KPMG

ACTIAN CORPORATION

Consolidated Financial Statements

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

KPMG LLP
Mission Towers I
Suite 600
3975 Freedom Circle Drive
Santa Clara, CA 95054

Independent Auditors' Report

The Board of Directors
Actian Corporation:

Opinion

We have audited the consolidated financial statements of Actian Corporation and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Santa Clara, California
May 31, 2022

ACTIAN CORPORATION

Consolidated Balance Sheets

As of December 31, 2021 and 2020

(In thousands, except share and per share data)

Assets		**2021**	**2020**
Current assets:			
Cash and cash equivalents	$	28,939	24,682
Accounts receivable (net of allowance of $13 and $0 as of December 31, 2021 and 2020, respectively)		43,399	33,235
Prepaid expenses and other current assets		4,888	5,636
Total current assets		77,226	63,553
Property and equipment – net		1,243	1,872
Goodwill		86,124	86,268
Intangible assets – net		3,888	5,561
Lease assets		4,352	5,394
Deferred tax assets		6,746	6,748
Other assets		4,500	2,641
Total assets	$	184,079	172,037

(Continued)

ACTIAN CORPORATION

Consolidated Balance Sheets

As of December 31, 2021 and 2020

(In thousands, except share and per share data)

Liabilities and Stockholders' Equity		**2021**	**2020**
Current liabilities:			
Accounts payable	$	407	550
Accrued compensation		14,526	12,289
Accrued liabilities		4,231	4,823
Accrued liabilities – related parties		535	16
Lease liability		1,401	1,536
Current portion of notes payable – related parties		78,840	1,280
Income taxes payable		89	1,717
Deferred revenue		27,492	24,867
Total current liabilities		127,521	47,078
Notes payable – long term:			
Notes payable with related parties		—	103,840
Lease liability – long term		4,027	5,445
Income taxes payable – long term		4,528	4,880
Deferred revenue – long term		1,665	1,758
Deferred income tax liabilities		3,649	3,179
Other non-current liabilities		89	—
Total liabilities		141,479	166,180
Commitments and contingencies (note 10)			
Stockholders' equity:			
Common stock, $0.01 par value per share; 1,000 shares authorized, issued, and outstanding as of December 31, 2021 and 2020		—	—
Additional paid-in capital		43,997	36,845
Accumulated other comprehensive loss		(2,015)	(1,464)
Accumulated deficit		618	(29,524)
Total stockholders' equity		42,600	5,857
Total liabilities and stockholders' equity	$	184,079	172,037

See accompanying notes to consolidated financial statements.

ACTIAN CORPORATION

Consolidated Statements of Operations

For the years ended December 31, 2021 and 2020

(In thousands)

		2021	2020
Revenue:			
Subscription license fees	$	97,966	74,570
Perpetual license fees		21,428	24,917
Maintenance and support		15,140	16,958
Professional services and training		2,128	2,542
Total revenue		136,662	118,987
Costs of revenue:			
Costs of license fees, professional services, and training		18,275	17,781
Amortization of acquired intangible assets		211	532
Total costs of revenue		18,486	18,313
Gross profit		118,176	100,674
Operating expenses:			
Sales and marketing		20,820	21,114
Research and development		24,973	22,261
General and administrative		13,564	15,840
Acquisition, restructuring and retention costs		8,515	3,729
Lease impairment		—	1,166
Amortization of acquired intangible assets		1,434	1,902
Total operating expenses		69,306	66,012
Income from operations		48,870	34,662
Other income (expenses):			
Interest and other income		9	196
Interest and other expense		(5,200)	(6,033)
Income before income taxes		43,679	28,825
Income tax expense		9,114	4,067
Net income	$	34,565	24,758

See accompanying notes to consolidated financial statements.

ACTIAN CORPORATION

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(In thousands)

		2021	2020
Net income	$	34,565	24,758
Other comprehensive income – foreign currency translation, net of tax		(551)	585
Comprehensive income, net of tax		34,014	25,343
Less comprehensive income attributable to noncontrolling interest		—	—
Comprehensive income attributable to equity owners of Actian Corporation	$	34,014	25,343

See accompanying notes to consolidated financial statements.

ACTIAN CORPORATION

Consolidated Statements of Stockholders' Equity (Deficit)

For the years ended December 31, 2021 and 2020

(In thousands, except share amounts)

	Stockholders' equity (deficit)									
	Convertible preferred stock							Accumulated other		
	Series A		Series B		Common stock		Additional paid-In	comprehensive	Accumulated	Total stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	capital	loss	deficit	equity (deficit)
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
Dividend	—	—	—	—	—	—	—	—	(4,400)	(4,400)
Tax sharing agreement with Parent	—	—	—	—	—	—	7,152	—	—	7,152
Net income	—	—	—	—	—	—	—	—	34,565	34,565
Foreign currency translation	—	—	—	—	—	—	—	(551)	(23)	(574)
Balance – December 31, 2021	—	$ —	—	$ —	1,000	$ —	43,997	(2,015)	618	42,600

See accompanying notes to consolidated financial statements.

ACTIAN CORPORATION

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(In thousands)

		2021	2020
Cash flows from operating activities:			
Net income	$	34,565	24,758
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of intangible assets		1,645	2,434
Loss on disposal of fixed assets		93	61
Lease impairment		—	1,166
Deferred income taxes		470	(1,221)
Depreciation and amortization of property and equipment		1,085	1,084
Commissions amortization		4,101	2,635
Additional Investment by Parent Company		7,151	—
Changes in current assets and liabilities:			
Accounts receivable		(10,707)	(1,590)
Prepaid expenses and other assets		(6,288)	(2,902)
Accounts payable		129	(1,690)
Accrued compensation		2,252	2,702
Accrued liabilities		(18)	1,351
Income taxes payable		(1,635)	(1,004)
Deferred revenue		2,902	(1,387)
Net cash provided by operating activities		35,745	26,397
Cash flows from investing activities:			
Purchases of property and equipment		(400)	(286)
Sales of property and equipment		4	7
Net cash used in investing activities		(396)	(279)
Cash flows from financing activities:			
Dividend payment		(4,400)	(2,188)
Repayment of borrowings with related parties		(26,280)	(11,280)
Return of investment by HCL in connection with the tax sharing agreement		—	(2,800)
Net cash used in financing activities		(30,680)	(16,268)
Effect of exchange rates on cash and cash equivalents		(412)	1,017
Net increase in cash and cash equivalents		4,257	10,867
Cash and cash equivalents – beginning of year		24,682	13,815
Cash and cash equivalents – end of year	$	28,939	24,682
Supplemental cash flow information:			
Income taxes paid	$	1,382	6,839
Interest paid		4,904	6,458
Noncash investing and financing activities:			
Property and equipment additions unpaid at end of year		20	56

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). On December 29, 2021, the Parent became a wholly owned subsidiary of HCL America, Inc., who acquired the 20% ownership from 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 2023 after an amendment was executed in May 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.

(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, 2021 and December 31, 2020, respectively. No customer accounted for more than 10% of total revenue in 2021 or 2020.

(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 loss of $0.3 million and gain of $0.5 million for the years ended December 31, 2021 and 2020, 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, 2021 or 2020.

(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.

(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.

No new accounting guidance was adopted in 2021.

(3) Balance Sheet Components

(a) Property and Equipment

Property and equipment as of December 31, 2021 and 2020 consisted of the following (in thousands):

		2021	2020
Computer equipment	$	5,662	5,633
Office furniture and fixtures		720	859
Leasehold improvements		263	390
Computer software		133	175
Total property and equipment		6,778	7,057
Accumulated depreciation and amortization		(5,535)	(5,185)
Property and equipment – net	$	1,243	1,872

Depreciation and amortization expense was $1.1 million for the years ended December 31, 2021 and 2020, respectively.

(b) Deferred Revenue

Deferred revenue as of December 31, 2021 and 2020 consisted of the following (in thousands):

		2021	2020
Subscription license fees	$	7,376	1,445
Maintenance and support		20,457	23,604
Professional services and training		1,324	1,576
Total	$	29,157	26,625
Current portion	$	27,492	24,867
Long–term portion		1,665	1,758
Total	$	29,157	26,625

(4) Goodwill

The changes in goodwill for the years ended December 31, 2021 and 2020 were as follows (in thousands):

Balance – December 31, 2019	$	86,063
Translation adjustments		205
Balance – December 31, 2020		86,268
Translation adjustments		(144)
Balance – December 31, 2021	$	86,124

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, 2021 or 2020.

(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 $0.2 million and $0.5 million for the years ended December 31, 2021 and 2020, respectively. Amortization expense associated with customer relationships and trade names is recorded as a component of operating expenses and was $1.4 million and $1.9 million for the years ended December 31, 2021 and 2020, respectively.

No indicators or instances of impairment of intangible assets were identified during the fiscal year ended December 31, 2021 or 2020.

A summary of identifiable intangible assets as of December 31, 2021 and 2020 was as follows (in thousands):

		2021			2020		
		Gross amount	Accumulated amortization	Net amount	Gross amount	Accumulated amortization	Net amount
Developed technology	$	3,862	(3,684)	178	24,730	(24,340)	390
Customer relationships		36,542	(32,890)	3,652	36,789	(31,808)	4,981
Trade name		402	(344)	58	3,002	(2,812)	190
Total identifiable intangible assets	$	40,806	(36,918)	3,888	64,521	(58,960)	5,561

The estimated amortization expense on identifiable intangible assets for the next five years and their remaining useful lives as of December 31, 2021 was as follows (dollars in thousands):

		Developed technology	Customer relationships	Trade name	Total
2022	$	86	1,026	16	1,128
2023		36	810	13	859
2024		31	639	11	681
2025		26	506	9	541
2026		—	370	8	378
2027 and later		—	301	—	301
Total estimated future amortization expense	$	179	3,652	57	3,888
Remaining useful lives – December 31, 2021		4 Years	5–7 Years	5 Years	

(6) Revenue

(a) Disaggregation of Revenue

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

		2021	2020
North America	$	56,444	51,237
EMEA		60,736	49,025
APAC		19,482	18,725
Total	$	136,662	118,987

(b) 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, 2021 and 2020, the Company amortized $4.1 million and $2.6 million of capitalized contract acquisition costs, respectively. The Company did not incur any impairment losses.

As of December 31, 2021, the balance of capitalized contract acquisition costs was $6.3 million, of which $2.9 million was recorded in prepaid expenses and other current assets, and $3.4 million was recorded in other assets within the consolidated balance sheets.

(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, 2021 and 2020. There are no shares reserved for issuance as of December 31, 2021 or 2020.

(Continued)

(8) Loan Agreements

The Company’s borrowings as of December 31, 2021 and 2020 were as follows (in thousands):

With related parties		2021 Carrying value	2020 Carrying value
Total borrowings	$	78,840	105,120
Current portion		(78,840)	(1,280)
Long-term portion	$	—	103,840

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 5.1% to 5.7% in 2021 and 5.2% to 6.5% in 2020.

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, 2021 and 2020.

An amendment for the HCL Agreement was signed on May 11, 2022 to go effective as of July 1, 2022 to extend the maturity date of the note from July 17, 2022 to June 30, 2023 with modified interest rate of SOFR plus 5%.

(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. In addition, the Company will account for the income taxes owed to the parent as a capital contribution within the statement of stockholders' equity as the Company does not intend to remit such payments to the parent.

(Continued)

The components of income before income taxes for the years ended December 31, 2021 and 2020 were as follows (in thousands):

		2021	2020
United States	$	38,149	24,253
International		5,530	4,572
Total income before income taxes	$	43,679	28,825

The income tax provision for the years ended December 31, 2021 and 2020 was composed of the following (in thousands):

		2021	2020
Current:			
Federal	$	6,529	2,812
State		799	332
International		1,680	1,422
		9,008	4,566
Deferred:			
Federal		(1)	(346)
State		100	(23)
International		7	(130)
		106	(499)
Income tax provision	$	9,114	4,067

The components of the net deferred tax assets and liabilities as of December 31, 2021 and 2020 were as follows (in thousands):

		2021	2020
Deferred tax assets:			
Net operating loss carryforwards	$	4,379	4,642
Credits		1,199	1,200
Accruals and reserves		2,216	1,600
Lease liabilities		1,208	1,502
Property and equipment		46	56
Deferred revenue		589	131
Sparql City capital loss carryover		456	454
Interest limitation		—	511
Other		169	70
Gross deferred tax assets		10,262	10,166
Valuation allowance		(3,535)	(3,418)
Net deferred tax assets		6,727	6,748
Deferred tax liabilities:			
Intangibles		(733)	(1,056)
Lease assets		(965)	(1,176)
Unrealized FX loss		(423)	(140)
Prepaids		(80)	(71)
Deferred commissions		(1,426)	(737)
Other		(3)	1
Gross deferred tax liabilities		(3,630)	(3,179)
Net deferred tax assets	$	3,097	3,569
Noncurrent deferred tax assets	$	6,727	6,748
Noncurrent deferred tax liabilities		(3,630)	(3,179)
Net deferred taxes	$	3,097	3,569

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 $3.1 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, 2021, the Company had federal and state net operating loss carryforwards of approximately $11.3 million and $29.3 million, respectively. These net operating loss carryforwards will expire in varying amounts beginning in 2022. As of December 31, 2021, 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, 2021, the Company has federal foreign tax credit carryforwards expired in 2021. 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 $7.8 million and $8.2 million, including penalties and interest of $0.7 million and $0.4 million, as of December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $4.5 million and $5.0 million, respectively, including penalties and interest for each year. The Company estimates that there will be $1.9 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. 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, 2021 because such earnings are not intended to be indefinitely reinvested. As of December 31, 2021, 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 $11.24 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, 2021 were as follows (in thousands), of which $1.2 million is related to the abandoned office locations:

Year(s) ending December 31:		
2022	$	1,530
2023		1,285
2024		746
2025		769
2026		792
2027 and later		676
Total	$	5,798

Rent expense under the Company's operating leases was approximately $1.7 million and $2.3 million for the years ended December 31, 2021 and 2020, 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. There is no such contingent liabilities as of December 31, 2021.

(c) Commitments

As of December 31, 2021, the Company had $2.1 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, 2021 were as follows (in thousands):

		Contingent commitments
Year ending December 31:		
2022	$	1,731
2023		400
Total	$	2,131

(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, 2021, 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.

(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 through December 29, 2021. During the years ended December 31, 2021 and 2020, 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. The agreements for management services with HCL America, Inc. and Sumeru Equity Partners L.P. were cancelled in conjunction with HCL America, Inc.'s purchase of Sumeru Equity Partners L.P.'s investment in Actian Corporation's parent company on December 29, 2021.

During 2021, 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
- $3.8 million in research and development
- $0.4 million in general and administrative

The Company declared and paid dividends of $4.4 million and $2.2 million to the Parent in 2021 and 2020, respectively.

(12) Subsequent Events

An amendment for the HCL Intercompany Loan Agreement was signed on May 11, 2022 to go effective as of July 1, 2022 to extend the maturity date of the note from July 17, 2022 to June 30, 2023. Refer to note 8 for detail.

The Company has evaluated subsequent events from the balance sheet date through May 31, 2022, the date at which the consolidated financial statements were available to be issued.