ACTIAN CORPORATION

Consolidated Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 600
205 North 10th Street
Boise, ID 83702-5798

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, 2022 and 2021, and the related consolidated statements of operations, comprehensive income, stockholders' equity, 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, 2022 and 2021, 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 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

Boise, Idaho
May 26, 2023

ACTIAN CORPORATION

Consolidated Balance Sheets

As of December 31, 2022 and 2021

(In thousands, except share and per share data)

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 20,900	$ 28,939
Accounts receivable (net of allowance of $10 and $13 as of December 31, 2022 and 2021, respectively)	83,215	43,399
Prepaid expenses and other current assets	11,485	4,888
Total current assets	115,600	77,226
PROPERTY AND EQUIPMENT—Net	1,130	1,243
GOODWILL	85,845	86,124
INTANGIBLE ASSETS—Net	2,750	3,888
LEASE ASSETS	3,314	4,352
DEFERRED TAX ASSETS	11,451	6,746
OTHER ASSETS	6,336	4,500
TOTAL ASSETS	$ 226,426	$ 184,079

(Continued)

ACTIAN CORPORATION

Consolidated Balance Sheets

As of December 31, 2022 and 2021

(In thousands, except share and per share data)

	2022	2021
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 722	$ 407
Accrued compensation	22,814	14,526
Accrued liabilities	5,460	4,231
Accrued liabilities - related parties	1,006	535
Lease liability	1,250	1,401
Current portion of notes payable - related parties	52,560	78,840
Income taxes payable	4,380	89
Deferred revenue	24,785	27,492
Total current liabilities	112,977	127,521
NOTES PAYABLE—Long term:		
Notes payable with related parties	-	-
LEASE LIABILITY—Long term	2,777	4,027
INCOME TAXES PAYABLE—Long term	3,696	4,528
DEFERRED REVENUE—Long term	1,032	1,665
DEFERRED INCOME TAX LIABILITIES	4,412	3,649
OTHER NON-CURRENT LIABILITIES	-	89
Total liabilities	124,894	141,479
COMMITMENTS AND CONTINGENCIES (Note 12)		
STOCKHOLDERS' EQUITY:		
Common stock, $0.01 par value per share; 1,000 shares authorized, issued, and outstanding as of December 31, 2022 and 2021	-	-
Additional paid-in capital	56,488	43,997
Accumulated other comprehensive loss	(4,153)	(2,015)
Retained Earnings	49,197	618
Total stockholders' equity	101,532	42,600
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 226,426	$ 184,079

See accompanying notes to consolidated financial statements.

(Concluded)

ACTIAN CORPORATION

Consolidated Statements of Operations

For the years ended December 31, 2022 and 2021

(In thousands)

	2022	2021
REVENUE:		
Subscription license fees	$ 124,521	$ 97,966
Perpetual license fees	24,648	21,428
Maintenance and support	14,331	15,140
Professional services and training	3,107	2,128
Total revenue	166,607	136,662
COSTS OF REVENUE:		
Costs of license fees, professional services, and training	19,746	18,275
Amortization of acquired intangible assets	86	211
Total costs of revenue	19,832	18,486
GROSS PROFIT	146,775	118,176
OPERATING EXPENSES:		
Sales and marketing	29,800	20,820
Research and development	29,350	24,973
General and administrative	14,893	13,564
Acquisition, restructuring and retention costs	7,255	8,515
Lease impairment	-	-
Amortization of acquired intangible assets	1,035	1,434
Total operating expenses	82,333	69,306
INCOME FROM OPERATIONS	64,442	48,870
OTHER INCOME (EXPENSES):		
Interest and other income	220	9
Interest and other expense	(5,297)	(5,200)
INCOME BEFORE INCOME TAXES	59,365	43,679
INCOME TAX EXPENSE	10,786	9,114
NET INCOME	48,579	34,565

See accompanying notes to consolidated financial statements.

ACTIAN CORPORATION

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(In thousands)

	2022	2021
NET INCOME	$48,579	$34,565
OTHER COMPREHENSIVE INCOME—Foreign currency translation, net of tax	(2,138)	(551)
COMPREHENSIVE INCOME, net of tax	46,441	34,014
LESS COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-
COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY OWNERS OF ACTIAN CORPORATION	$46,441	$34,014

See accompanying notes to consolidated financial statements.

ACTIAN CORPORATION

Consolidated Statements of Stockholders' Equity

For the years ended December 31, 2022 and 2021

(In thousands, except share amounts)

	Stockholders' Equity									
	Convertible Preferred Stock							Accumulated		
	Series A		Series B		Common Stock		Additional	Other		Total
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-In Capital	Comprehensive Loss	Retained Earnings	Stockholders' Equity
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
Dividend	-	-	-	-	-	-	-	-	-	-
Tax Sharing Agreement with Parent	-	-	-	-	-	-	12,491	-		12,491
Net income	-	-	-	-	-	-	-	-	48,579	48,579
Foreign currency translation	-	-	-	-	-	-	-	(2,138)	-	(2,138)
BALANCE—December 31, 2022	-	$ -	-	$ -	1,000	$ -	$ 56,488	$ (4,153)	$ 49,197	$ 101,532

See accompanying notes to consolidated financial statements.

ACTIAN CORPORATION

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(In thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 48,579	$ 34,565
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	1,121	1,645
Loss on disposal of fixed assets	15	93
Deferred income taxes	(3,923)	470
Depreciation and amortization of property and equipment	970	1,085
Commissions amortization	5,544	4,101
Additional Investment by Parent Company	12,491	7,151
Changes in current assets and liabilities:		
Accounts receivable	(40,712)	(10,707)
Prepaid expenses and other assets	(15,079)	(6,288)
Accounts payable	(68)	129
Accrued compensation	8,413	2,252
Accrued liabilities	2,361	(18)
Income taxes payable	3,778	(1,635)
Deferred revenue	(2,520)	2,902
Net cash provided by operating activities	20,970	35,745
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(387)	(400)
Sales of property and equipment	-	4
Net cash used in investing activities	(387)	(396)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend payment	-	(4,400)
Repayment of borrowings with related parties	(26,280)	(26,280)
Net cash used in financing activities	(26,280)	(30,680)

Continued

ACTIAN CORPORATION

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(In thousands)

	2022	2021
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	$ (2,342)	$ (412)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,039)	4,257
CASH AND CASH EQUIVALENTS—Beginning of year	28,939	24,682
CASH AND CASH EQUIVALENTS—End of year	$ 20,900	$ 28,939
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid	$ 2,411	$ 1,382
Interest paid	$ 5,181	$ 4,904
NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment additions unpaid at end of year	$ 10	$ 20

(Concluded)

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 became a wholly owned subsidiary of HCL America, Inc. when the Parent merged into HCL America Inc. on September 1, 2022.

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 2024. Refer to note 10 for further discussion of the Company's debt arrangements.

(2) Going Concern

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of the business.

In connection with preparing the financial statements for the year ended December 31, 2022, management evaluated its future business activities and requirements under the Accounting Standards Codification (ASC) Subtopic 205-40 – *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. As part of the evaluation, management considered whether there were conditions and events, considered in the aggregate, that raised substantial doubt about the Company's ability to continue as a going concern within one year of the date the financial statements are issued. The Company evaluated its ability to meet its obligations as they come due within one year from the date that the financial statements are issued by considering the following:

The Company has an intercompany loan with the Parent in the amount of $52.6 million due June 30, 2023. The Parent has represented to the Company that they will provide financial support to the Company sufficient for it to satisfy its obligations and debt service requirements as they come due and will not require repayment of the loan upon its maturity date in the absence of an agreed upon extension of the original intercompany loan.

After considering the above actions taken by the Parent and the Company, management believes that cash on hand as of December 31, 2022 will be sufficient to fund obligations as they come due within one year after the date that these financial statements are issued.

(3) 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 that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. Actual results may differ from management's estimates.

Estimates and assumptions include, but are not limited to:

- The standalone selling price ("SSP") of performance obligations for revenue contracts with multiple performance obligations

(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.

(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, 2022 and December 31, 2021, respectively. No customer accounted for more than 10% of total revenue in 2022 or 2021.

(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 $0.1 million and $0.3 million for the years ended December 31, 2022 and 2021, 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, 2022 or 2021.

(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 Standards

No new accounting guidance was adopted in 2022.

(4) Balance Sheet Components

(a) Property and Equipment

Property and equipment as of December 31, 2022 and 2021 consisted of the following (in thousands):

		2022	2021
Computer equipment	$	5,554	5,662
Office furniture and fixtures		710	720
Leasehold improvements		260	263
Computer software		130	133
Total property and equipment		6,654	6,778
Accumulated depreciation and amortization		(5,524)	(5,535)
Property and equipment – net	$	1,130	1,243

Depreciation and amortization expense was $1.0 million and $1.1 million for the years ended December 31, 2022 and 2021, respectively.

(b) Deferred Revenue

Deferred revenue as of December 2022 and 2021 consisted of the following (in thousands):

		2022	2021
Subscription license fees	$	4,609	7,376
Maintenance and support		19,759	20,457
Professional services and training		1,449	1,324
Total	$	25,817	29,157
Current portion		24,785	27,492
Long–term portion		1,032	1,665
Total	$	25,817	29,157

(5) Leases

The Company has several noncancellable operating leases, primarily for office space that expire over the next 5 years. These leases generally contain renewal options for periods ranging from 1 to 7 years. Because the Company is not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term; thus, associated potential option payments are excluded from the lease payments. The Company's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed and variable payments. For the office space leases that include variable payments, those include payments for the Company's proportionate share of the building's property taxes, insurance, and common area maintenance.

The components of the lease cost for the year ended December 31, 2022 and 2021 were as follows (in thousands):

		2022	2021
Operating Lease Cost	$	1,492	1,423
Variable Lease Cost		748	669
Total Lease Costs	$	2,240	2,092

Maturities of operating lease liabilities as of December 31, 2022 are as follows:

Fiscal years ending after December 31, 2022 (in thousands):	
2023	$ 1,387
2024	746
2025	769
2026	792
2027	676
Thereafter	—
Total Lease Payments	4,370
Less: Imputed Interest	(343)
Total Lease Obligations	4,027
Less: Current Obligations	(1,250)
Long-term Lease Obligations	$ 2,777

Supplemental balance sheet information related to operating leases as of December 31, 2022 and 2021 was as follows:

	2022	2021
Weighted average remaining lease term	4.19 years	4.71 years
Weighted average discount rate	3.61%	3.42%

(6) Goodwill

The changes in goodwill for the years ended December 31, 2022 and 2021 were as follows (in thousands):

Balance – December 31, 2020	$ 86,268
Translation adjustments	(144)
Balance – December 31, 2021	86,124
Translation adjustments	(279)
Balance – December 31, 2022	$ 85,845

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, 2022 or 2021.

(7) 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 $0.1 million and $0.2 million for the years ended December 31, 2022 and 2021, respectively. Amortization expense associated with customer relationships and trade names is recorded as a component of operating expenses and was $1.0 million and $1.4 million for the years ended December 31, 2022 and 2021, respectively.

No indicators or instances of impairment of intangible assets were identified during the fiscal year ended December 31, 2022 or 2021.

A summary of identifiable intangible assets as of December 31, 2022 and 2021 was as follows (in thousands):

		2022			2021		
		Gross amount	**Accumulated amortization**	**Net amount**	**Gross amount**	**Accumulated amortization**	**Net amount**
Developed technology	$	3,863	(3,770)	93	3,862	(3,684)	178
Customer relationships		36,369	(33,754)	2,615	36,542	(32,890)	3,652
Trade name		402	(360)	42	402	(344)	58
Total identifiable intangible assets	$	40,634	(37,884)	2,750	40,806	(36,918)	3,888

The estimated amortization expense on identifiable intangible assets for the next five years and their remaining useful lives as of December 31, 2022 was as follows (dollars in thousands):

		Developed technology	**Customer relationships**	**Trade name**	**Total**
2023	$	36	806	13	855
2024		31	636	12	679
2025		26	503	9	538
2026		—	368	8	376
2027		—	208	—	208
2028 and later		—	94	—	94
Total estimated future amortization expense	$	93	2,615	42	2,750
Remaining useful lives – December 31, 2022		3 Years	4–6 Years	4 Years	

(8) Revenue

(a) Disaggregation of Revenue

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

		2022	2021
North America	$	73,073	56,444
EMEA		65,800	60,736
APAC		27,734	19,482
Total	$	166,607	136,662

(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, 2022 and 2021, the Company amortized $5.5 million and $4.1 million of capitalized contract acquisition costs, respectively. The Company did not incur any impairment losses.

As of December 31, 2022, the balance of capitalized contract acquisition costs was $8.7 million, of which $3.8 million was recorded in prepaid expenses and other current assets, and $4.9 million was recorded in other assets within the consolidated balance sheets.

(9) 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. On September 1, 2022 the Parent merged into HCL America Inc. The stock certificate issued to the Parent was canceled and a stock certificate of 1,000 shares of common stock was issued to HCL America Inc. There are no shares reserved for issuance as of December 31, 2022 or 2021.

(10) Loan Agreements

The Company's borrowings as of December 31, 2022 and 2021 were as follows (in thousands):

With related parties		2022 Carrying value	2021 Carrying value
Total borrowings	$	52,560	78,840
Current portion		(52,560)	(78,840)
Long-term portion	$	—	—

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 original HCL Agreement matured on July 17, 2022; however, an amendment 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. Interest is payable quarterly in arrears at an annual interest rate of SOFR plus 5%.

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, 2022 and 2021.

(11) 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.

The components of income before income taxes for the years ended December 31, 2022 and 2021 were as follows (in thousands):

		2022	2021
United States	$	51,331	38,149
International		8,034	5,530
Total income before income taxes	$	59,365	43,679

The income tax provision for the years ended December 31, 2022 and 2021 was composed of the following (in thousands):

	2022	2021
Current:		
Federal	$ 11,097	6,529
State	1,180	799
International	2,433	1,680
	14,710	9,008
Deferred:		
Federal	(3,798)	(1)
State	(175)	100
International	49	7
	(3,924)	106
Income tax provision	$ 10,786	9,114

The components of the net deferred tax assets and liabilities as of December 31, 2022 and 2021 were as follows (in thousands):

	2022	2021
Deferred tax assets:		
Net operating loss carryforwards	$ 3,987	4,379
Credits	1,372	1,199
Accruals and reserves	1,910	2,216
Lease liabilities	908	1,208
Property and equipment	—	46
Deferred revenue	468	589
Sparql City capital loss carryover	—	456
Section 147	5,724	—
Other	260	169
Gross deferred tax assets	14,629	10,262
Valuation allowance	(3,178)	(3,535)
Net deferred tax assets	11,451	6,727
Deferred tax liabilities:		
Intangibles	(533)	(733)
Lease assets	(747)	(965)
Unrealized FX loss	(1,078)	(423)
Prepaids	(80)	(80)
Property and equipment	(16)	—
Deferred commissions	(1,958)	(1,426)
Other	(0)	(3)
Gross deferred tax liabilities	(4,412)	(3,630)
Net deferred tax assets	$ 7,039	3,097
Noncurrent deferred tax assets	$ 11,451	6,727
Noncurrent deferred tax liabilities	(4,412)	(3,630)
Net deferred taxes	$ 7,039	3,097

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 $3.2 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, 2022, the Company had federal and state net operating loss carryforwards of approximately $10.1 million and $27.2 million, respectively. These net operating loss carryforwards will expire in varying amounts beginning in 2022. As of December 31, 2022, 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, 2022, 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 $6.7 million and $7.8 million, including penalties and interest of $0.8 million and $0.7 million, as of December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $3.7 million and $4.5 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, 2022 because such earnings are not intended to be indefinitely reinvested. As of December 31, 2022, 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 $7.48 million. The U.S. tax impact, when such amounts are remitted, would not be material.

(12) Commitments and Contingencies

(a) 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, 2022.

(b) Commitments

As of December 31, 2022, the Company had $0.9 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, 2022 were as follows (in thousands):

	Contingent commitments
Year ending December 31:	
2023	$ 797
2024	115
Total	$ 912

(c) 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, 2022, 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.

(13) 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 year ended December 31, 2021, the Company recorded $1.6 million 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 2022, the Company engaged HCL to perform certain engineering development services and IT support, and the Company recorded the following expenses related to these services:

- $2.7 million in costs of license fees, professional services, and training
- $4.8 million in research and development
- $0.8 million in general and administrative

The Company declared and paid dividends of nil and $4.4 million to the Parent in 2022 and 2021, respectively.

(14) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through May 26, 2023, the date at which the consolidated financial statements were available to be issued.