



APPENDIX 4D  
HALF YEAR REPORT

**LIMEADE, INC.**

For the half-year ended 30 June 2020

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**Limeade, Inc.****Appendix 4D**

For the half-year ended 30 June 2020

**1. COMPANY DETAILS**

Name of entity:	Limeade, Inc.
ABN:	637 017 602
Reporting Period:	For the half-year ended 30 June 2020
Previous Period:	For the half-year ended 30 June 2019

**2. RESULTS FOR ANNOUNCEMENT TO THE MARKET (NOTE: in US dollars, in thousands)**

	Up/(down)	% change	30 June 2020	30 June 2019
Revenue from ordinary activities	5,489	24.3%	28,041	22,552
(Loss) from ordinary activities after tax attributable to shareholders	200	13.0%	(1,339)	(1,539)
Net (Loss) attributable to shareholders	203	13.2%	(1,336)	(1,539)

**3. DIVIDEND**

The company has not declared, and does not propose to pay, any dividends for the half-year ended 30 June 2020. There are no dividend or dividend reinvestment plans in operation.

**4. NET TANGIBLE ASSETS PER SECURITY**

	30 June 2020	30 June 2019
Net tangible assets per security	.08	(.06)

Net tangible assets are defined as the net assets of Limeade, Inc., less intangible assets.

**5. PRINCIPAL ACTIVITIES**

The principal activity of Limeade, Inc. is the development and sale of enterprise employee experience software.

**6. COMMENTARY ON RESULTS**

Limeade is a leading provider of employee experience software solutions to enterprise customers. Through its software solutions, Limeade helps organisations better care for their employees. Limeade believes that when organisations invest in their employees, it is easier for them to attract, retain, engage and enable them to perform better. Limeade solutions are designed to elevate the employee experience and infuse care across all levels of an organisation.

## **6. COMMENTARY ON RESULTS (CONTINUED)**

### **Business summary and key performance indicators**

The key performance indicators of the financial results are as follows:

- An increase in revenue from \$22.6 million for the half-year ended 30 June 2019 to \$28.0 million for the half-year ended 30 June 2020 which is a 24.3% improvement.
- The revenue increase of \$5.5 million reflects the additional revenue from new customers and additional sales to existing customers signed during the fiscal year 2019.
- The net loss for the half-year ended 30 June 2020 is \$1.3 million compared to a loss of \$1.5 million for the half-year ended 30 June 2019.
- The net cash provided/used by operating activities for half-year ended 30 June 2020 is (\$0.5) million compared to a \$0.2 million for the half-year ended 30 June 2019.

Limeade continued to focus on growth with investment in sales and marketing. Sales and marketing expenses increased 26% from \$7.6 million for the half-year ended 30 June 2019 to \$9.6 million for the half-year ended 30 June 2020. The main driver of increased expenses was additional headcount with the average headcount in sales and marketing increasing from 59 for the half-year ended 30 June 2019 to 75 for the half-year ended 30 June 2020.

Continued development of the Limeade platform resulted in an increase of research and development expenses growing 17% from \$7.5 million for the half-year ended 30 June 2019 to \$8.7 million for the half-year ended 30 June 2020. The increase in expense was the result of additional headcount with the average headcount in research and development increasing from 85 for the half-year ended 30 June 2019 to 97 for the half-year ended 30 June 2020.

The cash balance was \$28.4 million at 30 June 2020 with \$0 outstanding on the bank line of credit compared to a \$2.3 million cash balance with \$2.5 million outstanding on the bank line of credit at 30 June 2019. The bank line of credit was fully paid off in December 2019.

## **7. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD**

There are no entities over which control has been gained or lost during the period.

## **8. ASSOCIATES AND JOINT VENTURE ENTITIES**

There are no associate or joint venture entities.

## **9. FOREIGN ENTITY ACCOUNTING STANDARDS**

The financial statement contained within the Half Year Report have been prepared in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP").

## 10. FINANCIAL REPORT

The following financial report included in this Appendix 4D should be read in conjunction with any public announcements made by Limeade, Inc. in accordance with the continuous disclosure obligations of the ASX listing Rules.

This Appendix 4D and the included financial information are based on the Consolidated Financial Statements and Notes of Limeade, Inc. which have been reviewed by Deloitte & Touche LLP.

**SIGNED**



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Toby Davis  
Chief Financial Officer

28 August 2020



REPORT OF INDEPENDENT AUDITORS  
AND CONSOLIDATED FINANCIAL STATEMENTS

**LIMEADE, INC.**

For the Half-Year Ended June 30, 2020 and 2019

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## INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors and Shareholders of Limeade, Inc.

We have reviewed the accompanying consolidated balance sheet of Limeade, Inc. and its subsidiaries (the "Company") as of June 30, 2020, and the related consolidated statements of operations, comprehensive loss, stockholders' equity (deficit), and cash flows for the six-month period ended June 30, 2020 (the "interim financial information"). The consolidated statements of operations, comprehensive loss, stockholders' equity (deficit), and cash flows for the six-month period ended June 30, 2019, were reviewed by other auditors whose report dated November 27, 2019, stated that based on their review, they were not aware of any material modifications that should be made to those statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### Management's Responsibility for the Interim Financial Information

The Company's management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

### Auditors' Responsibility

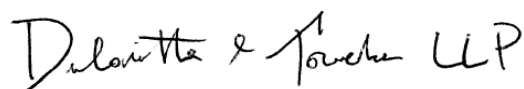
Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

### Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the interim financial information as of June 30, 2020 and for the six-month period ended June 30, 2020, for it to be in accordance with accounting principles generally accepted in the United States of America.

### Report on Consolidated Balance Sheet as of December 31, 2019

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of December 31, 2019, and the related consolidated statements of operations, comprehensive loss, stockholders' equity (deficit), and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion, which included an emphasis-of-matter paragraph relating to the adoption of new accounting guidance, on those audited consolidated financial statements in our report dated February 27, 2020. In our opinion, the accompanying consolidated balance sheet of the Company as of December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



DELOITTE & TOUCHE LLP

August 28, 2020

**Limeade, Inc.**  
**Consolidated Balance Sheets**  
(In US Dollars, in thousands)

	June 30, 2020 (unaudited)	December 31, 2019
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 28,396	\$ 31,962
Accounts receivable, net of allowance for doubtful accounts of \$118 and \$80, respectively	5,950	7,300
Prepaid expenses	4,512	4,326
Total current assets	38,858	43,588
<b>Non-current assets</b>		
Property and equipment - net	753	855
Capitalized software development costs - net	5,164	3,966
Operating lease right-of-use assets - net	3,146	3,738
Goodwill	1,153	1,153
Intangible assets - net	1,189	1,377
Other non-current assets	408	449
<b>Total assets</b>	\$ 50,671	\$ 55,126
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Trade payables	\$ 2,072	\$ 3,748
Accrued compensation	3,468	3,892
Accrued expenses	5,148	5,648
Operating lease right-of-use liabilities, current	1,117	1,287
Finance lease liabilities, current	—	4
Deferred revenue	10,523	8,315
Customer deposits	269	2,094
Acquisition hold-back	—	571
Income taxes payable	6	23
Total current liabilities	22,603	25,582
<b>Non-current liabilities</b>		
Acquisition hold-back	—	—
Operating lease right-of use liabilities, non-current	2,134	2,602
Deferred tax liability - non-current	2	2
Total non-current liabilities	2,136	2,604
<b>Total liabilities</b>	24,739	28,186
<b>Commitments and contingencies - see Note 9</b>		
<b>Shareholders' equity</b>		
Common stock	—	—
Additional paid-in capital	66,734	66,407
Accumulated (deficit)	(40,802)	(39,467)
<b>Total stockholders' equity</b>	25,932	26,940
<b>Total Liabilities and stockholders' equity</b>	\$ 50,671	\$ 55,126

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



**Limeade, Inc.**  
**Consolidated Statements of Operations**  
(In US Dollars, in thousands, except per share data)

	<b>For the Half Year Ended June 30</b>	
	2020	2019
	(unaudited)	(unaudited)
<b>Revenue:</b>		
Subscription services	\$ 26,372	\$ 20,687
Third party services	1,017	1,096
Other	652	769
Total revenues	28,041	22,552
 <b>Cost of revenue</b>	 6,823	 5,768
 <b>Gross profit</b>	 21,218	 16,784
 <b>Operating expenses</b>		
Sales and marketing	9,613	7,647
Research and development	8,727	7,476
General and administrative	4,321	3,197
Total operating expenses	22,661	18,320
 <b>Operating loss</b>	 (1,443)	 (1,536)
 <b>Other expense, net</b>	 (104)	 3
 <b>Net loss</b>	 \$ (1,339)	 \$ (1,539)
 <b>Basic and diluted loss per common share - see Note 5</b>		
Net loss per share attributable to common shareholders, basic and diluted	\$ (0.01)	\$ (0.02)
 Weighted average shares of common stock outstanding, basic and diluted	 244,878	 75,378

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

**Limeade, Inc.**  
**Consolidated Statements of Comprehensive Loss**  
(In US Dollars, in thousands)

	<b>For the Half Year Ended June 30</b>	
	2020	2019
	(unaudited)	(unaudited)
Net loss	\$ (1,339)	\$ (1,539)
Other comprehensive income (loss)—Foreign currency translation	4	—
Total comprehensive loss	<u>\$ (1,335)</u>	<u>\$ (1,539)</u>

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

**Limeade, Inc.**  
**Consolidated Statements of Stockholders' Equity (Deficit)**  
(In US Dollars, in thousands)

	Series C Redeemable Convertible Preferred Stock		Series B Redeemable Convertible Preferred Stock		Series A Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
<b>BALANCE, December 31, 2018</b>	<b>4,339,675</b>	<b>24,961</b>	<b>4,363,606</b>	<b>5,546</b>	<b>5,471,813</b>	<b>2,997</b>	<b>74,496,992</b>	<b>492</b>	<b>1,607</b>	<b>(37,228)</b>	<b>(1,625)</b>
Exercise of stock options and warrants	—	—	—	—	—	—	1,533,968	161	—	—	161
Stock-based compensation	—	—	—	—	—	—	—	—	153	—	153
Accretion of redeemable convertible preferred stock issuance costs	—	19	—	10	—	4	—	—	—	(33)	—
Cumulative effect of implementation of ASC 842 - Leases	—	—	—	—	—	—	—	—	—	28	28
Other	—	—	—	—	—	—	—	—	—	(6)	(6)
Net loss	—	—	—	—	—	—	—	—	—	(1,539)	(1,539)
<b>BALANCE, June 30, 2019 - unaudited</b>	<b>4,339,675</b>	<b>24,980</b>	<b>4,363,606</b>	<b>5,556</b>	<b>5,471,813</b>	<b>3,001</b>	<b>76,030,960</b>	<b>653</b>	<b>1,760</b>	<b>(38,778)</b>	<b>(2,828)</b>
<b>BALANCE, December 31, 2019</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>244,849,004</b>	<b>—</b>	<b>66,407</b>	<b>(39,467)</b>	<b>26,940</b>
Initial public offering costs	—	—	—	—	—	—	—	—	(59)	—	(59)
Exercise of stock options and warrants	—	—	—	—	—	—	327,156	—	25	—	25
Stock-based compensation	—	—	—	—	—	—	—	—	361	—	361
Other	—	—	—	—	—	—	—	—	—	4	4
Net loss	—	—	—	—	—	—	—	—	—	(1,339)	(1,339)
<b>BALANCE, June 30, 2020 - unaudited</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>245,176,160</b>	<b>—</b>	<b>66,734</b>	<b>(40,802)</b>	<b>25,932</b>

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

**Limeade, Inc.**  
**Consolidated Statements of Cash Flows**  
(In US Dollars, in thousands)

	<b>For the Half Year Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (1,339)	\$ (1,539)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	760	733
Amortization of operating lease-right-of-use assets	585	564
Stock-based compensation	361	153
Change in assets and liabilities		
Trade accounts receivable	1,350	2,051
Prepaid expenses and other current assets	(186)	(1,111)
Other non-current assets	48	(131)
Trade accounts payable	(1,584)	(2,331)
Accrued compensation	(425)	(1,120)
Accrued expenses and other current liabilities	178	1,621
Income taxes payable	(17)	—
Deferred revenue	2,208	1,870
Customer deposits	(1,824)	—
Operating lease liabilities	(638)	(588)
Net cash provided by (used by) operating activities	(523)	172
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capitalized software development costs	(1,515)	(1,397)
Purchases of property and equipment	(153)	(453)
Net cash used in investing activities	(1,668)	(1,850)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on finance leases	(4)	(130)
Payment of acquisition holdback	(571)	—
Payments of initial public offering transaction costs	(829)	—
Proceeds from credit facility	—	250
Exercise of employee stock options	25	161
Net cash provided by (used in) financing activities	(1,379)	281
Foreign currency effect on cash and cash equivalents	4	(9)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,566)</b>	<b>(1,406)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	31,962	3,721
End of year	\$ 28,396	\$ 2,315

*The accompanying notes are an integral part of these consolidated financial statements*

**Limeade, Inc.**  
**Consolidated Statements of Cash Flows**  
(In US Dollars, in thousands)

	<b>For the Half Year Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES:</b>		
Cash paid for interest	10	99
Cash paid for income taxes	2	23
<b>NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES</b>		
Accretion of redeemable convertible preferred stock issuance costs	—	33
Impact of adoption of accounting lease standards	—	(28)
Property and equipment included in accounts payable	11	24

*The accompanying notes are an integral part of these consolidated financial statements*

**Limeade, Inc.**  
**Notes to Consolidated Financial Statements**  
**(unaudited)**

**Note 1 – Organization and Description of Business**

Limeade, Inc. (the “Company” or “Limeade”) was incorporated in the state of Washington on February 23, 2006, and is headquartered in Bellevue, Washington. The Company provides software solutions that elevate the employee experience and help build great places to work. The Limeade platform offers employee well-being, engagement, inclusion and communications solutions in one seamless user experience. The Company generates revenue through the sale of its software solutions to customers, which are provided via the cloud under a subscription-based revenue model.

The Company has wholly owned subsidiaries in Canada and Germany that provide business development, software development, and support services.

The Company operates in a dynamic industry and accordingly, can be affected by a variety of factors. For example, management believes that changes in any of the following areas could have a significant negative effect on the Company in terms of our future financial position, results of operations or cash flows: the need for continued growth in the demand for the Company’s products and services, reliance on key personnel including the ability to attract and retain qualified employees and key personnel, competition from other companies with greater financial, technical, and marketing resources, scaling and adaptation of existing technology and network infrastructure, management of the Company’s growth, and protection of our brand and intellectual property, among other things.

The COVID-19 pandemic is having widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. In view of the rapidly changing business environment, unprecedented market volatility and heightened degree of uncertainty resulting from COVID-19, we are currently unable to fully determine its future impact on our business. However, we are monitoring the progression of the pandemic and its potential effect on our financial position, results of operations, and cash flows.

**Initial Public Offering** - On December 20, 2019, Limeade successfully completed its Initial Public Offering (“IPO”) of securities and was admitted to the official list of the Australian Securities Exchange (“ASX”). As part of the IPO, the Company issued 27,060,208 shares of its common stock or 27,060,208 CHESS Depositary Interests (“CDI”) shares, with the ratio of CDIs to the Company’s common stock of 1:1. The CDI shares were issued at AUD1.85 per CDI, for gross proceeds of approximately AUD50.1 million, or US\$34.2 million. The IPO proceeds, net of transaction costs of approximately AUD5.9 million, or US\$4.1 million, are being used to support the Company’s operations and growth.

***Conversion of Series Preferred Stock***

In addition to the shares issued as part of the IPO, all outstanding shares of preferred stock were converted into 14,175,094 shares of the Company’s common stock. These shares were then split on a 1-to-8 basis, resulting in 113,400,752 shares of common stock. As an incentive to convert their preferred shares to common stock, Series Preferred shareholders were offered 26,993,844 additional shares of common stock at an aggregate value of \$34.0 million, equivalent to what their liquidation preferences would have been in a liquidation event. These 26,993,844 additional shares of common stock were sold as part of the IPO for AUD49.9 million or US\$34.2 million, with the proceeds going to the selling shareholders.

***Stock Split***

Immediately before the IPO, the Company amended its Articles of Incorporation and effected a 1-to-8 stock split of all issued and outstanding common stock, including outstanding stock options. All common shares and per common share amounts for all periods presented in these consolidated financial statements and notes thereto, have been adjusted retrospectively, where applicable, to reflect the stock split. Series Preferred Stock amounts have been adjusted retrospectively only where the conversion to common stock is presented.

**Limeade, Inc.**  
**Notes to Consolidated Financial Statements**  
**(unaudited)**

Total common shares issued from the following sources during the year ended December 31, 2019 are summarized as follows:

Shares issued in primary offering	27,060,208
Shares issued upon conversion of redeemable convertible preferred stock	113,400,752
Shares issued as inducement to convert preferred shares to common	26,993,844
Shares issued upon exercise of stock options	2,897,208
Total shares issued	170,352,012

**Note 2 – Significant Accounting Policies**

**Interim Financial Information** - The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Accordingly, these consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes as of and for the year ended December 31, 2019. The accompanying interim consolidated balance sheet as of June 30, 2020, the consolidated interim statements of operations for the six months ended June 30, 2020 and 2019, the consolidated statements of shareholders (deficit) equity for the six months ended June 30, 2020 and 2019, and the consolidated statements of cash flows for the six months ended June 30, 2020 and 2019, are unaudited. The unaudited interim consolidated financial statements have been prepared on a basis consistent with that used to prepare the audited annual consolidated financial statements and include, in the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the consolidated financial statements. The operating results for the six months ended June 30, 2020 are not necessarily indicative of the results expected for the full year ending December 31, 2020.

**Recently adopted accounting pronouncements** - The Company adopted Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers (Topic 606)* on January 1, 2019 on a modified retrospective basis. Financial results for reporting periods during 2019 are presented in compliance with the new revenue recognition standard. Historical financial results for reporting periods prior to 2019 are presented in conformity with amounts previously disclosed under the prior revenue recognition standard ASC 605. While adoption of ASC 606 did not have a material impact on the Company's financial position, results of operations or cash flows, it did impact financial statement disclosures.

The Company adopted ASC 842, *Leases (Topic 842)* on January 1, 2019 using the optional transition method described in ASU 2018-11, *Leases - Targeted Improvements*. Under the optional transition method, the Company recognized the cumulative effect of initially applying the guidance as an adjustment to the operating lease right-of-use assets and operating lease liabilities on our consolidated balance sheet on January 1, 2019 without retrospective application to comparative periods.

The new lease standard requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet for operating leases, and also requires additional quantitative and qualitative disclosures to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In adopting ASC 842, we utilized certain practical expedients available under the standard. These practical expedients include waiving reassessment of conclusions reached under the previous lease standard as to whether contracts contain leases and not recording right-of-use assets or lease liabilities for leases with terms of 12 months or less.

**Limeade, Inc.**  
**Notes to Consolidated Financial Statements**  
**(unaudited)**

The cumulative effect of the changes made to the consolidated January 1, 2019 balance sheet resulting from the adoption of ASC 842 was as follows (in thousands):

	December 31, 2018		January 1, 2019
	<u>As Reported</u>	<u>Adjustment</u>	<u>As Adjusted</u>
		(in thousands)	
<b>Assets</b>			
Prepaid expenses	\$ 2,881	\$ (6)	\$ 2,875
Operating lease right-of-use assets - net	—	4,822	4,822
<b>Liabilities and stockholders' equity</b>			
Operating lease right-of-use liabilities, current	—	1,203	1,203
Operating lease right-of-use liabilities, non-current	—	3,834	3,834
Accrued expenses	5,072	(249)	4,823
Accumulated deficit	\$ (39,023)	\$ 28	\$ (38,995)

The Company adopted ASU 2018-15, *Intangibles - Goodwill and Other-Internal-Use Software* ("ASU 2018-15"), which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software, effective January 1, 2020. ASU 2018-15 did not impact the condensed consolidated financial statements.

**Principles of Consolidation** - The accompanying condensed consolidated financial statements include those of the Company and its subsidiaries after elimination of all intercompany accounts and transactions.

**Use of Estimates** - The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The significant estimates include revenue recognition, allowances for doubtful accounts, depreciable lives of property and equipment, assumptions used in stock-based compensation, estimates of fair value of common stock, measurement of the valuation allowance for deferred tax assets and estimates of fair value of acquired assets and liabilities. Actual results could differ from management's estimates and assumptions.

**Goodwill** - The Company reviews goodwill for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. The Company has elected to first assess the qualitative factors to determine whether it is more likely than not that the fair value of the Company's single reporting unit is less than its carrying amount. Based on the qualitative assessment, if it is determined that it is more likely than not that its fair value is less than its carrying amount, the fair value of the Company's single reporting unit is compared to its carrying value. Any excess of the goodwill carrying amount over the fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value. As June 30, 2020 and December 31, 2019, no impairment of goodwill has been identified and there were no impairment charges for the six-months ended June 30, 2020 and 2019, respectively.

**Intangible assets** - Acquired finite-lived intangible assets are amortized over their estimated useful lives. The Company evaluates the recoverability of its intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. The Company has not recorded any such impairment charges.



**Limeade, Inc.**  
**Notes to Consolidated Financial Statements**  
**(unaudited)**

**Long-Lived Assets** - The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. An impairment is recognized in the event the carrying value of such assets is not recoverable. If the carrying value is not recoverable, the fair value is determined, and an impairment is recognized for the amount by which the carrying value exceeds the fair value. As June 30, 2020 and December 31, 2019, no impairment has been identified and there were no impairment charges for the six-months ended June 30, 2020 and 2019, respectively.

**Income Taxes** - For interim income tax reporting purposes, the Company estimates its ordinary income and the related tax expense or benefit for the full year (total of expected current and deferred taxes) to calculate its estimated annualized effective tax rate. Ordinary income or loss is income from continuing operations less significant unusual or infrequently occurring items. Certain other exceptions may apply that remove ordinary income/(loss) from the computation. Amounts and related tax effects, if any, excluded from the overall forecasted ETR are generally accounted for either discretely or through a separate forecasted tax rate.

**Internally developed software** - All costs related to the development of internal use software, other than those incurred during the application development stage, are expensed as incurred. Costs incurred during the application development stage are capitalized and amortized over the estimated useful life of the software, which is typically seven years. Capitalized software costs are amortized on a straight-line basis over their expected economic lives. Amortization of these costs begins once the product is ready for its intended use. The amount of costs capitalized within any period is dependent on the nature of software development activities and projects in each period.

The Company capitalized \$1.5 million of software development costs for the six months ended June 30, 2020. Amortization expense related to capitalized software was \$0.3 million and \$0.1 million for the six months ended June 30, 2020 and 2019, respectively.

**Revenue Recognition** - In May 2014, the Financial Accounting Standards Board (the "FASB") issued new accounting guidance Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers (Topic 606)* on revenue recognition. The new standard replaced ASC 605 and provides a new comprehensive revenue recognition model requiring entities to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The Company adopted ASC 606 effective January 1, 2019 on a modified retrospective basis applied to those contracts which were not completed as of January 1, 2019. Financial results for reporting periods during 2019 are presented in compliance with the new revenue recognition standard. Historical financial results for reporting periods prior to 2019 are presented in conformity with amounts previously disclosed under the prior revenue recognition standard ASC 605. While adoption of ASC 606 did not have a material impact on the Company's financial position, results of operations or cash flows, it did impact financial statement disclosures.

The Company derives its revenues from two primary sources: (1) subscription revenues, which are comprised of fees from customers for access to the Company's software platform and (2) third party services, which are comprised of fees from customers for value-add services provided by third parties.

The Company determines revenue recognition through the following five-step framework:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

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The Company identifies performance obligations in its contracts with customers, which primarily include subscription services and professional services provided by third parties. The transaction price is determined based on the amount to which the Company expects to be entitled to in exchange for providing the promised services to the customer. The transaction price in the contract is allocated to each distinct performance obligation on a relative standalone selling price basis. Revenue is recognized when performance obligations are satisfied.

***Subscription revenues***

Subscription revenues are cloud-based subscriptions which allow customers to access the Company's software during a contractual period without taking possession of the software. The Company's subscription arrangements typically contain a contract period of one year, and can be billable in annual, quarterly, or monthly invoices. Payments received in advance of customers being provided access to the software are deferred. The Company recognizes revenue related to these cloud-based subscriptions ratably over the life of the subscription agreement beginning when the customer first has access to the software. Revenues from cloud-based subscriptions are included in subscription services revenues.

***Third party services revenue***

Third party services include health coaching, content subscription services, biometric data collection, and onsite screenings. These services are provided by third parties but are often contracted for and billed to the customer by the Company. The fees may be a fixed fee over for period-of- time, or on a per-use-per user basis. The Company assesses whether revenue in these transactions is recorded gross or net of the fees paid to third parties. The Company (1) identifies the goods or services to be provided to the customer; (2) assesses whether it controls each specified good or service before that good or service is transferred to the customer, and (3) assesses how much latitude the Company has in establishing pricing for those goods or services. Based on these assessments, third party revenues are recognized net of costs charged to the Company by third party providers.

Payments received in advance of third-party service performance are deferred and are recognized as the services are performed, or ratably over the contract period, depending on the service.

***Other revenue***

Other revenue includes implementation fees for subscription software and related programs, and for onsite client program managers. Payments received in advance of other revenue service performance are deferred and are recognized as the services are performed, or ratably over the contract period, depending on the service.

The Company identifies performance obligations in its contracts with customers, which may include software subscription licenses and/or related services provided by third parties. The Company determines the transaction price based on the amount of consideration it expects to receive in exchange for transferring the promised goods or services to the customer. It allocates the transaction price in the contract to each distinct performance obligation in an amount that depicts the relative amount of consideration it expects to receive in exchange for satisfying each performance obligation. Revenue is recognized when performance obligations are satisfied.

Contract payment terms for all of our contracts are typically net 30 days. The Company assesses collectability based on a number of factors including collection history and creditworthiness of the customer, and it may mitigate exposures to credit risk by requiring payments in advance. If the Company determines that collectability related to a contract is not probable, it may not record revenue until collectability becomes probable at a later date.

Revenues are recorded based on the transaction price excluding amounts collected on behalf of third parties. For example, indirect taxes which are collected and remitted to governmental authorities are excluded from revenues.

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***Reseller Arrangements***

The Company also sells its products through resellers or “channel partners” who purchase services directly from the Company for future resale. Sales through channel partners are recognized upon delivery to the end customer, assuming all other revenue recognition criteria have been met. Typically, such arrangements contain monthly service periods and billings, and thus the Company’s recognition of revenue is based on a month to month contract term.

***Judgments and Estimates***

Contracts with customers often include promises to transfer multiple products and services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately from one another sometimes requires judgment. The Company’s contracts often require it to perform certain setup and implementation services so that its customers can appropriately utilize its subscription products. These services are not treated as distinct performance obligations. Instead, they are combined with our subscription services and recognized ratably over the term of the customer contract. In future periods, these services may qualify as distinct performance obligations which may require further transaction price allocation and earlier recognition of revenue for a portion of customer contracts.

Judgment is also required to determine the standalone selling price (“SSP”) for each distinct performance obligation. The Company typically has more than one SSP for each of its products and services based on customer stratification, which is based on the size of the customer, their geographic region and market segment. For cloud-based subscriptions SSP is generally observable using standalone sales and/or renewals. The Company evaluates contracts with customers that include options to purchase additional goods or services to determine whether the options give rise to a material right, which is a separate performance obligation. If the Company determines the options give rise to a material right, the revenue allocated to such right is not recognized until the option is exercised or the option expires.

Finally, the Company’s contracts with customers generally include performance or service level guarantees, which obligate the Company to certain service performance deliverables such as minimum engagement rates, minimum scores on customer satisfaction surveys and web-site uptime requirements. These guarantees are treated as variable consideration, which reduces the total transaction price for individual contracts. The Company monitors compliance with performance guarantees throughout the duration of each contract and has a history of meeting contract performance guarantees. Reserves for estimated contract performance guarantees are established based on historical performance and are recognized as a reduction of revenue and accrued liabilities on the balance sheet. The reserve liability was \$1.1 million as of June 30, 2020 and December 31, 2019.

***Assets Recognized from the Costs to Obtain a Contract with a Customer***

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the benefit of those costs to be longer than one year. The Company’s commission plans include substantive service conditions that need to be met before a commission associated with a contract (or group of contracts) is actually earned by the salesperson. In such cases, some or all of the sales commission may not be incremental costs incurred to obtain a contract with the customer since the costs were not actually incurred solely as a result of obtaining a contract with a customer. Rather, the costs were incurred as a result of obtaining a contract with a customer and the salesperson’s providing ongoing services to the entity for a substantive period. As such, these commissions are not capitalized. The Company did not have any costs that met the requirements for capitalization for the period ended June 30, 2020.

***Contract Assets***

Contract assets represent the portion of the transaction price from a contract with a customer where control has transferred, but for which the company currently does not have the contractual right to invoice. The Company reduces the gross contract asset balance for any impairments identified based on its consideration of a combination of factors including past collection experience, credit quality of the customer, age of other receivables balances due from the customer and current economic conditions. The Company did not have any Contract Assets as of June 30, 2020 or December 31, 2019.

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**Deferred revenue**

Deferred revenue represents billings or payments received in advance of revenue recognition from subscription and third-party services. Deferred revenue is recognized as the revenue recognition criteria are met. The Company generally invoices customers monthly, semi-annually, or annually in advance of providing services. Deferred revenue recorded at June 30, 2020, is expected to be recognized within the next 12 months as the related services are provided.

**Customer Deposits**

Customer deposits represents payments received in advance of revenue recognition from subscription and third-party services that are subject to cancellation and refund provisions.

**Leases** - The Company determines if an arrangement is a lease at inception, and leases are classified at commencement as either operating or finance leases. Right-of-use ("ROU") assets and lease liabilities are recognized at commencement date based on the present value of the future minimum lease payments over the lease term. Operating lease ROU assets are presented separately in long-term assets and finance lease ROU assets are included in property and equipment, net on the condensed consolidated balance sheets. As most of the Company's operating leases do not provide an implicit rate, management uses its incremental borrowing rate in determining the present value of future payments. This rate is an estimate of the collateralized borrowing rate it would incur on our future lease payments over a similar term based on the information available at commencement date. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. At June 30, 2020 the Company did not include any options to extend leases in its lease terms as it was not reasonably certain to exercise them.

The Company utilizes certain practical expedients and policy elections available under the lease accounting standard. For example, it does not record right-of-use assets or lease liabilities for leases with terms of 12 months or less, and it combines lease and non-lease components for contracts containing real estate leases.

Right-of-use assets are subject to evaluation for impairment or disposal on a basis consistent with other long-lived assets.

**Note 3 – Revenue From Contracts With Customers**

**Disclosures Related to Contracts with Customers** - Timing may differ between the satisfaction of performance obligations and the invoicing and collection of amounts related to contracts with customers. Liabilities are recorded for amounts that are collected in advance of the satisfaction of performance obligations. To the extent a contract exists, as defined by ASC 606, these liabilities are classified as current and non-current deferred revenue. To the extent that a contract does not exist, these liabilities are classified as contract liabilities. Contract liabilities are transferred to deferred revenue at the point in time when the criteria that establish the existence of a contract are met. As of June 30, 2020, the Company had no contract liabilities.

**Deferred Revenue** - A summary of the activity impacting deferred revenue balances during the six months ended June 30, 2020 is presented below (in thousands):

	<b>Deferred Revenue</b>
Balance, December 31, 2019	8,315
Revenue recognized	(28,041)
Additional amounts deferred	30,249
Balance, June 30, 2020	10,523

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Deferred revenue at June 30, 2020 and December 31, 2019 is comprised of (in thousands):

	<u>2020</u>	<u>2019</u>
Subscription services	\$ 8,459	\$ 7,931
Third party services	1,190	169
Other	874	215
Total deferred revenue	<u>\$ 10,523</u>	<u>\$ 8,315</u>

At June 30, 2020 and December 31, 2019, deferred revenue relates to amounts received from customers in advance of revenue recognition.

**Note 4 – Intangible Assets**

**Finite-lived intangible assets**

Finite-live intangible assets as of June 30, 2020 consisted of the following (in thousands):

	Average Useful Life (Years)	Gross	Accumulated Amortization	Net
Customer relationships	5	\$ 1,878	\$ (689)	\$ 1,189

Amortization expense for finite-live intangible asset for the six months ended June 30, 2020 and 2019 was \$0.2 million and \$0.2 million, respectively.

**Note 5 – Income Taxes**

The Company is subject to federal and state income taxes in the United States and federal and provincial income taxes in Canada and Germany. As of June 30, 2020 and December 31, 2019, The Company has provided a valuation allowance against its net deferred tax assets that we believe, based on the weight of available evidence, are not more likely than not to be realized. Therefore, no material current tax liability or expense has been recorded in the consolidated financial statements. We have accumulated federal tax losses of approximately \$31.9 million as of December 31, 2019, which are available to reduce future taxable income.

**Note 6 – Net Loss Per Share**

Net loss per share is computed by dividing the net loss for the six months ended June 30, 2020 and 2019 by the weighted-average number of shares outstanding during the period. The Company excluded the effect of stock options from the computation of the net loss per share because including them would have had an anti-dilutive effect.

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The following table presents the losses and the shares used in calculating the net loss per share for the six months ended June (in thousands, except per share amounts):

	2020	2019
Numerator:		
Net loss attributable to common shareholders	\$ (1,339)	\$ (1,539)
Denominator:		
Weighted-average common shares outstanding-basic	244,878	75,378
Dilutive effect of share equivalents resulting from stock options, common stock warrants and convertible preferred shares (as converted)	—	—
Weighted-average common shares outstanding-diluted	244,878	75,378
Net loss per common share, basic and diluted	\$ (0.01)	\$ (0.02)

**Note 7 – Shareholders' Equity**

The Company is authorized to issue two classes of stock designated as common stock and preferred stock. On December 19, 2019, immediately prior to the IPO, the Board of Directors approved the Amended and Restated Articles of Incorporation, which increased the authorized capital stock from 42,467,357 shares, consisting of 28,000,000 shares of common stock, \$0.0001 par value per share, and 14,467,357 shares of convertible preferred stock, \$0.0001 par value per share, to authorized capital stock of 560,000,000 shares, consisting of 550,000,000 shares of common stock with no par value per share, and 10,000,000 shares of preferred stock with no par value per share.

**Preferred stock** - Immediately prior to the completion of the IPO, all outstanding shares of preferred stock were converted into 14,175,094 shares of the Company's common stock. These shares were then split on a 1-to-8 basis, resulting in 113,400,752 shares of common stock. As an inducement to convert their shares to common stock, Series Preferred shareholders were offered 26,993,844 additional shares of common stock at an aggregate value of \$34.0 million, equivalent to what their liquidation preferences would have been in a liquidation event as defined in the Company's Articles of Incorporation. No shares of preferred stock were outstanding as of June 30, 2020 or December 31, 2019.

**Common stock** - There were 245,176,160 and 244,849,004 shares of common stock issued and outstanding at June 30, 2020 and December 31, 2019 respectively.

Common stock of the Company has no preferences or privileges and is not redeemable. Holders of common stock of the Company are entitled to one vote for each share of common stock held.

**Common shares reserved for future issuance** - The following shares of common stock have been reserved for future issuance as of June 30, 2020 and December 31, 2019.

	2020	2019
Common stock options and restricted stock units outstanding	25,731,502	19,433,408
Common stock available for grant	39,558,711	46,822,211
Total common shares reserved for future issuance	65,290,213	66,255,619

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**Note 8 – Stock-Based Compensation**

Effective December 20, 2019 the company adopted the 2019 Omnibus Incentive Plan (the 2019 Plan) and terminated the Company's authority to grant new awards under the 2016 Stock Plan (the 2016 Plan). The 2019 Plan has a total of 46,822,211 shares reserved and available for issuance to employees, directors, and consultants through incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock grants, restricted stock unit grants, performance grants, and other grants. The Board of Directors determines the option exercise price and generally grants stock options at exercise prices that equal or exceed the fair value of the common stock on the date of grant. The terms of the options may not exceed ten years. Vesting terms are determined by the Board of Directors and generally vest over four years, with 25% vesting after 12 months and 75% vesting ratably over the remaining 36 months.

The 2016 Plan and 2006 Plan are stockholder approved plans that authorized shares of the Company's common stock for issuance to employees, directors, and consultants through incentive stock options, non-statutory stock options, or stock purchase right agreements. The Board of Directors determined the option exercise price and generally granted stock options at exercise prices that equal or exceed the fair value of the common stock on the date of grant. The terms of the options may not exceed ten years. Vesting terms generally vest over four years, with 25% vesting after 12 months and 75% vesting ratably over the remaining 36 months. In the first quarter of 2016, the Company terminated the authority to grant new awards under the 2006 Plan.

The 2019, 2016 and 2006 Stock Plans allow for the exercise of stock options at any time after the grant date (early exercise). Shares granted in an early exercise which have yet to vest are subject to a Company repurchase option at the original exercise price. As the shares vest, they are released from the Company repurchase option. Proceeds received by the Company upon an early exercise are recorded as a liability until the underlying shares are released from the repurchase option. As of June 30, 2020, and December 31, 2019, 42,335 and 76,352 options had been early exercised under the 2019 Plan, respectively.

In determining the fair value of stock options granted to employees and directors, the following assumptions were used in the Black-Scholes option-pricing model for the six-months ended June 30, 2020:

	2020	2019
Estimated per share value of common stock	\$0.89 - \$0.90	\$0.20
Risk-free interest rates	0.39% - 0.45%	2.41% - 2.43%
Expected term (in years)	5.43 - 6.08	5.47 - 6.08
Dividend rate	—%	—%
Volatility	51.87% - 52.26%	48.86% - 49.04%

The estimated per share value of common stock was based on a recent third-party valuation prior to the IPO at which point valuation is based on the current trading price. The risk-free interest rates are based on the implied yield currently available in U.S. Treasury securities at maturity with an equivalent term. The Company estimates the weighted-average expected life of the options to employees based on past option exercise behavior and expectations about future behavior. Forfeiture rates were derived from historical employee termination behavior. Volatility is based on the average volatility of stock prices for a group of similar publicly traded companies. The Company has not declared or paid dividends in the past and does not currently expect to do so in the foreseeable future.

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The impact on results of operations of recording stock-based compensation expense for the six months ended June 30 was as follows (in thousands):

	2020	2019
Cost of revenue	\$ 57	\$ 27
Sales and marketing	109	53
Research and development	126	45
General and administrative	69	28
	<u>\$ 361</u>	<u>\$ 153</u>

The following table summarizes stock option activity under the Plan for the six months ended June 30, 2020:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2019	19,433,408	\$ 0.14	7.43	
Options granted	5,956,000	0.90		
Options forfeited	(667,250)	0.19		
Options exercised	(327,156)	0.07		
Outstanding at June 30, 2020	<u>24,395,002</u>	<u>\$ 0.33</u>	<u>7.59</u>	<u>\$ 13,661,655</u>
Options vested or expected to vest at June 30, 2020	<u>21,797,484</u>	<u>\$ 0.29</u>	<u>7.38</u>	<u>\$ 12,949,319</u>
Exercisable at June 30, 2020	<u>12,711,155</u>	<u>\$ 0.13</u>	<u>6.09</u>	<u>\$ 9,250,157</u>

At June 30, 2020 and December 31, 2019, total compensation cost related to stock options granted to employees under the Plan but not yet recognized was \$2.1 million and \$0.5 million respectively, net of estimated forfeitures. This cost will be amortized on the straight-line method over a weighted-average period of approximately 1.3 years and 1.1 years, respectively. The aggregate intrinsic value represents the difference between the exercise price of the underlying options and the fair value of our common stock for the number of options that were in-the-money at year end. The Company issues new shares of common stock upon exercise of stock options.

The following table summarizes certain information about stock options for the periods ended June 30 and December 31:

	June 30 2020	December 31 2019
Weighted average grant date fair value for options granted during the period	\$ 0.43	\$ 0.10
Options in the money at period-end	24,395,002	19,433,408
Aggregate intrinsic value of options exercised	\$ 269,611	\$ 3,354,269



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In May 2020, the Company began granting Restricted Stock Units under the plan. The following table summarizes the Restricted Stock Units activity for the six months ended June 30, 2020:

	Number of Shares	Weighted Average Grant Date Fair Value
Restricted stock units outstanding as of January 1, 2020	—	\$ —
Restricted stock units granted	1,336,500	\$ 0.90
Restricted stock units vested	—	\$ —
Restricted stock units cancelled	—	\$ —
Restricted stock units outstanding as of June 30, 2020	\$ 1,336,500	\$ 0.90

Stock-based compensation cost for RSUs is recognized on a straight-line basis in the consolidated statements of operations over the period during which the participant is required to perform services in exchange for the award, based on the fair value of the Company's underlying common stock on the date of grant. The vesting period of each RSU grant is generally four years. As of June 30, 2020, \$0.8 million of total unrecognized compensation cost related to RSUs was expected to be recognized over a weighted average period of approximately 1.8 years.

**Note 9 – Leases**

The Company's leasing arrangements are primarily for corporate offices and automobiles. Our leases have remaining lease terms of 1 to 5 years.

The following table presents the Company's future lease payments for long-term operating leases as of June 30, 2020:

Period:	Operating Leases (in thousands)
Remainder of 2020	741
2021	1,028
2022	961
2023	811
Thereafter	12
Total	\$ 3,553
Less: Imputed interest	(302)
Total operation lease liabilities	\$ 3,251

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Cash paid for operating lease liabilities for the six months ended June 30, 2020 was \$0.7 million. The Company had no leases that commenced or were modified during the six months ended June 30, 2020 and did not record any non-cash increases to right-of-use assets and operating leases.

Weighted average remaining lease term (in years) for operation leases	3.1
Weighted average discount rate	6.0 %

The components of the Company's lease expense for the six months ended June 30, 2020 were as follows (in thousands):

Operating lease costs	\$ 923
Finance lease cost	—
Interest on lease liabilities	—
Total lease costs	<u>\$ 923</u>

**Note 10 – Commitments and Contingencies**

**Litigation** - The Company is not aware of any pending legal proceedings that individually or in the aggregate would have a material adverse effect on the Company's business, operating results, or financial conditions. The Company may in the future be party to litigation arising in the ordinary course of business. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

**Guarantees and other** - The Company includes indemnification provisions in its contracts entered into with customers and business partners. Generally, these provisions require the Company to defend claims arising out of its products' infringement of third-party intellectual property rights, breach of contractual obligations, and/or unlawful or otherwise culpable conduct. The indemnity obligations generally cover damages, costs, and attorneys' fees arising out of such claims. In most (but not all) cases, the total liability under such provisions is limited to either the value of the contract or a specified, agreed-upon amount. In some cases, the total liability under such provisions is not specified. In many (but not all) cases, the term of the indemnity provision is perpetual. While the maximum potential amount of future payments the Company could be required to make under all the indemnification provisions is unlimited, the Company believes the estimated fair value of these provisions is minimal, as these provisions have never been triggered.

**Note 11 – Debt**

**Loan and Security Agreement** - The Company has a loan and security agreement with Comerica Bank ("Lender") that consists of a \$15.0 million revolving credit facility (the "Credit Facility"), which is subject to borrowing base limitations, and all outstanding amounts become due and payable on the maturity date of December 31, 2020. The obligations under the Credit Facility are collateralized by substantially all assets of the Company, including intellectual property, receivables and other tangible and intangible assets.

The Credit Facility includes several affirmative and negative covenants, including a requirement that the Company maintain minimum annual contract values and minimum liquidity, and observe restrictions on dispositions of property, changes in its business, mergers or acquisitions, incurring indebtedness, and distributions or investments. Written consent of the Lender is required to pay dividends to shareholders. As of June 30, 2019, the Company was in compliance with all covenants of the Credit Facility.

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Interest on outstanding borrowings is at Comerica Bank's Prime Rate plus 0.5% (4.75% at June 30, 2020). The Credit Facility was paid off in December 2019 and no balance was outstanding as of June 30, 2020 and December 31, 2019.

**Note 12 – Subsequent Events**

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the condensed consolidated financial statements through August 28, 2020, the date the consolidated financial statements were available to be issued.