

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

November 14, 2022

Date of Report (date of earliest event reported)

Limeade, Inc.

(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of
incorporation or organization)

000-56464
(Commission File Number)

06-1771116
(I.R.S. Employer Identification
Number)

10885 NE 4th Street Suite #400
Bellevue, WA 98004

(Address of principal executive offices and zip code)

(888) 830-9830

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, no par value	LME	None

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

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. ☐

Item 2.02 - Results of Operations and Financial Condition

On November 14, 2022, Limeade, Inc. (ASX: LME) (the "Company"), issued a press release regarding the Company's financial results for its third quarter ended September 30, 2022. A copy of the Company's press release is attached hereto as Exhibit 99.1.

The information contained in this report, including the press release, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 - Financial Statements and Exhibits

(d): The following exhibits are being filed herewith:

Exhibit Number	Description
99.1	Press Release issued by Limeade, Inc. on November 14, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized on this 14th day of November, 2022.

LIMEADE, INC.

By: /s/ Henry Albrecht

Name: Henry Albrecht

Title: Chief Executive Officer



ASX / MEDIA RELEASE

Limeade Reports Third Quarter 2022 Financial Results***Third Quarter Adjusted Revenue of \$14.5 million, Company Reaffirms Guidance Despite Macroeconomic Headwinds***

SYDNEY, Australia and Bellevue, Washington. – 11 November 2022 – Limeade (ASX: LME, or the Company), an immersive employee well-being company that creates healthy employee experiences, today announced financial results for the third quarter ended 30 September 2022. Limeade CEO Henry Albrecht said, “We’re energized by year-over-year growth in Adjusted Revenue and Adjusted EBITDA despite macroeconomic headwinds. Looking ahead, the combination of our late-stage sales pipeline and our ongoing investments in operational excellence reinforce our confidence in our path to sustained positive cash flow.”¹

Third Quarter 2022 Highlights:

- a. Adjusted revenue: \$14.5 million, flat year-over-year
- b. Adjusted EBITDA: \$(0.3) million, up \$1.8 million year-over-year
- c. Cash and cash equivalents: Cash and cash equivalents were \$1.7 million at 30 September 2022 reflecting the seasonality. Note cash at 31 October 2022 was \$4.6 million.
- d. The Company reaffirms its guidance for the full year of adjusted revenue of \$55-58 million, adjusted EBITDA of negative \$6-8 million and GAAP net loss after tax of \$11-14 million¹

Limeade CEO Henry Albrecht continued, “With improved customer retention, the addition of key leaders like President & COO Dave Smith and CTO Alan Saporta, and intense focus on our core priorities, we are well-positioned to navigate the ongoing macroeconomic uncertainty with resilience.”

¹The guidance provided above represent forward-looking statements and actual results may differ materially. Refer to the “Forward-Looking Statements” section below for information on the factors that could cause our actual results to differ materially from these forward-looking statements

About Limeade:

Limeade is an immersive employee well-being company that creates healthy employee experiences. Limeade Institute science guides its industry-leading software and its own award-winning culture. Today, millions of users in over 100 countries use Limeade solutions to navigate the future of work. By putting well-being at the heart of the employee experience, Limeade reduces burnout and turnover while increasing well-being and engagement — ultimately elevating business performance. To learn more, visit www.limeade.com

Forward-Looking Statements:

This press release by Limeade, Inc (“Limeade”, the “Company”, “we”, “us”, or similar terms) contains forward-looking statements. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. In some cases, you can identify forward-looking statements by terminology such as “believe”, “may”, “will”, “potentially”, “estimate”, “continue”, “anticipate”, “intend”, “could”, “would”, “project”, “target”, “plan”, “expect”, and similar expressions. You should not put undue reliance on any forward-looking statements. There are a significant number of factors that could cause our actual results, performance or achievement to differ materially and adversely from the statements made in this press release, including: competition in our market; our ability to attract new customers and renew and expand sales to existing customers; our ability to effectively introduce enhancements to our platform; our ability to maintain data privacy and security; our ability to effectively manage growth; our ability to expand internationally; unfavorable conditions in our industry and other general market, political, economic, and business conditions, including those related to the continuing impact of COVID-19, heightened inflation and rising interest rates. For more information regarding the risks and uncertainties that could cause actual results, performance, or achievement to differ materially and adversely from those expressed or implied in these forward-looking statements, as well as risks relating to our business in general, we refer you to the “Risk Factors” section of our Securities and Exchange Commission (the “SEC”) filings that we may file from time to time, copies of which are available on our website at <https://investors.limeade.com> and on the SEC’s website at www.sec.gov. You should not rely on these forward-looking statements, as actual outcomes and results may differ materially from those contemplated by these forward-looking statements as a result of such risks and uncertainties. All forward-looking statements in this press release are based on information available to us as at the date hereof, and we do not assume any obligation to update the forward-looking statements provided to reflect new information

or the occurrence of unexpected events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements.

Non-GAAP Financial Measures:

Limeade uses certain non-GAAP financial measures in this release. Limeade uses these non-GAAP financial measures internally in analyzing its financial results and believes they are useful to investors, as a supplement to GAAP measures, in evaluating its ongoing operational performance. Limeade believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial results with other companies in our industry, many of which present similar non-GAAP financial measures to investors. Non-GAAP financial measures that Limeade uses may differ from measures that other companies may use.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. A reconciliation of the non-GAAP financial measures to their most directly comparable GAAP measures has been provided in the financial statement tables included below in this press release. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

Non-GAAP expenses, measures and net loss per share. Limeade defines non-GAAP sales and marketing, non-GAAP research and development, non-GAAP general and administrative, non-GAAP gross profit, non-GAAP operating loss and non-GAAP net loss as the respective GAAP balances, adjusted for stock-based compensation, amortization of internally developed software and intangible assets, impairment of goodwill and long-lived assets, non-cash expenses related to debt agreements, capitalization of internally developed software, non-recurring costs associated with restructurings, and certain professional fees that the Company has incurred that relate to one-time events. Non-GAAP net loss per share is calculated as non-GAAP net loss divided by the weighted average shares outstanding.

Adjusted EBITDA. Limeade defines Adjusted EBITDA as net loss, adjusted for stock-based compensation expense, depreciation, amortization of internally developed software and intangible assets, capitalization of internally developed software, impairment of goodwill and long-lived assets, benefit from or provision for income taxes, other income, net, non-recurring costs associated with restructurings, and certain professional fees that the Company has incurred in responding to third-party subpoenas that the Company has incurred related to one-time events. These amounts are often excluded by other companies to help investors understand the operational performance of their business. The Company uses Adjusted EBITDA as a measurement of its operating performance because it assists in comparing the operating performance on a consistent basis by removing the impact of certain non-cash and non-operating items. Adjusted EBITDA reflects an additional way of viewing aspects of the operations that Limeade believes, when viewed with the GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting its business.

Limeade, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)
(in thousands, except shares and per share data)

	September 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 1,730	\$ 13,939
Accounts receivable, net of allowance for doubtful accounts of \$71 and \$93, respectively	13,317	8,709
Capitalized sales commissions	355	271
Prepaid expenses and other current assets	6,196	5,433
Total current assets	21,598	28,352
Property and equipment, net	353	441
Capitalized software development costs, net	12,600	8,895
Capitalized sales commissions, net of current portion	439	399
Operating lease right-of-use assets	1,585	2,638
Goodwill	8,562	8,562
Intangible assets, net	3,104	3,926
Other non-current assets	338	327
Total assets	<u>\$ 48,579</u>	<u>\$ 53,540</u>
Liabilities and stockholders' equity		
Current liabilities		
Trade payables	\$ 3,561	\$ 2,058
Accrued expenses and other current liabilities	11,000	10,703
Operating lease liabilities	1,545	1,531
Deferred revenue	14,978	13,528
Customer deposits	4,186	2,578
Acquisition earnout liability	—	110
Total current liabilities	35,270	30,508
Operating lease liabilities, net of current portion	210	1,363
Revolving Credit Facility	2,450	—
Acquisition earnout liability, net of current portion	—	790
Deferred tax liability	28	10
Total liabilities	37,958	32,671
Commitments and contingencies (Note 9)		
Stockholders' equity		
Preferred stock (no par value, 10,000,000 shares authorized, zero shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively)	—	—
Common stock (no par value, 550,000,000 shares authorized, 256,687,318 and 253,621,067 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively)	—	—
Additional paid-in capital	72,266	70,241
Accumulated other comprehensive income	188	35
Accumulated deficit	(61,833)	(49,407)
Total stockholders' equity	10,621	20,869
Total liabilities and stockholders' equity	<u>\$ 48,579</u>	<u>\$ 53,540</u>

Limeade, Inc.
Condensed Consolidated Statement of Operations
(Unaudited)
(in thousands, except shares and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
Subscription services	\$ 14,024	\$ 13,464	\$ 39,742	\$ 38,611
Other	428	601	1,361	2,320
Total revenue	14,452	14,065	41,103	40,931
Cost of revenue	4,246	3,859	12,945	10,855
Gross profit	10,206	10,206	28,158	30,076
Operating expenses:				
Sales and marketing	3,704	4,788	13,474	12,839
Research and development	5,170	5,579	17,386	14,925
General and administrative	3,492	3,196	10,413	8,806
Total operating expenses	12,366	13,563	41,273	36,570
Loss from operations	(2,160)	(3,357)	(13,115)	(6,494)
Other income (expense), net	823	(64)	803	(92)
Loss before income taxes	(1,337)	(3,421)	(12,312)	(6,586)
Income tax benefit (expense)	(31)	(1)	(114)	(18)
Net loss	<u>\$ (1,368)</u>	<u>\$ (3,422)</u>	<u>\$ (12,426)</u>	<u>\$ (6,604)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.03)</u>
Weighted-average shares of common stock outstanding, basic and diluted	<u>255,626,349</u>	<u>250,913,640</u>	<u>254,793,050</u>	<u>249,781,906</u>

Limeade, Inc.
Condensed Consolidated Statements of Cash Flow
(Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (12,426)	\$ (6,604)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	2,246	1,411
Stock-based compensation	1,956	1,567
Non-cash operating lease expense	1,053	(407)
Amortization of capitalized sales commissions	223	—
Change in fair value of acquisition earnout liability	(900)	—
Foreign currency transactions	(33)	(24)
Changes in operating assets and liabilities		
Accounts receivable	(4,608)	(2,272)
Prepaid expenses and other current assets	(763)	(1,513)
Capitalized sales commission	(346)	—
Other non-current assets	7	(185)
Trade payables	1,501	(1,120)
Accrued expenses and other current liabilities	513	312
Deferred revenue	1,450	1,137
Customer deposits	1,609	1,426
Operating lease liabilities	(1,140)	891
Net cash used in operating activities	(9,658)	(5,381)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capitalized software development costs	(4,894)	(2,333)
Purchases of property and equipment	(152)	(84)
Cash paid for TINYpulse acquisition	—	(9,092)
Net cash used in investing activities	(5,046)	(11,509)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under revolving credit facility	2,500	—
Repayments under revolving credit facility	(50)	—
Proceeds from exercise of stock options	69	521
Net cash provided by financing activities	2,519	521
Foreign currency effect on cash and cash equivalents	(24)	(23)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(12,209)	(16,392)
CASH AND CASH EQUIVALENTS		
Beginning of period	13,939	31,497
End of period	<u>\$ 1,730</u>	<u>\$ 15,106</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid for interest	<u>\$ 16</u>	<u>\$ 1</u>
Cash paid for taxes	<u>\$ 15</u>	<u>\$ 18</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Property and equipment included in accounts payable	\$ —	\$ 5
Fair value of acquisition earnout liability	<u>\$ —</u>	<u>\$ 900</u>

Limeade, Inc.
Reconciliation of Non-GAAP Measures
(Unaudited)
(in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Gross Profit (GAAP)	\$ 10,206	\$ 10,206	\$ 28,158	\$ 30,076
Plus Stock-based compensation	97	101	283	289
Plus Amortization of internally developed software	402	265	1,189	796
Gross Profit (Non-GAAP)	<u>\$ 10,705</u>	<u>\$ 10,572</u>	<u>\$ 29,630</u>	<u>\$ 31,161</u>
Operating Loss (GAAP)	(2,160)	(3,357)	(13,115)	(6,494)
Plus Stock-based compensation	653	472	1,673	1,278
Plus Acquisition-related expenses	—	236	—	351
Plus SEC registration expenses	490	—	1,109	—
Operating Loss (Non-GAAP)	<u>(1,017)</u>	<u>(2,649)</u>	<u>(10,333)</u>	<u>(4,865)</u>
Net Loss (GAAP)	(1,368)	(3,422)	(12,426)	(6,604)
Plus Stock-based compensation	750	573	1,956	1,567
Plus Amortization of internally developed software	402	265	1,189	796
Plus Acquisition-related expenses	—	236	—	351
Plus SEC registration expenses	490	—	1,109	—
Net Loss (Non-GAAP)	<u>274</u>	<u>(2,348)</u>	<u>(8,172)</u>	<u>(3,890)</u>
Net Loss	(1,368)	(3,422)	(12,426)	(6,604)
Depreciation	51	58	166	186
Amortization	668	433	1,994	1,151
Provision for income taxes	31	1	114	18
Stock-based compensation	750	573	1,956	1,567
Acquisition-related expenses	—	236	—	351
SEC registration expenses	490	—	1,109	—
Write off of earnout liability	(900)	—	(900)	—
Reduction in force	—	—	100	—
Other income, net	(34)	(17)	(78)	(51)
Adjusted EBITDA	<u>(312)</u>	<u>(2,138)</u>	<u>(7,965)</u>	<u>(3,382)</u>
Revenue (GAAP)	14,452	14,065	41,103	40,931
Purchase accounting adjustment to TINYpulse revenue	21	495	375	495
Adjusted Revenue (Non-GAAP)	<u>14,473</u>	<u>14,560</u>	<u>41,478</u>	<u>41,426</u>

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OF 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** For the quarterly period ended September 30, 2022

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 001-04321



Limeade, Inc.

(Exact name of registrant as specified in its charter)

Washington

(State or other jurisdiction of incorporation or organization)

06-1771116

(I.R.S. Employer Identification No.)

10885 NE 4th Street Suite #400

Bellevue WA

(Address of principal executive offices)

98004

(Zip Code)

Registrant's telephone number, including area code: (888) 830-9830

Securities to be registered pursuant to Section 12(b) 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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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 Act). Yes ☐ No ☒

As of November 10, 2022, the registrant had 256,581,569 outstanding of shares of common stock, no par value, including shares underlying all issued and outstanding Chess Depository Interests ("CDI").

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Item 1. Financial Statements
Limeade, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)
(in thousands, except shares and per share data)

	September 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 1,730	\$ 13,939
Accounts receivable, net of allowance for doubtful accounts of \$71 and \$93, respectively	13,317	8,709
Capitalized sales commissions	355	271
Prepaid expenses and other current assets	6,196	5,433
Total current assets	21,598	28,352
Property and equipment, net	353	441
Capitalized software development costs, net	12,600	8,895
Capitalized sales commissions, net of current portion	439	399
Operating lease right-of-use assets	1,585	2,638
Goodwill	8,562	8,562
Intangible assets, net	3,104	3,926
Other non-current assets	338	327
Total assets	<u>\$ 48,579</u>	<u>\$ 53,540</u>
Liabilities and stockholders' equity		
Current liabilities		
Trade payables	\$ 3,561	\$ 2,058
Accrued expenses and other current liabilities	11,000	10,703
Operating lease liabilities	1,545	1,531
Deferred revenue	14,978	13,528
Customer deposits	4,186	2,578
Acquisition earnout liability	—	110
Total current liabilities	35,270	30,508
Operating lease liabilities, net of current portion	210	1,363
Revolving Credit Facility	2,450	—
Acquisition earnout liability, net of current portion	—	790
Deferred tax liability	28	10
Total liabilities	37,958	32,671
Commitments and contingencies (Note 9)		
Stockholders' equity		
Preferred stock (no par value, 10,000,000 shares authorized, zero shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively)	—	—
Common stock (no par value, 550,000,000 shares authorized, 256,687,318 and 253,621,067 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively)	—	—
Additional paid-in capital	72,266	70,241
Accumulated other comprehensive income	188	35
Accumulated deficit	(61,833)	(49,407)
Total stockholders' equity	<u>10,621</u>	<u>20,869</u>
Total liabilities and stockholders' equity	<u>\$ 48,579</u>	<u>\$ 53,540</u>

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

Limeade, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)
(in thousands, except shares and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
Subscription services	\$ 14,024	\$ 13,464	\$ 39,742	\$ 38,611
Other	428	601	1,361	2,320
Total revenue	14,452	14,065	41,103	40,931
Cost of revenue	4,246	3,859	12,945	10,855
Gross profit	10,206	10,206	28,158	30,076
Operating expenses:				
Sales and marketing	3,704	4,788	13,474	12,839
Research and development	5,170	5,579	17,386	14,925
General and administrative	3,492	3,196	10,413	8,806
Total operating expenses	12,366	13,563	41,273	36,570
Loss from operations	(2,160)	(3,357)	(13,115)	(6,494)
Other income (expense), net	823	(64)	803	(92)
Loss before income taxes	(1,337)	(3,421)	(12,312)	(6,586)
Income tax benefit (expense)	(31)	(1)	(114)	(18)
Net loss	\$ (1,368)	\$ (3,422)	\$ (12,426)	\$ (6,604)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.05)	\$ (0.03)
Weighted-average shares of common stock outstanding, basic and diluted	255,626,349	250,913,640	254,793,050	249,781,906

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

Limeade, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	\$ (1,368)	\$ (3,422)	\$ (12,426)	\$ (6,604)
Other comprehensive income:				
Foreign currency translation adjustments	139	98	153	149
Total comprehensive loss	<u>\$ (1,229)</u>	<u>\$ (3,324)</u>	<u>\$ (12,273)</u>	<u>\$ (6,455)</u>

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

Limeade, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (12,426)	\$ (6,604)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	2,246	1,411
Stock-based compensation	1,956	1,567
Non-cash operating lease expense	1,053	(407)
Amortization of capitalized sales commissions	223	—
Change in fair value of acquisition earnout liability	(900)	—
Foreign currency transactions	(33)	(24)
Changes in operating assets and liabilities		
Accounts receivable	(4,608)	(2,272)
Prepaid expenses and other current assets	(763)	(1,513)
Capitalized sales commission	(346)	—
Other non-current assets	7	(185)
Trade payables	1,501	(1,120)
Accrued expenses and other current liabilities	513	312
Deferred revenue	1,450	1,137
Customer deposits	1,609	1,426
Operating lease liabilities	(1,140)	891
Net cash used in operating activities	(9,658)	(5,381)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capitalized software development costs	(4,894)	(2,333)
Purchases of property and equipment	(152)	(84)
Cash paid for TINYpulse acquisition	—	(9,092)
Net cash used in investing activities	(5,046)	(11,509)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under revolving credit facility	2,500	—
Repayments under revolving credit facility	(50)	—
Proceeds from exercise of stock options	69	521
Net cash provided by financing activities	2,519	521
Foreign currency effect on cash and cash equivalents	(24)	(23)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(12,209)	(16,392)
CASH AND CASH EQUIVALENTS		
Beginning of period	13,939	31,497
End of period	<u>\$ 1,730</u>	<u>\$ 15,106</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid for interest	<u>\$ 16</u>	<u>\$ 1</u>
Cash paid for taxes	<u>\$ 15</u>	<u>\$ 18</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Property and equipment included in accounts payable	\$ —	\$ 5
Fair value of acquisition earnout liability	<u>\$ —</u>	<u>\$ 900</u>

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

Limeade, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(in thousands, except shares)

	Common Stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	Paid-In	Deficit	Other	Stockholders'
			Capital		Comprehensive	Equity
BALANCE, June 30, 2021	250,524,860	\$ —	\$ 68,947	\$ (42,624)	\$ (162)	\$ 26,161
Exercise of stock options and release of restricted stock units	1,146,362	—	154	—	—	154
Stock-based compensation	—	—	573	—	—	573
Gain on translation adjustments	—	—	—	—	98	98
Net loss	—	—	—	(3,422)	—	(3,422)
BALANCE, September 30, 2021	<u>251,671,222</u>	<u>\$ —</u>	<u>\$ 69,674</u>	<u>\$ (46,046)</u>	<u>\$ (64)</u>	<u>\$ 23,564</u>
BALANCE, June 30, 2022	254,783,557	\$ —	\$ 71,513	\$ (60,465)	\$ 49	\$ 11,097
Exercise of stock options and release of restricted stock units	1,903,761	—	3	—	—	3
Stock-based compensation	—	—	750	—	—	750
Gain on translation adjustments	—	—	—	—	139	139
Net loss	—	—	—	(1,368)	—	(1,368)
BALANCE, September 30, 2022	<u>256,687,318</u>	<u>\$ —</u>	<u>\$ 72,266</u>	<u>\$ (61,833)</u>	<u>\$ 188</u>	<u>\$ 10,621</u>

Limeade, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(in thousands, except shares)

	Common Stock		Additional	Accumulate	Other	Total
	Shares	Amount	Paid-In	d Deficit	Comprehensi	Stockholder
			Capital		ve Income	s' Equity
					(Loss)	
BALANCE, December 31, 2020	247,420,156	\$ —	\$ 67,586	\$ (39,442)	\$ (213)	\$ 27,931
Exercise of stock options and release of restricted stock units	4,251,066	—	521	—	—	521
Stock-based compensation	—	—	1,567	—	—	1,567
Gain on translation adjustments	—	—	—	—	149	149
Net loss	—	—	—	(6,604)	—	(6,604)
BALANCE, September 30, 2021	<u>251,671,222</u>	<u>\$ —</u>	<u>\$ 69,674</u>	<u>\$ (46,046)</u>	<u>\$ (64)</u>	<u>\$ 23,564</u>
BALANCE, December 31, 2021	253,621,067	\$ —	\$ 70,241	\$ (49,407)	\$ 35	\$ 20,869
Exercise of stock options and release of restricted stock units	3,066,251	—	69	—	—	69
Stock-based compensation	—	—	1,956	—	—	1,956
Gain on translation adjustments	—	—	—	—	153	153
Net loss	—	—	—	(12,426)	—	(12,426)
BALANCE, September 30, 2022	<u>256,687,318</u>	<u>\$ —</u>	<u>\$ 72,266</u>	<u>\$ (61,833)</u>	<u>\$ 188</u>	<u>\$ 10,621</u>

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

Limeade, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1 – ORGANIZATION

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. Limeade is an immersive employee well-being company that creates healthy employee experiences. By putting well-being at the heart of the employee experience, Limeade helps reduce burnout and turnover while increasing well-being and engagement — ultimately elevating business performance. 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, Germany, Vietnam, and a branch registered in Australia. These entities provide business development, software development, and support services.

Certain Significant Risks and Uncertainties

The Company operates in a dynamic industry and accordingly, can be affected by a variety of factors. Management believes that changes in several areas could have a significant negative effect on the Company in terms of the Company’s future financial position and results of operations or cash flows. These areas include changing 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 the Company’s brand and intellectual property, among other things.

Liquidity

The Company has incurred net losses since inception and had an accumulated deficit of \$61.8 million as of September 30, 2022 and \$49.4 million as of December 31, 2021. The Company incurred a net loss of \$1.4 million and \$3.4 million during the three months ended September 30, 2022 and 2021, respectively and \$12.4 million and \$6.6 million during the nine months ended September 30, 2022 and 2021, respectively.

The Company had \$1.7 million in cash and cash equivalents as of September 30, 2022. Management believes the Company’s existing cash and cash equivalents and borrowing capacity under its \$15.0 million revolving credit facility (“Credit Facility”) will be sufficient to fund the Company’s operations for at least one year from the date these condensed consolidated financial statements are issued.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The condensed consolidated financial statements include those of the Company and its subsidiaries after elimination of all intercompany accounts and transactions. These condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

The accompanying unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, include all adjustments of a normal recurring nature necessary to present fairly the Company’s consolidated financial position, results of operations and cash flows. The condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes included in the Company’s annual financial statements for the year ended December 31, 2021.

Use of Estimates

The preparation of the condensed 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 condensed 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, useful lives of property and equipment and capitalized software development costs, assumptions used in stock-based compensation, 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.

The COVID-19 pandemic has introduced significant additional uncertainty with respect to estimates, judgments and assumptions, which may materially impact the estimates previously listed.

Concentration of Credit Risk and Significant Customers

The Company maintains its cash accounts with financial institutions where, at times, deposits exceed federal insurance limits. The Company generally places its cash and cash equivalents with high-credit-quality counterparties and by policy, limits the amount deposited based on the Company's analysis of the counterparty's relative credit standing to manage credit risk with any one counterparty where deposits may exceed the Federal Deposit Insurance Corporation limits.

Credit risk with respect to accounts receivable is dispersed based on the number of the customers. There was one customer with more than 10% of total revenue for the three and nine months ended September 30, 2022 and 2021.

Segments

The Company operates in one operating segment. Operating segments are defined as components of an enterprise about which separate discrete financial information is evaluated regularly by the chief operating decision maker ("CODM"), who is the chief executive officer. The CODM assesses the performance of the Company and makes allocation decisions.

The Company's long-lived assets are primarily located in the United States. Revenue by geographical region is included in Note 6.

Foreign Currency Translation

The Company's consolidated financial statements are reported in U.S. dollars. The financial statements of the Company's foreign subsidiaries with a functional currency other than U.S. dollars have been translated into U.S. dollars. Assets and liabilities of these subsidiaries are translated at the exchange rates in effect at each period-end. Income statement amounts are translated at the average exchange rate during the period. Translation adjustments resulting from this process are included in other comprehensive income (loss).

Fair Value Measurements

U.S. GAAP has established a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets and liabilities

Level 2 – Observable inputs other than quoted prices included in Level 1

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets or liabilities

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded net of an allowance for doubtful accounts and are generally due within 30 to 75 days. The allowance for doubtful accounts reflects the Company's best estimate of losses inherent in the gross accounts receivable balance. The Company considers accounts outstanding longer than the contractual payment terms as past due. The Company determines the allowance by considering a number of factors, including the length of time accounts receivable are past due, previous loss history, a specific customer's ability to pay its obligations, and the condition of the general economy and industry as a whole. Accounts receivable ultimately deemed uncollectible are written off against their allowance in the period in which they are deemed uncollectible.

Accounts receivable include outstanding invoices issued to customers according to the terms of the Company's contractual arrangements. The Company reviews accounts receivable regularly to determine if any receivable will be potentially uncollectible.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation expense is reported on the Consolidated Statement of Operations within the operating expense category that benefits from the use of the asset. Depreciation is calculated on a straight-line basis over the estimated useful lives of those assets as follows:

	Useful Life (Years)
Computer equipment and software	3 years
Furniture and equipment	3 - 5 years
Leasehold improvements	Shorter of remaining lease term or 5 years

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. The estimated useful lives of internally developed software are reviewed frequently and adjusted as appropriate to reflect upcoming development activities that may include significant upgrades and/or enhancements to the existing functionality. Capitalized internally developed 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 \$1.8 million and \$0.8 million for the three months ended September 30, 2022 and 2021, respectively and \$4.9 million and \$2.3 million of internally developed software costs for the nine months ended September 30, 2022 and 2021, respectively. Amortization expense related to capitalized software was \$0.4 million and \$0.3 million for the three months ended September 30, 2022 and 2021, respectively and \$1.2 million and \$0.8 million for the nine months ended September 30, 2022 and 2021, respectively, and is included in Cost of revenue on the Consolidated Statement of Operations.

Goodwill, Intangible Assets, and Other Long-Lived Assets

The Company's long-lived assets with finite lives consist primarily of property and equipment, capitalized software development costs, operating lease right-of-use assets and acquired intangible assets. Acquired finite-lived intangible assets consist of acquired technology and customer relationships, which are amortized over their estimated useful lives. Amortization expense for these intangible assets is included in the Cost of revenue and Sales and marketing on the Consolidated Statement of Operations.

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. Recoverability is measured by comparing the carrying amount to the future net undiscounted cash flows which the assets are expected to generate. 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. Impairment testing is performed at the reporting unit level. Management has determined that there was no impairment of long-lived assets for the three and nine months ended September 30, 2022 and 2021.

Goodwill represents the excess of the cost of an acquired business over the fair value of the assets acquired at the date of acquisition and is not amortized. The Company reviews goodwill for impairment at least annually in the fourth quarter, or more frequently, if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. Goodwill impairment is recognized when the quantitative assessment results in the carrying value of the reporting unit exceeding its fair value, in which case an impairment charge is recorded to goodwill to the extent the carrying value exceeds the fair value, limited to the amount of goodwill. There was no impairment of goodwill recorded for the three and nine months ended September 30, 2022 and 2021.

Business Combinations

The Company accounts for business acquisitions using the acquisition method of accounting, which requires that the assets acquired, liabilities assumed, contractual contingencies and contingent consideration are recorded at the date of acquisition at their respective fair values. Goodwill is recorded when consideration paid in a purchase acquisition exceeds the fair value of the net assets acquired.

Revenue Recognition

The Company generates revenue from two primary sources: (1) software-as-a-service ("SaaS") subscriptions ("subscription revenues"), and (2) add-on services ("other revenues").

Revenue is recognized when promised goods and services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services by following a five-step process:

1. Identify a contract(s) with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the Company satisfies a performance obligation

Some of the Company's contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price ("SSP") basis. The Company determines the standalone selling prices based on its overall pricing objectives, taking into consideration market conditions and other factors, including the value of its contracts, the products sold, customer demographics, geographic locations, and the number and types of users within the Company's contracts.

The following describes the nature of the Company's revenue and related revenue recognition policies.

Subscription Revenue

SaaS subscriptions provide customers with a right to access software hosted by the Company on the web, and services that include when-and-if-available updates and technical support; customers do not have a contractual right to take possession of the software. A substantial majority of our subscription arrangements contain a contractual term of three years, but majority allow customers to terminate for convenience at each annual contract anniversary

without penalty. Effectively, our subscription arrangements are considered one-year contracts under revenue recognition standard. Subscription fees may be invoiced annually, quarterly, or monthly.

The nature of the SaaS subscription promise to the customer is to provide continuous access to the Company's application platform. As such, our SaaS offerings are generally viewed as a stand-ready performance obligation comprised of a series of distinct daily services. Customers are granted continuous access to the platform over the contractual period and accordingly revenue related to subscription fees is recognized on a straight-line basis over the subscription term, beginning when the customer first has access to the software.

The Company also sells third-party SaaS subscriptions such as health coaching and content subscription services, which are contracted for and billed to the customer by the Company. In these arrangements, the Company is considered the agent, and therefore, revenue is recognized net of costs charged by the third-party providers to the Company on a ratable basis over the subscription period.

Other Revenue

Other revenue includes services pertaining to (i) onsite client program managers which are billed based on the number of managers and the associated fees as stated in the contract and (ii) add-on services like biometric data collection, and onsite screenings which are usage-based and billed based on the number of participants. Revenue for the services are recognized as the services are rendered, or ratably over the contract period, depending on the service.

Remaining Performance Obligations

Remaining performance obligations represent contracted revenues that have not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenues in future periods. A substantial majority of our subscription arrangements contain a stated contract period of three years, with the customer's right to terminate without penalty at each anniversary resulting in an effective contract period of one year. Services included in other revenue are billed a year in advance and revenue is recognized over the year. As such the Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose information about its remaining performance obligations.

Judgments and Estimates

The Company's contracts require it to perform certain setup services so customers can access SaaS subscriptions. Setup services are combined with the Company's subscription services, as the Company has determined that they are a fulfillment activity in these arrangements and are not a distinct service. If in future periods the nature of setup services changes and the services qualify as a separate performance obligations, some of the transaction price will need to be allocated and such amounts will be recognized earlier than in the Company's current arrangements.

Judgment is also required to determine the 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 SaaS subscriptions, SSP is generally determined using observable pricing in standalone sales and 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 performance obligation. If a material right exists, the amount allocated from the transaction price is not recognized until the option is exercised or 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.

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 through to June 30, 2021 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 providing ongoing services to the entity for a substantive period. In the second quarter of 2021, the substantive service conditions were removed from the commission plans. Accordingly, sales commissions paid for the acquisition of the initial subscription contract relating to sales made in the second half of 2021 were capitalized and will be amortized over the estimated customer life of 36 months.

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.

Deferred Revenue

Deferred revenue represents billings or payments received in advance of revenue recognition from subscription and other revenue. The Company generally invoices customers monthly, semi-annually, or annually in advance of providing services.

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.

Income Taxes

The Company accounts for income taxes under the asset and liability method. The Company's deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and income tax basis of assets and liabilities and are measured using the enacted tax rates expected to apply in the years when the differences are expected to reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. The Company assesses its income tax positions and records income taxes based upon management's evaluation of the facts, circumstances, and information available at the reporting date.

The Company determines whether its uncertain tax positions are more likely than not to be sustained upon examination based on the technical merits of the position. For tax positions not meeting the more likely than not threshold, the tax amount recognized in the consolidated financial statements is reduced by the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Company does not have any uncertain tax positions as of September 30, 2022 or December 31, 2021.

The Company recorded a provision (benefit) for incomes taxes of \$0.03 million and \$0.1 million for the three and nine months ended September 30, 2022, respectively and none and \$0.02 million for the three and nine months ended September 30, 2021, respectively

A full valuation allowance has been established to reflect the uncertainty of generating future taxable income necessary to realize the Company's tax loss carryforwards and other deferred tax assets. Current tax laws impose substantial restrictions on the utilization of net operating loss carryforwards in the event of an ownership change, as defined by Section 382 of the Internal Revenue Code. Since the losses incurred are fully reserved by a valuation allowance, any limitation related to Section 382 will not have a material impact on the financial statement.

Stock-based Compensation

The Company accounts for stock-based payment awards made to employees and directors under Accounting Standards Codification ("ASC") *Share-Based Payments* ("ASC 718"), which requires measurement and recognition of compensation expense for all share-based payment awards based on fair value. The Company estimates the fair value of stock-based payment awards using the Black-Scholes option-pricing model. The Black-Scholes model incorporates various assumptions, including expected volatility, dividend yields, risk-free interest rates, weighted-average expected lives, and estimated forfeitures of options.

Under ASC 718, stock-based compensation expense is recognized based on the value of the portion of stock-based payment awards that is ultimately expected to vest during the period. The Company recognizes compensation expense for all stock-based payment awards made to employees and directors using a straight-line method, generally over a service period of four years.

Stock-based compensation cost for restricted stock units ("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 underlying common stock on the date of grant. The vesting period of each RSU grant is generally four years and stock-based compensation is adjusted for the impact of estimated forfeitures.

Research and Development Expenses

Research and development expenses include payroll, employee benefits, and other headcount-related costs associated with product development. Research and development costs are expensed as incurred.

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 in long-term assets on the 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 the 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.

The Company utilizes certain practical expedients and policy elections available under the lease accounting standard. 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.

Contingencies

A loss contingency is recorded if it is probable and the amount of the loss can be reasonably estimated. The Company assesses, among other factors, the probability of an adverse outcome and its ability to make a reasonable estimate of the ultimate loss.

Net Loss per Share Attributable to Common Stockholders

The Company calculates basic net loss per share by dividing net loss by the weighted-average number of the Company's common stock shares outstanding during the respective period. The diluted net loss per share is computed giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, options to purchase common stock and unvested restricted stock units are considered common

stock equivalents but have been excluded from the calculation of diluted net loss per share as the effect is antidilutive.

During the periods presented, the impact is to decrease net loss per share and therefore the Company is precluded from adjusting its calculation for these securities. As a result, diluted net loss per share is calculated using the same formula as basic net loss per share.

The following potentially dilutive securities were excluded from the computation of diluted net loss per share calculations for the periods presented because of the impact of including them would have been anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Stock options	27,519,507	24,185,698	27,519,809	23,755,832
RSUs	9,315,510	5,477,162	9,315,510	5,463,821
Total	36,835,017	29,662,860	36,835,319	29,219,653

Accounting Pronouncements Not Yet Adopted

In June 2020, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*. This guidance requires an entity to measure and recognize expected credit losses for certain financial instruments and financial assets, including trade receivables. This guidance is effective for the Company on January 1, 2023 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements and related disclosures and does not expect a material impact.

NOTE 3 – FAIR VALUE MEASUREMENTS

Cash equivalents invested in money market funds are classified as Level 1. Acquisition earnout liabilities are classified as Level 3 because the Company uses unobservable inputs to value them, reflecting its assessment of the assumptions market participants would use to value these liabilities. Changes in the fair value of earnout liabilities are recorded in other income (expenses), net in the condensed Consolidated Statements of Operations.

The following table summarizes the valuation of financial instruments within the fair-value hierarchy:

(in thousands)	September 30, 2022			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	\$ —	\$ —	\$ —	\$ —
Liabilities:				
Acquisition earnout liability	\$ —	\$ —	\$ —	\$ —

(in thousands)	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	\$ 379	\$ 379	\$ —	\$ —
Liabilities:				
Acquisition earnout liability	\$ 900	\$ —	\$ —	\$ 900

NOTE 4 – BALANCE SHEET COMPONENTS

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

<i>(in thousands)</i>	September 30, 2022	December 31, 2021
Prepaid gift card costs	\$ 3,971	\$ 3,296
Prepaid software	1,514	1,556
Prepaid insurance	315	97
Prepaid marketing	169	164
Other	227	320
Total prepaid expenses and other current assets	<u>\$ 6,196</u>	<u>\$ 5,433</u>

A way in which our customer can enhance their employees' experiences utilizing our software solutions is to reward their employees through third-party gift cards.

When the customer is invoiced for the third-party gift cards earned by their employees, the Company recognizes an accrued gift card liability. When the customer pays the invoice, the Company deposits the funds into the customer's account with the third-party provider and a prepaid gift card asset is recognized. As employees of our customers redeem their earned third-party gift cards the balance of the asset and liability are both decreased until the deposit for the customer is exhausted or until the customer terminates the service and requests a refund of their unused balance. Revenue related to commissions earned from selling the third-party gift cards to our customers is recognized when the third-party gift cards are redeemed by our customers employees, which is immaterial for all periods presented. If a customer was to terminate their contract, the unused balances in their gift cards would be refunded. The Company does not expect to be entitled to a breakage amount, and to date, the likelihood of customers exercising their remaining rights is not remote.

Property and Equipment

Property and equipment consists of the following:

<i>(in thousands)</i>	September 30, 2022	December 31, 2021
Computer equipment and software	\$ 1,851	\$ 1,745
Furniture and equipment	657	660
Leasehold improvements	607	607
Total	3,115	3,012
Less: accumulated depreciation and amortization	(2,762)	(2,571)
Total property and equipment, net	<u>\$ 353</u>	<u>\$ 441</u>

Depreciation and amortization expense for property and equipment was about \$0.1 million for the three months ended September 30, 2022 and 2021 and \$0.2 million and \$0.3 million for nine months ended September 30, 2022 and 2021, respectively.

Capitalized Software Development Costs

The Company capitalized \$1.8 million and \$0.8 million of internally developed software costs for the three months ended September 30, 2022 and 2021, respectively and \$4.9 million and \$2.3 million for the nine months ended September 30, 2022 and 2021, respectively. Amortization expense related to capitalized software was \$0.4 million and \$0.3 million for the three months ended September 30, 2022 and 2021, respectively and \$1.2 million and \$0.8 million for the nine months ended September 30, 2022 and 2021, respectively, and the Company recorded

accumulated amortization of \$3.4 million and \$2.2 million as of September 30, 2022 and December 31, 2021, respectively.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

<i>(in thousands)</i>	September 30, 2022	December 31, 2021
Accrued compensation	\$ 3,548	\$ 3,748
Accrued gift card liability	4,167	3,978
Accrued vendor costs	2,077	1,927
Performance guarantee liability	980	710
Other	228	340
Total accrued expenses and other current liabilities	<u>\$ 11,000</u>	<u>\$ 10,703</u>

NOTE 5 – INTANGIBLE ASSETS

Finite-lived intangible assets consisted of the following:

<i>(in thousands)</i>	Useful Life (Years)	September 30, 2022		
		Gross	Accumulated Amortization	Net
Customer relationships	5	\$ 4,878	\$ (2,234)	\$ 2,644
Technology	5	600	(140)	460
Total intangible assets		<u>\$ 5,478</u>	<u>\$ (2,374)</u>	<u>\$ 3,104</u>

<i>(in thousands)</i>	Useful Life (Years)	December 31, 2021		
		Gross	Accumulated Amortization	Net
Customer relationships	5	\$ 4,878	\$ (1,502)	\$ 3,376
Technology	5	600	(50)	550
Total intangible assets		<u>\$ 5,478</u>	<u>\$ (1,552)</u>	<u>\$ 3,926</u>

Amortization expense for finite-lived intangible assets was \$0.3 million and \$0.2 million for the three months ended September 30, 2022 and 2021, respectively and \$0.8 million and \$0.4 million for the nine months ended September 30, 2022 and 2021, respectively.

Estimated future amortization expense of intangible assets as of September 30, 2022 is as follows:

<i>(in thousands)</i>	
2022 (remaining three months)	\$ 274
2023	970
2024	720
2025	720
2026	420
Total	<u>\$ 3,104</u>

NOTE 6 – REVENUE AND DEFERRED REVENUE

Disaggregation of Revenue

The following table summarizes revenue by geographic area, which is based on the billing address of the customer:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
United States	\$ 12,831	\$ 13,478	\$ 37,851	\$ 39,499
Other	1,621	587	3,252	1,432
Total revenue	\$ 14,452	\$ 14,065	\$ 41,103	\$ 40,931

Performance Guarantees

Reserves for estimated contract performance guarantees are established based on historical performance and are recognized as a reduction of revenue and as accrued expenses and other current liabilities on the condensed Consolidated Balance Sheets. The performance guarantee reserve liability is \$1.0 million and \$0.7 million as of September 30, 2022 and December 31, 2021, respectively.

Contract Costs

For the nine months ended September 30, 2022, the Company capitalized \$0.3 million of sales commissions. The related amortization expense was \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2022 respectively. The Company did not have any costs that were capitalized for the nine months ended September 30, 2021.

Contract Assets and Contract Liabilities

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 did not have any contract assets as of September 30, 2022 and December 31, 2021.

Contract liabilities consist of deferred revenue. Timing may differ between the satisfaction of performance obligations and the billing and collection of amounts related to contracts with customers. Revenue is deferred for amounts that are billed in advance of the satisfaction of performance obligations.

Deferred revenue as of September 30, 2022, is expected to be recognized within the next 12 months as the revenue recognition criteria are met. A summary of the activity impacting deferred revenue balances are presented below:

(in thousands)	Nine Months Ended September 30,	
	2022	2021
Beginning balance	\$ 13,528	\$ 10,089
Additional amounts deferred	42,553	43,037
Revenue recognized	(41,103)	(40,931)
Ending balance	\$ 14,978	\$ 12,195

NOTE 7 – STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

The 2019 Omnibus Incentive Plan (the "2019 Plan") provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock grants, restricted stock unit grants, performance grants, and other grants to employees, directors, and consultants.

Common Shares Reserved for Future Issuance

The following shares of common stock have been reserved for future issuance:

	September 30, 2022	December 31, 2021
Common stock options and restricted stock units outstanding.....	36,835,319	27,628,500
Common stock and restricted stock units available for grant.....	17,445,795	23,885,495
Total common shares reserved for future issuance	<u>54,281,114</u>	<u>51,513,995</u>

Stock-Based Compensation

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:

	Nine Months Ended September 30,	
	2022	2021
Estimated per share value of common stock	\$0 - \$0.22	\$0 - \$0.73
Risk-free interest rates	1.67% - 3.38%	0.71% - 0.99%
Expected term (in years)	5.60	5.43 - 5.60
Dividend rate	—%	—%
Volatility	74.40%	71.55% - 79.23%

The impact on results of operations of recording stock-based compensation expense was as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue	\$ 97	\$ 101	\$ 283	\$ 289
Sales and marketing	137	119	399	344
Research and development	272	206	732	595
General and administrative	244	147	542	339
Total stock-based compensation	<u>\$ 750</u>	<u>\$ 573</u>	<u>\$ 1,956</u>	<u>\$ 1,567</u>

Stock Options

The following table summarizes stock option activity for the nine months ended September 30, 2022:

	Options Outstanding	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2021	20,249,586	\$ 0.51	7.81	\$ 1,459
Options granted	9,515,468			
Options forfeited	(1,654,996)			
Options exercised	(590,249)			
Outstanding at September 30, 2022	<u>27,519,809</u>	<u>\$ 0.42</u>	<u>7.93</u>	<u>\$ 12</u>
Options vested or expected to vest at September 30, 2022 ..	<u>24,479,771</u>	<u>\$ 0.42</u>	<u>7.75</u>	<u>\$ 12</u>
Exercisable at September 30, 2022	<u>10,976,568</u>	<u>\$ 0.40</u>	<u>6.10</u>	<u>\$ 12</u>

At September 30, 2022, total compensation cost related to stock options granted to employees but not yet recognized was \$2.5 million, net of estimated forfeitures. This cost will be amortized using the straight-line method over a weighted average period of approximately 2.53 years. The aggregate intrinsic value represents the difference between the exercise price of the underlying options and the fair value of common stock for the number of options that were in-the-money. The Company issues new shares of common stock upon exercise of stock options.

Restricted Stock Units

The following table summarizes restricted stock unit (“RSU”) activity for the nine months ended September 30, 2022:

	Number of Shares	Weighted Average Grant Date Fair Value
Restricted stock units unvested at December 31, 2021	7,184,250	\$ 0.68
Restricted stock units granted	6,966,354	0.15
Restricted stock units vested	(2,476,002)	0.44
Restricted stock units forfeited	(2,359,092)	0.56
Restricted stock units unvested at September 30, 2022	<u>9,315,510</u>	<u>\$ 0.37</u>

As of September 30, 2022, total compensation cost related to RSUs but not yet recognized was \$2.5 million, net of estimated forfeitures, which is expected to be recognized over a weighted average period of approximately 2.82 years.

NOTE 8 – LEASES

The Company’s leasing arrangements are primarily for corporate offices and automobiles. The following table summarizes weighted-average lease terms and discount rates:

	September 30, 2022	December 31, 2021
Weighted-average remaining lease term (in years) for operating leases	1.0	1.9
Weighted-average discount rate	6.0 %	5.9 %

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2022	2021	2022	2021
Operating lease costs	\$ 508	\$ 468	\$ 1,501	\$ 1,136
Expenses for variable payments	74	117	304	343
Cash paid for operating lease liabilities	412	355	1,230	534

Short-term lease costs were less than \$0.1 million for the nine and three months ended Sept 30, 2022 and 2021.

The following table presents the Company’s future lease payments for long-term operating leases as of September 30, 2022:

(in thousands)	Operating Leases
2022 (remaining three months)	\$ 416
2023	1,359
2024	39
Total	<u>1,814</u>
Less: Imputed interest	<u>(59)</u>
Total operating lease liabilities	<u>\$ 1,755</u>

NOTE 9 – 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 10 – DEBT

Loan and Security Agreement

On May 10, 2019, the Company entered into a loan and security agreement with Comerica Bank (as amended or otherwise modified from time to time, the Credit facility) that consists of a \$15.0 million Credit Facility. On August 3, 2022 the Company entered into Amendment No. 4 to its Credit facility. Pursuant to the terms of the amendment, the maturity date of the Credit facility was December 31, 2023 and replaces the requirement regarding minimum annual contract value with a borrowing base calculation based on the Company's balance of accounts receivables. 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 affirmative and negative covenants.

Interest on outstanding borrowings is the Prime Referenced Rate and is equal to the prime rate in effect on such day and the Prime Referenced Rate shall not be less than the greater of (i) the sum of Secured Overnight Financing Rate (SOFR Rate) plus 2.50% per annum, or (ii) two and one-half percent (2.50%) per annum. If, at any time, Bank determines that it is unable to determine or ascertain the SOFR Rate for any day, the Prime Referenced Rate for each such day shall be the Prime Rate in effect at such time, but not less than two and one-half percent (2.50%) per annum.

As of September 30, 2022, the Company had net loan availability of \$7.6 million and the total debt outstanding with a carrying amount of \$2.5 million and was in compliance with all covenants of the Credit Facility.

NOTE 11 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the condensed consolidated financial statements and finds no qualifying events through November 14, 2022, the date the condensed consolidated financial statements were available to be issued.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the “Risk Factors” section of this Quarterly Report on Form 10-Q, our actual results could differ materially from the results described in or implied by these forward-looking statements. You should carefully read the “Risk Factors” section to gain an understanding of the important factors that could cause actual results to differ materially from our forward-looking statements.

Overview

We are a provider of cloud-based employee experience software solutions (the “Limeade software solutions”) which include Limeade Well-Being, Limeade EX and Limeade Advanced Listening. We were incorporated in February 2006 in the state of Washington. We are headquartered in Bellevue, Washington and have wholly owned subsidiaries with offices in Canada, Germany, and Vietnam and a branch registered in Australia. These entities provide business development, software development, and support service.

Through our software-as-a-service (“SaaS”) solutions, Limeade helps companies better care for their employees, and helps employees care for themselves. Limeade established the Limeade Institute in 2015 to conduct research and share insight on the science behind creating great employee experiences. Limeade Institute science guides both the best practices we bring to our customers and the development of our industry-leading software. We work every day to deliver value to our customers in the form of employee engagement, retention, productivity, human connection, prevention of burnout, HR program and benefit utilization, cost reduction and more. In 2021, we acquired TINYpulse, a Seattle-based leader in listening software. We continue to offer the evolving TINYpulse products, branded as Limeade Advanced Listening, to existing customers and new prospects worldwide.

The Limeade software solutions are sold to organizations through a subscription-based revenue model. Our technology platform is built on scalable cloud-based infrastructure that is industry-agnostic, allowing us to deliver solutions to customers across a range of industries including manufacturing, healthcare, government, financial services and technology. Our contracted annual recurring revenue (“CARR”), represents the total value of contracted revenue at a point in time assuming no terminations for convenience, and expressed on an annualized basis only was \$56.8 million and \$55.0 million as of December 31, 2021 and December 31, 2020, respectively.

Initial Public Offering

On December 20, 2019, we completed our initial public offering (“IPO”) on the Australian Securities Exchange (“ASX”), pursuant to which we issued and sold an aggregate of 27,060,208 CHESS Depository Interests (“CDIs”) each representing one share of common stock at AUD\$1.85 per CDI, resulting in net proceeds of \$30.2 million after deducting underwriting discounts, commissions and offering costs of \$4.1 million.

Business Combination

On July 28, 2021, we acquired TINYpulse, a Seattle-based leader in employee listening (engagement) software. We continue to offer the TINYpulse products, now branded as the Limeade Advanced Listening solution, to existing customers and are focused on selling Limeade Advanced Listening to new customers and markets and developing the products further. The total consideration transferred related to this transaction was \$9.1 million of cash consideration and an additional estimated earnout consideration of \$0.9 million as of December 31, 2021. The earnout consideration had defined evaluation periods at six, twelve, and eighteen months after the closing date of the acquisition and will be paid to the pre-merger company if the certain specified CARR targets are met. As of September 30, 2022, the earnout of \$0.9 million was written off as the possibility of the CARR target being met at the final evaluation period of eighteen months was not probable.

Impact of COVID-19

The COVID-19 pandemic is having widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. Although our results of operations, cash flows, and financial condition were not materially adversely impacted in the three and nine months ended September 30, 2022 and 2021, we may experience an impact to our operations since our customers (both existing and potential) may experience rapidly changing conditions and disruptions to their businesses thereby affecting our contract with them. 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. For most of fiscal 2021, we established mandatory work-from-home procedures and our employees had the necessary tools and technology to remain connected and productive. In addition, in fiscal 2021 we shifted our customer, employee and industry events to virtual-only formats, resulting in cost savings. We further experienced cost savings driven by reductions in employee-related expenses as our employees shifted to work-from-home procedures. In fiscal 2022, as the administration of vaccines increased, we reopened our offices to partial capacity, allowing our employees the flexibility of work-from-home or to voluntarily return to the office and resumed some in-person sales and marketing activities. We will continue to monitor the progression of the pandemic and its potential effect on our financial position, results of operations and cash flow. Other factors affecting our performance are discussed below, although we caution that the ongoing COVID-19 pandemic may also further impact these factors.

Contracted Annual Recurring Revenue (CARR)

We use CARR to better understand and assess the performance of our business as a leading indicator of future revenue performance. CARR also provides a normalized view of customer retention, renewal and expansion, as well as growth from new customers. CARR should be viewed independently of revenue and deferred revenue, and is not intended to be combined with or to replace either of those items.

Key Factors Affecting Our Performance

We aim to deliver innovative and valuable employee experience software solutions via the Limeade platform, building on its long track record of strength in employee well-being and engagement. We aim to increase awareness of the benefits of our employee experience platform and solutions. Limeade intends to invest heavily in the essential functions that are expected to help support strong growth, including roles related to product, research and development, the Limeade Institute, leadership (including general and administrative), sales, marketing, customer success and customer operations. To execute on our growth initiatives, we have developed a growth strategy that is primarily based around but not limited to, the following elements:

- Acquire new Limeade Well-Being customers with 5,000 or more employees, primarily in North America;
- Acquire new Limeade EX customers with 5,000 or more employees, primarily in the EU and other markets;
- Acquire new Limeade Advanced Listening customers with 500-5,000 employees;
- Expand populations and upsell solutions and services to all existing customers for all solutions;
- Continue to expand platform and solutions offerings with internal development; and
- Accelerate growth through strategic acquisitions.

Components of Results of Operations

Revenue

Subscription Revenue

SaaS subscriptions provide customers with a right to access software hosted by the Company on the web, and services that include when-and-if-available updates and technical support; customers do not have a contractual right to take possession of the software. A substantial majority of our subscription arrangements contain a contractual

term of three years, but majority allow customers to terminate for convenience at each annual contract anniversary without penalty. Effectively, our subscription arrangements are considered one-year contracts under revenue recognition standard. Subscription fees may be invoiced annually, quarterly, or monthly.

The nature of the SaaS subscription promise to the customer is to provide continuous access to the Company's application platform. As such, our SaaS offerings are generally viewed as a stand-ready performance obligation comprised of a series of distinct daily services. Customers are granted continuous access to the platform over the contractual period and accordingly revenue related to subscription fees is recognized on a straight-line basis over the subscription term, beginning when the customer first has access to the software.

The Company also sells third-party SaaS subscriptions such as health coaching and content subscription services, which are contracted for and billed to the customer by the Company. In these arrangements, the Company is considered the agent, and therefore, revenue is recognized net of costs charged by the third-party providers to the Company on a ratable basis over the subscription period.

Other Revenue

Other revenue includes services pertaining to (i) onsite client program managers which are billed based on the number of managers and the associated fees as stated in the contract and (ii) add-on services like biometric data collection, and onsite screenings which are usage-based and billed based on the number of participants. Revenue for the services are recognized as the services are rendered, or ratably over the contract period, depending on the service.

Cost of Revenue and Gross Margin

Cost of revenue includes personnel and related costs including salaries, benefits, related payroll tax and allocated facilities costs for employees in the customer operations and customer success teams who implement and configure Limeade software for new customers and provide ongoing account management services, and the costs of infrastructure hosting the platform. Amortization from our acquired technology intangible asset is expensed to cost of revenue.

Gross profit is revenue less cost of revenue, and gross margin is gross profit expressed as a percentage of revenue. Our gross margin may fluctuate from period to period based on staffing needs to meet customer demand or to support improvements to our products. We expect our gross margin to improve over time as we have made significant investments into the security and reliability of our products, and spending in this area is projected to decline, improving our gross margin.

Sales and Marketing Expenses

Sales and marketing expenses consist of personnel and related costs including salaries, commissions, benefits, payroll tax and allocated facilities costs associated with content generation, lead generation, sales, other marketing activities, and amortization from our customer relationship intangible assets. We do not expect our sales and marketing expenses to materially increase/decrease in absolute dollars in future periods.

Research and Development

Research and development expenses consist of personnel and related costs including salaries, benefits, payroll tax, allocated facilities costs, and third-party costs associated with product development, business intelligence and analytics, user experience, software research, design and development. We expect our research and development expenses to decrease in absolute dollars in future periods as we are completing significant investments to the security and reliability of our products, which has taken place over past periods.

General and Administrative Expenses

General and administrative expenses consist of personnel and related costs including salaries, benefits, payroll tax and allocated facilities costs for finance, legal, human resources and administration employees, as well as employees who sit within the Limeade Institute. These expenses also include professional fees for legal, accounting, tax and other services, and administration and board costs. We do not expect our general and administrative expenses to materially increase/decrease in absolute dollars in future periods.

Other Income (Expense), Net

Other income (expense), net consists primarily of foreign exchange gains and losses and income from the sublease of one of our leases.

Income Tax Expense

Our provision for income taxes consists of U.S. federal and state income taxes and income taxes in certain foreign jurisdictions in which we conduct business. Our income tax rate varies from the federal statutory rate due to valuation allowance on U.S. deferred tax assets and foreign tax rates on non U.S. earnings.

Results of Operations

Comparison of the Three Months Ended September 30, 2022 and 2021

The following table summarizes results of operations for the periods indicated:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Change	
	2022	2021	Amount	%
Revenue:				
Subscription services	\$ 14,024	\$ 13,464	\$ 560	4 %
Other	428	601	\$ (173)	(29)%
Total revenues	14,452	14,065	\$ 387	3 %
Cost of revenue	4,246	3,859	\$ 387	10 %
Gross profit	10,206	10,206	\$ —	— %
Operating expenses:				
Sales and marketing	3,704	4,788	\$ (1,084)	(23)%
Research and development	5,170	5,579	\$ (409)	(7)%
General and administrative	3,492	3,196	\$ 296	9 %
Total operating expenses	12,366	13,563	\$ (1,197)	(9)%
Operating loss	(2,160)	(3,357)	\$ 1,197	(36)%
Other income (expense), net	823	(64)	\$ 887	(1386)%
Loss before income taxes	(1,337)	(3,421)	\$ 2,084	(61)%
Income tax expense	(31)	(1)	\$ (30)	*
Net loss	<u>\$ (1,368)</u>	<u>\$ (3,422)</u>	<u>\$ 2,054</u>	<u>(60)%</u>

*Not meaningful

Revenue

Subscription services revenue increased by \$0.6 million, or 4%, from \$13.5 million for the three months ended September 30, 2021, to \$14.0 million for the three months ended Sept 30, 2022. This change was primarily due to the inclusion of Advanced Listening revenue for the entire quarter in 2022 versus partial quarter in 2021, and an

increase in the same revenue, resulting in an increase of \$1.1 million partially offset by a decrease of \$0.5 million in reseller revenue owing to termination of a customer contract.

Other revenue decreased by \$0.2 million, or 29%, from \$0.6 million for the three months ended September 30, 2021, to \$0.4 million for the three months ended September 30, 2022. This was primarily due to a decrease in biometric screening services sold as there were more rescheduled biometric screening events in Q3 2021 because of cancellations in 2020 due to COVID-19.

Cost of Revenue, Gross Profit and Gross Margin

Cost of revenue increased by \$0.4 million, or 10%, from \$3.9 million for the three months ended September 30, 2021, to \$4.2 million for the three months ended September 30, 2022. This was primarily due to an increase of \$0.2 million in costs associated with our customer operations and customer success teams, and increase of \$0.2 million in amortization of capitalized software development costs and other costs. Costs associated with our customer operations and customer success teams are primarily personnel and related costs.

Gross margin decreased from 73% for the three months ended September 30, 2021, to 71% for the three months ended September 30, 2022. The decrease in gross margin is primarily due to increased resources needed to implement security enhancements to our product and customer upgrades.

Sales and Marketing Expenses

Sales and marketing expenses decreased by \$1.1 million, or 23%, from \$4.8 million for the three months ended September 30, 2021, to \$3.7 million for the three months ended September 30, 2022. This was primarily due to a decrease of \$0.9 million in personnel and related costs and a decrease of \$0.2 million in marketing and facilities related costs.

Research and Development Expenses

Research and development expenses decreased by \$0.4 million, or 7%, from \$5.6 million for the three months ended September 30, 2021, to \$5.2 million for the three months ended September 30, 2022. This was primarily due to a decrease of \$0.6 million of development and product management consultant costs offset by an increase of \$0.2 million of personnel costs and other expenses related to research and development.

General and Administrative Expenses

General and administrative expenses increased by \$0.3 million, or 9%, from \$3.2 million for the three months ended September 30, 2021, to \$3.5 million for the three months ended September 30, 2022. This was primarily due to an increase in personnel and related costs resulting from increased headcount and professional services, including accounting services pertaining to our Registration Statement on Form 10 initially filed with the Securities and Exchange Commission ("SEC") on August 4, 2022, as amended on September 15, 2022 ("Form 10 Registration"), as well as other SEC filings.

Other Income (Expense) Net

Other income increased by \$0.9 million, or 1386%, from \$(0.1) million for the three months ended September 30, 2021, to \$0.8 million for the three months ended September 30, 2022. This was primarily driven by the acquisition liability write off since it is not probable that the targets will be met for payout.

Comparison of the Nine months Ended September 30, 2022 and 2021

The following table summarizes results of operations for the periods indicated:

(dollars in thousands)	Nine Months Ended September 30,		Change	
	2022	2021	Amount	%
Revenue:				
Subscription services	\$ 39,742	\$ 38,611	\$ 1,131	3 %
Other	1,361	2,321	(960)	(41)%
Total revenues	41,103	40,932	171	0.42 %
Cost of revenue	12,945	10,855	2,090	19 %
Gross profit	28,158	30,077	(1,919)	(6)%
Operating expenses:				
Sales and marketing	13,474	12,839	635	5 %
Research and development	17,386	14,925	2,461	16 %
General and administrative	10,413	8,806	1,607	18 %
Total operating expenses	41,273	36,570	4,703	13 %
Loss from operations	(13,115)	(6,494)	(6,622)	102 %
Other income (expense), net	803	(92)	895	(973)%
Loss before income taxes	(12,312)	(6,586)	(5,727)	87 %
Income tax expense	(114)	(18)	(96)	533 %
Net loss	\$ (12,426)	\$ (6,604)	\$ (5,631)	85 %

Revenue

Subscription services revenue increased by \$1.1 million, or 3%, from \$38.6 million for the nine months ended September 30, 2021, to \$39.7 million for the nine months ended September 30, 2022. This change was largely driven by an increase of \$4.5 million in Advanced Listening pertaining to the acquisition of TINYpulse in July 2021 offset by a \$2.2 million decrease in reseller revenue owing to termination of a customer contract and \$1.2 million in performance guarantees.

Other revenue decreased by \$1.0 million, or 41%, from \$2.3 million for the nine months ended September 30, 2021, to \$1.4 million for the nine months ended September 30, 2022. This was primarily due to a decrease in biometric screening services sold as there were more rescheduled biometric screening events in 2021 because of cancellations in 2020 due to COVID-19 and revenue booked in 2021 as a result of settlement of dispute with a customer.

Cost of Revenue, Gross Profit, and Gross Margin

Cost of revenue increased by \$2.1 million, or 19%, from \$10.9 million for the nine months ended September 30, 2021, to \$12.9 million for the nine months ended September 30, 2022. This was primarily due to an increase of \$1.3 million in costs associated with our customer operations and customer success teams, an increase of \$0.4 million in third-party cloud infrastructure costs, and an increase of \$0.4 million in amortization of capitalized software development costs. Costs associated with our customer operations and customer success teams are primarily personnel and related costs.

Gross margin decreased from 73% for the nine months ended September 30, 2021, to 69% for the nine months ended September 30, 2022. The decrease in gross margin is primarily due to an increase in resources needed to implement customer upgrades and changes in product mix.

Sales and Marketing Expenses

Sales and marketing expenses increased by \$0.6 million, or 5%, from \$12.8 million for the nine months ended September 30, 2021, to \$13.5 million for the nine months ended September 30, 2022. This was primarily due to an increase of \$0.9 million in facilities and software expense associated with sales and marketing partially offset by a decrease of \$0.3 million in personnel and marketing costs.

Research and Development Expenses

Research and development expenses increased by \$2.5 million, or 16%, from \$14.9 million for the nine months ended September 30, 2021, to \$17.4 million for the nine months ended September 30, 2022. This was primarily driven by an increase of \$3.7 million in personnel related costs and an increase of \$1.3 million in software and other related expenses pertaining to research and development, partially offset by \$2.5 million decrease in capitalized software development costs associated with development of our platform.

General and Administrative Expenses

General and administrative expenses increased by \$1.6 million, or 18%, from \$8.8 million for the nine months ended September 30, 2021, to \$10.4 million for the nine months ended September 30, 2022. This was primarily driven by an increase of \$1.0 million in personnel and related costs due to increased headcount that includes senior-level employees to support our growth and an increase of \$0.6 million in professional service costs pertaining to our Form 10 Registration, as well as other SEC filings.

Other Income (Expense) Net

Other income increased by \$0.9 million, or 973%, from \$(0.1) million for the nine months ended September 30, 2021, to \$0.8 million for the nine months ended September 30, 2022. This was primarily driven by the acquisition liability write off since it is not probable that the targets will be met for payout..

Liquidity and Capital Resources

Our principal source of liquidity as of September 30, 2022 is cash and cash equivalents of \$1.7 million, which consists of bank deposits and revolving credit facility of \$15 million (net loan availability as of September 30, 2022 is \$7.6 million). We have funded our operations primarily from revenue from the sale of our products, proceeds from the issuance of our equity securities and borrowings under our debt arrangements.

We have a loan and security agreement with Comerica Bank that consists of a \$15.0 million revolving credit facility (the "Credit Facility"), which is subject to borrowing base limitations. In August 2022, we entered into an amendment to the Credit Facility which modifies the terms of the loan and extends the maturity date to December 31, 2023, at which time any amounts outstanding become due and payable. We have a balance of \$2.5 million outstanding under the Credit Facility as of September 30, 2022. The obligations under the Credit Facility are collateralized by substantially all of our assets, including intellectual property, receivables and other tangible and intangible assets. The Credit Facility includes affirmative and negative covenants, which we were in compliance with as of September 30, 2022. Interest on outstanding borrowings is equal to the Prime rate and Prime Referenced Rate shall not be less than the greater of (i) the sum of Secured Overnight Financing Rate (SOFR Rate) plus 2.50% per annum, or (ii) two and one-half percent (2.50%) per annum. If, at any time, Bank determines that it is unable to determine or ascertain the SOFR Rate for any day, the Prime Referenced Rate for each such day shall be the Prime Rate in effect at such time, but not less than two and one-half percent (2.50%) per annum.

We believe that our existing cash and cash equivalents and our borrowing capacity under our Credit Facility will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months from the date of this filing. Our future capital requirements will depend on many factors, including our revenue growth rate, subscription renewal activity, sales and marketing activities, the timing and extent of spending to support development efforts, the introduction of platform enhancements, and the continuing market adoption of our platform. We may continue to enter into arrangements to acquire or invest in complementary businesses, products, and technologies. We may be required to seek additional equity or debt financing. In the event that we require

additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results and financial condition would be adversely affected.

Contractual Obligations and Commitments

Our principal contractual obligations and commitments consist of operating leases for office space and debt. For more information regarding our obligations for leases and debt, refer to Notes 8 and 10, respectively, in Part I, Item 1. Financial Statements.

Cash Flows

The following table summarizes our cash flows for the periods presented:

<i>(in thousands)</i>	Nine Months Ended September 30,	
	2022	2021
Net cash provided by (used in) operating activities.....	(9,658)	(5,381)
Net cash used in investing activities.....	(5,046)	(11,509)
Net cash provided by (used in) financing activities.....	2,519	521

Cash Flows from Operating Activities

Cash used in operating activities for the nine months ended September 30, 2022 was \$9.7 million, which primarily consisted of a net loss of \$12.4 million, adjusted for non-cash items of \$4.5 million and a net change in net operating assets and liabilities of \$1.8 million. The non-cash charges primarily consisted of \$2.2 million in depreciation and amortization, \$2.0 million in stock-based compensation expense, \$1.1 million in non-cash operating lease expense, \$0.9 change in fair value of acquisition liability and \$0.2 million in amortization of capitalized sales commissions. The primary drivers of changes in operating assets and liabilities related to an increase of \$4.6 million in accounts receivable, \$0.8 million in prepaid expenses and other current assets, \$1.6 million in customer deposits, \$1.5 million in accounts payable, and \$1.5 million in deferred revenue partially offset by a decrease of \$1.1 million in operating lease liabilities.

Cash used in operating activities for the nine months ended September 30, 2021 was \$5.4 million, which primarily consisted of a net loss of \$6.6 million, adjusted for non-cash items of \$2.6 million and a net change in net operating assets and liabilities of \$1.3 million. The non-cash charges primarily consisted of \$1.6 million in stock-based compensation expense and \$1.4 million in depreciation and amortization. The primary drivers of changes in operating assets and liabilities related to an increase of \$1.5 million in prepaid expenses and other current assets, \$2.3 million in accounts receivable, \$1.4 million in customer deposits, \$1.1 million in deferred revenue and \$0.9 million in non-cash operating lease expense offset by a decrease of \$1.1 million in trade payables.

Cash Flows from Investing Activities

Cash used in investing activities for the nine months ended September 30, 2022 was \$5.0 million, which consisted of \$4.9 million in capitalized software development costs and \$0.2 million for purchases of property and equipment.

Cash used in investing activities for the nine months ended September 30, 2021 was \$11.5 million which consisted of \$9.1 million in cash paid for the TINYpulse acquisition, \$2.3 million in capitalized software development costs and \$0.1 million for purchases of property and equipment.

Cash Flows from Financing Activities

Cash provided by financing activities for the nine months ended September 30, 2022 was \$2.5 million which includes gross proceeds of \$2.5 million from borrowings, a debt repayment of \$0.1 million and \$0.1 million from exercise of stock options.

Cash provided by financing activities for the nine months ended September 30, 2021 was \$0.5 million which was from exercise of stock options.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances. Actual results could differ materially from the estimates made by our management. Other than items discussed in Note 2, “Significant Accounting Policies,” of our condensed consolidated financial statements, there have been no material changes to our critical accounting policies as compared to the critical accounting policies and significant judgments and estimates disclosed in our Form 10.

Recent Accounting Pronouncements

For a description of our recently adopted accounting pronouncements and recently issued accounting standards not yet adopted, refer to Note 2 to our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation and supervision of our Chief Executive Officer and our Chief Financial Officer, have evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the “Exchange Act”) as of the end of the period covered by this Quarterly Report on Form 10-Q. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures that are designed to ensure that information required to be disclosed in the reports that are required to be filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that are required to be filed or submitted under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, solely as a result of the material weaknesses in our internal control over financial reporting described below, our disclosure controls and procedures were not effective as of September 30, 2022 to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Remediation Efforts on Previously Reported Material Weaknesses

In connection with the preparation of our consolidated financial statements as of and for the year ended December 31, 2021, we identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected

on a timely basis. The material weakness related to a lack of qualified technical accounting resources, including those necessary to account for and disclose certain complex transactions and for which we lacked the technical expertise to identify, analyze and appropriately record those transactions.

We have implemented and are in the process of implementing additional measures designed to improve our internal control over financial reporting to remediate this material weakness, including the hiring of qualified supervisory resources and technical accounting personnel, the engagement of qualified technical accounting consulting resources and the continued hiring of additional qualified accounting and finance department employees.

We cannot assure you that the measures we have taken to date, and are continuing to implement, will be sufficient to remediate the material weakness we have identified or avoid potential future material weaknesses. While we believe that our efforts have improved our internal control over financial reporting, remediation of the material weaknesses will require further validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles, and we cannot assure you that we have identified all, or that we will not in the future have additional material weaknesses.

Changes in Internal Control over Financial Reporting

Other than the changes intended to remediate the material weaknesses noted above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in legal proceedings or be subject to claims arising out of its operations in the ordinary course of our business. We are not presently a party to any legal proceedings that in the opinion of our management, if determined adversely to us, would have a material adverse effect on our business, financial condition, operating results, or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed within Item 1A “Risk Factors” in the Form 10 Registration

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

During the three months ended September 30, 2022, the Company issued the following securities as compensation to certain of our employees:

On August 15, 2022, the Company issued 1,491,600 equity securities in the form of restricted stock units under its equity incentive plans which are to be settled in shares of our common stock.

On August 30, 2022, the Company issued 3,200,000 equity securities in the form of stock options and 1,172,754 restricted stock units under its equity incentive plans. The stock options are exercisable at a price of \$0.18 per share, and the restricted stock units are to be settled in shares of our common stock.

On September 1, 2022, the Company issued 2,344,666 equity securities in the form of stock options and restricted stock units under its equity incentive plans. The stock options are exercisable at a price of \$0.17 per share, and the restricted stock units are to be settled in shares of our common stock.

The issuances of the securities in the transactions described above were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act. The securities were issued directly by us and did not involve a U.S. public offering or general solicitation. The recipients of such securities represented their intentions to acquire the securities for investment purposes only and not with a view to, or for sale in connection with, any distribution thereof.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Number	Exhibit Description	Filed herewith	Incorporated by Reference		
			Form	File No.	Filing Date
3.1	Amended and Restated Articles of Incorporation		10-12G/A	000-56464	9/15/2022
3.2	Amended and Restated Bylaws		10-12G/A	000-56464	9/15/2022
10.1	Amendment No. 4 to Revolving Credit and Security Agreement, dated August 4, 2022, by and between the Company and Comerica Bank	X			
10.13	Executive Employment Agreement between Limeade, Inc. and David Smith	X			
31.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a), As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32*	Certification of the Chief Executive Officer Pursuant and Chief Financial Officer to 18 U.S.C. Section 1350 As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
101	The following financial information from Workiva Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Loss, (iv) the Consolidated Statements of Changes in Stockholders Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Condensed Consolidated Financial Statements.	X			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	X			

* This certification is being furnished solely to accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing of the registrant under the Securities Act or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 of 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.

LIMEADE, INC.

By: /s/ Henry Albrecht
Name: Henry Albrecht
Title: Chief Executive Officer

Date: November 14, 2022

By: /s/ Todd Spartz
Name: Todd Spartz
Title: Chief Financial Officer

Date: November 14, 2022

**CERTIFICATION PURSUANT TO
RULE 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, Henry Albrecht, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Limeade, 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)) 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. (Paragraph intentionally omitted in accordance with SEC Release Nos. 34-47986 and 34-54942);
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2022

/s/ Henry Albrecht
Henry Albrecht
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULE 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, Todd Spartz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Limeade, 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)) 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. (Paragraph intentionally omitted in accordance with SEC Release Nos. 34-47986 and 34-54942);
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2022

/s/ Todd Spartz
Todd Spartz
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report of Limeade, Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Henry Albrecht, Chief Executive Officer of the Company and Todd Spartz, Chief Financial Officer of the Company (Paragraph intentionally omitted in accordance with SEC Release Nos. 34-47986 and 34-54942 certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: November 14, 2022

/s/ Henry Albrecht

Henry Albrecht

Chief Executive Officer

(Principal Executive Officer)

/s/ Todd Spartz

Todd Spartz

Chief Financial Officer

(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**FOURTH
AMENDMENT TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT**

This Fourth Amendment to Amended and Restated Loan and Security Agreement is dated as of August 3, 2022 (the “Amendment”) by and among COMERICA BANK (“Bank”), LIMEADE, INC., a Washington corporation (“Limeade”), LIMEADE TECHNOLOGIES CANADA INC., a Quebec corporation (“Technologies”) and TINYhr Inc., a Delaware corporation dba TINYpulse (“Tiny”; Limeade, Technologies and Tiny are each a “Borrower” and collectively, the “Borrowers” provided that each reference to “Borrower” or “Borrowers” in this Agreement and the Loan Documents shall mean and refer to each Borrower, individually, and/or to all the Borrowers, collectively and in the aggregate, as determined by Bank as the context may require).

RECITALS

A. Limeade, Technologies and Bank are parties to that certain Amended and Restated Loan and Security Agreement dated as of May 10, 2019 as amended from time to time including without limitation by that certain First Amendment and Waiver to Amended and Restated Loan and Security Agreement dated as of June 17, 2020 and that certain Second Amendment to Amended and Restated Loan and Security Agreement dated as of December 30, 2020 and that certain Third Amendment, Consent and Joinder to Amended and Restated Loan and Security Agreement dated as of November 12, 2021 (as the same may from time to time be amended, restated, modified or supplemented, the “Agreement”).

B. Bank and Borrowers wish to amend the Agreement in accordance with the terms of this Amendment.

NOW, THEREFORE, the parties agree as follows:

1. Waiver. Borrower acknowledges that there are existing and uncured Events of Default arising from (a) Borrowers’ failure to comply with Section 4.4 of the Agreement on account of Borrowers’ failure to notify all account debtors and other parties obligated to Borrowers to remit payments to the Dominion of Funds Account and to immediately deliver such payments to Bank for deposit into the Dominion of Funds Account for the period beginning on May 10, 2019 through the Fourth Amendment Date, (b) Borrowers’ failure to comply with Section 6.2 (i) of the Agreement on account of Borrowers’ failure to deliver consolidating monthly balance sheets, income statements, and cash flow statements for the period beginning on May 31, 2019 through July 31, 2022, (c) Borrowers’ failure to comply with Section 6.2 (ii) of the Agreement on account of Borrowers’ failure to deliver consolidating audited financial statements for fiscal years 2019, 2020, and 2021, and (d) Borrowers’ failure, in each case for the period beginning on December 30, 2020 through the Fourth Amendment Date, to comply with Section 6.13 (ASK Reporting) of the Agreement on account of Borrowers’ failure to deliver consolidating cash flow statements under clause (i) of Section 6.13, consolidating financial statements under clause (iii) of Section 6.13 and consolidating financial statements under clause (iv) of Section 6.13 (collectively, the “Existing Defaults”). Provided that Borrower complies with the terms and conditions of this Amendment and the Agreement after the date of this Amendment, Bank waives the Existing Defaults. Bank does not waive any failure to comply with the above-referenced Sections of the Agreement after the date of this Amendment, or any other failure by Borrower to perform its Obligations under the Loan Documents at any time, and this waiver shall not establish any course of dealing between the parties. This waiver is not a continuing waiver with respect to any failure to perform any Obligation, is specific as to content and time and shall not constitute a waiver of any other current or future default or breach of any covenants contained in the Agreement or the terms and conditions of any other documents signed by Borrower in favor of Bank. The Bank may still exercise its rights or any other or further rights against Borrower because of any other breach not waived herein.

2. Amendments

2.1 The following terms and their respective definitions are hereby *added* to Exhibit A of the Loan Agreement in their respective alphabetical order, or amended in Exhibit A of the Loan Agreement, as the case may be:

“Annual Recurring Revenue” means Borrower’s Recurring Revenue for the month most recently ended, multiplied by twelve (12).

“Borrowing Base” means, as of any date of determination, an amount equal to the sum of the following, without duplication: (a) the Non-Formula Amount, plus (b) eighty percent (80%) of Eligible Accounts, all as determined by Bank with reference to the most recent Borrowing Base Certificate delivered by Borrower or from other information then available to Bank including information obtained from working capital or other similar audits conducted by or on behalf of Bank; less such reserves as may be established by Bank in its good faith credit judgment, from time to time; provided, that the advance rate above and the definitions of Borrowing Base and Eligible Accounts set forth herein are subject to adjustment by Bank after the Closing Date, in its sole discretion, based on its audits and examinations of the Collateral.

“Borrowing Base Certificate” means the certificate substantially in the form attached as Exhibit D to the Fourth Amendment.

“Business Day” means any day, other than a Saturday, Sunday or any other day designated as a holiday under Federal or applicable State statute or regulation, on which Bank is open for all or substantially all of its domestic and international business (including dealings in foreign exchange) in Detroit, Michigan; provided, however, for purposes of determining the Daily Adjusting Term SOFR Rate, a Business Day shall also exclude a day on which the Securities Industry and Financial Markets Association (“SIFMA”) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. Government Securities.

“Change in Law” means the occurrence, after the date hereof, of any of the following: (i) the adoption or introduction of, or any change in any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not applicable to Bank on such date, or (ii) any change in interpretation, administration, application or implementation of any such law, treaty, rule or regulation by any Governmental Authority, or (iii) the issuance, making or implementation by any Governmental Authority of any interpretation, administration, application, request, rule, regulation, guideline, or directive (whether or not having the force of law), including without limitation, any risk-based capital guidelines or any interpretation, administration, application, request, rule, regulation, guideline, or directive relating to liquidity. For purposes of this definition, (x) a change in law, treaty, rule, regulation, interpretation, administration, application or implementation shall include, without limitation, any change made or which becomes effective on the basis of a law, treaty, rule, regulation, interpretation, administration, application or implementation then in force, the effective date of which change is delayed by the terms of such law, treaty, rule, regulation, interpretation, administration, application or implementation, and (y) the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203, H.R. 4173) and all requests, rules, regulations, guidelines, interpretations or directives promulgated thereunder or issued in connection therewith shall be deemed to be a “Change in Law”, regardless of the date enacted, adopted, issued or promulgated, whether before or after the date hereof, and (z) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall each be deemed to be a “Change in Law,” regardless of the date enacted, adopted, issued or implemented.

“Daily Adjusting Term SOFR Rate” means, for any day, the rate per annum equal to the Term SOFR Screen Rate at or about 8:00 a.m. (Detroit, Michigan time) (or as soon thereafter as practical) on such day with a term of one (1) month; provided that if such rate is not published on such determination date then the rate will be the Term SOFR Screen Rate on the first Business Day immediately prior thereto.

“Eligible Accounts” mean those Accounts that arise in the ordinary course of Borrower’s business that comply with all of Borrower’s representations and warranties to Bank set forth in Section 5.3; provided, that Bank may change the standards of eligibility by giving Borrower thirty (30) days prior written notice. Unless otherwise agreed to by Bank, Eligible Accounts shall not include the following:

(a) Accounts that the account debtor has failed to pay in full within ninety (90) days of invoice date;

(b) Credit balances over ninety (90) days;

(c) Accounts with respect to an account debtor, twenty-five percent (25%) of whose Accounts the account debtor has failed to pay within ninety (90) days of invoice date;

(d) Accounts with respect to an account debtor, including Subsidiaries and Affiliates, whose total obligations to Borrower exceed twenty-five percent (25%) of all Eligible Accounts, to the extent such obligations exceed the aforementioned percentage, except as approved in writing by Bank;

(e) Accounts with respect to which the account debtor does not have its principal place of business in the United States, except for Eligible Foreign Accounts;

(f) Accounts with respect to which the account debtor is the United States of America or any state or political subdivision thereof, or by any department, agency, public body corporate or other instrumentality of the foregoing, unless all necessary steps are taken to comply with the Assignment of Claims Act of 1940 (31 U.S.C. 3727), as amended, or with any comparable state or local law, if applicable, and all other necessary steps are taken to perfect Bank’s security interest in such Account;

(g) Accounts with respect to which Borrower is liable to the account debtor for goods sold or services rendered by the account debtor to Borrower, but only to the extent of any amounts owing to the account debtor against amounts owed to Borrower;

(h) Accounts with respect to which goods are placed on consignment, guaranteed sale, sale or return, sale on approval, bill and hold, demo or promotional, retention accounts, or other terms by reason of which the payment by the account debtor may be conditional;

(i) Accounts with respect to which the account debtor is an individual, officer, employee, agent or Affiliate of Borrower;

(j) Accounts that are billed in advance (other than to the extent it is for subscription revenues under signed contract and other than for subscription renewal to the extent Borrower has received written affirmation of renewal), payable on delivery, have not yet been billed to the account debtor, progress billings, or that relate to deposits (such as good faith deposits) or other property of the account debtor held by Borrower for the performance of services or delivery of goods which Borrower has not yet performed or delivered; *provided that*, Bank, in its sole discretion, may deem such Accounts to be “Eligible Accounts” if the account debtor of such Account has made payment to cover Borrower’s expenses incurred prior to the performance of services or delivery of goods giving rise to such Account;

(k) Accounts with respect to which the account debtor disputes liability or makes any claim with respect thereto as to which Bank believes, in its sole discretion, that there may be a basis for dispute (but only to the extent of the amount subject to such dispute or claim), or is subject to any Insolvency Proceeding, or becomes insolvent, or

goes out of business;

(l) Accounts the collection of which Bank reasonably determines after inquiry and consultation with Borrower to be doubtful; and

(m) Retentions and hold-backs.

“Eligible Foreign Accounts” mean Accounts with respect to which the account debtor does not have its principal place of business in the United States and is not located in an OFAC sanctioned country and that are (i) supported by one or more letters of credit in an amount and of a tenor, and issued, advised and/or confirmed by a financial institution, acceptable to Bank, (ii) insured by the Export Import Bank of the United States and acceptable to Bank, (iii) generated by an account debtor with its principal place of business in Canada, provided that the Bank has perfected its security interest in the appropriate Canadian province in form and substance satisfactory to Bank, (iv) Accounts with respect to which the account debtor is Siemens Gamesa Renewable Energy, Thyssenkrupp, Lonza Group AG, BARMER, Galeria Kaufhof GmbH, HSBC Global Services (UK) Limited or Aramco Europe, or (v) approved in writing by Bank on a case-by-case basis. All Eligible Foreign Accounts must be calculated in U.S. Dollars.

“Fourth Amendment” means the Fourth Amendment to Amended and Restated Loan and Security Agreement dated as of the Fourth Amendment Date, by and among Borrower and Bank.

“Fourth Amendment Date” means August 3, 2022.

“Non-Formula Amount” means Two Million Dollars (\$2,000,000).

“Prime Referenced Rate” means, for any day, a per annum interest rate which is equal to the Prime Rate in effect on such day, but in no event and at no time shall the Prime Referenced Rate be less than the greater of (i) the sum of the Daily Adjusting Term SOFR Rate for such day plus 2.50% per annum, or (ii) two and one-half percent (2.50%) per annum. If, at any time, Bank determines that it is unable to determine or ascertain the Daily Adjusting Term SOFR Rate for any day, the Prime Referenced Rate for each such day shall be the Prime Rate in effect at such time, but not less than two and one-half percent (2.50%) per annum.

“Recurring Revenue” means monthly recurring GAAP revenue for contracted service charges (specifically excluding revenue based on one-time, non-recurring transactions, implementation and/or set-up fees).

“Revolving Maturity Date” means December 31, 2023.

“Term SOFR Administrator” means the CME Group Benchmark Administration Limited (or a successor administrator of the term secured overnight financing rate).

“Term SOFR Administrator’s Website” means the website of the Term SOFR Administrator, currently at (website), or any successor source for the secured overnight financing rate identified as such by the Term SOFR Administrator from time to time.

“Term SOFR Screen Rate” means the CME Term SOFR Reference Rates, as administered by the Term SOFR Administrator and published on the applicable screen page (or such other commercially available source providing such rate or quotations as may be designated by Bank from time to time) on the Term SOFR Administrator’s Website.

1.1 The defined term “Daily Adjusting LIBOR Rate” in Exhibit A of the Agreement is hereby deleted in its entirety and replaced in the Agreement by the term “Daily Adjusting Term SOFR Rate,” as defined in this Amendment, mutatis mutandis. The following terms and their respective definitions are hereby *deleted* from Exhibit A of the Loan Agreement: “Advance Rate” and “Advance Rate Factor.”

1.2 **Section 2.4(c) (Unused Fee).** Section 2.4(c) is amended to read as follows:

(c) Unused Facility Fee. A quarterly Unused Facility Fee equal to 0.75% per annum of the difference between the Revolving Line and the average outstanding principal balance of the Obligations during the applicable calendar quarter, which fee shall be payable in arrears within five (5) Business Days of the first (1st) day of the following calendar quarter and shall be nonrefundable.

1.3 **Section 4.4 (Lock Box; Dominion of Funds).** Section 4.4 of the Agreement is amended as follows: Notwithstanding anything to the contrary contained in clauses (a) or (b) of Section 4.4 of the Agreement, Borrowers shall, beginning within thirty (30) days after the Fourth Amendment Date and at all times thereafter, notify all account debtors and other parties obligated to such Borrower that all payments made to such Borrower shall be remitted to the Dominion of Funds Account, and include a like statement on all invoices. In addition, Borrowers shall, beginning within one hundred twenty (120) days after the Fourth Amendment Date and at all times thereafter, cause all account debtors and other parties obligated to Borrowers to remit all payments made to such Borrower to the Dominion of Funds Account.

1.4 **Section 6.2 (Financial Statements, Reports, Certificates).** Section 6.2 of the Agreement is amended to read as follows:

6.2 Financial Statements, Reports, Certificates. Each Borrower shall deliver to Bank: (i) as soon as available, but in any event within thirty (30) days after the end of each calendar month, a company prepared consolidated balance sheet, income statement, and cash flow statement covering such Borrower’s operations during such period, in a form reasonably acceptable to Bank and certified by a Responsible Officer; (ii) as soon as available, but in any event within thirty (30) days after the end of each calendar quarter, a company prepared consolidated and consolidating balance sheet and income statement covering such Borrower’s operations during such period, in a form reasonably acceptable to Bank and certified by a Responsible Officer; (iii) as soon as available, but in any event within one hundred fifty one (151) days after the end of such Borrower’s fiscal year, audited consolidated financial statements of such Borrower prepared in accordance with GAAP, consistently applied, together with an opinion which is unqualified (including no going concern comment or qualification) or otherwise consented to in writing by Bank on such financial statements of an independent certified public accounting firm reasonably acceptable to Bank; (iv) if applicable, copies of all statements, reports and notices sent or made available generally by such Borrower to its security holders or to any holders of Subordinated Debt and all reports on Forms 10-K and 10-Q filed with the Securities and Exchange Commission; (v) promptly, but in no event later than two (2) Business Days upon receipt of notice thereof, a report of any legal actions pending or threatened against such Borrower or any Subsidiary that could reasonably be expected to result in damages or costs to such Borrower or any Subsidiary of One Hundred Thousand Dollars (\$100,000) or more; (vi) promptly upon receipt, each management letter prepared by such Borrower’s independent certified public accounting firm regarding such Borrower’s management control systems; (vii) as soon as available, but in any event not later than sixty (60) days of fiscal year end or fifteen (15) days after approval by such Borrower’s Board of Directors, such Borrower’s financial and business projections and budget for such year, with evidence of approval thereof by such Borrower’s Board of Directors; (viii) such budgets, sales projections, operating plans or

other financial information as Bank may reasonably request from time to time; and (ix) within thirty (30) days of June 30 and December 31 of each fiscal quarter, a report signed by such Borrower, in form reasonably acceptable to Bank, listing any applications or registrations that such Borrower has made or filed in respect of any Patents, Copyrights or Trademarks and the status of any outstanding applications or registrations, as well as any material change in such Borrower's Intellectual Property .

(a) (i) Within thirty (30) days after the last day of each month, each Borrower shall deliver to Bank, a Borrowing Base Certificate signed by a Responsible Officer in substantially the form of Exhibit D hereto, together with aged listings by invoice date of accounts receivable and accounts payable, each in form satisfactory to Bank, and (ii) within thirty (30) days after the last day of each quarter, each Borrower shall deliver to Bank a bookings report and a monthly recurring revenue report, each in form satisfactory to Bank.

(b) Within thirty (30) days after the last day of each month, each Borrower shall deliver to Bank with the monthly financial statements a Compliance Certificate certified as of the last day of the applicable month and signed by a Responsible Officer in substantially the form of Exhibit D hereto.

(c) Immediately upon becoming aware of the occurrence or existence of an Event of Default hereunder, a written statement of a Responsible Officer setting forth details of the Event of Default, and the action which each Borrower has taken or proposes to take with respect thereto.

(d) Bank shall have a right (without duplication of any right set forth in Section 4.3) from time to time hereafter to (i) audit each Borrower's Accounts and appraise Collateral at such Borrower's expense, provided that such audits will be conducted no more often than once every six (6) months unless an Event of Default has occurred and is continuing, provided further that such audit may be conducted remotely; and (ii) remotely audit Limeade GmbH's Accounts and appraise its property at Borrowers' expense, provided that such audits will be conducted no more often than once every six (6) months unless an Event of Default has occurred and is continuing.

Each Borrower may deliver to Bank on an electronic basis any certificates, reports or information required pursuant to this Section 6.2, and Bank shall be entitled to rely on the information contained in the electronic files, provided that Bank in good faith believes that the files were delivered by a Responsible Officer. If Borrower delivers this information electronically, it shall also deliver to Bank by U.S. or Canadian Mail, reputable overnight courier service, hand delivery, facsimile or .pdf file within five (5) Business Days of submission of the unsigned electronic copy the certification of monthly financial statements, the intellectual property report, the Borrowing Base Certificate and the Compliance Certificate, each bearing the physical signature of the Responsible Officer

1.1 Section 6.6 (Accounts). Section 6.6 of the Agreement is amended in its entirety and replaced with the following:

6.1 Accounts.

(n) Each Borrower shall, and shall cause each of its Subsidiaries, to maintain at all times all of its depository, operating and investment accounts in the United States with Bank and each Borrower shall maintain its Lockbox in the United States at Bank. Notwithstanding the foregoing, Subsidiaries of Borrowers may maintain accounts outside the United States *provided that* the aggregate amount maintained in all accounts outside the United States held by Subsidiaries (including Limeade GmbH and Tiny Vietnam),

collectively, does not at any time exceed Five Hundred Thousand Dollars (\$500,000).

2.7 Section 6.7 (Financial Covenants). Section 6.7 of the Agreement is amended to read as follows:

6.7 Financial Covenants. Each Borrower shall at all times maintain the following financial ratios and covenants:

(a) Minimum Annual Recurring Revenue. Annual Recurring Revenue shall be at least 85% of the projections that have been approved by Borrower's Board of Directors and delivered to Bank. Borrower shall deliver to Bank updated projections approved by Borrower's Board of Directors for the next fiscal year not less than thirty (30) days prior to the end of Borrower's current fiscal year, and such updated projections shall be satisfactory to Bank in its sole discretion.

For the avoidance of doubt, Borrowers shall maintain minimum Annual Recurring Revenues of at least the following for the respective periods:

Period Start Date	Period Ending	Minimum Annual Recurring Revenue "ARR" (comprising 85% of projected ARR)
July 20, 2022	July 31, 2022	\$47,100,000
August 1, 2022	August 31, 2022	\$47,700,000
September 1, 2022	September 30, 2022	\$48,200,000
October 1, 2022	October 31, 2022	\$48,600,000
November 1, 2022	November 30, 2022	\$48,700,000
December 1, 2022	December 31, 2022	\$47,500,000
January 1, 2023	January 31, 2023	\$47,800,000
February 1, 2023	February 28, 2023	\$48,600,000
March 1, 2023	March 31, 2023	\$48,900,000
April 1, 2023	April 30, 2023	\$48,700,000
May 1, 2023	May 31, 2023	\$48,900,000
June 1, 2023	June 30, 2023	\$49,100,000
July 1, 2023	July 31, 2023	\$49,300,000
August 1, 2023	August 31, 2023	\$50,000,000
September 1, 2023	September 30, 2023	\$50,700,000
October 1, 2023	October 31, 2023	\$51,200,000
November 1, 2023	November 30, 2023	\$51,600,000
December 1, 2023	December 31, 2023	\$51,500,000

(b) Minimum Liquidity. Each Borrower shall at all times maintain a Liquidity of not less than Two Million Dollars (\$2,000,000). As used in this Section 6.7(b), "Liquidity" means the sum of unrestricted cash maintained at Bank plus the net amount of Advances available under Section 2.1(b)(i).

2.2 Section 6.13 (Australian Stock Exchange (ASX) Financial Statements, Reports, Certificates). Section 6.13 is amended to read as follows:

6.13 Australian Stock Exchange (ASX) Financial Statements, Reports, Certificates. Each Borrower shall deliver to Bank copies of all statements, reports and

notices filed with, or required to be filed with, the Australian Stock Exchange, including:

- (i) within thirty (30) days after the last day of each quarter, quarterly company prepared consolidated cash flow statements (ASX Appendix 4C) covering such Borrower's operations during such period;
- (ii) prior to February 28 of each year, a company prepared ASX Final Report (ASX Appendix 4E – Annual financials);
- (iii) prior to April 30 of each year, ASX Annual Report (ASX Annual Report) together with audited consolidated financial statements of such Borrower; and
- (iv) prior to August 31 of each year, ASX Half year financials (ASX Appendix 4D – Financials for first half of each year) together with audited consolidated financial statements of such Borrower for such period.

Notwithstanding anything to the contrary herein, nothing in this Section 6.13 shall obligate Borrowers to make disclosures to Bank that would violate any ASX rule or obligation regarding the non-public disclosure of information.

2.3 Section 8.10 (Canadian Due Diligence). A new Section 8.10 is added to the Agreement to read as follows:

8.10 Canadian Due Diligence. If Bank fails to receive (i) prior to September 12, 2022, evidence satisfactory to Bank (including hypothec search results and standing searches at the Register of Personal and Movable Real Rights ("RPMRR") that there are no Liens on any Collateral other than Permitted Liens, or (ii) within ten (10) days after the Fourth Amendment Date, a Washington State Good Standing Certificate for TINYHR in form satisfactory to Bank.

2.4 Exhibit D (Borrowing Base Certificate). Exhibit D (Borrowing Base Certificate) attached to the Agreement is amended and replaced with Exhibit D (Borrowing Base Certificate), attached hereto.

2.5 Exhibit E (Compliance Certificate). Exhibit E (Compliance Certificate) attached to the Agreement is amended and replaced with Exhibit E (Compliance Certificate), attached hereto.

3. Representations. Each Borrower represents and agrees that:

- 3.1** Except as expressly modified or waived in this Amendment, (i) the representations and warranties set forth in the Agreement and in each of the Loan Documents remain true and correct in all material respects, except to the extent that they expressly speak as of a specific prior date, and each Schedule to the Agreement, except as modified or waived in connection with this Amendment, remains true and correct in all material respects, and (ii) the covenants set forth in the Agreement continue to be satisfied in all respects, and are legal, valid and binding obligations with the same force and effect as if entirely restated in this Amendment.
- 3.1** When executed, this Amendment will be a duly authorized, legal, valid, and binding obligation of Borrowers enforceable in accordance with its terms, and will not conflict with or violate any of a Borrower's formation documents or any agreement, instrument, law, or order to which a Borrower or any material portion of its assets is subject or bound.
- 3.2** The corporate resolutions delivered to Bank in connection with this Amendment remain in full force and effect, have not been amended, repealed or rescinded in any respect and may continue to be relied upon by Bank until written notice to the contrary is received by Bank, the officers named therein continue to hold those offices, and each Borrower continues to be in good standing under the laws of the state of its incorporation.
- 3.3** After giving effect to this Amendment, there is no default continuing under the Agreement, or any related document, agreement, or instrument, and no event has occurred or condition exists that is or, with the giving of notice or lapse of time or both, would be such a default.

4. Unless otherwise defined, all initially capitalized terms in this Amendment shall be as defined in the Agreement.

5. The Agreement, as amended hereby, shall be and remain in full force and effect in accordance with its respective terms and hereby is ratified and confirmed in all respects. Except as expressly set forth herein, the execution, delivery, and performance of this Amendment shall not operate as a waiver of, or as an amendment of, any right, power, or remedy of Bank under the Agreement, as in effect prior to the date hereof. Borrower ratifies and reaffirms the continuing effectiveness of the Agreement and all instruments, documents and agreements entered into in connection with the Agreement.

6. Each Borrower represents and warrants that the representations and warranties contained in the Agreement are true and correct in all material respects as of the date of this Amendment, and, except for the Existing Defaults, no Event of Default has occurred and is continuing.

7. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

8. Sections 11 and 12 of the Agreement are incorporated herein, *mutatis mutandis*.

9. As a condition to the effectiveness of this Amendment, Bank shall have received, in form and substance reasonably satisfactory to Bank, the following:

- (a) this Amendment, duly executed by Borrowers;
- (b) an officer's certificate of each Borrower with respect to incumbency and resolutions, duly completed and executed by each Borrower;
- (c) a renewal fee equal to \$50,000 plus an amount equal to all Bank Expenses incurred in connection with this Amendment; and
- (d) such other documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate.

[signature page follows]

[SIGNATURE PAGE TO FOURTH AMENDMENT TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first above written. Each Borrower also acknowledges and agrees that Borrower's electronic signature below indicates Borrower's agreement to, and intention to be legally bound by, the terms and conditions of this Amendment. If Bank determines in its reasonable discretion that the Amendment or any Loan Document has not been timely executed by a Borrower, the Amendment or any related Loan Document contained in the associated Docusign envelope, will be nullified and voided and such Loan Documents will need to be updated and resent upon terms and conditions satisfactory to all parties. Each Borrower hereby agrees that Bank shall not have any liability of any nature or kind to any a loan party, including, but not limited to Borrower, in connection therewith.

LIMEADE, INC.

COMERICA BANK

By: _____

By: _____

Name: Todd Spartz
Title: CFO and Corporate Secretary

Name: Shane Merkord
Title: Vice President

LIMEADE TECHNOLOGIES CANADA INC.

By: _____

Name: Henry Albrecht
Title: Managing Director

TINYHR INC.

By: _____

Name: Todd Spartz
Title: CFO and Corporate Secretary

EXHIBIT D
Form of Borrowing Base
Certificate (BANK TO PROVIDE)

Comerica Bank

REPORT OF ACCOUNTS RECEIVABLE

We submit the following information in connection with the Loan and Security Agreement(s) heretofore executed by the undersigned in favor of Comerica Bank.

This report is dated:

This reports sequential transmittal number is:

(Note: Company should retain a copy of this report for its records.)

ACCOUNTS RECEIVABLE		
1.	Accounts Receivable Balance as of	<u>[Prior Month Report Date]</u>
2.	Charges Billed This Period to Date (Dr to A/R)	+
3.	Credits Period to Date (Cr to A/R)	
	A. Payments (-)	0
	B. Adjustments (+/-)	0
4.	New Accounts Receivable Balance as of	<u>[Month Reported]</u>
5.	Ineligible Accounts (see detailed Worksheets)	-
6.	Net Eligible Accounts Receivable (Line 4 less Line 5)	
7.	Accounts Receivable Loan Formula:	80 %
8.	A. Total Collateral Loan Formula (Line 7) or	
	B. Non-Formula Amount	
	C. Maximum Loan Amount	
LOAN		
9.	Loan Balance Per Last Report dated:	<u>[Prior Month Report Date]</u>
10.	Less Loan Payments	-
11.	Sub Total	
12.	Plus Advances and Other Obligations	
	B. This Advance	0
	C. Other Obligations (e.g., LC's, ACH Limits, Credit Card Accounts, F/X Sublimit/Usage)	500,000
13.	Current Loan Balance	
14.	Net Loan Availability (The lesser of Lines 8 A or 8 B, less Line 13)	

Limeade, Inc.
Executive Employment Agreement

This Executive Employment Agreement (the “Agreement”) is entered into by and between Limeade, Inc. (“Company” or “Company”) and David Smith (“Executive”) on July 14, 2022. Company and Executive may be collectively referred to herein as the “Parties.”

In consideration of the promises and the terms and conditions set forth in this Agreement, the Parties agree as follows:

1. Position, Duties, Scope of Employment.

a. **Position and Duties.** The Parties are entering this Agreement as of July 14, 2022 (“Agreement Commencement Date”) and ending as provided in Sections 3(a) or 4 below. Executive shall serve as President and Chief Operating Officer of the Company and will report to the Chief Executive Officer of the Company. Executive will render such business and professional services in the performance of Executive’s duties, consistent with Executive’s position, as shall reasonably be assigned to Executive by the Company.

b. **Exclusive Service.** During the Employment Period (as defined below), Executive will be expected to devote Executive’s full working time and attention to the business of the Company and will not render services to any other business without the prior approval of the Chief Executive Officer or the Board of Directors and any successor thereto (the “Board”) or, directly or indirectly, engage or participate in any business that is competitive in any manner with the business of the Company. Executive will also be expected to comply with and be bound by the Company’s operating policies, procedures, and practices that are in effect during the term of their employment.

c. **At-Will Employment.** Executive and Company understand and acknowledge that Executive’s employment with the Company constitutes “at-will” employment, and the employment relationship may be terminated at any time, with or without cause and with or without notice. However, as described in this Agreement, Executive may be entitled to severance benefits depending upon the circumstances of Executive’s termination of employment.

2. Compensation and Benefits.

a. **Base Salary.** While employed by the Company pursuant to this Agreement, the Company shall pay Executive an annual base salary of \$360,000.00 (the “Base Salary”), payable in accordance with the Company’s normal payroll practices. The Company shall periodically review and, in the Company’s sole and absolute discretion, may modify Executive’s compensation (including the Base Salary and Incentive Bonus) and benefits, subject to the provisions of Exhibit A of this Agreement.

b. **Incentive Compensation/Target Bonus.** After fiscal year 2022, Executive will be eligible to participate in a Company bonus plan that may be established from time to time in the Company’s sole discretion. After 2022, Executive’s target bonus amount will be 60%, payable at the discretion of the Board based on Company and Executive performance (the “Incentive Bonus”). If Executive is hired after the start of a fiscal year, the bonus will be pro-rated for the balance of fiscal year in which the Executive is hired. Executive must be employed by the Company on the payment date in order to receive any Incentive Bonus.

c. **Equity Awards.** Subject to approval of the Board, the Company will grant Restricted Stock Units (RSUs) as outlined in Appendix A. Subject to approval of the Board, the Company will grant Executive options to purchase shares of Limeade Common Stock as outlined in Appendix A. Some or all of the granted options will vest contingent on continued employment over three years, with 33% of the grant vesting on the 12-month anniversary of the vesting start date, 33% of the grant vesting on the 24-month anniversary of the vesting start date, and the remaining 34% of the grant vesting on the 36-month anniversary of the vesting

start date. The complete terms of any options will be covered by Limeade's applicable stock plan and a stock option agreement between Limeade and Employee. To the extent vesting is time-based, vesting will depend on Executive's continued service with the Company and will be subject to the terms and conditions of the Plan. Notwithstanding the foregoing, in the event of a Change in Control (as defined below), the vesting of all stock options subject only to time-based vesting will be accelerated as set forth in Section 5(a).

d. Executive Benefits. Executive shall be eligible to participate in all employee benefit plans and arrangements made available by the Company to its other senior executives, subject to the terms and conditions thereof.

e. Vacation. Executive will be entitled to receive paid vacation and holidays pursuant to the terms of the Company's vacation policy as may exist from time to time.

f. Expenses. The Company will, in accordance with applicable Company policies and guidelines, reimburse Executive for all reasonable and necessary expenses incurred by Executive in connection with their performance of services on behalf of the Company.

3. Termination of Employment.

a. The employment period ("Employment Period") will commence on the Agreement Commencement Date and will terminate immediately upon the first to occur of: (i) the effective date of Executive's resignation for any reason; (ii) Executive's death or Disability (as defined in Internal Revenue Code Section 22(e)(3)); or (iii) the Company's election to terminate Executive's employment at any time for Cause (as defined below) or without Cause.

b. In the event Executive's employment with Company terminates for any reason, Executive will be entitled to any (a) unpaid Base Salary accrued up to the effective date of termination; (b) unpaid, but earned and accrued incentive payments, if any, payable to Executive according to their terms; (c) pay for accrued but unused vacation calculated based on Executive's Base Salary on the effective date of termination; (d) benefits or compensation as provided under the terms of any employee benefit and compensation agreements, including Equity Awards, if any, or other plans applicable to Executive; and (e) unreimbursed business expenses required to be reimbursed to Executive. In the event Executive's employment with Company terminates for any reason, Executive will be allowed to exercise their vested stock options to purchase Company common stock, if any, during the time period set forth in, and in accordance with, the plan and governing stock option agreement(s).

c. The Company may offset any amounts Executive owes to Company against any amounts the Company owes Executive hereunder. The termination of Executive's employment with the Company for any reason shall be deemed to automatically remove Executive, without any further action, from any and all offices held by Executive with the Company (including, without limitation, any office as a member of the Board). Executive agrees to promptly sign and submit notice(s) of resignation, or any other documents reasonably requested in order for the Company to effect the removal of Executive from any offices held by Executive.

d. In the event of Executive's termination of employment, Executive will take all necessary and reasonable actions to effect a smooth transition of Executive's duties to such person or persons as may be designated by the Board or its designee. The fulfillment of this obligation will be a condition of receiving the benefits in Sections 3(b) and 4(a).

4. Severance.

a. If the Employment Period is terminated by the Company without Cause (as defined below), Executive shall be entitled to (i) an amount equal to six (6) months of Executive's then-current Base Salary, payable over a six-month period in accordance with the Company's standard payroll cycle as in effect on the date of

termination, but in no event less frequently than monthly; and (ii) reimbursement of premiums for COBRA continuation health coverage for the period ending on the earlier of (a) six (6) months following the date of termination, and (b) the date upon which Executive becomes eligible to be covered under any other group health plan; and provided further that Executive makes a timely election for such COBRA coverage (“*Severance*”). If the Employment Period is terminated for cause, Executive will be entitled to receive only those payments described above in Section 3(b). Solely for purposes of Section 409A of the Code (as defined below), each payment of severance pursuant to Section 4(a)(i) above shall be considered a separate payment.

b. As a condition to the Company’s ongoing obligation to pay Executive Severance, Executive shall (i) execute and deliver to the Company a general release in the form provided by the Company, not revoke or breach the provisions of the release (the “Effective Release”), and (ii) continue to comply with any ongoing obligations under this Agreement (as defined below).

c. Executive shall forfeit all rights to Severance (excluding, for avoidance of doubt, any non-forfeitable employee benefits, such as the opportunity to purchase COBRA benefits, mandated by law) if the release is not an Effective Release within sixty (60) days following the date of Executive’s termination of employment. If the foregoing release is an Effective Release as provided above, then Severance payments shall commence on the next regularly scheduled pay period after it becomes an Effective Release. If the period between the end of employment and the deadline for signing the release and it becoming irrevocable starts in one calendar year and ends in the next year, then payments of severance benefits will not start until the later year, regardless of when the release is signed and becomes irrevocable.

d. For purposes of this Agreement as it relates to Executive, “Cause” means (i) Executive’s failure to substantially perform Executive’s duties under this Agreement for reasons other than death or Disability, which failure, if curable, is not cured to the reasonable satisfaction of the Chief Executive Officer during the thirty (30) day period following written notice of such failure from the Company; (ii) Executive’s willful failure or refusal to comply with reasonable written policies, standards, and regulations established by the Company from time to time, including but not limited to the Company’s anti-harassment and anti-discrimination policies which failure, if curable, is not cured to the reasonable satisfaction of the Chief Executive Officer during the thirty (30) day period following written notice of such failure from the Company; (iii) the commission by Executive of (x) an act of dishonesty or constituting common law fraud, embezzlement, or a felony, or (y) any tortious act, unlawful act, or malfeasance which causes or reasonably could cause (for example, if it were to become publicly known) material harm to the Company’s standing, condition, or reputation; or (iv) any material breach by Executive of the provisions of this Agreement between Executive and the Company. The Chief Executive Officer shall make all determinations relating to termination, including without limitation any determination regarding Cause, pursuant to this Section 4(d).

5. Change in Control.

a. Notwithstanding anything to the contrary in this Agreement, if: (i) a Change in Control (as defined below) occurs during the Employment Period; and (ii) the Employment Period is terminated by Executive for Good Reason or the Company without Cause within three (3) months prior to or within twelve (12) months after that Change in Control, Executive shall be entitled to (i) an amount equal to twelve (12) months of Executive’s then-current Base Salary, payable over a twelve-month period in accordance with the Company’s standard payroll cycle as in effect on the date of termination, but in no event less frequently than monthly; (ii) reimbursement of premiums for COBRA continuation health coverage for the period ending on the earlier of (a) twelve (12) months following the date of termination and (b) the date upon which Executive becomes eligible for coverage under any other group health plan; and provided further that Executive makes a timely election for such COBRA coverage (iii) full acceleration of any time-based unvested stock options or other equity compensation awards and (iv) full payment of any granted performance-based awards, including full acceleration of any time-based unvested stock options or other equity compensation awards if applicable, as defined by at the granting of such award.

b. For purposes of this Agreement “Change in Control” means; (i) the sale, lease, exchange, transfer, or other disposition (including, without limitation, by merger, consolidation, or otherwise) of assets constituting all or substantially all of the assets of the Company and its subsidiaries, taken as a whole, to a person (or entity) or group of persons (or entities) acting together, (ii) any merger, consolidation, or other business combination or refinancing or recapitalization of the Company as a result of which the voting securities of the continuing or surviving entity issued in respect of the Company’s voting securities outstanding immediately prior to the transaction represent less than a majority of the total issued and outstanding voting securities of the continuing or surviving entity immediately following such transaction, or (iii) any transaction or series of transactions (other than an initial public offering or an equity financing transaction) in or as a result of which any “person” (as that term is defined in Sections 3(a)(9) or 13(d) of the Securities Exchange Act of 1934, as amended (the “1934 Act”)) becomes the “beneficial owner” (as that term is defined in Rule 13d-3 under said 1934 Act), directly or indirectly, of securities of the Company representing more than 50% of the total voting power represented by the Company’s then outstanding voting securities. For purposes of this Section, a Change in Control shall not include any of the changes identified in this Section 5(b) that are solely with any Limeade affiliates.

. For purposes of this Agreement, “Good Reason” means one or more of the following, without Executive’s consent: (i) there is a material reduction in Executive’s Base Salary without Executive’s consent (except where there is a general reduction applicable to the management team generally), (ii) there is a material reduction in Executive’s primary responsibilities or authority, or scope of duties, it being understood that a reduction in Executive’s responsibilities or authority following a Change in Control shall not constitute Good Reason if (x) there is no demotion in Executive’s title or position or reduction of the scope of Executive’s duties within the Company or (y) Executive is given a position of materially similar or greater overall scope and responsibility within the acquiring company, taking into appropriate consideration that a nominally lower hierarchical role in a larger company may involve similar or greater scope and responsibility than a nominally higher role in the hierarchy of a smaller company or (z) a material change in the geographic location at which Executive must perform services; provided that in no instance will the relocation of Executive to a facility or a location of 30 miles or less from Executive’s then current work location be deemed material for purposes of this Agreement. It is understood that Executive must assert any termination for Good Reason by written notice to the Company no later than 45 days following the date on which arises the event or events giving the Executive the right to assert such a termination, and the Company must have an opportunity within thirty (30) days following delivery of such notice to cure the Good Reason condition. In no instance will a resignation by Executive be deemed to be for Good Reason if it is made more than twelve (12) months following the initial occurrence of any of the events that otherwise would constitute Good Reason hereunder.

6. Excise Tax. In the event that the benefits provided for in this Agreement constitute “parachute payments” within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the “Code”), and will be subject to the excise tax imposed by Section 4999 of the Code (the “Excise Tax”), then Executive’s severance benefits payable under the terms of this Agreement will be either (a) delivered in full or (b) delivered as to such lesser extent which would result in no portion of such severance benefits being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state, and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the greatest amount of severance benefits.

7. Confidential Information.

a. Confidentiality. Executive understands that Executive will obtain, receive, or gain access to Confidential Information (as defined below) in connection with Executive’s work for the Company. During Executive’s employment and at all times thereafter, Executive will hold all Confidential Information in strictest confidence and, except as required to perform Executive’s obligations to the Company, Executive will not acquire, copy, use, publish, disclose, or communicate any Confidential Information without advance written authorization from the Company’s Chief Executive Officer or as otherwise authorized by law or the terms of this Agreement.

b. Confidential Information. As used in this Agreement, the phrase "Confidential Information" means proprietary or confidential information of the Company, in whatever form, tangible or intangible, whether or not marked or otherwise designated as confidential, that is not otherwise generally known to the public, relating or pertaining to the Company's business, projects, products, services, designs, content, customers, suppliers, inventions, or trade secrets, including but not limited to: business and financial information; techniques, technology, practices, processes, operations, and methods of conducting business; information technology systems, configurations, and operations; technical data, research, product plans, developments, formulas, drawings, and engineering; algorithms, software, and computer code; published and unpublished know-how, whether patented or unpatented; information concerning the identities of the Company's business partners and customers or potential business partners and customers, including names, addresses, and contact information; customer information, including prices paid, buying history and habits, needs, and the methods of fulfilling those needs; supplier names, addresses, and pricing; and the Company's pricing policies, marketing strategies, research projects or developments, licenses, legal affairs, and future plans relating to any aspect of the Company's present or anticipated businesses. I understand that, during my employment, "Confidential Information" does not include information protected under Section 7 of the National Labor Relations Act, including the terms and conditions of my own and others' employment.

c. Prevention of Unauthorized Release of Confidential Information. Executive will take reasonable measures to prevent unauthorized persons or entities from obtaining, receiving, or gaining access to any Confidential Information in my possession or control.

d. Third Party Information. Executive will preserve as confidential any information that Executive learns or obtains from a third party or relating to a third party (such as a customer, affiliate, partner, or vendor) that is not readily available to the public or that the Company is obligated to treat as confidential, and Executive will treat such information as Confidential Information.

e. Protected Rights. Executive understands that nothing in this Agreement will be interpreted to restrict or impede Executive from exercising any rights that cannot be waived by agreement, including responding truthfully or making disclosures in connection with any government investigation or proceeding before any administrative department or agency, or from complying with any applicable law, regulation, or a valid order of a court of competent jurisdiction or an authorized government agency, provided that Executive's compliance does not exceed the requirements of such law, regulation, or order. Unless legally prohibited from doing so, Executive will provide prompt written notice of any such order to the Company. Additionally, Executive understands that nothing in this Agreement is intended to or will be interpreted to conflict with the federal Defend Trade Secrets Act ("DTSA") or create liability for disclosures allowed under the DTSA.

8. Intellectual Property and Proprietary Information.

a. Copyrights. All copyrightable works Executive prepares within the scope of employment with the Company are and will be works made for hire. The Company entity then employing Executive owns all rights under copyright in and to such works and shall be considered the author of such works. If and to the extent that any such works are deemed not to constitute a work made for hire, and with respect to any other works that Executive prepared or will prepare during working hours or using the Company's resources, Executive hereby irrevocably assigns to the Company all right, title, and interest in and to such work. To the extent any of Executive's rights in such works, including any moral rights, are not capable of assignment under applicable law, Executive hereby irrevocably and unconditionally waives all enforcement of those rights to the maximum extent permitted under applicable law. For the avoidance of doubt, this Section 8(a) will apply to all copyrightable works that Executive prepared, contributed to, or that the Company has used in any technology, product, service, website or design used, offered, or under development by the Company prior to the date of this Agreement.

b. Assignment of Inventions. Executive will make prompt and full written disclosure to the Company (or the Company entity then employing me, if not Limeade) and hereby irrevocably assign to the Company, or

its designee, all Executive's rights, title and interest throughout the world in and to any and all inventions, discoveries, designs, developments, concepts, techniques, procedures, algorithms, products, improvements, business plans, and trade secrets, whether or not patentable (collectively, "Inventions"), that Executive solely or jointly may conceive, develop, reduce to practice, cause to be conceived or developed or reduced to practice, or otherwise produce during Executive's employment with the Company.

c. Notice Regarding Exception to Assignments of Inventions.

1. A provision in an employment agreement which provides that an employee shall assign or offer to assign any of the employee's rights in an invention to the employer does not apply to an invention for which no equipment, supplies, facilities, or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless (a) the invention relates (i) directly to the business of the employer, or (ii) to the employer's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by the employee for the employer. Any provision which purports to apply to such an invention is to that extent against the public policy of this state and is to that extent void and unenforceable.

2. An employer shall not require a provision made void and unenforceable by subsection (1) of this section as a condition of employment or continuing employment.

3. If an employment agreement entered into after September 1, 1979, contains a provision requiring the employee to assign any of the employee's rights in any invention to the employer, the employer must also, at the time the agreement is made, provide a written notification to the employee that the agreement does not apply to an invention for which no equipment, supplies, facility, or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless (a) the invention relates (i) directly to the business of the employer, or (ii) to the employer's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by the employee for the employer. Executive will advise the Company promptly in writing of any inventions that Executive believes meet such provisions and are not otherwise disclosed by Executive.

d. Inventions Retained and Licensed. Attached to this Agreement as Exhibit B is a list describing with particularity all Inventions and original works of authorship that were made by Executive before employment with the Company (collectively, "Prior Inventions"), which belong solely to Executive or belong to Executive jointly with another, and that relate in any way to any of the Company's proposed businesses, products, or research and development, and that are not assigned to the Company under this Agreement; or, if no such list is attached, Executive represents that there are no such Prior Inventions. As to any Invention in which Executive has an interest at any time, if Executive uses or incorporates such an Invention in any released or unreleased Company product, service, program, process, development, or work in progress, Executive irrevocably grants to the Company (to the extent Executive has authority to do so) a perpetual, royalty-free, fully paid up, irrevocable, worldwide license to exercise any and all rights with respect to such Invention, including without limitation the right to protect, make, have made, import, copy, modify, make derivative works of, use, sell and otherwise distribute that Invention without restriction and right to sublicense those rights to others (with the right to grant further sublicenses). This license will be exclusive, subject only to any preexisting non-exclusive licenses or other pre-existing rights not subject to my control.

e. Maintenance of Records. Executive agrees to keep and maintain adequate and current written records of all Inventions made by Executive (solely or jointly with others) during the term of Executive's employment with the Company. The records may be in the form of notes, sketches, drawings, flow charts, electronic data or recordings, laboratory notebooks, and any other format. The records will be available to and remain the sole property of the Company entity that employs Executive at the time such records were made. Executive agrees not to remove such records from the Company's premises except as expressly permitted

by Company policy which may, from time to time, be revised at the sole election of the Company for the purpose of furthering the Company's business.

f. Assistance. Executive will execute all documents and take all other actions reasonably requested by the Company in order to carry out and confirm the assignments contemplated by this Agreement, including without limitation applications for patents, registered designs, certificates of authorship, and other instruments or intellectual property protections appropriate to protect and enforce intellectual property rights throughout the world. If Executive fails to execute, acknowledge, verify, or deliver any such document reasonably requested by the Company, Executive will be in breach of this Agreement, and Executive hereby irrevocably appoints the Company and its authorized officers, managers, and agents as Executive's agent and attorney-in-fact, to act in Executive's place to execute, acknowledge, verify, and deliver any such document on Executive's behalf. Executive's obligations under this Section 8(f) apply during Executive's employment with the Company and at all times thereafter.

g. Representations Regarding Existing Obligations. Executive represents and certifies as follows: (a) Executive is not in possession, custody, or control of any document or other tangible thing that in any way constitutes confidential, proprietary, or trade secret information of any third party (including any former employer); (b) Executive is not subject to a non-competition agreement that precludes Executive's work for the Company; (c) Executive has identified all confidentiality, proprietary information, non-solicitation, or similar agreements or obligations Executive has with any third party, and Executive will not violate any such agreements or obligations in the course of Executive's work for the Company; and (d) Executive will not use or disclose any tangible or intangible information that constitutes a trade secret of any third party (including any former employer) in the course of Executive's employment, except pursuant to written authorization to do so (e.g., a technology license between the Company and the third party).

9. Restrictive Covenants.

a. Noncompetition. Executive agrees that during Executive's employment and for a period of twelve (12) months after the termination of Executive's employment for any reason, Executive shall not, directly or indirectly, whether as an employee, owner, partner, officer, consultant, director, or independent contractor, for or on behalf of any business, entity, or enterprise that is competitive with the Company's business:

i. Engage in any role for a competitor that requires the performance of similar duties or responsibilities to those the Executive engaged in during the 18 month period prior to Executive's separation; or

ii. Engage in any Competitive Activities. "Competitive Activities" means the development, production, negotiation, marketing, supervision, sale, or provision of or involvement with any product, service, work, activity, technology, feature, or project that is or is intended to be competitive with one or more products, services, work, activities, technologies, product features, or projects on which Executive worked or about which Executive developed or learned Confidential Information. These non-competition restrictions apply to any geography, market, or industry where the Company conducts, conducted, or explored conducting business during the 18 months prior to Executive's separation, and to which Executive was assigned, had responsibility for, or about which Executive otherwise learned or developed Confidential Information.

b. Nonsolicitation. Executive agrees that, during Executive's employment and for a period of twelve (12) months following the termination of Executive's employment for any reason, Executive will not directly or indirectly, either alone or in association with others:

i. Solicit, induce, or influence (or attempt to solicit, induce, or influence) any employee, independent contractor, consultant, or contributor of the Company to terminate, reduce, or alter her/his employment or other engagement with the Company; or

ii. Solicit, induce, or influence (or attempt to solicit, induce, or influence) any of the actual or prospective clients, customers, accounts, vendors, subcontractors, or business partners of the Company to cease, reduce, divert, discontinue, or otherwise alter their business relationship with the Company.

c. Reasonableness and Remedies. Executive recognizes and agrees that the restrictions contained in this Section are necessary for the protection of the business and goodwill of the Company, do not impose an undue hardship on Executive, are imperative to maintain the Company's Confidential Information, and that Executive considers the restrictions to be reasonable (including as to scope, area, and duration). Executive also understands that this Agreement is not meant to prevent Executive from earning a living or developing Executive's career should Executive's employment with the Company terminate. Executive understands, is aware, and agrees that the Company may notify any future or prospective employer or third party of the existence of this Agreement and Executive's obligations under this Agreement.

d. Executive agrees that any violation or breach of this Agreement would cause the Company irreparable harm which would not be adequately compensated by monetary damages. A restraining order, injunction, or other relief may be granted by any court or courts having jurisdiction restraining Executive from violation of the terms of this Agreement and to maintain the status quo pending resolution of the alleged breach. Executive acknowledges that the preceding sentence shall not be construed to limit the Company from any other relief or damages to which it may be entitled as a result of Executive's breach of any provision of this Agreement.

10. Miscellaneous.

a. Arbitration. Executive understands and agrees that by signing this Agreement, the Company and Executive are both giving up any right that we may have to a judge trial or jury trial with regard to all issues between the parties, other than those specifically excluded below. Executive agrees that any controversies or claims arising out of or relating to this Agreement or arising out of or relating to the employment relationship or termination thereof, between the Company and Executive ("Claims"), shall be fully and finally settled by arbitration in Seattle, Washington, except as provided below. The Claims covered by this arbitration clause include disputes regarding the validity and construction of this Agreement, including without limitation this arbitration clause.

There is no judge or jury in arbitration, and court review of an arbitration award is limited. However, an arbitrator can award on an individual basis the same damages and relief as a court (including statutory damages and attorneys' fees and costs). Any and all proceedings to resolve Claims will be conducted only on an individual basis and not in a class, consolidated, or representative action.

Claims for workers' compensation and unemployment insurance, as well as claims that may be asserted by either party on an individual basis in small claims court, are not covered by this arbitration clause. This arbitration clause does not prohibit Executive from filing an administrative charge with the Equal Employment Opportunity Commission or any state or local equal employment opportunity agency. Except as otherwise stated in this arbitration clause, Executive agrees that the arbitration shall be conducted in accordance with the JAMS Employment Arbitration Rules and Procedures, currently available at www.jamsadr.com/rules-employment-arbitration. The arbitration shall be conducted by one arbitrator either mutually agreed upon by the Company and Executive or chosen in accordance with the JAMS rules.

If Executive files a Claim in arbitration, Executive understands that Executive will be responsible for at least the initial filing fee that would apply to a claim filed in court. To the extent required by law to enforce this Agreement, the Company will pay the balance of the arbitrator's fees and administrative costs related to the arbitration. Executive understands that the Company and Executive will otherwise bear their own fees and costs, except the prevailing party shall be entitled to costs, expenses, and reasonable attorneys' fees to the extent permitted by law. Judgment upon the award rendered by the arbitrator may be entered in any

court having competent jurisdiction thereof. The statute of limitations applicable to the commencement of a lawsuit will apply to the commencement of an arbitration under this provision.

The arbitration shall be confidential and closed to the public unless otherwise required by law. This confidentiality provision will not apply to claims arising under RCW 49.60 or federal antidiscrimination laws. Arbitration of those claims will not be confidential and will be open to the public.

This arbitration clause shall be governed by the Federal Arbitration Act (FAA) and, to the extent that law does not apply, by Washington State law without reference to choice of law principles. Notwithstanding the preceding, this arbitration clause does not prohibit Executive or the Company from filing for temporary injunctive relief, specific performance, or similar equitable relief in order to preserve the status quo pending the arbitration of the parties' dispute if the conduct sought to be enjoined threatens irreparable harm to Executive or the Company.

b. Assignment. This Agreement will be binding upon and inure to the benefit of (a) the heirs, executors, and legal representatives of Executive upon Executive's death and (b) any successor of Company. Any such successor of Company will be deemed substituted for Company under the terms of this Agreement for all purposes. For this purpose, "successor" means any person, firm, corporation, or other business entity which at any time, whether by purchase, merger, or otherwise, directly or indirectly acquires all or substantially all of the assets or business of Company. None of Executive's rights to receive any form of compensation payable pursuant to this Agreement may be assigned or transferred except by will or the laws of descent and distribution. Any other attempted assignment, transfer, conveyance, or other disposition of Executive's right to compensation or other benefits will be null and void. This Section 10(b) will in no way prevent Executive from transferring any vested property he owns.

c. Indemnification. Subject to applicable law, Executive will be provided indemnification to the maximum extent permitted by Company's Certificate of Incorporation or Bylaws, including, if applicable, any directors and officers' insurance policies, with such indemnification to be on the terms determined by the Board or any of its committees, but on terms no less favorable than provided to other Company executive officers or directors and subject to the terms of any separate written indemnification agreement.

d. Section 409A. To the extent (i) any payments to which Executive becomes entitled under this Agreement, or any agreement or plan referenced herein, in connection with Executive's separation from service from the Company constitute deferred compensation subject to Section 409A of the Code and (ii) Executive is deemed at the time of such separation from service to be a "specified" Executive under Section 409A of the Code, then such payment or payment shall not be made or commence until the earliest of (i) the expiration of the six (6)-month period measured from the date of Executive's "separation from service" (as such term is at the time defined in Treasury Regulations under Section 409A of the Code with the Company or (ii) the date of Executive's death following such separation from service; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to Executive, including (without limitation) the additional twenty percent (20%) tax for which Executive would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such deferral. Upon the expiration of the applicable deferral period, any payments which would have otherwise been made during that period (whether in a single sum or in installments) in the absence of this paragraph shall be paid to Executive or Executive's beneficiary in one lump sum. To the extent any payments to which Executive becomes entitled under this Agreement, or any agreement or plan referenced herein, in connection with Executive's separation from service from the Company constitute deferred compensation subject to Section 409A of the Code, the Executive and the Company may make changes to this Agreement to avoid adverse tax consequences under Section 409A.

e. Severability. If any provision of this Agreement shall be found by any arbitrator or court of competent jurisdiction to be invalid or unenforceable, then the Parties hereby waive such provision to the extent of its invalidity or unenforceability and agree that all other provisions in this Agreement shall continue in full force and effect.

f. No Waiver. The failure by either party at any time to require performance or compliance by the other of any of its obligations or agreements shall in no way affect the right to require such performance or compliance at any time thereafter. The waiver by either party of a breach of any provision hereof shall not be taken or held to be a waiver of any preceding or succeeding breach of such provision or as a waiver of the provision itself. No waiver of any kind shall be effective or binding, unless it is in writing and is signed by the party against whom such waiver is sought to be enforced.

g. Withholding. All sums payable to Executive hereunder shall be in United States Dollars and shall be reduced by all federal, state, local, and other withholding and similar taxes and payments required by applicable law.

h. Entire Agreement. This Agreement (including the exhibit(s) hereto) constitutes the entire agreement and understanding between the parties relating to Executive's employment with Company. This Agreement supersedes and cancels any and all previous contracts, arrangements, or understandings with respect to the subject matter hereof.

i. Amendment. The Parties understand and agree that this Agreement may not be amended, modified, or waived, in whole or in part, except in a writing executed by Executive and the Chairman of the Board, provided, that, the Company may, from time to time in its sole discretion, modify or eliminate its policies and the benefits offered to employees generally.

j. Notices. All notices, requests, demands, and other communications called for hereunder will be in writing and will be deemed given (a) on the date of delivery if delivered personally; (b) one (1) day after being sent overnight by a well-established commercial overnight service; or (c) four (4) days after being mailed by registered or certified mail, return receipt requested, prepaid and addressed to the Parties or their successors at the following addresses, or at such other addresses as the parties may later designate in writing: If to Company: 10885 NE 4th Street, Suite 400 Bellevue, WA 98004 (or current LME headquarters) If to Executive: at the last known residential address known by Company.

k. Binding Nature. This Agreement shall be binding upon, and inure to the benefit of, the successors and personal representatives of the Parties hereto.

l. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which, taken together, constitute one and the same agreement.

m. Governing Law. This Agreement and the rights and obligations of the parties hereto shall be construed in accordance with the laws of the State of Washington, without giving effect to the principles of conflict of laws.

n. Attorneys' Fees. In the event of any claim, demand, or suit arising out of or with respect to this Agreement, the prevailing party shall be entitled to reasonable costs and attorneys' fees, including any such costs and fees upon appeal.

WITNESS WHEREOF, each of the Parties has executed this Agreement, in the case of Company by a duly authorized officer, as of the day and year written below.

2022 Executive Compensation

David Smith, President & Chief Operating Officer

Base Salary	\$360,000
Incentive Bonus potential in RSUs¹	800,000
Total cash compensation potential	\$360,000
Equity grant - Options	An option to purchase 3,200,000 shares of Limeade Common Stock at the volume weighted average price for the thirty (30) day period ending on 14 July 2022, vesting as outlined below. Complete grant details will be provided in option agreement. Vesting will be subject to purchase of Limeade stock (ASX:LME) before 12/31/2022 as outlined below in “Commitment to Purchase Shares.”
Commitment to Purchase Shares²	David Smith agrees to purchase 500,000 shares of Limeade stock (ASX:LME) prior to 12/31/2022 and in compliance with all trading policies.

¹ Incentive Bonus to be paid in RSUs in lieu of cash payouts for FY 2022. After FY 2022, target bonus is 60% of salary, subject to Board Approval

² This requirement for option vesting shall be fully satisfied in the alternative by David Smith's share purchase at the maximum dollar value of \$125,000 regardless of the number of shares purchased. Currently there is no mechanism for U.S. residents to purchase LME shares through ASX. Limeade is planning to have a mechanism in place by end of 2022 to enable purchase by U.S. residents. If that mechanism is not in place before the 12-month anniversary of the Agreement Effective Date, this requirement for option vesting is removed.

Incentive Bonus – 2022

- 2022 variable compensation program divided into a 1H plan and 2H plan, both paid in RSUs
 - 1H Plan: 400,000 RSUs will be awarded upon acceptance of the promotion to President and COO of Limeade. The RSUs will vest and will be valued at the strike price of Limeade's share price on the day the grant is approved by the Limeade Board of Directors. For context, the 30-day average closing price is \$0.24 USD per share. This grant will fulfill the guaranteed 1H portion of the 2021 annual bonus for David Smith's role as General Manager, TINYpulse.
 - 2H Plan: Weighted according to the financial performance criteria noted below, 400,000 RSUs will be awarded to David Smith if Limeade achieves a FY2021 total CARR of \$58,000,000 or greater and EBITDA of negative \$6,975,000 or greater. These RSUs will be awarded in Q1 2022 after the FY2021 results have been finalized. The strike price of these RSUs will be at the same strike price of the RSU's awarded in 1H Plan. Although the RSUs are conditional, they will vest on the date they are awarded.
 - Financial performance criteria:
 - Criteria Weighting: 75% Total CARR / 25% EBITDA
 - Plan Targets: \$58.0M CARR / (\$6,975k) EBITDA
 - RSU Award: 300,000 RSUs for CARR target / 100,000 RSUs for EBITDA target
- Must be employed by Limeade at payout date to participate