ACTIAN CORPORATION

Consolidated Financial Statements

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

KPMG LLP
Mission Towers I
Suite 100
3975 Freedom Circle Drive
Santa Clara, CA 95054

Independent Auditors' Report

The Board of Directors
Actian Corporation:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Actian Corporation and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Actian Corporation and its subsidiaries as of December 31, 2020, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2 to the consolidated financial statements, in 2020, the Company adopted new accounting guidance Financial Accounting Standards Board's Accounting Standards Codification (ASC) Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

KPMG LLP

Santa Clara, California
May 28, 2021

ACTIAN CORPORATION

Consolidated Balance Sheets

December 31, 2020 and 2019

(In thousands, except share and per share data)

Assets		**2020**	**2019**
Current assets:			
Cash and cash equivalents	$	24,682	13,815
Accounts receivable (net of allowance of $0 as of December 31, 2020 and 2019)		33,235	31,116
Prepaid expenses and other current assets		5,636	8,356
Total current assets		63,553	53,287
Property and equipment – net		1,872	2,434
Goodwill		86,268	86,063
Intangible assets – net		5,561	7,956
Lease assets		5,394	—
Deferred tax assets		6,748	4,741
Other assets		2,641	2,836
Total assets	$	172,037	157,317
Liabilities and stockholders' equity (deficit)			
Current liabilities:			
Accounts payable	$	550	1,690
Accrued compensation		12,289	9,465
Accrued liabilities		4,823	4,382
Accrued liabilities – related parties		16	2,212
Lease liability		1,536	—
Current portion of notes payable to related parties		1,280	1,280
Income taxes payable		1,717	3,832
Deferred revenue		24,867	26,134
Total current liabilities		47,078	48,995
Long-term liabilities:			
Notes payable to related parties		103,840	115,120
Lease liability		5,445	—
Income taxes payable		4,880	3,769
Deferred revenue		1,758	1,271
Deferred income tax liabilities		3,179	2,333
Deferred rent		—	327
Total liabilities		166,180	171,815
Commitments and contingencies (note 10)			
Stockholders' equity (deficit):			
Common stock, $0.01 par value per share; 1,000 shares authorized, issued, and outstanding as of December 31, 2020 and 2019		—	—
Additional paid-in capital		36,845	39,645
Accumulated other comprehensive loss		(1,464)	(2,049)
Accumulated deficit		(29,524)	(52,094)
Total stockholders' equity (deficit)		5,857	(14,498)
Total liabilities and stockholders' equity (deficit)	$	172,037	157,317

See accompanying notes to consolidated financial statements.

ACTIAN CORPORATION

Consolidated Statements of Operations

Years ended December 31, 2020 and 2019

(In thousands)

		2020	2019
Revenue:			
Subscription license fees	$	74,570	62,680
Perpetual license fees		24,917	28,746
Maintenance and support		16,958	19,054
Professional services and training		2,542	2,261
Total revenue		118,987	112,741
Costs of revenue:			
Costs of license fees, professional services, and training		17,781	17,122
Amortization of acquired intangible assets		532	992
Total costs of revenue		18,313	18,114
Gross profit		100,674	94,627
Operating expenses:			
Sales and marketing		21,114	26,189
Research and development		22,261	23,445
General and administrative		15,840	15,840
Acquisition, restructuring, and retention costs		3,729	6,080
Lease impairment		1,166	—
Amortization of acquired intangible assets		1,902	2,362
Total operating expenses		66,012	73,916
Income from operations		34,662	20,711
Other income (expenses):			
Interest and other income		196	58
Interest and other expense		(6,033)	(9,427)
Income before income taxes		28,825	11,342
Income tax expense		4,067	3,920
Net income	$	24,758	7,422

See accompanying notes to consolidated financial statements.

ACTIAN CORPORATION

Consolidated Statements of Comprehensive Income

Years ended December 31, 2020 and 2019

(In thousands)

		2020	2019
Net income	$	24,758	7,422
Other comprehensive income – foreign currency translation, net of tax		585	(315)
Comprehensive income, net of tax	$	25,343	7,107

See accompanying notes to consolidated financial statements.

ACTIAN CORPORATION

Consolidated Statements of Stockholders' Equity (Deficit)

Years ended December 31, 2020 and 2019

(In thousands, except share amounts)

	Common stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity (deficit)
	Shares	Amount				
Balance – December 31, 2018	1,000	$ —	37,215	(1,734)	(79,171)	(43,690)
Dividend	—	—	—	—	(6,373)	(6,373)
ASC 606	—	—	—	—	26,028	26,028
Additional investment by Parent in connection with the acquisition of the Company	—	—	2,430	—	—	2,430
Net income	—	—	—	—	7,422	7,422
Foreign currency translation	—	—	—	(315)	—	(315)
Balance – December 31, 2019	1,000	—	39,645	(2,049)	(52,094)	(14,498)
Dividend	—	—	—	—	(2,188)	(2,188)
Tax sharing agreement with Parent	—	—	(2,800)	—	—	(2,800)
Net income	—	—	—	—	24,758	24,758
Foreign currency translation	—	—	—	585	—	585
Balance – December 31, 2020	1,000	$ —	36,845	(1,464)	(29,524)	5,857

See accompanying notes to consolidated financial statements.

ACTIAN CORPORATION

Consolidated Statements of Cash Flows

Years ended December 31, 2020 and 2019

(In thousands)

		2020	2019
Cash flows from operating activities:			
Net income	$	24,758	7,422
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of intangible assets		2,434	3,354
Deferred income taxes		(1,221)	(1,258)
Loss on disposal of fixed assets		61	13
Lease impairment		1,166	—
Depreciation and amortization of property and equipment		1,084	902
Commissions amortization		2,635	1,736
Stock-based compensation		—	340
Changes in assets and liabilities:			
Accounts receivable		(1,590)	(3,092)
Prepaid expenses and other assets		(2,902)	(5,169)
Accounts payable		(1,690)	955
Accrued compensation		2,702	(457)
Accrued liabilities		1,351	3,512
Income taxes payable		(1,004)	4,479
Deferred revenue		(1,387)	4,402
Net cash provided by operating activities		26,397	17,139
Cash flows from investing activities:			
Purchases of property and equipment		(286)	(1,405)
Sales of property and equipment		7	158
Net cash used in investing activities		(279)	(1,247)
Cash flows from financing activities:			
Dividend payment		(2,188)	(6,371)
Proceeds from borrowings with nonrelated parties		—	5,000
Repayment of borrowings with related parties		(11,280)	(16,280)
Return of investment by HCL in connection with the tax sharing agreement		(2,800)	—
Additional investment by HCL in connection with the acquisition of the Company		—	2,430
Net cash used in financing activities		(16,268)	(15,221)
Effect of exchange rates on cash and cash equivalents		1,017	(432)
Net increase in cash and cash equivalents		10,867	239
Cash and cash equivalents – beginning of year		13,815	13,576
Cash and cash equivalents – end of year	$	24,682	13,815
Supplemental cash flow information:			
Income taxes paid, net of refund	$	6,839	446
Interest paid		6,458	9,085
Noncash investing and financing activities:			
Property and equipment additions unpaid at end of year	$	56	248

See accompanying notes to consolidated financial statements.

(1) Description of Business

Actian Corporation (Actian or the Company), a Delaware corporation, is a wholly owned subsidiary of HCL Technologies SEP Holdings, Inc. (Parent), which was formed on March 28, 2018 as a Delaware corporation. The Parent is a legal entity for whom 80% of its common shares are owned by HCL America, Inc. and the remaining 20% of its common shares are owned by Sumeru Equity Partners, L.P. (SEP).

The Company’s primary business operation is to provide enterprise data management, integration and analytics software products and services that are designed to meet the big data management demands of Fortune 500 customers, partners, and third-party hardware and software applications.

On July 17, 2018 (acquisition date), Actian entered into a purchase agreement whereby the Parent acquired Actian and its subsidiaries for cash proceeds of $330 million (hereafter referred to as the Acquisition). The Acquisition was effected by the Parent, which is a direct subsidiary of HCL America, Inc. and ultimately of HCL Technologies Limited, the latter of which is a publicly registered company in India. HCL Technologies Limited (and the two parents of Actian Corporation) has concluded that the accounting acquirer of Actian was the Parent. HCL Technologies Limited and its subsidiaries have elected not to apply pushdown accounting for this acquisition, as it was concluded that this would not be relevant to the users of the financial statements.

In connection with the payment of the proceeds for the acquisition, HCL America, Inc. repaid approximately $57.3 million of the Company’s previously outstanding debt with GSO Capital Partners. The remaining balance of the outstanding debt obligation with GSO Capital Partners, approximately $47.7 million, was repaid by the Company with its remaining cash as of the date of the acquisition. In exchange for this repayment, as well as other working capital funding provided to Actian, HCL America, Inc. entered into an intercompany loan with Actian for $128 million for which principal payments are due quarterly with final payment due in 2022. Refer to note 8 for further discussion of the Company’s debt arrangements.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of the Company and its wholly or majority owned subsidiaries. Intercompany balances and transactions have been eliminated upon consolidation.

(b) Certain Significant Risks and Uncertainties

The Company operates in a dynamic, high-technology industry and believes that changes in any of the following areas could have a material adverse effect on the Company’s future financial position, results of operations, and cash flows; economic and/or political conditions or regulations; volatility in foreign currency exchange rates; fundamental changes in the technology underlying the Company’s software products; market acceptance of the Company’s products recently released and those products under development; loss of significant customers; changes in the overall demand for products offered by the Company; changes in certain strategic relationships or customer relationships; successful and timely completion of product development efforts; competitive pressures in the form of new product introductions by competitors or price reductions on current products; development of sales channels; litigation or other claims against the Company based on intellectual property, patent, product, regulatory, or other factors; failure to adequately protect the Company’s intellectual property; and the hiring, training, and retention of key employees.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as reported amounts of revenue and expenses during the reporting period. Significant estimates made by management affect revenues, goodwill, provision for income taxes, uncertain tax positions, and accrued liabilities. The severity, duration, and economic consequences of the COVID-19 pandemic are uncertain and rapidly changing. As such, the Company's accounting estimates and assumptions may change over time in response to COVID-19, and actual results could differ from those estimates materially in future periods.

(d) Revenue Recognition

The Company derives its revenues from the following sources: (i) subscription licenses, (ii) perpetual licenses, (iii) maintenance and support, and (iv) professional services.

For each arrangement, the Company recognizes revenue through the following steps: (a) Identifying the contract with the customer (b) identifying the performance obligations, (c) determining the transaction price, (d) allocating the transaction price to each of the obligations, and (e) recognizing revenue as the performance obligation is satisfied.

Contracts with customers often include promises for multiple performance obligations. When a contract is established, the Company identifies the performance obligations, and allocates the determined transaction price to each of the performance obligations based on the standalone selling price. The Company estimates the standalone selling price of its performance obligations by maximizing the use of observable inputs. This includes considering actual historical selling prices for performance obligations sold on a standalone basis when available. When standalone selling prices may not be directly observable (e.g., the performance obligation is not sold separately), the Company maximizes the use of observable inputs by considering historical selling prices for similar products and selling models as well as the Company's normal pricing practices.

(i) Subscription Licenses

Subscription licenses, or term-based licenses, provide customers with an on-premise software license with related maintenance and support for a fixed period of time. The license and the maintenance and support are distinct performance obligations, with revenue from the license recognized at the point in time the software license key is made available to the customer. The maintenance and support revenue for subscription licenses is recognized on a straight-line basis over the subscription term as the underlying service is a stand-ready performance obligation. Revenue recognized for term-based licenses as well as the related maintenance and support is recorded within subscription license fees in the consolidated statement of operations.

Term-based licenses are generally offered with subscription periods of between one and five years; the majority of the Company's subscriptions have a one-year term. The Company sells its products through two principal channels: (1) direct, which includes sales by the Company's sales force; and (2) indirect, which includes sales to resellers and OEMs.

(ii) Perpetual Licenses

The majority of perpetual license revenue results from sales to end users and royalties from resellers, including traditional value-added resellers, systems integrators, and OEMs or other vendors who redistribute the Company’s products to their external third-party customers, either separately or as a part of an integrated product. The Company’s perpetual licenses are typically sold in multiple performance obligation arrangements that include maintenance and support. Arrangements may also include professional services.

Revenue for perpetual licenses is recognized at the point in time the software license key is made available to the customer. Royalty revenues are recognized in the period of the customer’s usage. Revenues related to reseller license sales involving nonrefundable fixed minimum license fees are recognized upon delivery of the product master or first copy, which is the point in time that control has been transferred to the customer.

(iii) Maintenance and Support

Maintenance and support include telephone and web-based support and rights to software updates and upgrades on a when-and-if-available basis. Maintenance and support revenue is recognized on a straight-line basis over the service contract term as the underlying service is a stand-ready performance obligation. Maintenance and support in the consolidated statements of operations represent the revenue for these services for perpetual licenses.

(iv) Professional Services and Training Revenue

Professional services include consulting services for installation and implementation of the Company’s software, operational services, and customer training. Professional services are not considered essential to the functionality of the associated product. Training consists of customer training and education services.

(e) Deferred Revenue

Deferred revenue consists of billings or payments received in advance of revenue recognition, primarily from the Company’s maintenance and subscription agreements. For subscription licenses, the Company generally invoices its customers annually in advance or in quarterly installments. For perpetual licenses, customers are generally invoiced when control of the license has been transferred to the customer. Deferred revenue that will be recognized during the succeeding 12-month period is recorded as current deferred revenue and the remaining portion is recorded as noncurrent deferred revenue.

(f) Costs of Revenue

Costs of revenue consist of costs incurred in providing training, technical support, and professional services to customers and business partners, including salaries and benefits of operations, sustaining engineering and support personnel, licensing costs, and royalties paid to third parties for purchased technology embedded in the Company’s products, allocated overhead, related equipment depreciation, and amortization of developed technology intangible assets.

(Continued)

(g) Cash Equivalents

Cash equivalents include all highly liquid investments maturing within three months from the original maturity date.

(h) Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts to reserve for potentially uncollectible trade receivables. The Company determines provisions based on historical loss patterns, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with delinquent accounts.

(i) Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, and trade accounts receivable. Cash and cash equivalents are deposited with major U.S. and foreign banks that management believes are creditworthy. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and, therefore, bear minimal interest rate risk. The carrying amounts of the Company's financial instruments, including cash, cash equivalents, and receivables, approximate fair value due to the short-term nature of these instruments.

One customer accounted for more than 10% of the Company's total accounts receivable at December 31, 2020. No customer accounted for more than 10% of the Company's total accounts receivable at December 31, 2019. No customer accounted for more than 10% of total revenue in 2020 or 2019.

(j) Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated on a straight-line basis over their estimated useful lives of three to five years as follows:

Computer equipment	3 Years
Computer software	3 Years
Office furniture and fixtures	5 Years

Capitalized equipment leases and leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining term of the lease. Upon retirement or sale, the cost and related accumulated depreciation or accumulated amortization are removed from the consolidated balance sheets, and the resulting gain or loss is reflected in general and administrative expenses in the consolidated statements of operations. Maintenance and repairs are charged to operations as incurred.

(k) Foreign Currency Translation

The functional currency of the Company's foreign subsidiaries is generally the local currency. Adjustments resulting from translating foreign functional currency financial statements into the U.S. dollars are recorded as part of a separate component of stockholders' equity and reported in the statements of comprehensive income. All assets and liabilities related to these operations are translated at the current exchange rates at the end of each year. The resulting cumulative translation adjustments are recorded directly to the accumulated other comprehensive loss account in stockholders' equity. Revenues and expenses are translated at average exchange rates in effect during the year.

The foreign exchange gains (losses) from foreign currency transactions have been reflected as incurred in "Interest and other expense" of gain of $0.5 million and loss of $0.2 million for the years ended December 31, 2020 and 2019, respectively.

(l) Goodwill and Intangible Assets

Goodwill is tested for impairment annually in the fourth quarter or more frequently if facts and circumstances warrant a review. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value.

Intangible assets consist of developed technology, customer relationships, and trade names acquired through prior acquisitions. Intangible assets with definite lives are amortized over their estimated useful lives, ranging from 2 to 15 years. Intangible assets related to certain of the Company's acquisitions have been amortized based on expected future cash flows; all other intangibles are amortized ratably over their expected life.

(m) Impairment of Long-Lived Assets

Long-lived asset groups are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. When such events occur, the Company compares the carrying amounts of the assets to their undiscounted expected future cash flows. If this comparison indicates that there is impairment, the amount of the impairment is calculated using discounted expected cash flows at the Company's weighted average cost of capital. No material impairment charges related to long-lived assets have been recognized during the year ended December 31, 2020 or 2019.

(n) Income Taxes

The Company accounts for income taxes using the asset-and-liability approach. The asset-and-liability approach requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's consolidated financial statements or tax returns. The measurement of current and deferred tax liabilities and assets is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized.

(o) Research and Development Costs

Research and development costs are charged to operations as incurred. The accounting guidance for the costs of computer software to be sold, leased, or otherwise marketed requires the capitalization of certain computer software costs incurred upon the establishment of technological feasibility. The Company believes its current process for developing software is essentially completed concurrently with the establishment of technological feasibility; therefore, no costs have been capitalized to date.

(Continued)

(p) Advertising Costs

Advertising costs are expensed as incurred and included in sales and marketing expenses in the consolidated statements of operations.

(q) Recently Adopted Accounting Guidance

The Company primarily leases facilities for office and bandwidth colocation space under noncancelable operating leases for its U.S. and international locations. On January 1, 2020, the Company adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires recognition of right-of-use (ROU) assets and lease liabilities for most leases on the Company's consolidated balance sheet. The Company adopted Topic 842 using a modified retrospective transition approach as of the effective date as permitted by the amendments in ASU 2018-11, *Leases (Topic 842).* As a result, the Company was not required to adjust its comparative periods' financial information for effects of the standard or make the new required lease disclosures for the periods before the date of adoption (i.e., January 1, 2020). The Company elected the package of practical expedients, which allowed the Company not to reassess (1) whether existing or expired contracts, as of the adoption date, contain leases, (2) the lease classification for existing leases, and (3) whether existing initial direct costs meet the new definition. The Company also elected the practical expedient to not separate lease and nonlease components for its facility leases, and to not recognize ROU assets and liabilities for short-term leases.

The standard had an impact on the Company's consolidated balance sheet but did not have a significant impact on its consolidated statement of operations or cash flows. The impact on the Company's consolidated balance sheet was the recognition of ROU assets and lease liabilities for operating leases.

The adoption of this new standard at January 1, 2020 resulted in the following changes:

- Assets increased by $8.4 million, representing the recognition of ROU assets.
- Liabilities increased by $8.7 million, primarily representing the recognition of lease liabilities.

Discount rates used in the adoption ranged from 1.3% to 4.0%.

In 2020, the Company recorded an impairment charge of $1.2 million for its two U.S. office leases and the U.K. office lease, as the Company abandoned the usage of these office locations. Refer to note 10 for remaining future minimum lease payments.

(3) Balance Sheet Components

(a) Property and Equipment

Property and equipment as of December 31, 2020 and 2019 consisted of the following (in thousands):

		2020	2019
Computer equipment	$	5,633	8,764
Office furniture and fixtures		859	1,476
Leasehold improvements		390	371
Computer software		175	654
Total property and equipment		7,057	11,265
Accumulated depreciation and amortization		(5,185)	(8,831)
Property and equipment – net	$	1,872	2,434

Depreciation and amortization expense was $1.1 million and $0.9 million for the years ended December 31, 2020 and 2019, respectively.

(b) Deferred Revenue

Deferred revenue as of December 31, 2020 and 2019 consisted of the following (in thousands):

		2020	2019
Subscription license fees	$	1,445	1,062
Maintenance and support		23,604	24,675
Professional services and training		1,576	1,668
Total	$	26,625	27,405
Current portion	$	24,867	26,134
Long–term portion		1,758	1,271
Total	$	26,625	27,405

(4) Goodwill

The changes in goodwill for the years ended December 31, 2020 and 2019 were as follows (in thousands):

Balance – December 31, 2018	$	86,033
Translation adjustments		30
Balance – December 31, 2019		86,063
Translation adjustments		205
Balance – December 31, 2020	$	86,268

The Company’s chief operating decision maker (CODM) is its Chief Executive Officer. The Company operates as a single operating segment and single reporting unit as the CODM reviews and evaluates financial information on a consolidated basis.

No indicators or instances of impairment of goodwill were identified during the fiscal years ended December 31, 2020 or 2019.

(5) Intangible Assets

Identifiable intangible assets and their useful lives consist of the following:

Developed technology	5–13 Years
Customer relationships	2–15 Years
Trade name	5–14 Years

Amortization expense associated with developed technology is recorded as a component of costs of revenue and was $0.5 million and $1.0 million for the years ended December 31, 2020 and 2019, respectively. Amortization expense associated with customer relationships and trade names is recorded as a component of operating expenses and was $1.9 million and $2.4 million for the years ended December 31, 2020 and 2019, respectively.

No indicators or instances of impairment of intangible assets were identified during the fiscal year ended December 31, 2020 or 2019.

A summary of identifiable intangible assets as of December 31, 2020 and 2019 was as follows (in thousands):

		2020			2019		
		Gross amount	**Accumulated amortization**	**Net amount**	**Gross amount**	**Accumulated amortization**	**Net amount**
Developed technology	$	24,730	(24,340)	390	24,730	(23,808)	922
Customer relationships		36,789	(31,808)	4,981	36,508	(29,924)	6,584
Trade name		3,002	(2,812)	190	3,002	(2,552)	450
Total identifiable intangible assets	$	64,521	(58,960)	5,561	64,240	(56,284)	7,956

The estimated amortization expense on identifiable intangible assets for the next five years and their remaining useful lives as of December 31, 2020 was as follows (dollars in thousands):

		Developed technology	**Customer relationships**	**Trade name**	**Total**
2021	$	211	1,306	132	1,649
2022		86	1,033	16	1,135
2023		36	815	13	864
2024		31	644	11	686
2025		26	509	10	545
2026 and later		—	674	8	682
Total estimated future amortization expense	$	390	4,981	190	5,561
Remaining useful lives – December 31, 2020		1–5 Years	6–8 Years	1–6 Years	

(6) Revenue

(a) Disaggregation of Revenue

The following table provides information about disaggregated revenue by primary geographical markets (dollars in thousands):

		2020	2019
North America	$	51,237	46,769
EMEA		49,025	48,239
APAC		18,725	17,733
Total	$	118,987	112,741

(b) Remaining Performance Obligations

Remaining performance obligations represent expected future billings not yet recognized in revenue that are contractually committed under the Company's existing contract. This includes deferred revenue amounts and backlog that will be recognized as revenue in future periods.

As of December 31, 2020, the Company had remaining performance obligations of approximately $32.3 million. Of these remaining performance obligations, the Company expects to recognize revenue of 84% of this balance over the next 12 months and 16% thereafter.

(c) Contract Cost Assets

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if the expected benefit of those costs is greater than one year. The costs capitalized are primarily sales commissions paid to sales employees. Capitalized costs to obtain a new contract are amortized over the expected period of benefit, which the Company has determined to be five years. Capitalized costs related to renewals are amortized on a portfolio basis over the weighted average of the renewal period for the product, which range from one to three years. The Company has determined the period of benefit taking into consideration the expected subscription term and expected renewal periods of its customer contracts including historical renewals.

Amortization of capitalized costs is included in sales and marketing expense in the Company's consolidated statements of operations. During the years ended December 31, 2020 and 2019, the Company amortized $2.6 million and $1.7 million of capitalized contract acquisition costs, respectively. The Company did not incur any impairment losses.

As of December 31, 2020, the balance of capitalized contract acquisition costs was $3.3 million, of which $1.8 million was recorded in prepaid expenses and other current assets, and $1.5 million was recorded in other assets within the consolidated balance sheets.

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(7) Common Stock

The Company's certificate of incorporation, as amended, designates and authorizes the Company to issue 1,000 shares of common stock of which 1,000 were issued to the Company's Parent on the acquisition date and were outstanding as of December 31, 2020 and 2019. There are no shares reserved for issuance as of December 31, 2020 or 2019.

(8) Loan Agreements

The Company's borrowings as of December 31, 2020 and 2019 were as follows (in thousands):

With related parties		2020 Carrying value	2019 Carrying value
Total borrowings	$	105,120	116,400
Current portion		(1,280)	(1,280)
Long-term portion	$	103,840	115,120

Intercompany Loan With HCL America, Inc.

On July 17, 2018, the Company entered into a loan agreement with HCL America, Inc., a parent company of Actian Corporation, (the HCL Agreement) to borrow $127 million. On August 10, 2018, the HCL Agreement was amended to increase the amount borrowed to $128 million. Principal amounts under the HCL Agreement are payable in quarterly installments commencing with the fiscal quarter ending December 31, 2018 at a rate of 0.25% of the original principal amount. The HCL Agreement matures on July 17, 2022 with the remaining principal due upon maturity and has placed as collateral all of the property of the Company. Interest is payable quarterly in arrears at an annual interest rate of either 5.0% or 5.5% plus LIBOR depending on whether the leverage ratio for the trailing 12-month period is equal to or less than 3.25 to 1.00 or exceeds 3.25 to 1.00, respectively. The LIBOR rate resets every quarter. The HCL Agreement bore interest at rates that range from 5.2% to 6.5% in 2020 and 6.9% to 7.6% in 2019.

The HCL Agreement includes covenants to maintain minimum net leverage ratio as well as certain other nonfinancial covenants. The Company was in compliance with the covenants of the HCL Agreement as of December 31, 2020 and 2019.

On August 21, 2018, the Company entered into a short-term unsecured line of credit agreement with HCL America, Inc. to borrow up to $10 million before March 31, 2019 when any borrowings under this agreement must be repaid. On January 4, 2019, the Company borrowed $5 million and then fully repaid the amount borrowed plus $30,000 of interest on March 6, 2019.

(9) Income Taxes

After the acquisition by the Parent, a consolidated income tax return is prepared by HCL America Inc. with certain of its U.S. based subsidiaries. The Company has elected an accounting policy to prepare its income tax provision on a stand-alone basis.

The components of income before income taxes for the years ended December 31, 2020 and 2019 were as follows (in thousands):

		2020	2019
United States	$	24,253	8,684
International		4,572	2,658
Total income before income taxes	$	28,825	11,342

The income tax provision for the years ended December 31, 2020 and 2019 was composed of the following (in thousands):

		2020	2019
Current:			
Federal	$	2,812	3,937
State		332	491
International		1,422	920
		4,566	5,348
Deferred:			
Federal		(346)	(1,400)
State		(23)	(44)
International		(130)	16
		(499)	(1,428)
Income tax provision	$	4,067	3,920

The components of the net deferred tax assets and liabilities as of December 31, 2020 and 2019 were as follows (in thousands):

	2020	2019
Deferred tax assets:		
Net operating loss carryforwards	$ 4,642	4,984
Credits	1,200	1,199
Accruals and reserves	1,600	1,164
Lease liabilities	1,502	—
Property and equipment	56	(80)
Deferred revenue	131	141
Sparql City capital loss carryover	454	458
Interest limitation	511	2,015
Other	70	103
Gross deferred tax assets	10,166	9,984
Valuation allowance	(3,418)	(5,243)
Net deferred tax assets	6,748	4,741
Deferred tax liabilities:		
Intangibles	(1,056)	(1,543)
Lease assets	(1,176)	—
Unrealized FX loss	(140)	(650)
Prepaids	(71)	(141)
Deferred commissions	(737)	—
Other	1	1
Gross deferred tax liabilities	(3,179)	(2,333)
Net deferred tax assets	$ 3,569	2,408
Noncurrent deferred tax assets	$ 6,748	4,741
Noncurrent deferred tax liabilities	(3,179)	(2,333)
Net deferred taxes	$ 3,569	2,408

The Company has provided a partial valuation allowance of $0.4 million against its federal deferred tax asset, which primarily relates to the capital loss carryforward and 163j interest limitation, as it is more likely than not that the future benefit will not be realized due to the Company not expecting to recognize any capital gains within the next five years. Additionally, the Company has provided a partial valuation allowance of $3.0 million against its California deferred tax asset, which primarily relates to net operating loss carryforwards and research and development credit carryforwards, as it is more likely than not that these future benefits will not be realized due to reduced California apportionment.

As of December 31, 2020, the Company had federal and state net operating loss carryforwards of approximately $12.5 million and $29.3 million, respectively. These net operating loss carryforwards will expire in varying amounts beginning in 2021. As of December 31, 2020, the Company has federal and California research and development credit carryforwards of $0 and $4.7 million, respectively. The federal research and development credits will start expiring in 2031. The California research and development credit may be carried forward indefinitely. As of December 31, 2020, the Company's federal foreign tax credit carryforwards have expired in 2020. These net operating loss carryforwards and tax credit carryforwards have been adjusted for applicable Section 382 limitations.

The total amount of gross unrecognized tax benefits was $8.2 million and $7.7 million, including penalties and interest of $0.4 million and $0.3 million, as of December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $5.0 million and $4.5 million, respectively, including penalties and interest for each year. The Company estimates that there will be $1.0 million change in its uncertain tax positions in the next 12 months.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense.

The Company conducts business globally and, as a result, files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as the United States, California, Germany, and the United Kingdom. The Company is not currently under audit or examination by any of these major jurisdictions with the exception of a recently completed examination of Actian Germany and Actian France. The federal statute of limitations remains open for years 2007 through 2018. The California statute of limitations remains open for years 2006 through 2018. The United Kingdom statute of limitations remains open for years 2011 through 2018. The German statute of limitations remains open for years 2014 through 2018.

The Company has provided for U.S. federal and state income taxes on all of the non-U.S. subsidiaries' undistributed earnings as of December 31, 2020 because such earnings are not intended to be indefinitely reinvested. As of December 31, 2020, cumulative unremitted foreign earnings that are considered to not be permanently invested outside of the United States and on which U.S. taxes have been provided were approximately $1.5 million. The U.S. tax impact, when such amounts are remitted, would not be material.

(10) Commitments and Contingencies

(a) Operating Leases

The Company leases its facilities under operating leases that expire through 2027. Approximate remaining future minimum lease payments under these leases as of December 31, 2020 were as follows (in thousands), of which $2.1 million is related to the abandoned office locations:

Year(s) ending December 31:		
2021	$	1,714
2022		1,341
2023		1,280
2024		746
2025		769
2026 and later		1,468
Total	$	7,318

Rent expense under the Company's operating leases was approximately $2.3 million and $2.0 million for the years ended December 31, 2020 and 2019, respectively.

(b) Contingencies

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of its business activities. The Company accrues a liability for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

(c) Commitments

As of December 31, 2020, the Company had $2.2 million of contingent commitments, with remaining terms of more than one year, to bandwidth colocation and software-as-a-service providers, which commitments become due if the Company terminates any of these agreements prior to their expiration. The colocation arrangements are accounted for as service contracts as the supplier has substitution rights and can replace the servers when needed to continuously provide the quality of network services defined in the contract. The Company does not intend to terminate any of these agreements prior to their expiration. Future required payments as of December 31, 2020 were as follows (in thousands):

		Contingent commitments
Year ending December 31:		
2021	$	1,118
2022		995
2023		126
Total	$	2,239

(d) Guarantees and Indemnification Obligations

The Company has agreements whereby the Company indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving in such capacity. The term of the indemnification period is for the officer's or director's lifetime for actions performed by the officer or director while with the Company. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has directors' and officers' liability insurance coverage that limits its exposure and enables it to recover a portion of any future amounts paid up to policy limits.

The Company's commercial agreements contain indemnification provisions in the ordinary course of business. Pursuant to these provisions, the Company indemnifies and agrees to reimburse the indemnified party for losses incurred by the indemnified party, generally the Company's customers, in connection with any intellectual property right infringement claim by any third party with respect to the Company's software. The term of these indemnification obligations is described in the contract signed with the respective third party. This provision is often heavily negotiated, and the Company makes an effort to have the intellectual property indemnification limited to the value of the contract signed with the respective third party. In each of these circumstances, payment by the Company is conditioned on the other party making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow the Company to challenge the other party's claim. Further, the Company's obligations under these agreements may in certain cases be limited in terms of time and/or amount, and in some instances, the Company may have recourse against the third parties for certain payments made by the Company. There are occasions, however, where the maximum potential amount of future payments the Company could be required to make under these intellectual property indemnification provisions is unlimited. It is not possible to predict the maximum potential amount of future payments under these or similar agreements due to the conditional nature of the Company's obligations and the facts and circumstances involved in each particular agreement. The Company does not record a liability for claims related to indemnification unless the Company concludes that the likelihood of a material claim is probable and estimable. Based on historical experience and information known as of December 31, 2020, the Company has not incurred any costs for these indemnities.

The Company warrants that its products will perform in all material respects in accordance with its standard published specification documentation in effect at the time of delivery of the licensed products to the customer for the warranty period of the product. For professional service engagements, the Company warrants that the work will be performed in a skilled and competent manner. If necessary, the Company would provide for the estimated cost of warranties based on specific warranty claims and claim history; however, the Company has not incurred significant expense to date under its warranties. As a result, the Company believes that any liability under these agreements is nominal and has not recognized any related warranty accrual.

(Continued)

(11) Related-Party Transactions

The Company has agreements for management services with HCL America, Inc. and Sumeru Equity Partners L.P., majority shareholders of the Parent, which wholly owns Actian Corporation. During the years ended December 31, 2020 and 2019, the Company recorded $1.6 million each year related to these services, which are reflected in general and administrative expenses in the consolidated statements of operations.

During 2020, the Company engaged HCL to perform certain engineering development services and IT support, and the Company recorded the following expenses related to these services:

- $2.2 million in costs of license fees, professional services, and training
- $2.2 million in research and development
- $0.3 million in general and administrative

The Company declared and paid dividends of $2.2 million and $6.4 million to the Parent in 2020 and 2019, respectively.

On April 30, 2020, the Company lent HCL $5 million under a loan agreement, in which the Company agreed to lend HCL one or more loans in an aggregate amount not to exceed $25 million. An additional $10 million was lent to HCL on August 11, 2020, and the total amount of $15 million was paid back to the Company on December 15, 2020. The intent of this loan was to invest the Company’s excess cash with HCL on a short-term basis and earn interest at LIBOR plus 0.70%. During 2020, total interest income of $0.1 million was reported in interest and other income on the consolidated statements of operations.

(12) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through May 28, 2021, the date at which the consolidated financial statements were available to be issued.