GAT. At closing, the Company drew down $5.0 million from the March 2025 Term Loan. Provided that no event of default has occurred and the Company submits a request for funding certifying that the Company has less than $7.5 million of net tangible assets, the Company has the ability to draw the remaining $5.0 million in $2.5 million tranches, as long as each request is made prior to March 2026. On June 26, 2025, the Company requested and received an additional advance of $5.0 million under the March 2025 Term Loan. As of June 30, 2025, the balance outstanding on the March 2025 Term Loan was $8.4 million, net of discount.

The March 2025 Term Loan has a five-year term and matures on March 6, 2030. The principal amount drawn bears interest at a rate of 8.0% per annum and is paid quarterly in arrears after the second anniversary of the March 2025 Term Loan. Interest will accrue and is not payable for the first two years of the term and will compound and be added to the principal balance of the March 2025 Term Loan both on the first and second anniversary of the March 2025 Term Loan. The Company may prepay the accrued interest and principal of the March 2025 Term Loan without penalty, with 10 days' notice.

As a commitment fee, the Company is required to issue warrants to purchase 375,000 shares of its Common Stock for each $2.5 million of principal funded under the March 2025 Term Loan. The warrants have an exercise price equal to the closing price on the date of funding of the applicable tranche. At closing of the initial funding of the March 2025 Term Loan, the Company issued warrants to purchase 750,000 shares of Common Stock at an exercise price of $1.35 per share. These warrants expire on March 6, 2028. Upon the second draw made in June 2025, the Company issued warrants to purchase 750,000 shares of Common Stock at an exercise price of $1.48. These warrants expire on June 26, 2027.

The Term Loans were accounted for as a conventional debt instrument and are accounted for in accordance with Accounting Standards Update 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)*.

As a result of the issuance of the warrants with the February 2024, May 2024 and July 2024 closings of the February 2024 Term Loan, which met the criteria for equity classification under applicable U.S. GAAP, the Company recorded the fair value of the warrants on the issuance date in the amount of $0.2 million, $0.2 million, and $0.2 million, respectively, as a debt discount and additional paid-in capital on the unaudited condensed consolidated balance sheets. Subsequently, these debt discounts are being recorded to interest expense, related party over the term of the February 2024 Term Loan.

As a result of the issuance of the warrants with the August 2024 and December 2024 closings of the August 2024 Term Loan, which met the criteria for equity classification under applicable U.S. GAAP, the Company recorded the fair value of the warrants on the issuance date in the amount of $0.5 million and $0.3 million, respectively, as a debt discount and additional paid-in capital on the unaudited condensed consolidated balance sheet. Subsequently, these debt discounts are being recorded to interest expense, related party over the term of the August 2024 Term Loan.

As a result of the issuance of the warrants with the March 2025 and June 2025 closings of the March 2025 Term Loan, which met the criteria for equity classification under applicable U.S. GAAP, the Company recorded the fair value of the warrants on the issuance date in the amount of $0.7 million and $0.9 million, respectively, as a debt discount and additional paid-in capital on the unaudited condensed consolidated balance sheet. Subsequently, these debt discounts are being recorded to interest expense, related party over the term of the March 2025 Term Loan.

The Company uses the Black-Scholes option model to estimate the fair value of warrants issued in connection with the Term Loans. In applying the Black-Scholes option model, the Company used the following assumptions in the valuation of warrants issued during the six months ended June 30, 2025 and 2024:

	Six Months Ended June 30,	
	2025	2024
Risk-free rate	3.7% - 3.9%	4.6% - 4.9%
Expected dividend yield	—	—
Expected term (years)	1.8 - 2.0	1.8 - 2.0
Expected volatility	136.0% - 144.0%	42.4% - 45.8%
Stock price	$1.35 - $1.48	$1.24 - $3.05

The Company uses a present value calculation of future cash flows to estimate the fair value of the Term Loans at the date of issuance. The Company used the following inputs in the valuation of Term Loans issued during the six months ended June 30, 2025 and 2024:

	Six Months Ended June 30,	
	2025	2024
Principal	$ 10,000,000	$ 7,500,000
Coupon rate	8.0%	8.0%
Issuance date	3/11/2025 - 6/26/2025	3/4/2024 - 5/23/2024
Interest type	Fixed rate	Fixed rate
Payment frequency	Maturity	Maturity
Interest day count	Actual / 365	Actual / 365
Maturity	3/6/2030	2/27/2029
Market rate [(1)]	11.7% - 16.4%	7.8%

(1) Discounted using the interpolated S&P CCC yield curve commensurate with the remaining term of the note.

During the six months ended June 30, 2025 and 2024, the Company recognized $1.1 million and $0.2 million, respectively, of interest expense in relation to the Term Loans, at effective interest rates ranging from 9.69% to 13.19%. Included within this interest expense total, the Company recognized $0.2 million and less than $0.1 million of debt discount amortization during the six months ended June 30, 2025 and 2024, respectively. As of June 30, 2025 and December 31, 2024, accrued interest of $1.0 million and $0.7 million, respectively, is recorded in accrued interest (related party) and unamortized debt discount of $2.7 million and $1.3 million, respectively, is recorded within term loans payable (related party) on the Company's unaudited condensed consolidated balance sheets.

9. Common Stock

As of June 30, 2025 and 2024, the Company was authorized to issue 400,000,000 shares of Common Stock. The voting, dividend and liquidation rights of the holders of the Company's Common Stock are subject to and qualified by the rights, powers and preferences of the holders of the Series A Preferred Stock (see Note 10).

Contingent Sponsor Shares

Pursuant to the sponsor support and forfeiture agreement dated April 17, 2023 by and between Anzu, Envoy Medical Corporation and the Sponsor, as amended or modified from time to time (the "Sponsor Support Agreement"), and as of the date of issuance, 1,000,000 shares of Common Stock held by the Sponsor were unvested and subject to the restrictions and forfeiture provisions set forth in the Sponsor Support Agreement (the "Contingent Sponsor Shares"). The Contingent Sponsor Shares were to vest upon the FDA's approval of the Acclaim CI (the "FDA Approval"). If a change of control of the Company occurred following the Closing, then the conditions for vesting of any Contingent Sponsor Shares that remain unvested as of immediately prior to the consummation of the change of control were to be deemed to have been achieved and such Contingent Sponsor Shares would have immediately vested as of immediately prior to the consummation of such change of control.

As of December 20, 2024, the Company and the Sponsor entered into an agreement to remove the vesting restriction on the Contingent Sponsor Shares, more fully described in Note 10 under "*Sponsor Induced Conversion*".

Outstanding Warrants

The following table summarizes the Company's outstanding warrant activity for the six months ended June 30, 2025 (*in number of warrant shares*):

	Shortfall Warrants	Publicly Traded Warrants	Term Loan Warrants
December 31, 2024	3,209,511	14,166,666	2,000,000
Issued	—	—	1,500,000
June 30, 2025	3,209,511	14,166,666	3,500,000

Term Loan Warrants

During the six months ended June 30, 2025 and 2024, the Company issued warrants to purchase 1,500,000 and 500,000 shares, respectively, of its Common Stock to a related party in conjunction with the Term Loans (see Note 8) (the "Term Loan Warrants"). The Term Loan Warrants are all outstanding as of June 30, 2025.

Forward Purchase Agreement Warrant Liability

Pursuant to the terms of the Forward Purchase Agreement, the Company issued to the Meteora parties warrants to purchase 3,874,394 shares of Common Stock (the "Shortfall Warrants"). As issued, the Shortfall Warrants had an exercise price determined based on the volume weighted average price of the Common Stock, subject to a $4.00 price floor (the "Exercise Price Floor"), which Exercise Price Floor is adjustable for certain issuances of Common Stock at a price below the then-current Exercise Price Floor. The Shortfall Warrants had an expiration date of June 30, 2024 upon issuance. The fair value of the Shortfall Warrants is presented in the forward purchase agreement warrant liability line on the unaudited condensed consolidated balance sheets. The change in fair value of the Shortfall Warrants each period is recorded within the change in fair value of forward purchase agreement warrant liability line on the unaudited condensed consolidated statements of operations and comprehensive loss.

On June 24, 2024, the Company and the Meteora parties entered into Amendment No. 1 to the Shortfall Warrants to extend the expiration of the Shortfall Warrants to December 31, 2024. On July 29, 2024, the Company and the Meteora parties entered into an amendment to adjust the Exercise Price Floor of certain Shortfall Warrants from $4.00 to $2.00 for 1,000,000 of the Shortfall Warrants, $3.00 for an additional 1,000,000 Shortfall Warrants, and with remainder of the Shortfall Warrants retaining the $4.00 Exercise Price Floor. On December 19, 2024, the Company and the Meteora parties entered into Amendment No. 2 to the Shortfall Warrants to extend the expiration date of the Shortfall Warrants to December 31, 2025.

During the six months ended June 30, 2025 and 2024, the Meteora parties did not exercise any Shortfall Warrants. As of June 30, 2025, Shortfall Warrants to purchase 3,209,511 shares of Common Stock remained outstanding. See Note 15 for information regarding Amendment No. 3 between the Company and the Meteora parties to adjust the Exercise Price Floor for all outstanding warrants to $1.50.

At-The-Market Offering

On January 17, 2025, the Company entered into an At The Market Offering Agreement (the "Sales Agreement") with Roth Capital Partners, LLC (the "Sales Agent") to conduct an at-the-market ("ATM") equity offering program. Pursuant to the Sales Agreement, the Sales Agent acts as the Company's agent with respect to an offering and sale, at any time and from time to time, of the Company's Common Stock. The Company has authorized the sale, at its discretion, of Common Stock in an aggregate offering amount up to $15 million under the Sales Agreement. During the three and six months ended June 30, 2025, the Company sold 134,771 shares of its Common Stock pursuant to the ATM for gross proceeds of $212 thousand (net proceeds of $204 thousand after deducting offering expenses).

10. Series A Preferred Stock

As of June 30, 2025 and December 31, 2024, the Company's certificate of incorporation, as amended and restated, authorized the Company to issue 100,000,000 shares of $0.0001 par value preferred stock, of which 10,000,000 shares have been designated as Series A Preferred Stock.

Pursuant to a convertible promissory note, dated April 17, 2023, between Envoy Medical Corporation and GAT (the "Envoy Bridge Note"), the Sponsor Support Agreement and the Subscription Agreement, the Company has outstanding an aggregate of 4,126,667 shares of Series A Preferred Stock as of June 30, 2025 and December 31, 2024, respectively, originally issued to the following investors:

- 1,000,000 shares of Series A Preferred Stock to GAT pursuant to the Envoy Bridge Note;
- 2,500,000 shares of Series A Preferred Stock to the Sponsor pursuant to the Sponsor Support Agreement; and
- 1,000,000 shares of Series A Preferred Stock to certain affiliates of the Sponsor in the PIPE Transaction pursuant to the Subscription Agreement.

As described subsequently in this note, on December 20, 2024, the Company entered into a Conversion and Waiver Agreement with the Sponsor whereby 373,333 shares of Series A Preferred Stock were converted into Common Stock.

The holders of the Series A Preferred Stock have the following rights and preferences:

Voting Rights

The holders of the Series A Preferred Stock are not entitled to vote or receive notice of any meeting of stockholders, except in the case that the Company creates any equity or debt instrument that ranks senior or pari passu to the rights of the Series A Preferred Stock or in the case of any adverse change to the powers, preferences or special rights of the Series A Preferred Stock.

Conversion Rights

Each share of Series A Preferred Stock shall be convertible, at the option of the holder, at any time after the date of issuance into such number of shares of Common Stock as determined by dividing the issuance price of the shares of Series A Preferred Stock of $10.00, by the conversion price, which was $11.50 per share as of June 30, 2025 and is adjustable for certain dilutive events.

Redemption

The holders of Series A Preferred Stock are not entitled to any redemption rights, other than those under their liquidation rights discussed below. The Company does not have the option to redeem the Series A Preferred Stock.

Dividend Rights

The holders of Series A Preferred Stock are entitled to a cumulative dividend which accrues at the rate of 12% of the original issuance price of $10.00 per share per annum ("Regular Dividend"). The Regular Dividend accrues on a daily basis from and including the issuance date of such shares, whether or not declared, and will be payable in cash on a quarterly basis. If the Company fails to pay the Regular Dividends on the dividend payment date, then an additional dividend on the amount of the unpaid portion shall automatically accrue at 12%.

The holders of Series A Preferred Stock are also entitled to dividends or distributions ("Participating Dividends") senior to Common Stock of the Company when such dividends are declared. There were no Participating Dividends declared as of June 30, 2025 and December 31, 2024.

Specifically pursuant to the 2,500,000 shares of Series A Preferred Stock issued subject to the Sponsor Support Agreement, any dividends arising will accrue and not require timely payment at any time when the Company has less than $10.0 million of net tangible assets. During the three and six months ended June 30, 2025 and 2024, the Company did not meet the $10.0 million net tangible asset requirement and deferred payment on the dividends related to the 2,500,000 shares of Series A Preferred Stock held by the Sponsor. As of June 30, 2025 and December 31, 2024, the Company had accrued $1.4 million and $0.1 million, respectively, in unpaid dividends as a result of the Sponsor Support Agreement.

With respect to the holders of the Series A Preferred Stock other than the Series A Preferred Stock subject to the Sponsor Support Agreement held by the Sponsor, the Company had accrued zero and $0.6 million as of June 30, 2025 and December 31, 2024, respectively, in unpaid Regular Dividends.

Liquidation Preference

In the event of any liquidation, deemed liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the Series A Preferred Stock are entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of any security of the Company that ranks junior to the Series A Preferred Stock, including, but not limited to, the Common Stock, an amount per share of Series A Preferred Stock equal to the greater of i) $10.00 plus any unpaid cash dividends and ii) the amount the holder would have received, if such holder, immediately prior to such involuntary liquidation, dissolution or winding up of Company, had converted such shares of Series A Preferred Stock into Common Stock.

Sponsor Induced Conversion

On December 20, 2024 (the "Effective Date"), the Company entered into a Conversion and Waiver Agreement (the "Conversion Agreement") with the Sponsor.

As of the Effective Date of the Conversion Agreement, Sponsor was the holder of 2,500,000 shares of the Company's Series A Preferred Stock and the Contingent Sponsor Shares. The Contingent Sponsor Shares were unvested and subject to certain restrictions and risk of forfeiture under the Sponsor Support Agreement until certain milestones were achieved. Pursuant to the terms of the Sponsor Support Agreement, the Company may, under certain circumstances, accrue Regular Dividends and defer cash payment to the Sponsor until such circumstances are resolved.

Pursuant to the terms of the Conversion Agreement, the Sponsor and the Company agreed that, upon the Effective Date of the Conversion Agreement: (i) the Sponsor waived the Company's obligation to pay the $3.7 million of dividends accrued on the Series A Preferred Stock as of the Effective Date; (ii) the Company waived the restriction and vesting requirement for the Contingent Sponsor Shares, making these shares unrestricted and freely tradable; (iii) the Company agreed to make a voluntary, temporary reduction in the conversion price, pursuant to the terms of the Certificate of Designation, of all of the outstanding shares of Series A Preferred Stock effective December 20, 2024 through January 20, 2025 from $11.50 per share of Common Stock issuable upon conversion of a share of Series A Preferred Stock to $3.63 per share (the "Conversion Price Reduction"), with the conversion ratio determined by dividing the $10.00 original issue price of the Series A Preferred Stock by such Conversion Price; and (iv) the Sponsor agreed to convert 373,333 shares of Series A Preferred Stock into 1,028,986 shares of Common Stock at the temporary Conversion Price.

As the Company was legally released from its obligation to pay certain accrued dividends to the Sponsor, the Company derecognized the accrued dividends in the amount of $3.7 million as a result of the Conversion Agreement. The Company determined that the release of the accrued dividends represents paid-in-kind consideration in the form of a stock dividend, as the Sponsor agreed to receive Common Stock at a reduced conversion price under the Conversion Agreement in exchange for waiving the Company's obligation to pay the accrued dividends.

Additionally, the Company determined that the conversion of the Series A Preferred Stock into Common Stock was an induced conversion as the reduced conversion price was only offered for a limited time and included the issuance of all equity securities issuable pursuant to the conversion privileges included in the terms of the Series A Preferred Stock for each share of Series A Preferred Stock that was converted to Common Stock.

11. Segment Reporting

Operating segments are identified as components of an enterprise about which discrete financial information is available for evaluation by the Chief Operating Decision Maker ("CODM") in deciding resource allocation and assessing performance. The Company has determined that its CODM is its Chief Executive Officer.

The Company has one reportable segment: hearing. The hearing segment derives revenue from the sale of the Esteem FI-AMEI implants and replacement components to Esteem FI-AMEI implants. The Company enters into arrangements with patients to provide them with the Esteem FI-AMEI device, personal programmer devices, sound processor replacements, and Battery replacements.

The Company derives revenue primarily in the United States and manages the business activities on a consolidated basis.

The accounting policies of the hearing segment are the same as those described in the summary of significant accounting policies. The CODM assesses performance for the hearing segment and decides how to allocate resources based on net loss that also is reported on the unaudited condensed consolidated statements of operations and comprehensive loss. The measure of segment assets is reported on the unaudited condensed consolidated balance sheets as total assets.

The CODM uses net loss to evaluate the segment results in deciding whether to make investments into the hearing segment or into other parts of the entity, such as for entering into significant contracts, hiring of key management or executive personnel, making significant capital investment decisions, or changing Company-wide strategy.

Net loss is used to monitor budget versus actual results and assist the CODM in understanding the Company's cash flows and liquidity position, which is critical as a development state entity. This allows the CODM to make the appropriate spending decisions for the Company.

The following table summarizes the significant expense categories regularly reviewed by the CODM for the six months ended June 30, 2025 and 2024.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net revenues	$ 78	$ 68	$ 124	$ 127
Costs and operating expenses:				
Cost of goods sold	234	245	460	398
Research and development	2,485	2,591	5,233	4,951
Sales and marketing	361	497	719	822
General and administrative	2,068	1,587	3,889	3,691
Total costs and operating expenses	5,148	4,920	10,301	9,862
Operating loss	(5,070)	(4,852)	(10,177)	(9,735)
Other segment items[1]	5	1,045	620	(291)
Interest expense, related party	(624)	(132)	(1,119)	(168)
Other expense, net	(1)	(8)	(12)	(23)
Total other income (expense), net	(620)	905	(511)	(482)
Net loss	$ (5,690)	$ (3,947)	$ (10,688)	$ (10,217)

(1) Other segment items include the change in fair value of forward purchase agreement put option liability, change in fair value of forward purchase agreement warrant liability, and change in fair value of publicly traded warrant liability.

12. Related Party Transactions

The Company had various transactions with a member of its board of directors and a controlling stockholder of the Company, which is considered a related party.

- The Company leases its headquarters office space in Minnesota from a company owned by the stockholder. The lease is considered a common control leasing arrangement. The lease liability due to the stockholder was $0.9 million and $0.9 million as of June 30, 2025 and December 31, 2024, respectively.
- The Company received Term Loans from the stockholder during 2024 and 2025 (see Note 8).
- The Company has a shared services arrangement with a company that is indirectly owned by the stockholder, for certain support services used in the course of business. This arrangement originated on January 1, 2022 with a term of two years that automatically renews each year thereafter unless terminated by either party. In relation to the shared services arrangement, the Company expensed less than $0.1 million during each of the three and six months ended June 30, 2025 and 2024.

13. Commitment and Contingencies

The Company is party to various litigation matters arising from time to time in the ordinary course of business.

On November 14, 2023, the Company, Whitney Haring-Smith (the former chief executive officer and a former director of the Company), Daniel Hirsch (the former chief financial officer of the Company), and Anzu SPAC GP I LLC were named as defendants in a complaint filed by Atlas Merchant Capital SPAC Fund I LP ("Atlas") in the Delaware Court of Chancery. Atlas alleges that it was not allowed to redeem its shares of the Company's Common Stock and that the defendants acted to prevent Atlas's attempt to redeem its shares. The defendants assert that Atlas did not comply with the requirements for redeeming shares set forth in the Company's organizational documents. Atlas asserts damages in the amount of approximately $9.4 million, pre- and post-judgment interest, costs, and reasonable attorneys' fees. The Company has standard indemnification obligations to Dr. Haring-Smith and Mr. Hirsch. The Company believes that the lawsuit is meritless and has been defending this matter vigorously. The Company is unable to predict the outcome of this legal proceeding.

As of June 30, 2025 and December 31, 2024, the Company has not recorded accruals for potential losses related to any existing or pending litigation claims as the Company's management determined that there are no matters where a potential loss is probable and reasonably estimable.

14. Net Loss per Share

The following table sets forth the computation of basic and diluted loss per share (in thousands, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Numerator:				
Net loss	$ (5,690)	$ (3,947)	$ (10,688)	$ (10,217)
Less: Cumulative preferred dividends	(1,252)	(1,365)	(2,490)	(2,730)
Net loss attributable to common stockholders, basic and diluted	$ (6,942)	$ (5,312)	$ (13,178)	$ (12,947)
Denominator:				
Weighted-average Common Stock outstanding, basic and diluted	21,383,852	18,599,982	21,355,388	18,599,982
Net loss per share attributable to common stockholders, basic and diluted	$ (0.32)	$ (0.29)	$ (0.62)	$ (0.70)

The Company's potentially dilutive securities below, presented based on amounts outstanding at each period end, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. The weighted-average number of shares of Common Stock outstanding noted above used to calculate both basic and diluted net loss per share attributable to stockholders of Common Stock for these periods is the same.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Stock options	2,164,238	2,052,239	2,164,238	2,052,239
Series A Preferred Stock (as converted to common stock)	3,588,406	3,913,043	3,588,406	3,913,043
Publicly traded warrants	14,166,666	14,166,666	14,166,666	14,166,666
Shortfall Warrants	3,209,511	3,874,394	3,209,511	3,874,394
Contingent Sponsor Shares	—	1,000,000	—	1,000,000
Term Loan Warrants	3,500,000	750,000	3,500,000	750,000
	26,628,821	25,756,342	26,628,821	25,756,342

15. Subsequent Events

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date the unaudited condensed consolidated financial statements were issued. Other than described below, the Company did not identify any subsequent events that would have required adjustment or disclosure in the accompanying financial statements.

Forward Purchase Agreement Warrant Amendment

On July 28, 2025, the Company and Meteora parties entered into Amendment No. 3 to the Shortfall Warrants to change the Exercise Price Floor to $1.50 for the 3,209,511 warrants that remained outstanding. The exercise price of the Shortfall Warrants continues to be based on the volume weighted average price of the Common Stock subject to the amended Exercise Price Floor.

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

The following analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the notes included elsewhere in this Quarterly Report on Form 10-Q (this "Report"), as well as the information contained in the Company's Annual Report on Form 10-K, dated and filed with the Securities and Exchange Commission (the "SEC") on March 31, 2025 (the "Form 10-K"), which is accessible on the SEC's website at www.sec.gov. Unless otherwise indicated or the context otherwise requires, references in this section to the "Company," "Envoy Medical," "we," "us," "our" and other similar terms refer (i) prior to the Closing Date, to Envoy Medical Corporation and (ii) after the Closing Date, to Envoy Medical, Inc.

Cautionary Note Regarding Forward-Looking Statements

This Report contains certain "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact contained in this Report, including statements as to future results of operations and financial position, revenue and other metrics, products, business strategy and plans, objectives of management for future operations of the Company, market size and growth, competitive position and technological and market trends, are forward-looking statements. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intends," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "will," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. All forward-looking statements are subject to risks, uncertainties, and other factors which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to:

- changes in the market price of shares of our Class A Common Stock, par value $0.0001 per share (the "Common Stock");
- unpredictability in the medical device industry, the regulatory process to approve medical devices, and the clinical development process of the Company's products;
- potential need to make design changes to products to meet desired safety and efficacy endpoints;
- changes in federal or state reimbursement policies that would adversely affect sales of the Company's products;
- introduction of other scientific advancements, including gene therapy or pharmaceuticals, that may impact the need for hearing devices such as cochlear implants or fully implanted active middle ear implants;
- competition in the medical device industry, and the failure to introduce new products and services in a timely manner or at competitive prices to compete successfully against competitors;
- disruptions in relationships with the Company's suppliers, or disruptions in the Company's own production capabilities for some of the key components and materials of its products;
- changes in the need for capital and the availability of financing and capital to fund these needs;
- changes in interest rates or rates of inflation;
- changes in tariff regulations, duties and tax requirements;
- legal, regulatory and other proceedings that could be costly and time-consuming to defend;
- changes in applicable laws or regulations, or the application thereof on the Company;

- a loss of any of the Company's key intellectual property rights or failure to adequately protect intellectual property rights;
- the Company's ability to maintain the listing of its securities on The Nasdaq Stock Market LLC ("Nasdaq");
- the effects of catastrophic events, including war, terrorism and other international conflicts; and
- other risks and uncertainties indicated in the Company's Form 10-K, including those set forth under the section entitled "Risk Factors."

Should one or more of these risks or uncertainties materialize, or should any of the underlying assumptions prove incorrect, actual results may vary in material respects from those expressed or implied by these forward-looking statements. Nothing in this Report should be regarded as a representation by any person that the forward-looking statements set forth herein will be achieved or that any of the contemplated results of such forward-looking statements will be achieved. You should not place undue reliance on these forward-looking statements. The Company does not give any assurance that it will achieve its expected results and does not undertake any duty to update these forward-looking statements, except as required by law.

As described above, Envoy Medical entered into a business combination agreement with Anzu Special Acquisition Corp I ("Anzu") on April 17, 2023 (as amended, the "Business Combination Agreement"). The transactions under the Business Combination Agreement (collectively, the "Business Combination") were completed on September 29, 2023, in connection with which Anzu changed its name to Envoy Medical, Inc. (and together with its subsidiaries, "Envoy Medical", the "Company", "we", "us" or "our", unless the context otherwise requires).

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements as of June 30, 2025 and December 31, 2024, and the three and six months ended June 30, 2025 and 2024, together with the notes thereto included elsewhere in this Report. It should also be read in conjunction with the audited consolidated financial statements as of and for the years ended December 31, 2024 and 2023, together with related notes thereto included in the Form 10-K, which is accessible on the SEC's website at www.sec.gov.

All dollar amounts are expressed in thousands of United States dollars ("$"), unless otherwise indicated.

Overview

We are a hearing health company focused on providing innovative medical technologies across the hearing loss spectrum. Our technologies are designed to shift the paradigm within the hearing industry and bring both providers and patients the hearing devices they desire. Founded in 1995, our vision is to create fully implanted hearing devices that leverage the natural ear - not an artificial microphone - to pick up sound. In recent years, we have focused almost exclusively on developing the fully implanted Acclaim® cochlear implant (the "Acclaim CI"), our lead product candidate.

We believe that the Acclaim CI is a first-of-its-kind cochlear implant. Our fully implanted technology includes a sensor designed to leverage the natural anatomy of the ear instead of a microphone to capture sound. The Acclaim CI is designed to address severe to profound sensorineural hearing loss that is not adequately addressed by hearing aids. The Acclaim CI will only be indicated for adults who have been deemed adequate candidates by a qualified physician. The Acclaim CI received the Breakthrough Device Designation from the United States Food and Drug Administration (the "FDA") in 2019.

Our first product, the Esteem ® Fully Implanted Active Middle Ear Implant ("Esteem FI-AMEI"), received FDA approval in 2010. The Esteem FI-AMEI is a fully implanted active middle ear hearing device and remains the only FDA approved fully implanted hearing device in the US market. Unfortunately, the Esteem FI-AMEI failed to gain commercial traction, primarily due to a lack of reimbursement or insurance coverage from third-party payors.

Despite the commercial challenges, approximately 1,000 Esteem FI-AMEI devices were implanted. Some devices were implanted in the early 2000s during clinical trials, providing Envoy Medical with over two decades of experience with our implantable sensor technology. Throughout our experience, our sensor technology proved a viable alternative and robust option to external or implanted microphones.

In late 2015, we made the decision to shift our focus from the Esteem FI-AMEI to a new product that would leverage our sensor technology and incorporate it into a cochlear implant. As a result, we now have the Acclaim CI, a fully implanted cochlear implant. We believe that Acclaim CI gives us the opportunity to disrupt the existing cochlear implant market. The cochlear implant market is one that already has established market acceptance and reimbursement pathways. In the United States, before we can market a new Class III medical device, like the Acclaim CI, we must first receive FDA approval via the premarket application approval process.

The Investigational Device Exemption ("IDE") to begin a pivotal clinical study on the fully implanted Acclaim CI was granted by the FDA in October of 2024. Seven investigational sites were selected prior to the end of 2024. To date, five of the seven investigational sites have received Institutional Review Board ("IRB") approvals and been successfully activated. The two remaining sites are waiting for IRB approval and activation.

The IDE was approved as a "staged" clinical trial with the first stage allowing enrollment of 10 study participants. Envoy Medical may request expansion into the second stage once it has discussed initial three to six month data on the 10 study participants with the FDA. If allowed by the FDA to proceed into the second stage, an additional 46 study participants will be enrolled for a total study population of 56 patients.

The first two surgeries took place in February of 2025 and all 10 patients in the first stage were implanted by mid-April. To date, all 10 patients have been "activated" (i.e., devices turned on).

Timing of expansion beyond the first stage is dependent on data collection and subsequent discussions with the FDA about the data. Envoy Medical is currently targeting expansion into the second stage in the fourth quarter of 2025 or the first quarter of 2026.

Each implanted study participant will be followed through their 12 month visit. After all 56 patients have been through their 12 month visits, the data will be collected and analyzed in accordance with the clinical study protocol and statistical analysis plan. Upon finalization of the results, Envoy Medical intends to submit a Premarket Approval ("PMA") application to the FDA. The FDA will have 180 days to review the PMA unless a panel review is requested. If a panel review is requested, it may add several months of additional review time to the PMA. As a result, Envoy Medical currently anticipates obtaining the FDA's decision on our PMA at some point within the second half of 2027 or first half of 2028, depending on the FDA's review process and timeline.

The FDA approval process is uncertain and there can be no guarantees of whether the Acclaim CI will ever successfully receive FDA approval. In addition, we cannot predict the effects that changes to federal regulatory staffing, funding, and policies and procedures will have on the timeline and ultimate FDA approval decision. As a result, we cannot guarantee that we will receive FDA approval on a specific timeline, or at all.

We had a net losses of $5.7 million and $3.9 million for the three months ended June 30, 2025 and 2024, respectively, and $10.7 million and $10.2 million for the six months ended June 30, 2025 and 2024, respectively, and had an accumulated deficit of $297.9 million and $284.7 million as of June 30, 2025 and December 31, 2024, respectively. We have funded our operations to date primarily through the issuance of equity securities, term debt and convertible debt. We expect to continue to incur net losses for the foreseeable future, and expect our research and development expenses, sales and marketing expenses, general and administrative expenses, and capital expenditures will continue to increase. In particular, we expect our expenses to increase as we continue our development of the Acclaim CI and seek the necessary regulatory approvals for our product candidate, as well as hire additional personnel, pay fees to outside consultants, attorneys and accountants, and incur other increased costs associated with being a public company. In addition, if and when we seek and obtain regulatory approval to commercialize the Acclaim CI in the United States, we will also incur increased expenses in connection with commercialization and marketing of such product. Our net losses may fluctuate significantly from quarter-to-quarter and year-to-year, depending on the timing of our clinical trials, if any, and our expenditures on other research and development activities. We anticipate that our expenses will increase significantly in connection with our ongoing activities, if and as we:

- continue our research and development efforts for the Acclaim CI product candidate, including through clinical trials;
- seek additional regulatory and marketing approvals in jurisdictions outside the United States;
- establish a sales, marketing and distribution infrastructure to commercialize our product candidate;
- rely on our third-party suppliers and manufacturers to obtain adequate supply of materials and components for our products;
- seek to identify, assess, acquire, license, and/or develop other product candidates and subsequent generations of our current product candidate;
- seek to maintain, protect, and expand our intellectual property portfolio;
- seek to identify, hire, and retain additional skilled personnel;
- create additional infrastructure to support our operations as a public company and our product candidate development and planned future commercialization efforts; and
- experience any delays or encounter issues with respect to any of the above, including, but not limited to, failed studies, complex results, safety issues or other regulatory challenges that require longer follow-up of existing studies or additional supportive studies in order to pursue marketing approval.

We expect that our financial performance may fluctuate significantly from quarter-to-quarter and year-to-year due to the development status of our Acclaim CI product and our efforts to obtain regulatory approval and commercialize the Acclaim CI product.

The Acclaim CI has not yet been approved for sale. We do not expect to generate any product sales unless and until we successfully complete development and obtain regulatory approval for our product candidate. If we obtain regulatory approval for the Acclaim CI, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. As a result, until such time, if ever, that we can generate substantial product revenue, we expect to finance our cash needs through equity offerings, debt financings or other capital sources, including collaborations, licenses or similar arrangements. However, we may be unable to raise additional funds or enter into such other arrangements when needed or on favorable terms, if at all. Any failure to raise capital as and when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies, including our research and development activities. If we are unable to raise capital, we will need to delay, reduce, or terminate planned activities to reduce costs.

Macroeconomic Conditions

Our business and financial performance are impacted by macroeconomic conditions. Global macroeconomic challenges, such as the effects of the ongoing war between Russia and Ukraine, the Middle East conflict, supply chain constraints, tariffs and trade wars, market uncertainty, volatility in exchange rates, inflationary trends, interest rates, and evolving dynamics in the global trade environment have impacted our business, financial performance, and our ability to raise capital.

Furthermore, a recession or market correction resulting from macroeconomic factors could materially affect our business and the value of our Common Stock. The occurrence of any such events may lead to reduced disposable income which could adversely affect the number of Esteem FI-AMEI implants and replacement components sold as a result of customer and patient reluctance to seek treatment due to financial considerations.

Adverse macroeconomic conditions, including pandemics or international tensions, could also result in significant disruption of global economic conditions and consumer trends, as well as a significant disruption in financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity.

Key Components of Our Results of Operations

Revenue

Currently, we derive substantially all our revenue from the sale of the Esteem FI-AMEI implants and replacement components to Esteem FI-AMEI implants. We enter arrangements with patients to provide them with the Esteem FI-AMEI device, personal programmer devices, sound processor / battery assembly ("Battery") replacements, and/or an optional Care Plan, each of which are outputs of our ordinary activities in exchange for consideration. Revenue from product sales is recognized upon transfer of control of the product to a customer, which occurs at a point in time, when we are notified the product has been implanted or used by the customer in a surgical procedure. New implantations of the Esteem FI-AMEI are not expected to be more than a few per year and may be as low as zero. Although we believe it to be unlikely, Esteem FI-AMEI implantations could potentially increase with favorable reimbursement policy and coverage changes. We will continue our efforts to pursue positive reimbursement changes for fully implanted active middle ear implants. There will be continued nominal revenue from replacement of sound processors for patients who need a new Battery.

Upon commercialization of our Acclaim CI product, we expect that Acclaim CI revenues will more than exceed our Esteem FI-AMEI revenue. We are targeting FDA approval on our PMA for the Acclaim CI in the second half of 2027 or first half of 2028, depending on the FDA's review process and timeline.

Cost of Goods Sold

Cost of goods sold includes direct and indirect costs related to the manufacturing and distribution of the Esteem FI-AMEI, including materials, labor costs for personnel involved in the manufacturing process, distribution-related services, indirect overhead costs, and charges for excess and obsolete inventory reserves and inventory write-offs.

We expect cost of goods sold to increase or decrease in absolute dollars primarily as, and to the extent, our revenue grows or declines, respectively.

Operating Expenses

Research and Development Expenses

Research and development ("R&D") expenses consist of costs incurred for our research activities, primarily our discovery efforts and the development of the Acclaim CI product. We also incur R&D costs related to continuing to support, and improving upon where possible, our Esteem FI-AMEI product. We expense R&D costs as incurred, which include:

- salaries, employee benefits, and other related costs for our personnel engaged in R&D functions;
- service fees incurred under agreements with independent consultants, including their fees and related travel expenses engaged in R&D functions;
- costs of laboratory testing including supplies and acquiring, developing, and manufacturing study materials; and
- facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs.

Costs for certain development activities are recognized based on an evaluation of the progress to completion of specific tasks using information and data provided to us by our vendors, service providers and our clinical sites.

Our R&D expenses are currently tracked on a project basis. The majority of our R&D expenses incurred during the three and six months ended June 30, 2025 and 2024 were for the development of the Acclaim CI.

Our products require human clinical trials to obtain regulatory approval for commercial sales. We cannot determine with certainty the size, duration, or completion costs of future clinical trials, or if or when they may be completed. Furthermore, we do not know if the clinical trials will show positive or negative results, or what those results will mean for regulatory approval or commercialization efforts.

The duration, costs and timing of future clinical trials and development of our products will depend on a variety of factors, including:

- the scope, rate of progress, and expense of our ongoing, as well as any additional, clinical trials and other R&D activities;
- interest in or demand for both investigational site and subject enrollment;
- future clinical trial results;
- potential changes in government regulation;
- potential changes in the reimbursement landscape; and
- the timing and receipt of any regulatory approvals.

A change in the outcome of any of these variables with respect to the development of our Acclaim CI product could mean a significant change in the costs and timing associated with the development of that implant. If the FDA or another regulatory authority were to require us to conduct clinical trials beyond those that we currently anticipate, or if we experience significant delays in the enrollment in any clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development.

R&D activities are central to our business model. We expect that our R&D expenses will continue to increase for the foreseeable future as we initiate clinical trials for the Acclaim CI product and prepare the product for possible commercialization, should it gain regulatory approval(s). If the Acclaim CI product enters later stages of clinical trials and ongoing development, the product will generally incur higher R&D expenses than those in earlier stages of research and development, primarily due to simultaneously running clinical trials while also iterating the product for commercialization and preparing for the needs of commercialization. There are numerous factors associated with the successful commercialization of the Acclaim CI product or any products we may develop in the future, including future trial design and various regulatory requirements, many of which cannot be determined with accuracy at this time based on our stage of development. Additionally, future commercial and regulatory factors beyond our control will impact our clinical development program and plans.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of salaries, benefits, and other related costs for personnel in our sales and marketing functions. Sales and marketing expenses also include certain indirect costs associated with efforts to secure insurance reimbursement of our products. We expect our sales and marketing expenses to increase in the foreseeable future as we increase our sales and marketing personnel to support our continuing growth.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries, benefits, and other related costs for personnel in our executive, operations, legal, human resources, finance, insurance premiums, and administrative functions. Administrative expenses also include professional fees for legal, patent, consulting, accounting, tax and audit services, travel expenses and facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities, technology, and other operating costs.

We expect our general and administrative expenses to continue to increase in the foreseeable future as we increase our administrative personnel to support our continuing growth, our costs of expanding our operations and operating as a public company. These increases will likely include the hiring of additional personnel and legal, regulatory, and other fees and services associated with maintaining compliance with Nasdaq and SEC requirements, director and officer insurance costs and investor relations costs associated with being a public company.

Change in Fair Value of Forward Purchase Agreement Put Option Liability

We recognized the forward purchase agreement put option liability at fair value at each reporting period. The liability was subject to re-measurement at each balance sheet date, and any change in fair value was recognized in our unaudited condensed consolidated statements of operations and comprehensive loss. The forward purchase agreement put option liability has been derecognized as of March 31, 2024 due to the sale of the shares associated with the Forward Purchase Agreement during the first quarter of 2024.

Change in Fair Value of Forward Purchase Agreement Warrant Liability

We recognize the forward purchase agreement warrant liability at fair value at each reporting period. The liability is subject to re-measurement at each balance sheet date, and any change in fair value is recognized in our unaudited condensed consolidated statements of operations and comprehensive loss during each reporting period.

Change in Fair Value of Publicly Traded Warrant Liability

We recognize the publicly traded warrant liability at fair value at each reporting period. The liability is subject to re-measurement at each balance sheet date, and any change in fair value is recognized in our unaudited condensed consolidated statements of operations and comprehensive loss during each reporting period.

Interest Expense, Related Party

Interest expense, related party consists of accrued interest for the term loans held by a related party (the "Term Loans"), as well as amortization of the debt discount recorded as a result of the warrants issued with the Term Loans. Amortization of the debt discount is recorded over the respective terms of the Term Loans.

Other Expense, Net

Other expense for the three and six months ended June 30, 2025 and 2024 consists of interest incurred on insurance financing loans as well as interest income.

Results of Operations

Comparison of the three months ended June 30, 2025 and 2024

(In thousands, except percentages)	Three Months Ended June 30, 2025	2024	Change in $	Change in %
Net revenues	$ 78	$ 68	10	14.7%
Costs and operating expenses:				
Cost of goods sold	234	245	(11)	(4.5)%
Research and development	2,485	2,591	(106)	(4.1)%
Sales and marketing	361	497	(136)	(27.4)%
General and administrative	2,068	1,587	481	30.3%
Total costs and operating expenses	5,148	4,920	228	4.6%
Operating loss	(5,070)	(4,852)	(218)	4.5%
Other income (expense):				
Change in fair value of forward purchase agreement warrant liability	37	244	(207)	(84.8)%
Change in fair value of publicly traded warrant liability	(32)	801	(833)	(104.0)%
Interest expense, related party	(624)	(132)	(492)	372.7%
Other expense, net	(1)	(8)	7	(87.5)%
Total other income (expense), net	(620)	905	(1,525)	(168.5)%
Net loss	(5,690)	(3,947)	(1,525)	38.6%

Net Revenues

Net revenues increased $10 thousand for the three months ended June 30, 2025, compared to the three months ended June 30, 2024. Revenues were flat and not significant to the results of our operations.

Cost of Goods Sold

Cost of goods sold decreased $11 thousand for the three months ended June 30, 2025, compared to the three months ended June 30, 2024. The decrease is due to reduction in Esteem FI-AMEI material waste during production offset by increases to the inventory reserve and supplier expenses.

Research and Development Expenses

The following table summarizes the components of our R&D expenses for the three months ended June 30, 2025 and 2024:

(In thousands, except percentages)	Three Months Ended June 30, 2025	2024	Change in $	Change in %
R&D product costs	$ 1,118	$ 1,591	$ (473)	(29.7)%
R&D personnel costs	1,115	861	254	29.5%
Other R&D costs	252	139	113	81.3%
Total research and development costs	$ 2,485	$ 2,591	$ (106)	(4.1)%

R&D expenses decreased $0.1 million for the three months ended June 30, 2025, compared to the three months ended June 30, 2024. R&D product costs decreased $0.5 million from the prior period as we moved from the development phase into the clinical trials phase. Personnel costs and other R&D costs increased $0.3 million and $0.1 million, respectively, from the prior period to support the clinical trials with additional headcount and equipment, respectively.

Sales and Marketing Expenses

Sales and marketing expenses decreased $0.1 million for the three months ended June 30, 2025, compared to the three months ended June 30, 2024. The decrease is due to a reduction of legal and professional fees of $0.2 million associated with securing insurance reimbursement for the Esteem FI-AMEI product, partially offset by increased headcount and travel of less than $0.1 million.

General and Administrative Expenses

General and administrative expenses increased $0.5 million for the three months ended June 30, 2025, compared to the three months ended June 30, 2024. The increase is primarily due to a $0.3 million severance accrual for the former CFO for the three months ended June 30, 2025.

Change in Fair Value of Forward Purchase Agreement Warrant Liability

The gain from the change in the fair value of the forward purchase agreement warrant liability was $37 thousand for the three months ended June 30, 2025 compared to a gain of $0.2 million for the three months ended June 30, 2024 primarily due to the decrease in stock price.

Change in Fair Value of Publicly Traded Warrant Liability

The loss from the change in the fair value of the publicly traded warrant liability was $32 thousand for the three months ended June 30, 2025 compared to a gain of $0.8 million for the three months ended June 30, 2024. This fluctuation is due to an increase in the Company's closing price for those warrants during the 2025 period as compared to the 2024 period.

Interest Expense, Related Party

Interest expense, related party increased $0.5 million for the three months ended June 30, 2025, compared to the three months ended June 30, 2024. The increase is due to additional issuances of Term Loans between the two periods.

Other Expense, Net

Other expense decreased by $7 thousand for the three months ended June 30, 2025 compared to the three months ended June 30, 2024, due to a reduction in interest incurred on insurance financing loans.

Comparison of the six months ended June 30, 2025 and 2024

(In thousands, except percentages)	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024	Change in $	Change in %
Net revenues	$ 124	$ 127	$ (3)	(2.4)%
Costs and operating expenses:				
Cost of goods sold	460	398	62	15.6%
Research and development	5,233	4,951	282	5.7%
Sales and marketing	719	822	(103)	(12.5)%
General and administrative	3,889	3,691	198	5.4%
Total costs and operating expenses	10,301	9,862	439	4.5%
Operating loss	(10,177)	(9,735)	(442)	4.5%
Other income (expense):				
Change in fair value of forward purchase agreement put option liability	—	103	(103)	(100.0)%
Change in fair value of forward purchase agreement warrant liability	458	(18)	476	(2644.4)%
Change in fair value of publicly traded warrant liability	162	(376)	538	(143.1)%
Interest expense, related party	(1,119)	(168)	(951)	566.1%
Other expense, net	(12)	(23)	11	(47.8)%
Total other income (expense), net	(511)	(482)	(29)	6.0%
Net loss	$ (10,688)	$ (10,217)	$ (471)	4.56%

Net Revenues

Net revenues decreased $3 thousand for the six months ended June 30, 2025, compared to the six months ended June 30, 2024. Revenues were flat and not significant to the results of our operations.

Cost of Goods Sold

Cost of goods sold increased $62 thousand for the six months ended June 30, 2025, compared to the six months ended June 30, 2024. The increase is primarily due to an increase in headcount in preparation of production growth of the Esteem FI-AMEI product.

Research and Development Expenses

The following table summarizes the components of our R&D expenses for the six months ended June 30, 2025 and 2024:

(In thousands, except percentages)	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024	Change in $	Change in %
R&D product costs	$ 2,585	$ 2,933	$ (348)	(11.9)%
R&D personnel costs	2,176	1,718	458	26.7%
Other R&D costs	472	300	172	57.3%
Total research and development costs	$ 5,233	$ 4,951	$ 282	5.7%

R&D expenses increased $0.3 million for the six months ended June 30, 2025, compared to the six months ended June 30, 2024. R&D product costs decreased $0.3 million from the prior period as we moved from the development phase into the clinical trials phase. Personnel costs and other R&D costs increased $0.5 million and $0.2 million, respectively, from the prior period to support the clinical trials with increased headcount and equipment, respectively.

Sales and Marketing Expenses

Sales and marketing expenses decreased $0.1 million for the six months ended June 30, 2025, compared to the six months ended June 30, 2024. The decrease is primarily due to a reduction of legal and professional fees of $0.3 million associated with securing insurance reimbursement for the Esteem FI-AMEI product, partially offset by increased headcount and travel of $0.1 million.

General and Administrative Expenses

General and administrative expenses increased $0.2 million for the six months ended June 30, 2025, compared to the six months ended June 30, 2024. The increase is primarily due to a $0.3 million severance accrual for the former CFO partially offset by $0.2 million in reduced professional services for the six months ended June 30, 2025.

Change in Fair Value of Forward Purchase Agreement Put Option Liability

The change in the fair value of the forward purchase agreement put option liability was zero for the six months ended June 30, 2025 compared to a gain of $0.1 million for the six months ended June 30, 2024. During the first quarter of 2024, the shares associated with the forward purchase agreement put option were sold.

Change in Fair Value of Forward Purchase Agreement Warrant Liability

The gain from the change in the fair value of the forward purchase agreement warrant liability was $0.5 million for the six months ended June 30, 2025 compared to a loss of $18 thousand for the six months ended June 30, 2024. The $0.5 million increase is primarily due to the decrease in stock price.

Change in Fair Value of Publicly Traded Warrant Liability

The gain from the change in the fair value of the publicly traded warrant liability was $0.2 million for the six months ended June 30, 2025 compared to a loss of $0.4 million for the six months ended June 30, 2024. The fluctuation is due to a decrease in the Company's closing price for those warrants during the 2025 period compared to the 2024 period.

Interest Expense, Related Party

Interest expense, related party increased $1.0 million for the six months ended June 30, 2025, compared to the six months ended June 30, 2024. The increase is due to additional issuances of Term Loans between the two periods.

Other Expense, Net

Other expense decreased by $11 thousand for the six months ended June 30, 2025 compared to the six months ended June 30, 2024, due to a reduction in interest incurred on insurance financing loans.

Liquidity and Capital Resources

Since inception, we have incurred significant operating losses. We expect to continue to incur significant expenses and operating losses for the foreseeable future as we advance the clinical development of our products and fund the process of clinical FDA trials. We have funded our operations to date primarily with proceeds from issuing equity securities, term loans, convertible notes and proceeds from the Business Combination. As of June 30, 2025 and December 31, 2024, we had $5.3 million and $5.5 million of cash, respectively.

We proactively manage our access to capital to support liquidity and continued growth. Our sources of capital include issuances of our Common Stock, Series A preferred stock ("Preferred Stock"), warrants, convertible debt, term debt and other financing agreements such as the Forward Purchase Agreement, and proceeds from the sales of the Esteem FI-AMEI implants and replacement components. See Note 1, "*Nature of the Business and Basis of Presentation*", of the accompanying unaudited condensed consolidated financial statements included elsewhere in this Report.

We may seek to raise any necessary additional capital through a combination of public or private equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements and other marketing and distribution arrangements. There can be no assurance that we will be successful in acquiring additional funding at levels sufficient to fund our operations or on terms favorable to us. Based on our cash position as of June 30, 2025, assuming there is no additional funding through the Forward Purchase Agreement or ATM, we expect to have sufficient funds for our operations through September 2025. Proceeds from the Forward Purchase Agreement or ATM, which we expect, will provide us with funding beyond September 2025. We have based our estimates as to how long we expect we will be able to fund our operations on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect, in which case we would be required to obtain additional financing sooner than currently projected, which may not be available to us on acceptable terms, or at all. If we are unable to raise sufficient financing when needed or events or circumstances occur such that we do not meet our strategic plans, we may be required to reduce certain discretionary spending, be unable to develop new or enhanced production methods, or be unable to fund capital expenditures, which could have a material adverse effect on our financial position, results of operations, cash flows, and ability to achieve our intended business objectives. These matters raise substantial doubt about our ability to continue as a going concern. To the extent that we raise additional capital through additional collaborations, strategic alliances, or licensing arrangements with third parties, we may have to relinquish valuable rights to our Acclaim CI, future revenue streams, research programs or to grant licenses on terms that may not be favorable to us. If we do raise additional capital through public or private equity or convertible debt offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, or declaring dividends.

Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in the section of the Form 10-K titled "Risk Factors – Risks Relating to Our Business and Operations."

Cash Flows

The following table presents a summary of our cash flow for the periods indicated (in thousands):

	Six Months Ended June 30,	
	2025	**2024**
Net cash (used in) provided by:		
Operating activities	$ (8,185)	$ (10,235)
Investing activities	(7)	(899)
Financing activities	7,992	8,664
Effect of exchange rate changes on cash	4	(2)
Net decrease in cash	$ (196)	$ (2,472)

Cash Flows Used in Operating Activities

Net cash used in operating activities for the six months ended June 30, 2025 was primarily used to fund a net loss of $10.7 million and $1.0 million of cash inflows from net changes in the levels of operating assets and liabilities, adjusted for non-cash expenses in an aggregate amount of $1.5 million.

The $1.0 million of cash inflows from net changes in the levels of operating assets and liabilities was primarily due to a decrease of $0.8 million in other receivable due to the receipt of an income tax refund, an increase to a severance accrual of $0.3 million, as well as other typical fluctuations resulting from timing of cash receipts and disbursements within operating accounts. We will continue to evaluate our capital requirements for both short-term and long-term liquidity needs, which could be affected by various risks and uncertainties, including, but not limited to, the effects of the current inflationary environment, rising interest rates, and other risks detailed in the section of this Report titled "*Risk Factors*."

Net cash used in operating activities for the six months ended June 30, 2024 was primarily used to fund a net loss of $10.2 million, adjusted for non-cash expenses in aggregate amount of $1.0 million and $1.0 million of cash used from net changes in the levels of operating assets and liabilities.

The $1.0 million of cash outflows from net changes in the levels of operating assets and liabilities was primarily due to a decrease of $1.3 million in accrued expenses resulting from payments of Series A Preferred Stock dividends as well as an increase of $0.4 million in inventories resulting from purchases of Battery replacement parts for the Esteem FI-AMEI.

Cash Flows Used in Investing Activities

Net cash used in investing activities for the six months ended June 30, 2025 was $7 thousand and consisted of purchases of computer equipment.

Net cash used in investing activities for the six months ended June 30, 2024 was $0.9 million and consisted of purchases of property and equipment, and deposits on equipment not yet placed in service.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2025 was $8.0 million and was primarily a result of proceeds from the issuance of Term Loans in the amount of $10.0 million, proceeds from the ATM of $0.2 million, and from the employee stock purchase plan of less than $0.1 million, partially offset by dividends paid to preferred stockholders in the amount of $1.8 million and payments made on insurance financing loans of $0.5 million.

Net cash provided by financing activities for the six months ended June 30, 2024 was $8.7 million primarily related to the $7.5 million proceeds from Term Loans as well as the receipt of $1.7 million from the sale of Common Stock associated with the Forward Purchase Agreement.

Contractual Obligations and Commitments

Our principal commitments consist of our operating leases for office space, a litigation matter arising from the Company's Business Combination, and Term Loans with GAT Funding, LLC in several installments totaling $30.0 million in outstanding principal (gross before discount for the fair value of the warrants of $2.7 million) as of June 30, 2025. Information on our open litigation matter is included in Note 13, "*Commitments and Contingencies"*, and details on the Term Loans are described in Note 8, "*Debt (Related Party)"* of the accompanying unaudited condensed consolidated financial statements included elsewhere in this Report.

Off-Balance Sheet Arrangements

During the periods presented, we did not have, nor do we currently have, any off-balance sheet arrangements as defined under the rules and regulations of the SEC.

Related Party Arrangements

Our related party arrangements consist of receiving term loan financings, leasing our headquarters office space, and contracting for IT services from a stockholder. For further information on the related party arrangements, refer to Note 8, "*Debt (Related Party)"* and Note 12, "*Related Party Transactions",* of the accompanying unaudited condensed consolidated financial statements included elsewhere in this Report.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of our operations is based on our unaudited condensed consolidated financial statements and accompanying notes, which have been prepared in accordance with accounting principles generally accepted in the United States. Certain amounts included in or affecting the unaudited condensed consolidated financial statements presented in this Form 10-Q and related disclosure must be estimated, requiring management to make assumptions with respect to values or conditions which cannot be known with certainty at the time the unaudited condensed consolidated financial statements are prepared. Management believes that the accounting policies set forth below comprise the most important "critical accounting policies" for the Company. A "critical accounting policy" is one which is both important to the portrayal of our financial condition and results of operations and that involves difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management evaluates such policies on an ongoing basis, based upon historical results and experience, consultation with experts and other methods that management considers reasonable in the particular circumstances under which the judgments and estimates are made, as well as management's forecasts as to the manner in which such circumstances may change in the future.

Fair Value Measurements

We determine the fair value of financial assets and liabilities using the fair value hierarchy established in Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement* ("ASC 820"). ASC 820 identifies fair value as the exchange price, or exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The hierarchy describes three levels of inputs that may be used to measure fair value, as follows:

- **Level 1** - Observable inputs, such as quoted prices in active markets for identical assets and liabilities.
- **Level 2** - Observable inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available.

The following table summarizes the activity for our Level 3 instruments measured at fair value on a recurring basis (in thousands):

	Forward Purchase Agreement Warrant Liability
Balance as of December 31, 2024	$ 472
Change in fair value	(458)
Balance as of June 30, 2025	$ 14

The fair value of the forward purchase agreement warrant liability, which is a Level 3 fair value measurement, was estimated using a Monte Carlo simulation model. Key estimates and assumptions impacting the fair value measurement include (i) the Company's stock price, (ii) the initial exercise price, (iii) volatility, (iv) the remaining term and (v) the risk-free rate.

Research and Development Expenses

We will incur substantial expenses associated with prototyping, improvements, testing and clinical trials. Accounting for clinical trials relating to activities performed by external vendors requires us to exercise significant estimates regarding the timing and accounting for these expenses. We estimate costs of R&D activities conducted by service providers, which include the conduct of sponsored research and contract manufacturing activities. The diverse nature of services being provided for our clinical trials and other arrangements, the different compensation arrangements that exist for each type of service and the lack of timely information related to certain clinical activities complicates the estimation of accruals for services rendered by third parties in connection with clinical trials. We record the estimated costs of R&D activities based upon the estimated amount of services provided but not yet invoiced and include these costs in accrued expenses or prepaid expenses on the consolidated balance sheets and within R&D expense on the consolidated statements of operations and comprehensive loss. In estimating the duration of a clinical study, we evaluate the start-up, treatment and wrap-up periods, compensation arrangements and services rendered attributable to each clinical trial and fluctuations are regularly tested against payment plans and trial completion assumptions.

We estimate these costs based on factors such as estimates of the work completed and budget provided and in accordance with agreements established with our collaboration partners and third-party service providers. We make significant judgments and estimates in determining the accrued liabilities and prepaid expense balances in each reporting period. As actual costs become known, we adjust our accrued liabilities or prepaid expenses. We have not experienced any material differences between accrued costs and actual costs incurred since our inception.

Our expenses related to clinical trials will be based on estimates of patient enrollment and related expenses at clinical investigator sites as well as estimates for the services received and efforts expended pursuant to contracts with multiple research institutions that may be used to conduct and manage clinical trials on our behalf. We will accrue expenses related to clinical trials based on contracted amounts applied to the level of patient enrollment and activity. If timelines or contracts are modified based upon changes in the clinical trial protocol or scope of work to be performed, we will modify our estimates of accrued expenses accordingly on a prospective basis.

Product Warranty

During 2013, we offered a lifetime warranty to clinical trial patients to cover Battery and surgery related costs. We estimate the costs that may be incurred under this lifetime warranty and record a liability in the amount of such costs at its present value. The assumptions utilized in developing the liability include an estimated cost per unit of $6 thousand, an average Battery life of five years, inflationary increases, discount rate, and an average patient life calculated on probabilities outlined in the PRI-2012 mortality tables, published from the Society of Actuaries.

Stock-based Compensation

Stock-based compensation is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the requisite service period. The fair value of stock-based payment awards granted through June 30, 2024 is estimated using the Black-Scholes option model with a volatility figure derived from using a determined peer group of other companies' stock prices since the trading history of our stock was too short to provide accurate data. The fair value of stock-based payment awards granted subsequent to June 30, 2024 is estimated using the Black-Scholes option model with a volatility figure derived from using the trading history of our Common Stock as well as a group of peer companies as the options have a longer expected term than the trading history of our Common Stock. We account for the expected term of options in accordance with the "simplified" method, which is used for "plain-vanilla" options, as defined in ASC Topic 718, *Compensation - Stock Compensation*. The risk-free interest rate was determined from the implied yields of U.S. Treasury zero-coupon bonds with a remaining life consistent with the expected term of the options.

We adopted the guidance from Accounting Standards Update 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Compensation Accounting,* and we determined not to apply a forfeiture rate and have made the accounting election that forfeitures will be recognized when the actual forfeiture takes place therefore no estimated forfeiture rate will be recorded.

Emerging Growth Company

Section 102(b)(1) of the Jumpstart Our Business Startups Act ("JOBS Act") exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or no not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public and private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard, until such time we are no longer considered to be an emerging growth company. At times, we may elect to early adopt a new or revised standard.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of market risks, including currency risk, credit and counterparty risk, and inflation risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Currency Risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the change in foreign exchange rates. We primarily operate in the United States and Germany with most of the transactions settled in the United States dollar. Our presentation and functional currency is the United States dollar. Certain bank balances, deposits and other payables are denominated in the Euro, which exposes us to foreign currency risk. However, any transactions that may be conducted in foreign currencies are not expected to have a material effect on our results of operations, financial position or cash flows.

Credit and Counterparty Risk

Financial instruments that potentially expose us to concentrations of credit risk consist primarily of cash and accounts receivable, net. Periodically, we maintain deposits in accredited financial institutions in excess of federally insured limits. We maintain cash with financial institutions that management believes to be of high credit quality. We have not experienced any losses on such accounts and do not believe we are exposed to any unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

With respect to accounts receivable, we perform credit evaluations of our customers and do not require collateral. There have been no material losses on accounts receivable. There were no customers that accounted for 10% or more of sales three and six months ended June 30, 2025 and 2024.

Inflation Risk

Inflationary factors, such as increases in our cost of goods sold and selling and operating expenses, may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain and increase our gross margin and decrease our selling and marketing and operating expenses as a percentage of our revenue if the selling prices of our products do not increase as much as or more than these increased costs.

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 by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Interim Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2025, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on the evaluation of our disclosure controls and procedures as of June 30, 2025, our Chief Executive Officer and Interim Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were not effective due to the existence of the material weaknesses in the Company's internal control over financial reporting described below.

Notwithstanding the conclusion by our Chief Executive Officer and Interim Chief Financial Officer that our disclosure controls and procedures as of June 30, 2025 were not effective, and notwithstanding the material weaknesses in our internal control over financial reporting described below, management believes that the unaudited condensed consolidated financial statements and related financial information included in this Quarterly Report on Form 10-Q fairly present in all material respects our financial condition, results of operations and cash flows as of the dates presented, and for the periods ended on such dates, in conformity with accounting principles generally accepted in the United States ("U.S. GAAP").

Material Weaknesses in Internal Control Over Financial Reporting

Management concluded the following material weaknesses existed as of June 30, 2025:

- The Company does not maintain a sufficient complement of personnel with accounting knowledge, experience and training to appropriately analyze, record and disclose certain accounting matters to provide reasonable assurance of preventing material misstatements.

- The Company's management does not implement a formal risk assessment that addresses risks relevant to financial reporting objectives, including cybersecurity and fraud risks.

- The Company has not designed, documented and maintained formal accounting policies, procedures and controls over significant accounts and disclosures to achieve complete, accurate and timely financial accounting, reporting and disclosures, including segregation of duties and adequate controls related to the preparation, posting, modification and review of journal entries, and the accounting treatment of complex transactions, including fair value measurements under U.S. GAAP.

- The Company has not designed and maintained effective controls over certain information technology general controls for information systems that are relevant to the preparation of its unaudited condensed consolidated financial statements, including ineffective controls around user access and segregation of duties.

Considering this, the Company performed additional procedures and analyses as deemed necessary to ensure that its financial statements were prepared in accordance with U.S. GAAP.

The Company has begun the process of conducting a formal risk assessment and implementation of a plan to remediate these material weaknesses. These remediation measures are ongoing and include the following steps:

- hiring additional accounting and financial reporting personnel with appropriate technical accounting knowledge and public company experience in financial reporting;

- designing, documenting, and implementing effective processes and controls over significant accounts and disclosure;

- designing and implementing security management and change management controls over information technology systems, including adjusting user access levels and implementing external logging on activity and periodic review of such logs; and

- engaging an accounting advisory firms to assist with the documentation, evaluation, remediation and testing of the Company's internal control over financial reporting based on the criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Changes in Internal Control Over Financial Reporting

Other than the appointment of an Interim Chief Financial Officer, disclosed in the Company's Form 8-K, dated and filed with the SEC on June 19, 2025 there was no change in the Company's internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2025 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II

ITEM 1. Legal Proceedings

From time to time, we may be involved in various claims and legal actions in the ordinary course of business. Except as described below, we are not currently involved in any material legal proceedings outside the ordinary course of our business.

On November 14, 2023, the Company, Whitney Haring-Smith (the former chief executive officer and a former director of the Company), Daniel Hirsch (the former chief financial officer of the Company), and Anzu SPAC GP I LLC were named as defendants in a complaint filed by Atlas Merchant Capital SPAC Fund I LP ("Atlas") in the Delaware Court of Chancery. Atlas alleges that it was not allowed to redeem its shares of the Company's Common Stock and that Defendants acted to prevent Atlas's attempt to redeem its shares. Defendants assert that Atlas did not comply with the requirements for redeeming shares set forth in the Company's organizational documents. Atlas asserts damages in the amount of approximately $9.4 million, pre- and post-judgment interest, costs, and reasonable attorneys' fees. The Company has standard indemnification obligations to Dr. Haring-Smith and Mr. Hirsch. The Company believes that the lawsuit is meritless and has been defending this matter vigorously. The Company is unable to predict the outcome of this legal proceeding.

ITEM 1A. Risk Factors

As a smaller reporting company, we are not required to provide the information called for by this Item. However, for a discussion of the material risks, uncertainties and other factors that could have a material effect on us, please refer to the risk factors disclosed in the section of the Form 10-K titled "Risk Factors," as filed with the SEC on March 31, 2025.

ITEM 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchase of Equity Securities

During the fiscal quarter ended June 30, 2025, there were no unregistered sales of our securities that were not reported in a Current Report on Form 8-K.

ITEM 3. Default Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

During the fiscal quarter ended June 30, 2025, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference			
		Schedule/ Form	File No.	Exhibit	Filing Date
2.1 (+)	Business Combination Agreement, dated as of April 17, 2023, by and among Anzu Special Acquisition Corp I, Envoy Merger Sub, Inc. and Envoy Medical Corporation.	8-K	001-40133	2.1	April 18, 2023
2.2	Amendment No. 1 to the Business Combination Agreement, dated May 12, 2023, by and among Anzu Special Acquisition Corp I, Envoy Merger Sub, Inc. and Envoy Medical Corporation.	S-4	333-271920	2.2	May 15, 2023
2.3	Amendment No. 2 to the Business Combination Agreement, dated August 31, 2023, by and among Anzu Special Acquisition Corp I, Envoy Merger Sub, Inc. and Envoy Medical Corporation.	S-4/A	333-271920	2.3	September 1, 2023
3.1	Second Amended and Restated Certificate of Incorporation of the Company.	8-K	001-40133	3.1	October 5, 2023
3.2	Amended and Restated Bylaws of the Company.	8-K	001-40133	3.2	October 5, 2023
3.3	Certificate of Designation of Series A Preferred Stock of the Company.	8-K	001-40133	3.3	October 5, 2023
4.1	Warrant Agreement, dated March 1, 2021, between Anzu Special Acquisition Corp I and Equiniti Trust Company, LLC (formerly known as American Stock Transfer & Trust Company, LLC), as Warrant Agent.	8-K	001-40133	10.1	March 4, 2021
4.2	Form of Shortfall Warrant.	S-1/A	333-276590	4.2	February 15, 2024
4.3	Description of Securities.	10-K	001-40133	4.3	April 1, 2024
4.4	Form of Private Warrant	10-K	001-0133	4.4	March 31, 2025
10.1#	Amended and Restated Envoy Medical, Inc. 2023 Equity Incentive Plan	8-K	001-40133	10.1	May 28, 2025
10.2#	Consulting Agreement by and between the Company and Oasis Business Consulting, LLC, dated effective June 23, 2025.	8-K	001-40133	10.1	June 19, 2025
31.1 (*)	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).				
31.2 (*)	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).				
32.1 (**)	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2 (**)	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Unaudited Condensed Balance Sheets; (ii) Unaudited Condensed Statements of Operations; (iii) Unaudited Condensed Statements of Changes in Stockholders' Equity; (iv) Unaudited Condensed Statements of Cash Flows; and (v) Notes to Unaudited Condensed Financial Statements.				
104(#)	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).				

(*) Filed herewith

(**) Furnished herewithFiled herewith.

(#) Indicates a management contract or compensatory plan.

(+) Certain schedules and exhibits to this Exhibit have been omitted pursuant to Item 601(a)(5) or Item 601(b)(10)(iv), as applicable, of Regulation S-K. The registrant agrees to furnish supplemental copies of all omitted exhibits and schedules to the Securities and Exchange Commission upon its request.

PART III - SIGNATURES

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

ENVOY MEDICAL, INC.

July 31, 2025

/s/ Brent T. Lucas

Name: Brent T. Lucas
Title: Chief Executive Officer
(Principal Executive Officer)

July 31, 2025

/s/ Robert Potashnick

Name: Robert Potashnick
Title: Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)

UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brent T. Lucas, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Envoy Medical, Inc.;

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

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

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

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

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

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

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

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

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

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

Dated: July 31, 2025

/s/ Brent T. Lucas
Brent T. Lucas
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)

UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robby Potashnick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Envoy Medical, Inc.;

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

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

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

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

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

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

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

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

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

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

Dated: July 31, 2025

/s/ Robert Potashnick
Robert Potashnick
Interim Chief Financial Officer
(Principal Financial Officer;
Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION OF CEO 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 on Form 10-Q of Envoy Medical, Inc. (the "Company") for the quarter ended June 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Brent T. Lucas, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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.

/s/ Brent T. Lucas
Brent T. Lucas
Chief Executive Officer
(Principal Executive Officer)
July 31, 2025

Exhibit 32.2

CERTIFICATION OF CFO 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 on Form 10-Q of Envoy Medical, Inc. (the "Company") for the quarter ended June 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Robert Potashnick, as Interim Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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.

/s/ Robert Potashnick
Robert Potashnick
Interim Chief Financial Officer
(Principal Financial Officer;
Principal Accounting Officer)
July 31, 2025