

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2023 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2023 or fiscal plan year beginning 01/01/2023 and ending 12/31/2023	
A	This return/report is for: ☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must provide participating employer information in accordance with the form instructions.) ☒ a single-employer plan ☐ a DFE (specify) _____ ☐ the first return/report ☐ the final return/report ☐ an amended return/report ☐ a short plan year return/report (less than 12 months)
C	If the plan is a collectively-bargained plan, check here. ▶ ☐
D	Check box if filing under: ☒ Form 5558 ☐ automatic extension ☐ the DFVC program ☐ special extension (enter description)
E	If this is a retroactively adopted plan permitted by SECURE Act section 201, check here. ▶ ☐

Part II	Basic Plan Information—enter all requested information
1a	Name of plan SPARKCOGNITION 401K PLAN
1b	Three-digit plan number (PN) ▶ 001
1c	Effective date of plan 01/01/2021
2a	Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) SPARKCOGNITION, INC. 12708 RIATA VISTA CIRCLE, AUSTIN, TX 78727
2b	Employer Identification Number (EIN) 46-3054618
2c	Plan Sponsor's telephone number 844-205-7173
2d	Business code (see instructions) 541511

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/15/2024	BRITTANY GREGORY
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

3a Plan administrator's name and address ☒ Same as Plan Sponsor	3b Administrator's EIN 3c Administrator's telephone number
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name	4b EIN 4d PN
5 Total number of participants at the beginning of the plan year	5 564
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d). a(1) Total number of active participants at the beginning of the plan year a(2) Total number of active participants at the end of the plan year b Retired or separated participants receiving benefits c Other retired or separated participants entitled to future benefits d Subtotal. Add lines 6a(2) , 6b , and 6c e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. f Total. Add lines 6d and 6e g(1) Number of participants with account balances as of the beginning of the plan year (only defined contribution plans complete this item) g(2) Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested	6a(1) 298 6a(2) 187 6b 0 6c 214 6d 401 6e 0 6f 401 6g(1) 421 6g(2) 387 6h 83
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:

2E 2F 2G 2J 2S 3D 3H

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:

9a Plan funding arrangement (check all that apply) (1) ☒ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☒ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
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10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- (1)** ☒ **R** (Retirement Plan Information)
- (2)** ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
- (3)** ☐ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary
- (4)** ☐ **DCG** (Individual Plan Information) – Number Attached _____
- (5)** ☐ **MEP** (Multiple-Employer Retirement Plan Information)

b General Schedules

- (1)** ☒ **H** (Financial Information)
- (2)** ☐ **I** (Financial Information – Small Plan)
- (3)** ☒ **A** (Insurance Information) – Number Attached 1
- (4)** ☒ **C** (Service Provider Information)
- (5)** ☒ **D** (DFE/Participating Plan Information)
- (6)** ☐ **G** (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2023 Form M-1 annual report. If the plan was not required to file the 2023 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE A (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Insurance Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500. ▶ Insurance companies are required to provide the information pursuant to ERISA section 103(a)(2).	OMB No. 1210-0110 2023 This Form is Open to Public Inspection
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For calendar plan year 2023 or fiscal plan year beginning 01/01/2023 and ending 12/31/2023		
A Name of plan SPARKCOGNITION 401K PLAN	B Three-digit plan number (PN) ▶	001
C Plan sponsor's name as shown on line 2a of Form 5500 SPARKCOGNITION, INC.	D Employer Identification Number (EIN) 46-3054618	

Part I	Information Concerning Insurance Contract Coverage, Fees, and Commissions	Provide information for each contract on a separate Schedule A. Individual contracts grouped as a unit in Parts II and III can be reported on a single Schedule A.
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1 Coverage Information:

(a) Name of insurance carrier
VOYA RETIREMENT INSURANCE AND ANNUITY COMPANY

(b) EIN	(c) NAIC code	(d) Contract or identification number	(e) Approximate number of persons covered at end of policy or contract year	Policy or contract year	
				(f) From	(g) To
71-0294708	86509	DH1616	0	01/01/2023	11/15/2023

2 Insurance fee and commission information. Enter the total fees and total commissions paid. List in line 3 the agents, brokers, and other persons in descending order of the amount paid.

(a) Total amount of commissions paid	(b) Total amount of fees paid

3 Persons receiving commissions and fees. (Complete as many entries as needed to report all persons).

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

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(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

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(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

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(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

Part II Investment and Annuity Contract Information

Where individual contracts are provided, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

4	Current value of plan's interest under this contract in the general account at year end	4	
5	Current value of plan's interest under this contract in separate accounts at year end.....	5	

6 Contracts With Allocated Funds:

a State the basis of premium rates ▶

b	Premiums paid to carrier	6b	
c	Premiums due but unpaid at the end of the year.....	6c	
d	If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, enter amount. Specify nature of costs ▶	6d	

e Type of contract: (1) ☐ individual policies (2) ☐ group deferred annuity
(3) ☐ other (specify) ▶

f If contract purchased, in whole or in part, to distribute benefits from a terminating plan, check here ☐

7 Contracts With Unallocated Funds (Do not include portions of these contracts maintained in separate accounts)

a Type of contract: (1) ☐ deposit administration (2) ☐ immediate participation guarantee
(3) ☐ guaranteed investment (4) ☒ other ▶ **GROUP PENSION FUNDING**

b	Balance at the end of the previous year	7b	312164
c	Additions: (1) Contributions deposited during the year	7c(1)	70894
	(2) Dividends and credits	7c(2)	2199
	(3) Interest credited during the year	7c(3)	
	(4) Transferred from separate account.....	7c(4)	
	(5) Other (specify below)	7c(5)	
	(6) Total additions	7c(6)	73093
d	Total of balance and additions (add lines 7b and 7c(6))	7d	385257
e	Deductions:		
	(1) Disbursed from fund to pay benefits or purchase annuities during year	7e(1)	77317
	(2) Administration charge made by carrier	7e(2)	
	(3) Transferred to separate account.....	7e(3)	307940
	(4) Other (specify below)	7e(4)	
	(5) Total deductions	7e(5)	385257
f	Balance at the end of the current year (subtract line 7e(5) from line 7d)	7f	0

Part III Welfare Benefit Contract Information

If more than one contract covers the same group of employees of the same employer(s) or members of the same employee organizations(s), the information may be combined for reporting purposes if such contracts are experience-rated as a unit. Where contracts cover individual employees, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

8 Benefit and contract type (check all applicable boxes)

- a** ☐ Health (other than dental or vision)
b ☐ Dental
c ☐ Vision
d ☐ Life insurance
e ☐ Temporary disability (accident and sickness)
f ☐ Long-term disability
g ☐ Supplemental unemployment
h ☐ Prescription drug
i ☐ Stop loss (large deductible)
j ☐ HMO contract
k ☐ PPO contract
l ☐ Indemnity contract
m ☐ Other (specify) ▶

9 Experience-rated contracts:

a Premiums: (1) Amount received	9a(1)		
(2) Increase (decrease) in amount due but unpaid	9a(2)		
(3) Increase (decrease) in unearned premium reserve	9a(3)		
(4) Earned ((1) + (2) - (3))		9a(4)	0
b Benefit charges (1) Claims paid	9b(1)		
(2) Increase (decrease) in claim reserves	9b(2)		
(3) Incurred claims (add (1) and (2))		9b(3)	0
(4) Claims charged		9b(4)	
c Remainder of premium: (1) Retention charges (on an accrual basis) --			
(A) Commissions	9c(1)(A)		
(B) Administrative service or other fees	9c(1)(B)		
(C) Other specific acquisition costs	9c(1)(C)		
(D) Other expenses	9c(1)(D)		
(E) Taxes	9c(1)(E)		
(F) Charges for risks or other contingencies	9c(1)(F)		
(G) Other retention charges	9c(1)(G)		
(H) Total retention		9c(1)(H)	0
(2) Dividends or retroactive rate refunds. (These amounts were ☐ paid in cash, or ☐ credited.)		9c(2)	
d Status of policyholder reserves at end of year: (1) Amount held to provide benefits after retirement		9d(1)	
(2) Claim reserves		9d(2)	
(3) Other reserves		9d(3)	
e Dividends or retroactive rate refunds due. (Do not include amount entered in line 9c(2).)		9e	

10 Nonexperience-rated contracts:

a Total premiums or subscription charges paid to carrier	10a	
b If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, other than reported in Part I, line 2 above, report amount	10b	

Specify nature of costs.

Part IV Provision of Information

11 Did the insurance company fail to provide any information necessary to complete Schedule A? ☐ Yes ☒ No

12 If the answer to line 11 is "Yes," specify the information not provided. ▶

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2023
		This Form is Open to Public Inspection.

For calendar plan year 2023 or fiscal plan year beginning 01/01/2023 and ending 12/31/2023

A Name of plan SPARKCOGNITION 401K PLAN	B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 SPARKCOGNITION, INC.	D Employer Identification Number (EIN) 46-3054618

Part I

Service Provider Information (see instructions)

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1

Information on Persons Receiving Only Eligible Indirect Compensation

- a

Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions).....

X

Yes

No
- b

If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b)	Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
	VOYA RETIREMENT INSURANCE & ANNUITY
	71-0294708

(b)	Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

ALLIANT INSURANCE SERVICES, INC.

33-0785439

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
99	SERVICE PROVIDER	27495	Yes ☒ No ☐	Yes ☐ No ☒	0	Yes ☐ No ☒

(a) Enter name and EIN or address (see instructions)

VOYA RETIREMENT INSURANCE & ANNUITY

71-0294708

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
26 64	SERVICE PROVIDER	27215	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☐ No ☒

(a) Enter name and EIN or address (see instructions)

MOSSADAMS

21700 OXNARD STREET, SUITE 300
WOODLAND HILLS, CA 91367

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
99	AUDIT	9700	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

JOHN HANCOCK

01-0233346

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
15 37 62 64	RETAINED BY EMPLOYER	374	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
ALLIANT INSURANCE SERVICES, INC.	99	27495

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
VOYA RETIREMENT INSURANCE AND ANNUI 71-0294708	OTHER FEES

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
ALLIANT INSURANCE SERVICES, INC.	99	27215

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
VOYA RETIREMENT INSURANCE AND ANNUI 71-0294708	OTHER FEES

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
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(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE D (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration	DFE/Participating Plan Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2023 This Form is Open to Public Inspection.
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For calendar plan year 2023 or fiscal plan year beginning 01/01/2023 and ending 12/31/2023

A Name of plan <u>SPARKCOGNITION 401K PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
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C Plan or DFE sponsor's name as shown on line 2a of Form 5500 <u>SPARKCOGNITION, INC.</u>	D Employer Identification Number (EIN) <u>46-3054618</u>
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Part I	Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)
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a Name of MTIA, CCT, PSA, or 103-12 IE: MYCOMPASS INDEX AGGRESSIVE 2025 FUN

b Name of sponsor of entity listed in (a): WILMINGTON TRUST, N.A.

c EIN-PN <u>38-4097327-473</u>	d Entity code <u>C</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>0</u>
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a Name of MTIA, CCT, PSA, or 103-12 IE: MYCOMPASS INDEX AGGRESSIVE 2035 FUN

b Name of sponsor of entity listed in (a): WILMINGTON TRUST, N.A.

c EIN-PN <u>38-4097328-474</u>	d Entity code <u>C</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>0</u>
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a Name of MTIA, CCT, PSA, or 103-12 IE: MYCOMPASS INDEX AGGRESSIVE 2045 FUN

b Name of sponsor of entity listed in (a): WILMINGTON TRUST, N.A.

c EIN-PN <u>38-4097329-475</u>	d Entity code <u>C</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>0</u>
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a Name of MTIA, CCT, PSA, or 103-12 IE: MYCOMPASS INDEX AGGRESSIVE 2055 FUN

b Name of sponsor of entity listed in (a): WILMINGTON TRUST, N.A.

c EIN-PN <u>38-4097330-476</u>	d Entity code <u>C</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>0</u>
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a Name of MTIA, CCT, PSA, or 103-12 IE: MYCOMPASS INDEX AGGRESSIVE 2065 FUN

b Name of sponsor of entity listed in (a): WILMINGTON TRUST, N.A.

c EIN-PN <u>38-7271384-765</u>	d Entity code <u>C</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>0</u>
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a Name of MTIA, CCT, PSA, or 103-12 IE: MYCOMPASS INDEX AGGRESSIVE RETIREME

b Name of sponsor of entity listed in (a): WILMINGTON TRUST, N.A.

c EIN-PN <u>38-4097336-472</u>	d Entity code <u>C</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>0</u>
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a Name of MTIA, CCT, PSA, or 103-12 IE: MYCOMPASS INDEX CONSERVATIVE 2025 F

b Name of sponsor of entity listed in (a): WILMINGTON TRUST, N.A.

c EIN-PN <u>38-4097337-483</u>	d Entity code <u>C</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>0</u>
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a Name of MTIA, CCT, PSA, or 103-12 IE: MYCOMPASS INDEX CONSERVATIVE 2035 F		
b Name of sponsor of entity listed in (a): WILMINGTON TRUST, N.A.		
c EIN-PN 38-4097338-484	d Entity code C	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 0

a Name of MTIA, CCT, PSA, or 103-12 IE: MYCOMPASS INDEX CONSERVATIVE 2045 F		
b Name of sponsor of entity listed in (a): WILMINGTON TRUST, N.A.		
c EIN-PN 38-4097339-485	d Entity code C	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 0

a Name of MTIA, CCT, PSA, or 103-12 IE: MYCOMPASS INDEX CONSERVATIVE 2055 F		
b Name of sponsor of entity listed in (a): WILMINGTON TRUST, N.A.		
c EIN-PN 38-4097340-486	d Entity code C	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 0

a Name of MTIA, CCT, PSA, or 103-12 IE: MYCOMPASS INDEX CONSERVATIVE RETIRE		
b Name of sponsor of entity listed in (a): WILMINGTON TRUST, N.A.		
c EIN-PN 38-4097336-482	d Entity code C	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 0

a Name of MTIA, CCT, PSA, or 103-12 IE: MYCOMPASS INDEX MODERATE 2025 FUND		
b Name of sponsor of entity listed in (a): WILMINGTON TRUST, N.A.		
c EIN-PN 38-4097332-478	d Entity code C	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 0

a Name of MTIA, CCT, PSA, or 103-12 IE: MYCOMPASS INDEX MODERATE 2035 FUND		
b Name of sponsor of entity listed in (a): WILMINGTON TRUST, N.A.		
c EIN-PN 38-4097333-479	d Entity code C	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 0

a Name of MTIA, CCT, PSA, or 103-12 IE: MYCOMPASS INDEX MODERATE 2045 FUND		
b Name of sponsor of entity listed in (a): WILMINGTON TRUST, N.A.		
c EIN-PN 38-4097334-480	d Entity code C	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 0

a Name of MTIA, CCT, PSA, or 103-12 IE: MYCOMPASS INDEX MODERATE 2055 FUND		
b Name of sponsor of entity listed in (a): WILMINGTON TRUST, N.A.		
c EIN-PN 38-4097335-481	d Entity code C	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 0

a Name of MTIA, CCT, PSA, or 103-12 IE: MYCOMPASS INDEX MODERATE 2065 FUND		
b Name of sponsor of entity listed in (a): WILMINGTON TRUST, N.A.		
c EIN-PN 38-7271385-766	d Entity code C	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 0

a Name of MTIA, CCT, PSA, or 103-12 IE: JOHN HANCOCK STABLE VALUE FUND		
b Name of sponsor of entity listed in (a): GLOBAL TRUST COMPANY-JOHN HANCOCK		
c EIN-PN 80-6136981-001	d Entity code C	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 24655

Part II Information on Participating Plans (to be completed by DFEs, other than DCGs)

(Complete as many entries as needed to report all participating plans. DCGs must report each participating plan using Schedule DCG.)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
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plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2023
		This Form is Open to Public Inspection

For calendar plan year 2023 or fiscal plan year beginning 01/01/2023 and ending 12/31/2023		
A Name of plan SPARKCOGNITION 401K PLAN	B Three-digit plan number (PN) ▶	001
C Plan sponsor's name as shown on line 2a of Form 5500 SPARKCOGNITION, INC.		
D Employer Identification Number (EIN) 46-3054618		

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions	1b(2)		
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)	46967	75914
(9) Value of interest in common/collective trusts	1c(9)	7413191	24655
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	3397453	15477581
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)	312164	113230
(15) Other	1c(15)		

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	11169775	15691380
Liabilities			
g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0
Net Assets			
l Net assets (subtract line 1k from line 1f)	1l	11169775	15691380

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	1076785	
(B) Participants	2a(1)(B)	3050278	
(C) Others (including rollovers)	2a(1)(C)	378865	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		4505928
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)	3729	
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		3729
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	296496	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		296496
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts.....	2b(6)		68
(7) Net investment gain (loss) from pooled separate accounts.....	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts.....	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities.....	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		2213871
c Other income	2c		6425
d Total income. Add all income amounts in column (b) and enter total	2d		7026517

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	2437879	
(2) To insurance carriers for the provision of benefits.....	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		2437879
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		
i Administrative expenses:			
(1) Salaries and allowances	2i(1)		
(2) Contract administrator fees.....	2i(2)	67033	
(3) Recordkeeping fees.....	2i(3)		
(4) IQPA audit fees.....	2i(4)		
(5) Investment advisory and investment management fees	2i(5)		
(6) Bank or trust company trustee/custodial fees	2i(6)		
(7) Actuarial fees	2i(7)		
(8) Legal fees	2i(8)		
(9) Valuation/appraisal fees	2i(9)		
(10) Other trustee fees and expenses	2i(10)		
(11) Other expenses	2i(11)		
(12) Total administrative expenses. Add lines 2i(1) through (11)	2i(12)		67033
j Total expenses. Add all expense amounts in column (b) and enter total	2j		2504912

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		4521605
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unmodified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

b Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1) ☒ DOL Regulation 2520.103-8 (2) ☐ DOL Regulation 2520.103-12(d) (3) ☐ neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **MOSS ADAMS LLP**

(2) EIN: **91-0189318**

d The opinion of an independent qualified public accountant is **not attached** as part of Schedule H because:

(1) ☐ This form is filed for a CCT, PSA, DCG or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l. DCGs do not complete lines 4e, 4f, 4k, 4l, and 5, and DCGs generally complete the rest of Part IV collectively for all plans in the DCG, except as otherwise provided (see instructions).

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)		☒	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)		☒	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		☒	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)		☒	
e Was this plan covered by a fidelity bond?	☒		500000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		☒	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		☒	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		☒	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	☒		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.)		☒	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?		☒	
l Has the plan failed to provide any benefit when due under the plan?		☒	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	☒		
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	☒		

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? ☐ Yes ☒ No
If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) ☐ Yes ☐ No ☐ Not determined

If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____.

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2023 This Form is Open to Public Inspection.
For calendar plan year 2023 or fiscal plan year beginning 01/01/2023 and ending 12/31/2023		
A Name of plan SPARKCOGNITION 401K PLAN		B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 SPARKCOGNITION, INC.		D Employer Identification Number (EIN) 46-3054618
Part I	Distributions	
All references to distributions relate only to payments of benefits during the plan year.		
1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....		1 0
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): 71-0294708 80-0709115		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year		3
Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)	
4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ☐ Yes ☐ No ☐ N/A		
If the plan is a defined benefit plan, go to line 8.		
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____		
If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.		
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)		6a
b Enter the amount contributed by the employer to the plan for this plan year.....		6b
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)		6c
If you completed line 6c, skip lines 8 and 9.		
7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ☐ Yes ☐ No ☐ N/A		
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ☐ Yes ☐ No ☐ N/A		
Part III	Amendments	
9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box. ☐ Increase ☐ Decrease ☐ Both ☐ No		
Part IV	ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.	
10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?..... ☐ Yes ☐ No		
11 a Does the ESOP hold any preferred stock? ☐ Yes ☐ No		
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ☐ Yes ☐ No		
12 Does the ESOP hold any stock that is not readily tradable on an established securities market? ☐ Yes ☐ No		
For Paperwork Reduction Act Notice, see the Instructions for Form 5500.		
Schedule R (Form 5500) 2023 v. 230707		

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that (1) contributed more than 5% of total contributions to the plan during the plan year or (2) was one of the top-ten highest contributors (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

14 Enter the number of deferred vested and retired participants (inactive participants), as of the beginning of the plan year, whose contributing employer is no longer making contributions to the plan for: a The current plan year. Check the box to indicate the counting method used to determine the number of inactive participants: ☐ last contributing employer ☐ alternative ☐ reasonable approximation (see instructions for required attachment) b The plan year immediately preceding the current plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment) c The second preceding plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment)	14a 14b 14c	
15 Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:		
a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	
16 Information with respect to any employers who withdrew from the plan during the preceding plan year:		
a Enter the number of employers who withdrew during the preceding plan year	16a	
b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	
17 If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment..... ☐		

Part VI	Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans
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18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment..... ☐	
19 If the total number of participants is 1,000 or more, complete lines (a) and (b):	
a Enter the percentage of plan assets held as: Public Equity: _____% Private Equity: _____% Investment-Grade Debt and Interest Rate Hedging Assets: _____% High-Yield Debt: _____% Real Assets: _____% Cash or Cash Equivalents: _____% Other: _____%	
b Provide the average duration of the Investment-Grade Debt and Interest Rate Hedging Assets: ☐ 0-5 years ☐ 5-10 years ☐ 10-15 years ☐ 15 years or more	
20 PBGC missed contribution reporting requirements. If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.	
a Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? ☐ Yes ☐ No	
b If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box: ☐ Yes. ☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date. ☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date. ☐ No. Other. Provide explanation: _____	

Part VII	IRS Compliance Questions
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21a Does the plan satisfy the coverage and nondiscrimination tests of Code sections 410(b) and 401(a)(4) by combining this plan with any other plans under the permissive aggregation rules? ☐ Yes ☒ No	
21b If this is a Code section 401(k) plan, check all boxes that apply to indicate how the plan is intended to satisfy the nondiscrimination requirements for employee deferrals and employer matching contributions (as applicable) under Code sections 401(k)(3) and 401(m)(2). ☐ Design-based safe harbor method ☐ "Prior year" ADP test ☒ "Current year" ADP test ☐ N/A	
22 If the plan sponsor is an adopter of a pre-approved plan that received a favorable IRS Opinion Letter, enter the date of the Opinion Letter <u>06 / 30 / 2020</u> (MM/DD/YYYY) and the Opinion Letter serial number <u>Q702971A</u> .	



SPARKCOGNITION, INC.

Consolidated Financial Statements

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

SPARKCOGNITION, INC.

Consolidated Financial Statements

December 31, 2023 and 2022

Table of Contents

	Page
Independent Auditors' Report	1
Consolidated Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Comprehensive Loss	4
Consolidated Statements of Changes in Redeemable Convertible Preferred Stock and Stockholders' Deficit	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	8



KPMG LLP
Suite 1900
111 Congress Avenue
Austin, TX 78701-4091

Independent Auditors' Report

The Stockholders and Board of Directors
SparkCognition, Inc.:

Opinion

We have audited the consolidated financial statements of SparkCognition, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive loss, changes in redeemable convertible preferred stock and stockholders' 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, 2023 and 2022, 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

Austin, Texas
June 14, 2024

SPARKCOGNITION, INC.

Consolidated Balance Sheets

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

Assets	December 31, 2023	December 31, 2022
Current assets:		
Cash and cash equivalents	\$ 25,296	\$ 16,581
Restricted cash	1,510	1,621
Short term investments	14,187	68,400
Accounts receivable, net (including accounts receivable from related parties of \$2,598 and \$9,435, respectively)	6,400	12,035
Prepaid expenses and other	6,400	5,198
Total current assets	<u>53,793</u>	<u>103,835</u>
Property and equipment, net (Note 5)	4,394	4,781
Right-of-use assets	2,612	3,355
Goodwill (Note 16)	45,950	44,781
Intangible assets, net (Note 16)	7,313	15,913
Total assets	<u>\$ 114,062</u>	<u>\$ 172,665</u>
Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Deficit		
Current liabilities:		
Accounts payable (including accounts payable to related parties of \$154 and \$520, respectively)	\$ 2,211	\$ 3,602
Accrued liabilities and other	2,342	4,642
Accrued compensation	3,015	5,354
Notes payable	36	34
Operating lease liabilities	824	684
Contract liabilities (including contract liabilities to related parties of \$2,914 and \$6,974, respectively)	4,891	10,408
Total current liabilities	<u>13,319</u>	<u>24,724</u>
Notes payable, noncurrent, net	20,376	20,546
Operating lease liabilities, noncurrent	2,936	3,823
Accrued compensation, noncurrent	126	74
Contract liabilities, noncurrent	983	193
Deferred income taxes (Note 11)	205	1,564
Total liabilities	<u>37,945</u>	<u>50,924</u>
Commitments and contingencies (Note 7)		
Redeemable convertible preferred stock – \$0.001 par value; 49,008,591 shares authorized at December 31, 2023 and 2022; 45,291,569 shares issued and outstanding at December 31, 2023 and 2022; aggregate liquidation value of \$350,070 and \$336,612 at December 31, 2023 and 2022, respectively (Note 8)	306,595	306,595
Non-controlling interest	1,959	2,533
Stockholders' deficit (Note 9):		
Common stock – \$0.001 par value; 94,500,000 shares authorized at December 31, 2023 and 2022; 30,004,779 and 29,863,077 shares issued and 29,236,075 and 29,091,603 shares outstanding at December 31, 2023 and 2022, respectively	30	30
Treasury stock, 771,474 shares at cost at December 31, 2023 and 2022	(3,615)	(3,615)
Additional paid-in capital	91,872	79,083
Accumulated other comprehensive loss	(1,873)	(2,275)
Accumulated deficit	<u>(318,851)</u>	<u>(260,610)</u>
Total stockholders' deficit	<u>(232,437)</u>	<u>(187,387)</u>
Total liabilities, redeemable convertible preferred stock and stockholders' deficit	<u>\$ 114,062</u>	<u>\$ 172,665</u>

See accompanying Notes to Consolidated Financial Statements

SPARKCOGNITION, INC.

Consolidated Statements of Operations and Comprehensive Loss

Years ended December 31, 2023 and 2022

(in thousands, except share and per share amounts)

	2023	2022
Revenues (including revenues from related parties of \$14,210 and \$18,718, respectively)	\$ 31,400	\$ 33,936
Cost of revenues (including cost of revenues from related parties of \$129 and \$165, respectively)	<u>14,181</u>	<u>14,144</u>
Gross profit	<u>17,219</u>	<u>19,792</u>
Operating expenses:		
Sales and marketing (including expenses to related parties of \$47 and \$158, respectively)	21,214	37,201
Research and development (including expenses to related parties of \$1,900 and \$2,419, respectively)	24,753	28,902
General and administrative (including expenses to related parties of \$105 and \$484, respectively)	<u>31,382</u>	<u>33,242</u>
Total operating expenses	<u>77,349</u>	<u>99,345</u>
Loss from operations	<u>(60,130)</u>	<u>(79,553)</u>
Other income (expense):		
Interest (expense)	(2,853)	(1,491)
Other income (including other income from related parties of \$537 and \$3,832, respectively) (Note 12)	840	2,554
Interest income	<u>1,319</u>	<u>2,031</u>
Total other income (expense)	<u>(694)</u>	<u>3,094</u>
Loss before income taxes	<u>(60,824)</u>	<u>(76,459)</u>
Income tax (benefit)	<u>(1,438)</u>	<u>(502)</u>
Net loss	<u>(59,386)</u>	<u>(75,957)</u>
Less: Cumulative dividends accrued for preferred shares	(9,243)	(9,174)
Less: Net loss attributable to non-controlling interest	571	252
Net loss available to common stockholders	<u>\$ (68,058)</u>	<u>\$ (84,879)</u>
Other comprehensive loss:		
Net loss	\$ (59,386)	\$ (75,957)
Unrealized loss on short term investments	493	(446)
Foreign currency translation adjustments	<u>(90)</u>	<u>(1,709)</u>
Comprehensive loss	<u>\$ (58,983)</u>	<u>\$ (78,112)</u>

See accompanying Notes to Consolidated Financial Statements

SPARKCOGNITION, INC.

Consolidated Statements of Changes in Redeemable Convertible Preferred Stock and Stockholders' Deficit

Years ended December 31, 2023 and 2022

(in thousands, except share and per share amounts)

	Temporary equity				Permanent equity									
	Redeemable Preferred stock		Non-controlling Interest		Common stock		Treasury stock		Additional paid-in capital		Accumulated other comprehensive income (loss)		Accumulated deficit	Total stockholders' deficit
	Shares	Amount	Amount	Amount	Shares	Amount	Shares	Amount						
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balances at December 31, 2021	43,272,524	274,008		—	30	29,603,438	771,474	(3,615)	66,930	(120)	(184,817)	(121,592)		
Cumulative effect of change in accounting principle	—	—		—	—	—	—	—	—	—	(88)	(88)		
Issuance of Series D preferred stock, net of issuance costs of \$100	2,019,045	32,587		—	—	—	—	—	—	—	—	—		
Issuance of common stock holdback for acquisitions	—	—		—	—	112,449	—	—	793	—	—	793		
Exercise of stock options	—	—		—	—	147,190	—	—	269	—	—	269		
Withholding taxes on stock options	—	—		—	—	—	—	—	(62)	—	—	(62)		
Share-based compensation	—	—		—	—	—	—	—	11,153	—	—	11,153		
Non-controlling interest	—	—		2,533	—	—	—	—	—	—	—	—		
Remeasurement non-controlling interest to fair value	—	—		252	—	—	—	—	—	—	—	—		
Unrealized loss on short term investments	—	—		—	—	—	—	—	—	(446)	—	(446)		
Cumulative translation adjustment	—	—		—	—	—	—	—	—	(1,709)	—	(1,709)		
Net loss	—	—		(252)	—	—	—	—	—	—	(75,705)	(75,705)		
Balances at December 31, 2022	45,291,569	306,595		2,533	30	29,863,077	771,474	(3,615)	79,083	(2,275)	(260,610)	(187,387)		
Exercise of stock options	—	—		—	—	141,702	—	—	344	—	—	344		
Share-based compensation	—	—		—	—	—	—	—	12,445	—	—	12,445		
Remeasurement non-controlling interest to fair value	—	—		(3)	—	—	—	—	—	—	—	—		
Unrealized loss on short term investments	—	—		—	—	—	—	—	—	—	574	574		
Cumulative translation adjustment	—	—		—	—	—	—	—	—	493	—	493		
Net loss	—	—		(571)	—	—	—	—	—	(90)	—	(90)		
Balances at December 31, 2023	45,291,569	306,595		1,959	30	30,004,779	771,474	(3,615)	91,872	(1,872)	(318,851)	(232,437)		

See accompanying Notes to Consolidated Financial Statements

SPARKCOGNITION, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

(in thousands, except share and per share amounts)

	2023	2022
Operating activities:		
Net loss	\$ (59,386)	\$ (75,957)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	5,524	4,819
Amortization of deferred financing costs	190	70
Bad debt expense	(715)	800
Share-based compensation expense	12,445	11,153
Deferred income taxes	(1,358)	(502)
Contingent consideration	(474)	—
Net loss attributable to non-controlling interest	571	252
Impairment loss	3,696	—
Changes in operating assets and liabilities:		
Accounts receivable	6,342	(4,321)
Prepaid expenses and other	(1,274)	473
Accounts payable	(1,387)	458
Accrued liabilities and other	(2,553)	(2,040)
Operating lease liabilities	(745)	4,561
Contract liabilities	(4,727)	4,044
Other assets	(877)	(3,466)
Net cash used in operating activities	<u>(44,728)</u>	<u>(59,656)</u>
Investing activities:		
Purchase of short term investments	(30,880)	(65,152)
Sale of short term investments	2,175	10,927
Maturities of short term investments	83,410	52,214
Purchase of property and equipment	(254)	(2,086)
Investment in Integration Wizards Solutions Private Limited	—	(20,559)
Investment in Integration Wizards Solutions Europe Ltd, less cash acquired	—	(1,786)
Net cash provided by (used in) investing activities	<u>54,451</u>	<u>(26,442)</u>
Financing activities:		
Proceeds from redeemable convertible preferred stock issuance	—	32,687
Payment of issuance costs from redeemable convertible preferred stock	—	(100)
Payments on notes payable	(35)	(33)
Proceeds from notes payable	—	20,000
Debt issuance costs	(325)	(450)
Payments for withholding taxes related to stock option exercises	—	(62)
Exercise of stock options	344	269
Payment of contingent consideration	(1,062)	—
Net cash provided by (used in) financing activities	<u>(1,078)</u>	<u>52,311</u>
Effect of exchange rate changes on cash	<u>(41)</u>	<u>(251)</u>
Net change in cash, cash equivalents and restricted cash	8,604	(34,038)
Cash, cash equivalents and restricted cash, beginning of year	18,202	52,240
Cash, cash equivalents and restricted cash, end of year	<u>\$ 26,806</u>	<u>\$ 18,202</u>

See accompanying notes to consolidated financial statements.

SPARKCOGNITION, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

(in thousands, except share and per share amounts)

	2023	2022
Supplemental disclosures for cash flow information:		
Cash paid for interest	\$ 2,543	\$ 1,228
Noncash investing and financing activities:		
Fair value of Integration Wizards Solutions Private Limited assets acquired	\$ —	\$ 23,507
Holdback	—	(1,500)
Cash consideration exchanged	—	(20,559)
Target liabilities assumed	\$ —	\$ 1,448
Fair value of Integration Wizards Solutions Europe Ltd assets acquired	\$ —	\$ 6,924
Holdback and contingent consideration	—	(4,546)
Cash consideration exchanged	—	(1,787)
Target liabilities assumed	\$ —	\$ 591

See accompanying notes to consolidated financial statements.

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

(1) **Organization and Business Description**

SparkCognition, Inc. (the “Company”), a Delaware corporation, develops advanced AI solutions to enhance business operations by predicting outcomes, prescribing actions, and automating workflows. The Company’s cutting-edge AI technologies facilitate digital transformation across key sectors such as manufacturing, oil and gas, renewable energy, aerospace, defense, and supply chains. These enable organizations at any stage of AI adoption to effectively utilize their data, maximizing speed and scale. The Company’s industry-leading clients leverage its technology to analyze and learn from data, driving operational excellence by minimizing downtime, maximizing asset performance, optimizing resource use and enhancing worker safety. The Company is headquartered in Austin, Texas, and has consolidated foreign subsidiaries located in the United Kingdom, Qatar, India, and Brazil.

(2) **Summary of Significant Accounting Policies**

(a) ***Basis of Accounting***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

(b) ***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of SparkCognition, Inc. and its wholly owned subsidiaries (collectively, the Company). All significant intercompany balances and transactions have been eliminated on consolidation.

Non-Controlling Interest

As of December 31, 2023 the Company held 60% of the issued share capital of Integration Wizards Solutions Europe Ltd (“IWSE”). The portion of the results of operations of IWSE allocable to its other owners is shown as net loss attributable to non-controlling interests in the consolidated statements of operations, as an adjustment to net loss attributable to common stockholders. The other owners’ share of equity in IWSE is reflected as a current liability within the consolidated balance sheets, as the Company has executed a Share Purchase Agreement to acquire the remaining 40% of the issued share capital for cash consideration, which was completed in 2024.

Equity Method Investments

The Company applies the equity method of accounting to investments in affiliates when it has significant influence, but not controlling interest in the investee. During 2019, the Company entered into a strategic partnership with Boeing HorizonX Ventures, LLC (“HorizonX”) to form SkyGrid, LLC (“SkyGrid”). The investment in SkyGrid is accounted for as an equity method investment. Under the equity method, the investment, originally recorded at fair value, is adjusted to recognize the Company’s share of net earnings or losses of the affiliate as they occur. Losses are limited to the extent of the Company’s investment in, advances to and commitments for the investee. Accordingly, the Company’s share of SkyGrid’s net losses were suspended during 2021 as the cumulative share of net losses exhausted the investment in equity method investee.

(c) ***Segments***

The Company has two operating segments, SparkCognition Commercial (“Commercial”) and SparkCognition Government Systems (“Government”), which were determined based on various factors, including the Company’s organizational and management reporting structure, customer type, and product lines, as well as the manner in which the chief operating decision maker (“CODM”), who is the Company’s Chief Executive Officer, manages the Company’s operations for purposes of allocating resources and evaluating performance. The Company is comprised of two reportable

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

segments, Commercial and Government, which correspond directly to the identified operating segments.

(d) Foreign Currency Translation

The functional currencies of the Company's foreign subsidiaries are the respective local currencies, with the exception of AI MX2 (UK) Ltd, SparkCognition UK Ltd, and Integration Wizards Solutions Europe Limited, for which the functional currency is U.S. dollars. Assets and liabilities of foreign subsidiaries with local functional currencies are translated into U.S. dollars using the exchange rates in effect at the balance sheet date while revenue and expenses are translated using average exchange rates during the period. Translation adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive loss on the consolidated balance sheets.

(e) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

On an ongoing basis, the Company evaluates its estimates, including those related to revenue recognition, including standalone selling price, the allowance for credit losses, stock-based compensation, valuation of the Company's common stock, including that which was used as purchase consideration in business combinations, the useful lives of property and equipment, and contingencies, among others. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from the estimates made by management with respect to these items and other items that require management's estimates.

(f) Reclassifications

Certain amounts in the prior period have been reclassified to conform to current period presentation. These classifications have not changed the results of operations for the prior period.

(g) Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments acquired with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates market value, because of the short maturity of these instruments. The Company had restricted cash of \$1,510 and \$1,621 as of December 31, 2023 and 2022, respectively.

(h) Short Term Investments

Short term investments at December 31, 2023 and 2022 consist of a portfolio of assets comprised of corporate debt, asset backed and other short duration fixed income securities (see Note 4). The Company classifies these investments as available-for-sale (AFS) securities which are recorded at fair value (see Note 14).

(i) Accounts Receivable

Accounts receivable are recorded at net realizable value. The Company assesses the collectability of outstanding customer invoices; and if deemed necessary, maintains an allowance for estimated credit losses resulting from the noncollection of customer receivables. In estimating this allowance, the Company considers factors such as: historical collection experience, a customer's current credit-worthiness, customer concentrations, age of the receivable balance, and general economic

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

conditions that may affect a customer's ability to pay. Actual customer collections could differ from the Company's estimates. The Company recorded an allowance for credit losses of \$62 and \$800 as of December 31, 2023 and 2022, respectively.

(j) Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and trade accounts receivable. The Company maintains its cash and cash equivalent balances in highly rated financial institutions, which at times may exceed federally insured limits. The Company has not experienced any losses relating to cash and cash equivalents in these accounts.

In addition, in the early stages of the Company's development, the Company's revenues and receivables were concentrated among a small number of customers. During the year ended December 31, 2023, the Company's three most significant customers accounted for approximately 22%, 13%, and 11% of total revenues and 34%, 20% and 5% of receivables as of December 31, 2023. During the year ended December 31, 2022, the Company's three most significant customers accounted for approximately 28%, 16%, and 12% of total revenues and 3%, 57% and 7% of receivables as of December 31, 2022.

(k) Fair Value of Financial Instruments

The Company's financial instruments consist principally of cash and cash equivalents, restricted cash, short term investments, accounts receivable, notes receivable, accounts payable, accrued liabilities, and notes payable. The carrying amounts of these financial instruments are considered to approximate their respective fair values due to the short-term nature of such financial instruments. Refer to Note 14 for additional discussion regarding the Company's fair value assessment for financial instruments.

(l) Property and Equipment

Property and equipment is carried at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets, generally 3 to 20 years. Leasehold improvements are amortized over the shorter of the remaining terms of the respective leases or the remaining useful lives of the improvements. When depreciable assets are sold, retired, or disposed of, the related cost and accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is included in other income (expense) in the Company's statement of operations in the period incurred. Major additions and improvements are capitalized. Repairs, maintenance and minor replacements which do not materially improve or extend the lives of the respective assets are charged to operating expense as incurred.

(m) Long-Lived Assets

Long-lived assets, which consist primarily of property and equipment and amortizable intangible assets, are reviewed for impairment whenever events or circumstances indicate their carrying value may not be recoverable. When such events or circumstances arise, an estimate of future undiscounted cash flows produced by the asset, or the appropriate grouping of assets, is compared to the asset's carrying value to determine if impairment exists. If the asset is determined to be impaired, the impairment loss is measured based on the excess of its carrying value over its fair value. As of December 31, 2023, the Company concluded the intangible assets associated with the AIM2 acquisition are impaired. Accordingly, an impairment charge of \$3,696 was recognized for the year ended December 31, 2023. There was no impairment recorded during the year ended December 31, 2022.

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

(n) **Operating Leases as a Lessee**

The Company enters into leases as a lessee for primarily office buildings as well as certain equipment. Operating leases result in the recognition of right of use ("ROU") assets and lease liabilities on the consolidated balance sheets. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The corresponding ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. As most of the leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. The Company's office building agreements contain costs such as common area maintenance which are variable in nature and therefore expensed as incurred. See Note 7 for additional information.

(o) **Revenue Recognition**

The Company recognizes revenue when it satisfies performance obligations under the terms of its contracts, and output of services are transferred to its customers in an amount that reflects the consideration the Company expects to receive from its customers in exchange for those services. This process involves identifying the customer contract, determining the performance obligations in the contract, determining the contract price, allocating the contract price to the distinct performance obligations in the contract, and recognizing revenue when the performance obligations have been satisfied. A performance obligation is considered distinct from other obligations in a contract when it (a) provides a benefit to the customer either on its own or together with other resources that are readily available to the customer and (b) is separately identifiable in the contract. The Company considers a performance obligation satisfied once it has transferred control to a customer, meaning the customer has the ability to use and obtain the benefits from the services rendered.

The Company derives its revenues from two primary sources: software subscriptions and professional services.

Software Subscription Revenue

Software subscription revenue is derived from Software as a Service arrangements, which allow for the use of a cloud-based software product or service over a contractually determined period of time without taking possession of software, and are accounted for as subscriptions and are recognized as revenue ratably over the subscription period beginning on the date the service is first made available to customers.

Occasionally, the Company enters into arrangements offering software licenses sold with maintenance, primarily term licenses. The software license and maintenance are accounted for as a single combined performance obligation and revenue is recognized over the term of the contracts.

Professional Services Revenue

Professional services revenue is derived from project-based arrangements offering installation and consulting services and is generally recognized using the input method based on labor hours incurred to date compared to total budgeted labor hours.

Contracts with Multiple Deliverables

When the Company enters into arrangements with multiple deliverables that may have included any or all of the elements noted above, those components are typically combined as inputs to fulfill a single promise. The customer is usually not purchasing the individual items, but rather the final output

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

created by those items when combined, the development and deployment of a highly tailored and customized solution for the customer's problem given their unique circumstances. The Company is unable to fulfill that promise with the software license alone. Given the Company's conclusion that the software license, professional services, and maintenance are not separately identifiable within the context of the contract and represent a single performance obligation, the entire transaction price is allocated to that single performance obligation. The Company categorizes the types of inseparable promises into two groups for purposes of determining the best measure of progress for each: proof of concept arrangements and production-like arrangements. In proof of concept arrangements, revenue is generally recognized using the input method based on labor hours incurred to date compared to total budgeted labor hours. In production-like arrangements, revenue is generally recognized over time by measuring the progress toward completing the performance obligation.

For certain contracts where the Company has identified multiple performance obligations, the Company allocates the transaction price of the contract to each performance obligation on a relative basis using estimated standalone selling price (or ESSP) attributed to each performance obligation and determines the proper revenue recognition for each performance obligation.

Contract Combination

The Company may enter into multiple revenue arrangements with a single customer. The Company combines the contracts and accounts for them as a single contract when they are entered into near the same time and any of the following conditions are met: the contracts are interrelated because they are negotiated as a package fulfilling a single economic objective; the performance or price of one contract is dependent on another contract; or the goods or services promised in the contracts constitute a single performance obligation.

Areas of Judgment and Estimation

The Company's contracts with customers can include multiple promises to transfer goods or services to the customer. Determining whether promises are distinct performance obligations that should be accounted for separately – or not distinct within the context of the contract and, thus, accounted for together – requires significant judgment. The Company has principally concluded that the promise to provide a software license and subscription is highly interdependent and interrelated with the promise to provide integration and support services and such promises are not distinct within the context of its contracts and are accounted for as a single performance obligation. The customer is not purchasing the individual items, but rather the final output created by those items when combined, the development and deployment of a highly tailored and customized solution for the customer's problem, given their unique circumstances.

For revenue under proof of concept contracts, revenue is recognized as services are performed using a percentage-of-completion method based on a labor-hours input method. Due to the nature of the work performed in these arrangements, the estimation of percentage of completion method requires significant judgment. Key factors reviewed by the Company are future labor and expected productivity efficiencies. If circumstances arise that change the original estimates of revenues or extent of progress toward completion, revisions to the estimates are made. These revisions may result in increases or decreases in estimated revenues and such revisions are reflected in revenue on a cumulative catch-up basis in the period in which the circumstances that gave rise to the revision become known.

The Company estimates the transaction price based on the amount expected to be received for transferring the promised goods or services in the contract. The consideration may include fixed consideration or variable consideration. At the inception of each arrangement that includes variable consideration, the Company evaluates the amount of potential payment and the likelihood that the

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

payments will be received. The Company utilizes either the most likely amount method or expected value method to estimate the amount expected to be received based on which method best predicts the amount expected to be received. The amount of variable consideration that is included in the transaction price may be constrained and is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period, although contracts with variable consideration are uncommon.

Practical Expedients

The Company generally has payment terms with its customers of one year or less and has elected the practical expedient applicable to such contracts and thus has not considered the time value of money.

Contract Balances and Remaining Performance Obligations

Contract assets primarily represent revenue earned over time that are not yet billable based on the terms of the contracts. The Company does not have impairment losses associated with contracts with customers for the years ended December 31, 2023 and 2022. Total contract assets were \$3,363 and \$2,973 as of December 31, 2023 and 2022, respectively, and are included within current assets on the consolidated balance sheets.

Contract liabilities consist of fees invoiced or paid by the Company's customers for which the associated performance obligations have not been satisfied and revenue has not been recognized based on the Company's revenue recognition criteria described above. The Company recognized revenue of \$9,161 and \$4,551 during the years ended December 31, 2023 and 2022 that was included in the contract liabilities balances at the beginning of the year.

Contract assets and contract liabilities are reported in a net position on an individual contract basis at the end of each reporting period. Contract assets are classified as current on the consolidated balance sheet when the Company expects to complete the related performance obligations and invoice the customers within one year of the balance sheet date, and otherwise as long-term. Contract liabilities are classified as current on the consolidated balance sheet when the revenue recognition associated with the related customer payments is expected to occur within one year of the balance sheet date, and otherwise as long-term.

Remaining performance obligations represent contracted revenue that has not yet been recognized, and include deferred revenue, and amounts that will be invoiced and recognized as revenue in future periods. As of December 31, 2023, revenue associated with the Company's unsatisfied performance obligations was \$33,827, approximately 49% of which the Company expects to recognize as revenue over the next 12 months and the remaining balance will be recognized thereafter. This amount does not include contracts to which the customer is not committed, nor contracts for which the Company recognized revenue equal to the amount which the Company had the right to invoice for services performed. This amount is subject to change due to future terminations and other contract modifications. The estimated timing of the recognition of remaining unsatisfied performance obligations is subject to change and is affected by changes to the scope, change in timing of delivery of products and services, or contract modifications.

Warranties are classified as either assurance type or service type warranties. A warranty is considered an assurance type warranty if it provides the consumer with assurance that the product will function as intended. A warranty that goes above and beyond ensuring basic functionality is considered a service type warranty. The Company offers certain limited warranties that are assurance type warranties and assurance type warranties are not accounted for as separate performance obligations under the revenue model.

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

Costs to Obtain and Fulfill Contracts

Incremental costs of obtaining a contract include only those costs that are directly related to the acquisition of contracts, primarily sales commissions, and that would not have been incurred if the contract had not been obtained. The Company recognizes an asset and corresponding liability for estimated sales commissions to be paid upon execution of a contract with a customer, and those incremental costs of obtaining a contract are then amortized over the term of the contract, which best approximates the period of benefit and life of the relationship with the customer. Key inputs used in determining the amount of costs to obtain a contract include the sales representative(s) to be paid on a given contract, their corresponding sales compensation plan(s), and the total eligible contract value to be invoiced.

The Company recognizes an asset for the costs to fulfill a contract with a client if the costs are specifically identifiable, generate or enhance resources used to satisfy future performance obligations, and are expected to be recovered. Costs to fulfill contracts were not material in the periods presented.

(p) **Cost of Revenues**

Cost of revenues includes the cost of the Company's technical resources, which principally includes employee compensation and related costs as well as consulting fees. Other components of cost of revenues include salaries and benefits for personnel involved in performing professional services, as well as third-party cloud hosting services, allocated overhead, and other direct costs.

(q) **Share-Based Compensation**

The Company records share-based compensation expense in operating expenses and cost of revenues on the consolidated statements of operations based upon the grant date fair value of all stock options issued. That expense is determined under the fair value method using the Black-Scholes option pricing model. The Company recognizes the compensation cost for awards on a straight-line basis over the vesting period.

The Black-Scholes option pricing model requires the use of accounting judgment and financial estimates. Items requiring estimation include the value of common stock, expected term option-holders will retain their vested stock options before exercising them, the estimated volatility of the Company's common stock price over the expected term of a stock option and the number of stock options that will be forfeited prior to the completion of their vesting requirements. Application of alternative assumptions could result in significantly different share-based compensation amounts being recorded in the financial statements.

(r) **Advertising Costs**

The Company expenses advertising costs as incurred. Advertising expenses were approximately \$800 and \$1,494 for the years ended December 31, 2023 and 2022, respectively, and are included in sales and marketing expenses in the consolidated statements of operations.

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

(s) **Research and Development Costs**

Research and development costs are expensed to operations as incurred. Costs of computer software developed or obtained for internal use are required to be capitalized during the software application development stage and amortized over the software's estimated useful life, subject to impairment analysis. However, based on the Company's product development process, costs incurred during the software application development stage where recoverability was reasonably assured have been insignificant. Through December 31, 2023 and 2022, all internal software development costs have been expensed as incurred, and are included in research and development expenses in the consolidated statements of operations.

(t) **Debt Issuance Costs**

Debt issuance costs incurred are deferred and amortized using the effective interest method as a component of interest expense over the life of the debt agreement. Amortization expense for deferred debt issuance costs was \$190 and \$70, respectively for the years ended December 31, 2023 and 2022.

(u) **Income Taxes**

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities will be recognized in the period that includes the enactment date. A valuation allowance is established against the deferred tax assets to reduce their carrying value to an amount that is more likely than not to be realized.

The Company accounts for uncertainty of income taxes based on a "more-likely-than-not" threshold for the recognition and derecognition of tax positions, which includes the accounting for interest and penalties relating to tax positions. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of December 31, 2023 and 2022, the Company did not have any uncertain tax positions.

(v) **Software Development Costs**

The Company evaluates capitalization of certain software development costs subsequent to the establishment of technological feasibility. Based on the Company's product development process and development risks, technological feasibility is established for the Company's products when they are made available for general release. Accordingly, the Company has charged all such costs to research and development expense in the period incurred.

(w) **Business Combinations**

The Company accounts for business combinations, including the transactions described in Note 15, using the acquisition method of accounting. Accordingly, the assets and liabilities of the acquired business are recorded at their fair values at the date of acquisition. The excess of the purchase price over the fair value of the tangible and intangible assets acquired and the liabilities assumed is recorded as goodwill.

(x) **Recently Adopted Accounting Pronouncements**

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments — Credit Losses (Topic 326):

Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which changes the

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

impairment model for most financial assets. The ASU introduces a new credit loss methodology, Current Expected Credit Losses ("CECL"), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL framework utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods, which generally require that a loss be incurred before it is recognized. The Company adopted the guidance, effective January 1, 2023, and the adoption did not have a material impact on the financial statements and related disclosures.

(y) Recently Issued Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The ASU requires the annual financial statements to include consistent categories and grater disaggregation of the information in the rate reconciliation, and income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for the Company's annual reporting beginning after December 15, 2025. Adoption is either with a prospective method or a fully retrospective method of transition. Early adoption is permitted. The Company is currently evaluating the effect that the adoptions of ASU 2023-09 will have on the consolidated financial statements.

(3) Liquidity and Capital Resources

The Company has incurred losses of approximately \$318,851 since its inception. For the year ended December 31, 2023, the Company incurred a net loss and negative cash flows from operating activities of \$59,386 and \$44,728, respectively. As of December 31, 2023, the Company had cash, cash equivalents and short-term investments of approximately \$40,993 and had \$20,412 of debt outstanding, which is subject to certain covenants, including a minimum liquidity covenant. These matters raise substantial doubt about the Company's ability to continue as a going concern.

Subsequent to December 31, 2023, the Company executed on various plans to enhance overall liquidity including the issuance of \$16,150 of convertible debt in June 2024, and significant cost cutting measures. As a result of these actions as well as other cost cutting measures the Company can take if needed, the Company believes its existing cash and cash equivalents, short term investments and future cash flows will be sufficient to meet its liquidity and capital requirements for at least one year from the date of issuance of these consolidated financial statements; however, there is no certainty the Company will be able to do so.

(4) Short Term Investments

Short term investments at December 31, 2023 and 2022 consist of a third-party actively managed portfolio of investments primarily comprised of corporate debt, asset backed and other short duration fixed income securities with original maturities ranging from less than one year up to four years. The Company classifies these investments as available-for-sale (AFS) securities which are recorded at fair value. The Company's investment policy generally limits the amount of credit exposure to any one issuer. The Company's policy generally requires investments to be investment grade, with the primary objective of minimizing the potential risk of principal loss.

The investments are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive income or loss, a component of stockholders' deficit, net of tax. Any unrealized losses which are considered to be other-than-temporary impairments are recorded in the other income or expense, net, section of the consolidated statements of operations. Realized gains and losses on the sale of marketable securities are determined using the specific-identification method and recorded in the other income or expense, net, section of our consolidated statements of operations.

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

Available-for-sale debt investments are subject to periodic review for impairment. The Company did not have any other-than-temporary impairment for the years ending December 31, 2023 and 2022. Available-for-sale securities were measured at fair value as of December 31, 2023 and 2022. Refer to Note 14 for discussion on how fair value inputs were measured.

The amortized cost and estimated fair value of marketable securities as of December 31, 2023 and 2022 are shown below by type.

December 31, 2023				
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Corporate securities	\$ 6,255	\$ —	\$ (3)	\$ 6,252
U.S. Treasury securities	7,934	1	—	7,935
Total marketable securities	<u>\$ 14,190</u>	<u>1</u>	<u>(3)</u>	<u>\$ 14,187</u>

December 31, 2022				
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Asset backed securities	\$ 2,175	\$ —	\$ (16)	\$ 2,159
Corporate securities	66,721	1	(481)	66,241
Total marketable securities	<u>\$ 68,896</u>	<u>1</u>	<u>(497)</u>	<u>\$ 68,400</u>

(5) Property and Equipment, Net

Property and equipment consists of the following:

	Estimated useful lives	As of December 31,	
		2023	2022
Furniture and equipment	3–9 years	\$ 1,483	\$ 1,387
Computer equipment	3–6 years	1,093	876
Buildings	20 years	2,288	2,253
Land	—	747	747
Leasehold improvements	1–5 years	1,242	1,242
Software	3-5 years	122	71
		<u>6,975</u>	<u>6,576</u>
Less accumulated depreciation and amortization		<u>2,581</u>	<u>1,795</u>
		<u>\$ 4,394</u>	<u>\$ 4,781</u>

Depreciation and amortization expense relating to the Company's property and equipment amounted to \$641 and \$768 for the years ended December 31, 2023 and 2022, respectively, and was included in operating expenses, primarily general and administrative, in the accompanying consolidated statements of operations.

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

(6) Notes Payable

Bank Loan

During 2020, the Company purchased land which was funded by issuing a note payable to a bank in the amount of \$470, which had an original maturity date of October 2020. In October 2020, the Company extended the existing \$470 note payable and revised the loan maturity date to December 2020. In December 2020, the note payable was paid in full with the proceeds from a new note payable to a bank in the amount of \$1,009 with an original maturity date of June 2041, to fund construction of a building on the land. At December 31, 2023 and 2022, the note payable was accruing interest at an annual rate of 4.25%. During the years ended December 31, 2023 and 2022, the Company recognized \$41 and \$42 in interest expense, respectively.

Term Loan

In April 2022, the Company entered into a Loan and Security Agreement ("LSA") in the amount of \$30,000 consisting of an initial term loan of \$20,000 and a delayed draw term loan ("DDTL") of \$10,000. In addition, the Company may request up to \$20,000 in an incremental term loan. As of December 31, 2023, only the initial term loan had been disbursed to the Company. The expiration date of the DDTL was April 2024. The maturity for the LSA is April 2027.

Outstanding balances of the loan incur interest at an interest rate per annum equal to the greater of (a) the Base Rate, the rate of interest per annum publicly announced from time to time by Citibank N.A., or, if not available, another major money center bank in New York city selected by the Lender in its sole discretion, for such month, plus 4.25% per annum, and (b) 7.50% per annum. Applicable interest is payable monthly on the first day of business for the month prior. During the years ended December 31, 2023 and 2022, the Company recognized \$2,530 and \$1,378 in interest expense, respectively.

As of December 31, 2023, the Company had an outstanding balance of \$20,000 for the draw of the initial term loan from the Lender as well as \$514 of unamortized debt issuance costs. Amendment fees have been accounted for as debt modification and recorded as debt issuance costs.

The loan and security agreement contains customary representations and warranties, and certain financial and nonfinancial covenants, including but not limited to having i) at all time, when the Contracted Annual Recurring Revenue is less than \$52,500, the Borrower shall have Minimum Cash Amount in the amount equal to the sum of (a) the outstanding principal balance of the Loans as of any measurement date plus (b) \$3,000 and ii) at all time, when the Contracted Annual Recurring Revenue is equal to or greater than \$52,500, the Borrower shall maintain a Required Minimum Liquidity ("RML"), the quotient obtained by dividing (a) Liquidity as of such date by (b) the Average Monthly Cash Burn Rate, of three and the Minimum Cash Amount as set forth in the Fourth Amendment to the LSA. The Company was in compliance with all covenants associated with the Loan and Security Agreement as of December 31, 2023.

(7) Commitments and Contingencies

Leases

The Company has operating leases consisting of office spaces and equipment. Rent abatement and escalation have been factored in the lease payments calculation as needed.

In March 2021, the Company entered into a lease agreement for office space in Austin, Texas that commenced in December 2021 and continues through November 2027.

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

As part of the acquisition of certain assets and liabilities of Integration Wizards Solutions Private Limited ("iWizards India") in May 2022, the Company assumed an existing lease agreement for office space in Bangalore, India, which terminated in February 2023.

In November 2022, the Company entered into a lease agreement for office space in Bangalore, India that commenced in November 2022 and continues through November 2027.

Supplemental balance sheet information related to lease liabilities as of December 31, 2023 and 2022 were:

	Years Ended December 31,	
	2023	2022
Right-of-use assets	\$ 2,612	\$ 3,355
Operating lease liabilities	\$ 824	\$ 684
Operating lease liabilities, noncurrent	2,936	3,823
Total operating lease liabilities	\$ 3,760	\$ 4,507

Lease expense as of December 31, 2023 and 2022 consisted of the following:

Operating lease expense	\$ 1,162	\$ 1,564
Short-term lease expense	5	4
Sublease income	(106)	(106)
Total lease expense, net	\$ 1,061	\$ 1,462

Future maturities of the Company's operating lease liabilities as of December 31, 2023 were:

	Lease Commitments	Less: Sublease Income	Net Lease Commitments
2024	1,071	109	962
2025	1,102	112	990
2026	1,126	114	1,012
2027	1,043	107	936
Total undiscounted liabilities	4,342	442	3,900
Less: Imputed interest	(582)	(59)	(523)
Total operating lease liabilities	\$ 3,760	\$ 383	\$ 3,377

The weighted-average remaining lease term related to the Company's operating lease liabilities as of December 31, 2023 was 3.90 years. The weighted-average discount rate related to the Company's operating lease liabilities as of December 31, 2023 was 7.5%.

Supplemental information related to the Company's operating leases for the year ended December 31, 2023 and 2022 were:

	2023	2022
Cash paid for operating lease liabilities	\$ 944	\$ 587
Lease liabilities arising from obtaining right-of-use assets	\$ 776	\$ 1,024

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

Rent expense included in general and administrative expenses on the consolidated statements of operations amounted to \$537 and \$557 for the year ended December 31, 2023 and December 31, 2022.

Litigation

In the normal course of business, the Company may become involved in various lawsuits and legal proceedings. While the ultimate results of these matters cannot be predicted with certainty, management does not expect them to have a material adverse effect on the financial position or results of operations of the Company.

(8) Redeemable Convertible Preferred Stock

As of December 31, 2023, the Company had authorized and issued eight different series of \$0.001 par value redeemable convertible preferred stock (collectively all series are referred to as "Redeemable Convertible Preferred Stock"). The authorized and issued Redeemable Convertible Preferred Stock consisted of the following:

Class	Shares authorized as of December 31,		
	2023	2022	
Series A-1	4,545,352	4,545,352	
Series A-2	4,973,408	4,973,408	
Series A-3	3,242,684	3,242,684	
Series A-4	3,751,616	3,751,616	
Series B	10,261,638	10,261,638	
Series B-1	2,720,718	2,720,718	
Series C	10,247,737	10,247,737	
Series D	9,265,438	9,265,438	
Total Redeemable Convertible Preferred Stock Authorized	<u>49,008,591</u>	<u>49,008,591</u>	

Class	Issued and outstanding As of December 31,		Original Issuance Price
	2023	2022	
Series A-1	4,545,352	4,545,352	\$ 0.08
Series A-2	4,973,408	4,973,408	\$ 0.39
Series A-3	3,242,684	3,242,684	\$ 1.61
Series A-4	3,751,616	3,751,616	\$ 2.19
Series B	7,540,920	7,540,920	\$ 5.51
Series B-1	2,720,718	2,720,718	\$ 5.51
Series C	10,247,737	10,247,737	\$ 10.03
Series D	8,269,134	8,269,134	\$ 16.19
Total Redeemable Convertible Preferred Stock Issued and Outstanding	<u>45,291,569</u>	<u>45,291,569</u>	

During 2022, the Company issued 2,019,045 shares of Series D Preferred Stock at \$16.19 per share for proceeds of \$32,587, net of issuance costs of \$100.

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

A general summary of the significant features of the Company's Redeemable Convertible Preferred Stock is provided below.

(i) *Redemption rights*

The Company's Redeemable Convertible Preferred Stock is not redeemable at the option of the holder. The Company has determined that its Redeemable Convertible Preferred stock is contingently redeemable due to the existence of deemed liquidation provisions contained in its Articles of Incorporation, as amended, and therefore classifies the Redeemable Convertible Preferred Stock in temporary equity for all reporting periods.

(ii) *Dividend provisions*

The holders of Redeemable Convertible Preferred Stock are entitled to dividends in preference to shares of any other class, as and if declared by the Board of Directors, payable at the following rates and subject to the liquidation preferences as described further below:

Series A-1	\$	0.00248
Series A-2	\$	0.01177
Series A-3	\$	0.04834
Series A-4	\$	0.06569
Series B	\$	0.16540
Series B-1	\$	0.16540
Series C	\$	0.30079
Series D	\$	0.48568

Dividends are cumulative and accrue daily, whether or not earned or declared and whether or not sufficient funds are available. Dividends are payable only when, as, and if declared by the Company's Board of Directors and the Company is under no obligation to pay the accrued dividends. The Company has not declared or paid any dividends and does not plan to pay the dividends in the foreseeable future. The cumulative amount of undeclared dividends for Redeemable Convertible Preferred Stock was \$37,438 and \$28,169 as of December 31, 2023 and 2022, respectively.

(iii) *Conversion rights*

Each outstanding share of Redeemable Convertible Preferred Stock, excluding Series B-1, is convertible into one fully paid and nonassessable share of common stock at the option of the holder on a 1:1 basis. Series B-1 Preferred Stock is convertible on a 1:1 basis, provided that the result of such conversion does not exceed 4.9% of the voting power of the Company.

Each share of Redeemable Convertible Preferred Stock shall automatically have been converted into fully paid and nonassessable shares of common stock upon the following:

- (i) Immediately prior to the closing of a firm commitment underwritten initial public offering pursuant to an effective registration statement filed under the Securities Act of 1933, as amended, covering the offer and sale of the Company's common stock, provided the offering price is at least the greater of a) 1.5 times the Series D Original Issue Price and b) Series D internal rate of return ("IRR") generated is at least 35% ("Qualified Public Price"), resulting in aggregate gross proceeds of not less than \$200,000; or
- (ii) Immediately prior to the closing of a Special Purpose Acquisition Company ("SPAC") Transaction, provided a) the pre-transaction equity value of the Common Stock is least the Qualified Public Price, and b) gross proceeds are not less than \$200,000, and c) share capital

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

of the SPAC or its successor is listed on a major national exchange approved by the Board of Directors

- (iii) Upon receipt by the Company of a vote or written consent of the holders of at least a majority vote of the then outstanding shares of Redeemable Convertible Preferred Stock, and b) majority vote of the holders of the outstanding Series D Preferred Stock.

If the result of the automatic conversion would result in the holders of Series B-1 Preferred Stock holding more than 4.9% of the Company's voting power, the number of shares exceeding 4.9% (the "Excess Shares") of the Company's voting power will be redeemed by the Company by multiplying the Excess Shares by the fair value of the Company's common stock as determined in good faith by the Board of Directors.

(iv) Voting rights

The holders of each share of Redeemable Convertible Preferred Stock are entitled to the number of votes equal to the number of shares of common stock into which such share is convertible at the record date.

(v) Liquidation preference

In the event of any voluntary or involuntary liquidation as defined by the Company's Articles of Incorporation, as amended, the holders of Redeemable Convertible Preferred Stock shall be entitled to the following liquidation preferences by series in order of most preferential to least preferential:

- (i) Series D
- (ii) Series C
- (iii) Series B and B-1 ("Series B")
- (iv) Series A-1, A-2, A-3, and A-4 ("Series A")

Series C holders cannot be paid out until holders of Series D liquidation amounts are satisfied, Series B holders cannot be paid out until holders of Series C liquidation amounts are satisfied, and Series A holders cannot be paid out until holders of Series B liquidation amounts are satisfied. Each share of Redeemable Convertible Preferred Stock is entitled to an amount equal to its original issuance price plus any dividends declared but unpaid thereon. If upon any such liquidation, the assets of the Company are insufficient to pay the Redeemable Convertible Preferred Stock in order of liquidation preference, the series of Redeemable Convertible Preferred Stock of which assets were insufficient

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

shall be distributed ratably with respect to such shares held by the holders had such assets been paid in full.

The remaining legally distributable assets will be distributed on a pro rata basis between the common and preferred shareholders.

As of December 31, 2023 and 2022 the Redeemable Convertible Preferred Stock liquidation value by series was as follows:

Class	As of December 31,	
	2023	2022
Series A	\$ 19,705	\$ 19,018
Series B	67,692	65,227
Series C	118,307	113,831
Series D	144,367	138,535
Aggregate liquidation value	<u><u>\$ 350,070</u></u>	<u><u>\$ 336,611</u></u>

(9) Stockholders' Deficit**(a) Common Stock**

Each holder of shares of common stock is entitled to one vote for each share thereof held.

(b) Treasury Stock

In 2023 and 2022, the Company did not repurchase any shares of common stock.

(10) Stock Options

The Company adopted and approved the 2013 Stock Option and Grant Plan (the 2013 Incentive Plan) to provide additional incentive to employees, directors and consultants of the Company. The 2013 Incentive Plan permits the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock and restricted stock units. The Company has reserved 20,780,982 shares of common stock to permit exercise of options in accordance with the terms of the 2013 Incentive Plan. As of December 31, 2023, 3,820,632 shares remain available for future grants.

The stock issuable under the 2013 Incentive Plan is comprised of shares of authorized but unissued or reacquired common stock. If an award expires or becomes un-exercisable without having been exercised in full, or is surrendered pursuant to an exchange program, or, with respect to restricted stock or restricted stock units, is forfeited to or repurchased by the Company due to the failure to vest, the unpurchased shares which were subject thereto will become available for future grant or sale under the 2013 Incentive Plan.

Options under the 2013 Incentive Plan have been granted at prices equal to, less than, or greater than the estimated fair value of the shares on the date of grant as determined by the Board of Directors, or by a committee appointed to administer the 2013 Incentive Plan. The exercise price of any incentive stock options granted to a participant who owns more than 10% of the combined voting power of all classes of stock of the Company must be equal to at least 110% of the fair market value of the common stock on the date of grant. Incentive stock options are restricted as to aggregate fair market value provisions as defined in the 2013 Incentive Plan.

The maximum term of options granted under the 2013 Incentive Plan is ten years from the date of grant (5 years in the case of a participant who owns more than 10.0% of the combined voting power of all classes of stock of the Company). Options under the 2013 Incentive Plan generally vest over 4 years. The

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

2013 Incentive Plan allows for options to be immediately exercisable, subject to the Company's right of repurchase for unvested shares at the original exercise price.

The Company estimates the fair value of options granted using the Black-Scholes option pricing model. The Black-Scholes option-pricing model requires management to make various assumptions, including valuing the Company's common stock which has been based in part upon recent sales of the Company's common stock and preferred stock, and analyses by an independent valuation firm. As there is no public market for its common stock, the Company estimates the volatility of its common stock periodically based on the volatility of publicly traded options of comparable companies' common stock and consistent with ASC Topic 718-10. The Company's decision to use the volatility of comparable stock was based upon the Company's assessment that this information is more representative of future stock price trends than the Company's historical volatility. The risk-free interest rate assumption is based on observed market interest rates appropriate for the term of the Company's employee options. As allowed by ASC Topic 718-10, the Company has elected to apply the "simplified" method in developing its estimate of expected term for "plain vanilla" stock options by using the midpoint between the vesting date and contractual termination date. The dividend yield assumption is based on historical dividend payouts. The Company has not paid, and does not anticipate paying, cash dividends on its common stock; therefore and accordingly, the expected dividend yield is assumed to be zero.

During 2023, the fair value for the Company's stock options was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.35%-4.80%
Expected life of the options in years	5.49-6.08
Dividend yield	— %
Expected volatility	66.68%-67.89%

During 2022, the fair value for the Company's stock options was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.71%-4.14%
Expected life of the options in years	5.52-6.07
Dividend yield	— %
Expected volatility	63.72%-67.38%

The weighted average grant date fair value of options granted for the year ended December 31, 2023 was \$0.93 per option. There was no aggregate intrinsic value of options outstanding at December 31, 2023. There was no aggregate intrinsic value of options exercised during the year ended December 31, 2023. The weighted average grant date fair value of options granted for the year ended December 31, 2022 was \$5.49 per option. There was no aggregate intrinsic value of options outstanding at December 31, 2022. The aggregate intrinsic value of options exercised during the year ended December 31, 2022 was \$198.

The total unrecognized share-based compensation expense related to unvested stock options and subject to recognition in future periods was \$10,934 as of December 31, 2023. This amount relates to 3,312,555 shares with a per share weighted average fair value of \$1.77. The Company anticipates this expense to be recognized over a weighted average period of approximately 2.14 years.

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

A summary of changes in common stock options is as follows:

	Number of options outstanding	Price per share range	Weighted- average exercise price	Weighted- average remaining contractual life
Balances at December 31, 2022	10,987,288	\$ 0.03-9.72	6.61	6.88
Options granted	10,116,829	3.64	3.64	7.35
Options exercised	141,702	0.16-3.64	2.43	7.10
Options forfeited	1,389,348	3.64-9.59	5.06	—
Options expired	9,046,031	3.64-9.72	8.15	—
Balances at December 31, 2023	<u>10,527,036</u>	\$ 0.16-9.59		
Options vested and expected to vest at December 31, 2023	10,527,036	\$ 0.16-9.59	3.45	4.23
Options vested and exercisable at December 31, 2023	7,206,523	0.16-9.59	3.61	5.39
	Number of options outstanding	Price per share range	Weighted- average exercise price	Weighted- average remaining contractual life
Balances at December 31, 2021	11,247,476	\$ 0.03-9.72	6.64	7.86
Options granted	2,581,230	9.59	9.59	8.07
Options exercised	169,184	0.03-9.53	2.47	2.78
Options forfeited	2,008,047	4.69-9.72	8.98	—
Options expired	664,187	2.21-9.72	8.03	—
Balances at December 31, 2022	<u>10,987,288</u>	\$ 0.03-9.72		
Options vested and expected to vest at December 31, 2022	10,987,288	\$ 0.03-9.72	6.61	6.88
Options vested and exercisable at December 31, 2022	6,973,870	0.03-9.72	5.10	5.77

Stock Option Repricing

Effective April 3, 2023, the Company repriced the exercise price of 8,517,480 outstanding options to \$3.64. These options had an existing exercise price that was above \$3.64. No other terms of the repriced options were modified. The Company recognized \$2,853 in incremental share-based compensation expense for vested options on the repricing date. The \$2,050 remaining share-based compensation expense for unvested options will be recognized over the remaining vesting period.

(11) Income Taxes

During the years ended December 31, 2023 and 2022, the Company recognized income tax expense (benefit) of \$(1,438) and \$(502) resulting in effective tax rates of 2% and 1%, respectively. The Company's income tax expense (benefit) for the year ended December 31, 2023 and 2022 differs from amounts computed by applying the U.S. federal statutory tax rate of 21% primarily due to the application of a valuation allowance.

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

Loss before income taxes, including equity in losses of equity method investee, is composed of the following:

	2023	2022
US	\$ (56,785)	\$ (71,721)
Foreign	(4,038)	(4,738)
Total loss before income taxes, including equity in losses:	<u>\$ (60,824)</u>	<u>\$ (76,459)</u>

The Company's income tax expense (benefit) attributable to operations are as follows:

	2023	2022
Deferred income taxes:		
Federal	\$ 68	\$ 68
State	(40)	25
Foreign	(1,386)	(595)
Total deferred income taxes	<u>\$ (1,358)</u>	<u>\$ (502)</u>
Current income taxes:		
Federal	\$ (80)	\$ —
Total deferred and current income taxes	<u>\$ (1,438)</u>	<u>\$ (502)</u>

The components of the Company's income tax expense (benefit) are as follows:

	2023	2022
Income tax expense (benefit) at U.S. statutory rate	\$ (12,773)	\$ (16,056)
State taxes, net of federal benefit	(226)	(1,301)
Permanent items	112	78
Foreign income taxed at various rates	(1,758)	(830)
Change in tax rate	985	(19)
Research and development tax credits	(2,019)	—
Other true up/RTP	1,690	802
Change in valuation allowance	12,307	17,251
State NOL RTP	186	(412)
Other, net	58	(15)
Total tax provision	<u>\$ (1,438)</u>	<u>\$ (502)</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2023 and 2022 are as follows:

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

	2023	2022
Noncurrent deferred tax assets:		
Net operating loss carryforwards	\$ 50,392	\$ 43,816
Capitalized R&D	10,921	7,496
Share-based compensation	6,553	6,377
Lease Liabilities	635	795
Intangible Assets	1,214	—
Other	4,401	3,231
Total gross deferred tax asset	74,116	61,715
Valuation allowance	(72,765)	(60,458)
Net deferred tax asset	\$ 1,351	\$ 1,257
	2023	2022
Noncurrent deferred tax liabilities:		
Tax-deductible goodwill	\$ (973)	\$ (674)
Intangible assets	—	(1,527)
ROU Assets	(401)	(540)
Other	(182)	(79)
Total gross deferred tax liabilities	\$ (1,556)	\$ (2,820)
Net deferred income tax liability	\$ (205)	(1,564)

As of December 31, 2023 and 2022, the Company had federal net operating loss carryforwards of approximately \$219,405 and \$193,489, respectively, of which \$10,367 (per each) will begin to expire in 2034 if not utilized, and \$209,038 and \$183,091, respectively, will carry forward indefinitely. As of December 31, 2023 and 2022, the Company had state net operating loss carryforwards of \$35,189 and \$33,958, respectively. Utilization of the net operating loss carryforwards may be subject to substantial annual limitations due to the "change in ownership" provisions of the Internal Revenue Code of 1986. The annual limitation may result in the expiration of net operating losses before utilization. The Company had \$1,133 and \$898 of UK and Brazil net operating loss carryforwards, respectively, that do not expire. The Company had \$4,784 of India net operating loss carryforward that will begin to expire in 2030 if not utilized.

Due to the uncertainty surrounding the timing of realizing the benefits of its domestic favorable tax attributes in future tax returns, the Company has placed a valuation allowance against its domestic and certain foreign jurisdiction net deferred tax assets. During the years ended December 31, 2023 and 2022, the valuation allowance increased by \$12,307 and \$17,305, respectively. The valuation allowance for the year ended December 31, 2023 increased primarily due to the tax effect of an increase in federal NOL carryovers and capitalized R&D expenditures. Similarly, the valuation allowance increase for the year ended December 31, 2022 was due to the tax effect of an increase in federal and state NOL carryforwards.

The Company has evaluated the aggregate exposure for uncertain tax positions for all open tax years and concluded that the Company has no material uncertain tax positions as of December 31, 2023 or for any open tax years. The Company and its subsidiaries file income tax returns in U.S. federal and state jurisdictions. The Company is subject to U.S. federal income tax examinations for the tax years ended December 31, 2018 and later by the Internal Revenue Service. Operating losses generated remain open to adjustment until the statute of limitations closes for the tax year in which the net operating losses are

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

utilized. The Company is not currently under examination for any open tax year. As of December 31, 2023, the Company has no uncertain tax positions recorded, and as such has not adopted a method for recognizing interest and penalties related to uncertain tax positions.

(12) **Related Party Transactions**

Certain of the Company's customers are also investors in the Company. For the year ended December 31, 2023, revenues, contract liabilities, and contract assets totaling \$14,210, \$2,914, and \$0, respectively, were generated from related parties. Also, as of December 31, 2023, receivables from related parties totaled \$2,598. For the year ended December 31, 2022, revenues, contract liabilities, and contract assets totaling \$18,718, \$6,974, and \$3, respectively, were generated from related parties. Also, as of December 31, 2022, receivables from related parties totaled \$9,435.

In 2013, the Company executed a Software Development Agreement for engineering services with Five Rivers Technologies (Pvt.) Limited ("Five Rivers"), which is affiliated with certain family members of the Company's Chief Executive Officer as of December 31, 2023. In February 2023, the contract was reassigned to Automata1 Computer Systems & Communication Equipment Software Design FZCO ("Automata1"). For the years ended December 31, 2023 and 2022, expenses totaling \$2,085 and \$2,775, respectively, were paid to Five Rivers/Automata1 and were included in cost of revenues, sales and marketing, research and development, and general and administrative expenses in the accompanying consolidated statements of operations. Certain of the Company's vendors are also affiliated with certain family members of the Company's Chief Executive Officer or a Board member. For the year ended December 31, 2023, expenses totaling \$96 were paid to these related parties. As of December 31, 2023 and 2022, accounts payable and accrued expenses to related parties totaled \$154 and \$520, respectively.

The Company was party to a joint venture agreement with Boeing HorizonX Ventures, LLC, an affiliate of one of the Company's preferred stockholders. For the years ended December 31, 2023 and 2022, other income totaling \$537 and \$3,832, respectively, was generated from SkyGrid in connection with a discounted license agreement covering software and associated IP for each of the Company's products. For the year ended December 31, 2023 and 2022, expenses totaling \$0 and \$451, respectively were paid to SkyGrid. The investment is accounted for as an equity method investment. Refer to Note 13 for further discussion.

(13) **Investment in Equity Method Investee**

During the first quarter of 2019, the Company entered into a strategic partnership with HorizonX to form a Joint Venture (the Joint Venture) comprising the unmanned air traffic operating system (SkyGrid), in which the Company acquired a 50 percent ownership stake in exchange for certain intangible assets including (1) intellectual property ("IP") contributed to SkyGrid, including a trade name, patents pending and associated software, (2) a discounted license agreement entered into with SkyGrid, covering software and associated IP for each of the Company's products and (3) a royalty-free license agreement entered into with The Boeing Company and certain of its affiliated entities, covering software and associated IP for each of the Company's products. Collectively, these intangible assets were valued at \$22,000 and SkyGrid also agreed to make payments totaling \$7,178 over a two-year period, which were included as Note Receivable from Related Party on the accompanying consolidated balance sheet. The Note Receivable from Related Party was paid in full. The Company's cost basis in these assets at the time of contribution was zero as all related costs in development of the assets had not met the criteria for capitalization of costs.

HorizonX committed to contribute cash in the amount of \$30,000 to the Joint Venture. The transaction closed on February 17, 2019 and the Company's interest in SkyGrid was included in Investment in Equity Method Investee on the accompanying consolidated balance sheets and the Company's share of the

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

income of SkyGrid was included in Equity in Losses of Equity Method Investee in the accompanying consolidated statements of operations.

The investment in SkyGrid is accounted for as an equity method investment, using the hypothetical liquidation book value approach. Under the equity method, the investment, originally recorded at fair value, is adjusted to recognize the Company's share of net earnings or losses of the affiliate as they occur, as well as the 6% compounding preferred return distribution due to HorizonX upon distribution or liquidation. Losses are limited to the extent of the Company's investment in, advances to and commitments for the investee. During 2021, the Company's cumulative share of net losses, as well as the HorizonX preferred return, exceeded the carrying value of the Company's investment in equity method investee. As such, the recognition of equity method losses has been suspended.

In 2023, Boeing made a series of contributions to SkyGrid and converted Bridge Notes to Series A equity. At the end of 2023, the Company retained 25.5% ownership in SkyGrid.

(14) Fair Value of Financial Instruments

The Company groups its assets and liabilities measured at fair value in a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1, defined as observable inputs such as quoted prices in active markets, with valuations obtained from readily available pricing sources for market transactions involving identical assets or liabilities;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level of the fair value hierarchy in which the fair value measurement falls is determined by the lowest level input that is significant to the fair value measurement.

The Company had available-for-sale securities measured at fair value as of December 31, 2023 and 2022. The available-for-sale securities are measured at fair value, based on level 1 and level 2 inputs of quoted prices and market observable data of similar instruments. The fair value of the available-for-sale securities was \$14,187 and \$68,400 at December 31, 2023 and 2022, respectively.

The Company's available-for-sale securities consisted of the following as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Corporate securities	\$ —	\$ 6,252	\$ —	\$ 6,252
U.S. Treasury Securities		7,935		7,935
Total	\$ —	\$ 14,187	\$ —	\$ 14,187

The Company's available-for-sale securities consisted of the following as of December 31, 2022:

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

	Level 1	Level 2	Level 3	Total
Asset backed securities	\$ —	\$ 2,159	\$ —	\$ 2,159
Corporate securities	—	66,241	—	66,241
Total	\$ —	\$ 68,400	\$ —	\$ 68,400

Intangible assets acquired May 2021 and May 2022 (see Note 15) were measured at fair value on a nonrecurring basis. Fair value of the developed technology was estimated based upon Level 3 inputs using a relief from royalty method. Under the relief from royalty method, license royalty payments associated with the developed technology were estimated using a royalty rate, which represents a Level 3 input.

(15) Acquisitions

On May 12, 2022, the Company acquired certain assets and liabilities of Integration Wizards Solutions Private Limited (“iWizards India”) through a business transfer agreement. The purchase price was \$22,059, of which \$20,559 was paid in cash at closing and \$1,500 withheld until the 18-month anniversary of the closing date. As the acquisition of iWizards India and IWSE were consummated in contemplation with one another, the Company has accounted for the transactions as a single business combination.

On May 20, 2022, the Company acquired 60% of the issued share capital of Integration Wizards Solutions Europe Ltd (“IWSE”) from BridgeTheGlobe Limited. The purchase price was \$3,800, of which \$1,787 was paid in cash at closing, \$477 withheld until HM Revenue & Customs provides confirmation that no part of the consultancy fees should be subject to any withholding or deduction on account of income tax and/or national insurance contributions and \$1,536 withheld as contingent consideration. As of the acquisition date, the Company recognized \$1,536 as contingent consideration using the capped amount defined in the Share Purchase Agreement. Contingent consideration for the 60% of IWSE acquired in 2022, is defined as 2.4 times the sum of (i) the aggregate amount of revenue recorded under UK GAAP by IWSE through the sale or license of, or otherwise generated by, any Qualifying Product (ii) the aggregate amount of revenue recorded under UK GAAP by the specified entities during the Contingent Consideration Period and (iii) the aggregate amount of revenue recorded under UK GAAP by the specified entities under referred contracts with third parties. Contingent Consideration Period is defined as the 12-month period starting on June 1, 2022 and ending on May 31, 2023. The Company determined that the \$1,536 reflects the fair value of the contingent consideration at December 31, 2022. The remaining 40% of the issued shares of IWSE was owned by iWizards India but was acquired by the Company in 2024. The purchase price of the 40% is \$2,533 and has been accounted for as temporary equity by the Company.

On May 31, 2023, the Company accounted for the change in contingent consideration related to the 60% and 40% of the issued share capital of IWSE as a credit to operating income and net change in retained earnings, respectively.

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

The financial statements were not retrospectively adjusted for any measurement-period adjustments that occurred in subsequent periods. Rather, any adjustments to provisional amounts that were identified during the measurement period were recorded in the reporting period in which the adjustment was determined. During the year ended December 31, 2023, adjustments were recorded to reduce the fair values assigned to noncurrent assets and noncurrent liabilities and to increase the fair value assigned to goodwill.

The following table summarizes the consideration paid for the acquisitions mentioned above and the estimated fair value of the assets acquired and liabilities assumed at the acquisition date, which are adjusted for measurement-period adjustments through December 31, 2023.

	<u>2022</u>
Consideration:	
Cash	\$ 24,323
Contingent consideration	1,536
Fair value of non-controlling interest	2,533
Fair value of total consideration	<u>\$ 28,392</u>
Acquisition-related costs included in operating expenses	\$ 1,524
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	\$ 1
Current assets	1,087
Property and equipment	186
Noncurrent assets	501
Current liabilities	(238)
Noncurrent liabilities	(742)
Noncurrent deferred tax liabilities, net	(546)
Intangible assets	11,132
Total identifiable net assets assumed	11,381
Goodwill	17,011
Total	<u>\$ 28,392</u>

The acquired intangible assets, all of which are being amortized, have a weighted average useful life of approximately 5.17 years. The intangible assets include customer relationships of \$4,511 (2.50-year weighted average useful life) and developed technology of \$6,621 (7.00-year weighted average useful life).

Goodwill represents the excess of the purchase price over the fair value of the separately identifiable tangible and intangible assets acquired and liabilities assumed with these transactions. Goodwill from the May 12, 2022 and May 20, 2022 acquisitions are not deductible for federal income tax purposes. See Note 16 for goodwill allocation by reporting units.

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands, except share and per share amounts)

Pro Forma Revenue and Earnings (Unaudited)

The following table provides unaudited pro forma results of operations for the periods presented as if the transaction dates had occurred at the beginning of the year.

	2022
Revenue	\$ 34,730
Net loss	(76,414)

The pro forma information for the year ended December 31, 2022 combines the Company's consolidated results for each period with the acquired businesses' results for the period from January 1 through the respective transaction dates. The unaudited pro forma results exclude the recognition of non-recurring transaction and integration costs, as these costs are not expected to have a continuing impact on the combined company's results.

The pro forma information does not purport to represent what the combined company's results of operations or financial condition would have been had the respective transactions actually occurred on the date indicated.

(16) Goodwill and Other Intangible Assets

(a) Acquired Intangible Assets

	December 31, 2023			December 31, 2022		
	Gross	Accumulated amortization	Net	Gross	Accumulated amortization	Net
Intangible assets						
Customer relationships	\$ 4,692	\$ (3,234)	\$ 1,458	\$ 4,701	\$ (1,321)	\$ 3,380
Developed technology	13,273	(7,418)	5,855	16,995	(4,462)	12,533
Trademarks	500	(500)	—	500	(500)	—
Total intangible assets	<u>\$ 18,465</u>	<u>\$ (11,152)</u>	<u>\$ 7,313</u>	<u>\$ 22,196</u>	<u>\$ (6,283)</u>	<u>\$ 15,913</u>

Aggregate amortization expense for definite-lived intangible assets was \$4,881 and \$3,999 for the years ended December 31, 2023 and 2022, respectively. Estimated amortization expense is \$2,323 in 2024, \$1,411 in 2025, \$1,139 in 2026, \$1,139 in 2027, \$979 in 2028, and \$322 thereafter. As of December 31, 2023, the weighted average amortization period for customer relationships, developed technology, and trademarks was 2.53 years, 3.33 years, and 0.50 year, respectively.

SPARKCOGNITION, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

*(in thousands, except share and per share amounts)***(b) Goodwill**

Goodwill represents the excess purchase price over the estimated fair value of separately identifiable tangible and intangible assets and liabilities acquired in a business combination. Goodwill totaled \$45,950 and \$44,781 as of December 31, 2023 and 2022, respectively. Goodwill is tested for impairment annually on December 31. Based on the annual assessment, no impairment charge was recorded during the years ended December 31, 2023 or 2022.

The following table presents goodwill allocated to the Company's operating segments and changes in the carrying amount of goodwill as of the dates indicated.

	Commercial	Government	Total
Balances as of December 31, 2021	\$ 29,837	\$ —	\$ 29,837
Goodwill recognized during the period	15,653	—	15,653
Impact of foreign currency translation	(709)	—	(709)
Balances as of December 31, 2022	44,781	—	44,781
Goodwill recognized during the period	1,225	—	1,225
Impact of foreign currency translation	(56)	—	(56)
Balances as of December 31, 2023	<u>\$ 45,950</u>	<u>\$ —</u>	<u>\$ 45,950</u>

(17) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through June 14, 2024, the date at which the financial statements were available to be issued.

In January 2024, the Company's ownership in SkyGrid was reduced to 16.9% percent.

On January 2, 2024, the Company acquired the remaining 40% of the issued share capital of Integration Wizards Solutions Europe Ltd. See note 15.

On February 26, 2024, Amir Husain transitioned the role of Chief Executive Officer to Pervinder Johar. Mr. Husain continues to serve on the Board of Directors of the Company.

On June 7, 2024, the Company entered into a Note Purchase Agreement with several investors in order to receive additional investment into the Company for working capital purposes. Pursuant to the terms of the Note Purchase Agreement, the Company will be eligible to receive up to \$20,000 in new funds until June 30, 2024 in exchange for the issuance of convertible notes, which will be convertible into preferred stock upon a future qualified financing round at a discount to the original issue price in that round or be repaid with a 250% premium upon a sale of the Company. The convertible notes do not bear interest, and are subordinated to the Company's existing secured financing. As of June 14, 2024, the Company had received \$16,150 in new investment pursuant to the terms of the note purchase agreement.

On June 9, 2024, the Company received unanimous consent from the Board of Directors to pay off the existing term loan.



To whom it may concern:

SparkCognition, Inc is currently wrapping up the audit associated with our annual 5500 filling, and will submit this as soon as it is completed.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Wilson".

Tommie Wilson
Vice President - Controller