2020
Annual Report

Other Companies Do Software. We Do Support.™

Rimini Street

Dear Fellow Stockholders

A MESSAGE FROM SETH A. RAVIN
CO-FOUNDER, CHIEF EXECUTIVE OFFICER, AND CHAIRMAN

Execution and Growth Through the Pandemic

2020 was a difficult year for humankind, as we all managed through the constantly evolving challenges of a global pandemic that took an incalculable toll on our families, friends, and communities.

Rimini Street was there to help thousands of commercial and public sector organizations with operations across more than 100 countries successfully navigate the economic and business challenges of 2020. We also doubled down on our Rimini Street Foundation activities to provide desperately needed assistance to the global communities in which Rimini Street colleagues live and work.

The ability to utilize our unique, secure, remote-connectivity global infrastructure, with our more than 1,400 full-time employees operating in 20 countries and working nearly 100% from home offices for most of 2020, protected the safety of our people while allowing us to deliver uninterrupted, mission-critical 24x7x365 support services to our global clients.

In fact, during 2020, we improved our guaranteed response time for critical issues to an industry-leading 10 minutes, 24x7x365 for all clients at no additional cost; deployed new patent-pending Rimini Street Artificial Intelligence Support Applications that delivered a better client experience and reduced software issue resolution times by 23%; and we saw our client satisfaction ratings increase from an average 4.8 to 4.9 out of 5, where 5 is considered excellent.

Since inception, we have saved our clients more than $5 billion dollars in total maintenance costs.

Strong Fiscal Year 2020 Financial Results

For the fiscal year ended December 31, 2020, we executed well against our strategic growth plan to achieve $1 billion in annual revenue by 2026. We achieved records in revenue, active clients, billings, backlog, gross profit, and operating cash flow, and were GAAP-profitable, with a more than 90% revenue retention rate.

We generated revenue of $326.8 million, a year-over-year increase of 16.3% and well above guidance; achieved a gross margin of 61.4% also above guidance; realized cash flow from operations of $42.1 million, a 107% year-over-year increase; and generated net income of $13 million.

Through the end of fiscal 2020, we were serving 2,487 active clients, a year-over-year increase of 20.6%, and from inception through that date, we have provided service to more than 4,000 clients including 165 Fortune 500 and Fortune Global 100 companies.

Industry Disruption and Leadership

We founded Rimini Street in 2005 to disrupt and redefine the $88 billion enterprise software support market, addressing the software vendors' outdated support model by developing and delivering innovative, value-driven, award-winning enterprise software support products and services, primarily through an annualized subscription model.

Rimini Street is now also disrupting the $82 billion enterprise software application management services (AMS) market with our offerings for Oracle, SAP, and Salesforce products.

Our products and services enable clients to reduce their total IT operating costs; obtain more responsive, relevant, and comprehensive enterprise software support services; and take control of their own IT roadmap — all of which provides our clients with the additional resources for innovation that support competitive advantage and growth.

Looking Ahead

Moving into 2021 and looking beyond the pandemic, we are well positioned to service our growing global client base and offer new and existing clients a wider range of innovative, premium service solutions that meet their strategic, financial, and operational needs, while we progress toward our goal of $1 billion in annual revenue by 2026 with operating profit and adjusted EBITDA margins in excess of 20%.

I am grateful for the support of our Board and stockholders, the leadership of our management team, the passionate commitment and hard work of Rimini Street colleagues around the world, and the trust placed in us by our clients during these extraordinary times.

Thank you all for a successful 2020, and I wish everyone a safe 2021.

Sincerely Yours,

Seth A. Ravin
April 2021

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☑ **Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Fiscal Year Ended December 31, 2020

☐ **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition Period from to

Commission File Number 001-37397

Rimini Street, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**36-4880301**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3993 Howard Hughes Parkway, Suite 500, Las Vegas, NV	**89169**
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code:	702 839-9671

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

Title of each class:	Trading Symbol(s)	Name of each exchange on which registered:
Common Stock, par value $0.0001 per share	**RMNI**	**The Nasdaq Global Market**
Public Units, each consisting of one share of Common Stock, $0.0001 par value, and one-half of one Warrant	**RMNIU**	**OTC Pink Current Information Marketplace**
Warrants, exercisable for one share of Common Stock, $0.0001 par value	**RMNIW**	**OTC Pink Current Information Marketplace**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☑

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

Large accelerated filer ☐	Accelerated filer ☑
	Smaller reporting company ☑
Non-accelerated filer ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of June 30, 2020, the last business day of the second fiscal quarter, the aggregate market value of the Registrant’s voting stock held by non-affiliates, was approximately $115,575,000 based on the last reported sales price of $5.15 as quoted on the Nasdaq Capital Market on such date.

The registrant had approximately 76,910,000 shares of its $0.0001 par value Common Stock outstanding as of March 1, 2021.

Documents incorporated by reference

The Registrant’s definitive Proxy Statement for the 2021 Annual Meeting of Stockholders (the “2021 Proxy Statement”) is incorporated by reference in Part III of this Form 10-K to the extent stated herein. The 2021 Proxy Statement, or an amendment to this Form 10-K, will be filed with the SEC within 120 days after December 31, 2020. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as a part hereof.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Report") includes forward-looking statements. All statements other than statements of historical facts contained in this Report, including statements regarding our future results of operations and financial position, business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "will," "would" and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements include, but are not limited to, information concerning:

- the duration of and economic, operational and financial impacts on our business of the COVID-19 pandemic, as well as the actions taken by us, governmental authorities, clients or others in response to the COVID-19 pandemic;
- the evolution of the enterprise software management and support landscape facing our clients and prospects;
- our ability to educate the market regarding the advantages of our enterprise software management and support services and products;
- estimates of our total addressable market;
- projections of client savings;
- the occurrence of catastrophic events that may disrupt our business or that of our current and prospective clients;
- our ability to maintain an adequate rate of revenue growth;
- our expectations about future financial, operating and cash flow results;
- the sufficiency of future cash and cash equivalents to meet our liquidity requirements;
- our business plan and our ability to effectively manage our growth and associated investments;
- beliefs and objectives for future operations;
- our ability to expand our leadership position in independent enterprise software support and sell our new application managed services;
- our ability to attract and retain clients;
- our ability to further penetrate our existing client base;
- our ability to maintain our competitive technological advantages against new entrants in our industry;
- our ability to timely and effectively scale and adapt our existing technology;
- our ability to innovate new products and bring them to market in a timely manner, including our recently announced application management services offerings;
- our ability to maintain, protect, and enhance our brand and intellectual property;
- our ability to capitalize on changing market conditions including a market shift to hybrid and cloud/SaaS offerings for information technology environments and retirement of certain software releases by software vendors;
- our ability to develop strategic partnerships;
- benefits associated with the use of our services;
- our ability to expand internationally;
- our ability to raise equity or debt financing in the future;
- the effects of increased competition in our market and our ability to compete effectively;
- our intentions with respect to our pricing model;
- cost of revenues, including changes in costs associated with production, manufacturing, and client support;
- operating expenses, including changes in sales and marketing, and general administrative expenses;
- anticipated income tax rates;
- our ability to maintain our good standing with the United States and international governments and secure new contracts;
- costs associated with defending intellectual property infringement and other claims, such as those claims discussed under the section titled "*Business—Legal Proceedings*";
- our expectations with respect to such litigation;
- our expectations concerning relationships with third parties, including channel partners and logistics providers;
- economic and industry trends or trend analysis;
- the attraction and retention of qualified employees and key personnel;

- future acquisitions of or investments in complementary companies, products, subscriptions or technologies;
- uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmarks;
- the effects of seasonal trends on our results of operations, including the contract renewal cycles for vendor-supplied software support services; and
- other risks and uncertainties, including those discussed under "Risk Factors" in Part I, Item 1A of this Report.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the section titled "*Risk Factors*." Moreover, we operate in a very competitive and rapidly changing market. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. The forward-looking statements in this Report are made as of the date of the filing, and except as required by law, we disclaim and do not undertake any obligation to update or revise publicly any forward-looking statements in this Report. You should read this Report and the documents that we reference in this Report and have filed with the SEC as exhibits to the registration statement of which this Report is a part with the understanding that our actual future results, levels of activity and performance, as well as other events and circumstances, may be materially different from what we expect.

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PART I

Item 1. – Business

Business Combination

Rimini Street, Inc. (“RSI”) was incorporated in the state of Nevada in September 2005. RSI provides enterprise software support services.

In May 2017, RSI entered into an Agreement and Plan of Merger (the “Merger Agreement”) with GP Investments Acquisition Corp. (“GPIA”), a publicly-held special purpose acquisition company (“SPAC”) incorporated in the Cayman Islands and formed for the purpose of effecting a business combination with one or more businesses. Substantially all of GPIA’s assets consisted of cash and cash equivalents. The Merger Agreement was approved by the respective shareholders of RSI and GPIA in October 2017, and closing occurred on October 10, 2017, resulting in (i) the merger of a wholly-owned subsidiary of GPIA with and into RSI, with RSI as the surviving corporation, after which (ii) RSI merged with and into GPIA, with GPIA as the surviving corporation. Prior to consummation of the mergers, GPIA domesticated as a Delaware corporation (the “Delaware Domestication”). Immediately after the Delaware Domestication and the consummation of the second merger, GPIA was renamed “Rimini Street, Inc.” (referred to herein as the Company, as distinguished from RSI with the same legal name). Since RSI is the predecessor of the Company for accounting and financial reporting purposes, the Company’s consolidated financial statements include the accounts and activities of RSI before the mergers, and those of the Company after the mergers, except where the context indicates otherwise.

After completion of the Delaware Domestication and upon consummation of the mergers, RSI appointed seven of the nine members of the Board of Directors of the Company, and the former shareholders of RSI obtained an 83% controlling interest in the outstanding shares of the Company’s Common Stock. Due to the change of control and the composition of GPIA’s assets, the mergers were accounted for as a reverse recapitalization whereby RSI is considered to be the predecessor and the acquirer for accounting and financial reporting purposes, and GPIA is the legal acquirer. The exchange ratio for the mergers resulted in the issuance of approximately 0.2394 shares of the Company’s Common Stock for each previously outstanding share of RSI capital stock (the “Exchange Ratio”) on October 10, 2017. In accounting for the reverse recapitalization, the net monetary assets received by the Company as a result of the merger with GPIA were treated as an equity infusion on the closing date.

Business Overview

Rimini Street, Inc. is a global provider of enterprise software support products and services, and the leading independent software support provider for Oracle and SAP products, based on both the number of active clients supported and recognition by industry analyst firms. We founded our company to disrupt and redefine the enterprise software support market by developing and delivering innovative new products and services that fill a then unmet need in the market. We believe we have achieved our leadership position in independent enterprise software support by recruiting and hiring experienced, skilled and proven staff; delivering outcomes-based, value-driven and award-winning enterprise software support products and services; seeking to provide an exceptional client-service, satisfaction and success experience; enabling clients to follow a business-driven roadmap aligned with their business objectives that better supports competitive advantage and growth; and continuously innovating our unique products and services by leveraging our proprietary knowledge, tools, technology and processes.

In November 2019, we announced the global availability of our Application Management Services (“AMS”) for Oracle, which includes coverage for Oracle Database, Middleware and a wide range of Oracle applications including E-Business Suite, JD Edwards, PeopleSoft and Siebel. In addition to leveraging our support services for Oracle that replaces expensive and less robust software vendor annual support with a more responsive and comprehensive support offering, our clients can now have us manage their Oracle systems day-to-day with an integrated application management and support service provided by a single trusted vendor. As an integrated service, we believe we can provide clients a better model, better people, and better outcomes with higher satisfaction and significant savings of time, labor and money. The AMS for Oracle includes system administration, operational support, health monitoring and enhancement support.

In August 2019, we announced plans to globally offer AMS for SAP enterprise software, expanding the scope of support services we will offer clients globally. This AMS service is in addition to our traditional enterprise Support Services. We are already providing this new SAP AMS service to clients in North and South America. The service includes system administration and SAP Basis support, system health monitoring with proactive analysis, preventative system recommendations and event detection; and enhancement support for complex SAP software landscapes.

In 2018, we announced plans to support Software as a Service ("SaaS") solutions beginning with Salesforce products. As a partner of Salesforce, we provide our award-winning service and support for custom code, release updates and application integrations in addition to ongoing administrative, configuration and enhancement of Salesforce's industry leading cloud solutions.

Enterprise software support products and services is one of the largest categories of overall global information technology ("IT") spending. We believe core enterprise resource planning ("ERP"), customer relationship management ("CRM"), product lifecycle management ("PLM") and technology software platforms have become increasingly important in the operation of mission-critical business processes over the last 30 years, and also that the costs associated with failure, downtime, security exposure and maintaining the tax, legal and regulatory compliance of these core software systems have also increased. As a result, we believe that licensees often view software support as a mandatory cost of doing business, resulting in recurring and highly profitable revenue streams for enterprise software vendors. For example, for fiscal year 2020, SAP reported that support revenue represented approximately 42% of its total revenue and, for fiscal year 2020, Oracle reported a margin of 85% for cloud services and license support.

We believe that software vendor support is an increasingly costly model that has not evolved to offer licensees the responsiveness, quality, breadth of capabilities or value needed to meet the needs of licensees. Organizations are under increasing pressure to reduce their IT costs while also delivering improved business performance through the adoption and integration of emerging technologies, such as mobile, virtualization, internet of things ("IoT") and cloud computing. Today, however, the majority of IT budget is spent operating and maintaining existing infrastructure and systems, in part as a result of software vendor policies and support models that are designed to benefit the vendor and force organizations to follow a vendor-dictated roadmap. As a result, we believe organizations are increasingly seeking ways to create competitive advantage and growth by redirecting budgets from expensive maintenance programs and costs to new technology investments that provide greater strategic value. Our software products and services help clients achieve these objectives by reducing the total cost of support.

As of December 31, 2020, we employed approximately 1,420 professionals and supported over 2,480 active clients globally, including 75 Fortune 500 companies and 17 Fortune Global 100 companies, across a broad range of industries. We define an active client as a distinct entity, such as a company, an educational or government institution, or a business unit of a company that purchases our services to support a specific product. For example, we count as two separate active client instances in circumstances where we provide support for two different products to the same entity. We market and sell our services globally, primarily through our direct sales force, and currently have wholly-owned subsidiaries in Australia, Brazil, UAE (Dubai), France, Germany, Hong Kong, India, Israel, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Poland, Singapore, Sweden, Taiwan, Canada, the United Kingdom and the United States. We believe our primary competitors are the enterprise software vendors whose products we service and support, including IBM, Microsoft, Oracle and SAP.

Our subscription-based revenue provides a strong foundation for, and visibility into, future period results. We generated revenue of $326.8 million, $281.1 million and $253.5 million for the years ended December 31, 2020, 2019 and 2018, respectively, representing a year-over-year increase of 16% and 11% for 2020 and 2019, respectively. We have a history of losses, and as of December 31, 2020, we had an accumulated deficit of $301.7 million. We had net income of $13.0 million and $17.5 million for the years ended December 31, 2020 and 2019, respectively and a net loss of $64.0 million for the year ended December 31, 2018. We generated approximately 59%, 64% and 65% of our revenue in the United States and

approximately 41%, 36% and 35% of our revenue from our international business for the years ended December 31, 2020, 2019 and 2018, respectively.

Our Industry

We believe most enterprise software vendors license the rights for customers to use their software. In a traditional licensing model, the customer typically procures a perpetual software license and pays for the license in a single upfront fee ("perpetual license"), and base software support services can be optionally procured from the software vendor for an annual fee that averages 22% of the total cost of the software license. In a subscription-based licensing model, such as software as a service, or SaaS, the customer generally pays as it goes for usage of the software on a monthly or annual basis ("subscription license"). Under a subscription license, the product license and a base level of software support are generally bundled together as a single purchase, and the base level of software support is not procured separately nor is it an optional purchase.

In our experience, the base level of software support provided by enterprise software vendors for both perpetual licenses and subscription licenses has traditionally been delivered through call centers and generally includes the right to receive and use product support services, software bug fixes, and functional, technical, tax, legal and regulatory updates. In both licensing models, software support also generally includes the right to receive and use new releases of the licensed products, if and when made available. Base software support provided by enterprise software vendors for both models generally excludes other important, commonly needed enterprise services, such as support for interoperability, security, software performance, how-to questions, add-ons and customizations. Some enterprise software vendors do not include major new releases in the base support services, and instead, they charge additional license fees for such releases.

We believe enterprise software vendors have historically been the primary providers of software support services for their products, enabling such vendors to dictate which products and releases are supported and for how long, the scope of support services offered, service levels, terms and pricing. We believe the lack of credible competitors of any scale left software licensees with little choice but to agree to the software vendors' terms of service, or risk potential tax, legal and regulatory non-compliance or failures of critical systems that require knowledge and skill sets beyond a licensee's own abilities to resolve. Some software vendor support customers may be required to perform expensive and disruptive upgrades to newer product releases - even if they find no business value in doing so - just to remain eligible to receive full support.

Today, we believe many organizations are defining business-driven roadmaps that better enable competitive advantage and growth by combining different software under perpetual licenses and subscription licenses into an integrated business platform that is deployed across their own systems and cloud providers, commonly referred to as hybrid IT environments. For these organizations, the cost of operating and supporting their hybrid IT environments consumes too many financial and labor resources and prevents the strategic investment that is needed to compete effectively, grow revenue and improve margins.

For all these reasons and others, we believe the software products and services historically offered by software vendors, such as IBM, Microsoft, Oracle and SAP, do not meet the full and evolving needs of their customers and are too expensive. The product, service and cost gaps have created a significant market opportunity for our competitive software support products and services to meet the underserved needs of enterprise software licensees at a value-driven price point.

Our Solution

Our subscription-based software support products and services offer enterprise software licensees a choice of solutions that replace or supplement the support products and services offered by enterprise software vendors for their products. Features, service levels, service breadth, technology and pricing differentiate our software products and services from our competitors. We believe clients utilize our software products and services to achieve substantial cost savings; receive more responsive and comprehensive support; obtain support for their customized software that is not generally covered under the enterprise software vendor's service offerings; enhance their software functionality, capabilities, and data usage; and protect their systems and extend the life of their existing software releases and products. Our products and services seek to enable our clients to keep their mission-critical systems operating smoothly and to remain in tax, legal and regulatory compliance; improve productivity;

and better allocate limited budgets, labor and other resources to investments that provide competitive advantage and support growth.

The following table summarizes and compares our base software support features to what management believes in its experience are the typical features of enterprise software vendors:

Base Software Support Feature	Rimini Street	Typical Enterprise Software Vendor
Significant Annual Cost Savings Compared to the Software Vendor	•	
Guaranteed 10 Minutes Response 24x7 For High Priority Issues	•	
Named Primary Support Engineer for Each Client	•	
Issue Resolution and Software Bug Fixes	•	•
Support for Application Customizations	•	
Operational, Installation, Configuration and Upgrade Support	•	•
Migration Support	•	
Performance, Interoperability and Integration Support	•	
Security Support (RSI only Security Advisory Services)	•	•
Localization Support	•	
New Features, Functions and Technical Releases	•	•
Tax, Legal and Regulatory Updates	•	•

Our current software support products and service offerings cover a broad range of enterprise software vendors, product families and product lines. In the future, we intend to expand our support to new vendors and products to meet the growing and diverse needs of our clients. The table below sets out the vendors and products we currently support:

Supported Vendor and Product Family	Supported Product Lines
IBM DB2 Database	All
Microsoft SQL Server Database	All
Oracle Siebel	All
Oracle PeopleSoft	HCM, FIN, CRM, EPM, SRM, SCM, Public Sector, and Campus Solutions
Oracle J.D. Edwards	HCM, Financials, Distribution and Manufacturing (World and EnterpriseOne)
Oracle E-Business Suite	All
Oracle Retail	Retek Merchandising Operations Management (MOM), Merchandise Planning & Optimization, Supply Chain Planning and Execution
Oracle Database	All
Oracle Fusion Middleware	All
Oracle Hyperion	Hyperion Planning, Essbase, Financial Management, Financial Close Management, Strategic Finance and Financial Management Analytics
Salesforce	Salesforce Sales Cloud and Salesforce Service Cloud
SAP Business Suite	R/3, ECC
SAP S/4HANA	All
SAP HANA Database	All
SAP Sybase Databases	SAP ASE, SAP Advantage Server, SAP IQ, SAP SQL Anywhere
SAP Business Objects	Business Objects Enterprise, Advanced Analysis, Interactive Analysis (Web Intelligence), Explorer, Dashboard Design (Xcelsius) and Crystal Reports
Oracle Agile	All
Oracle ATG Web Commerce	Campaign Optimizer, Outreach, MDEX Engine 6.5, Oracle Commerce Guided Search (Endeca Search) and Experience Manager

When we provide base software support for a perpetual license, we generally offer our clients service for a fee that is equal to approximately 50% of the annual fees charged by the software vendor for their base support. When providing supplemental software support for a perpetual license, where the client procures our support service in addition to retaining the software vendor's base support, we generally offer our clients service for a fee that is equal to approximately 25% of the annual fees charged by the software vendor for their base support. For support services relating to a subscription license, we generally offer our clients support and managed services for a fee based on the scope of the deployment and desired outcomes. We also offer a special support service, Rimini Street Extra Secure Support, available to clients that require a more rigorous level of security background checks for engineers accessing the client's system than our standard employment security background check process. Rimini Street Extra Secure Support is an additional fee added to our base or supplemental support fee and is priced at approximately 1% of the software vendor's annual fees for base maintenance for perpetual licenses and at approximately 2% of the subscription fees for subscription licenses. Subscriptions for additional software products and services are available, designed to meet specific client needs and provide exceptional value for the fees charged.

Since our inception over 15 years ago, we have invested significant resources developing our proprietary knowledge, software tools and processes to meet the growing needs of our clients. During the year ended December 31, 2020, we have delivered approximately 89,000 tax, legal and regulatory updates to our global client base. We believe that we offer the most comprehensive scope of tax, legal and regulatory research from a single vendor, including collecting and analyzing information from more than 4,200 government sites, close to 3,500 information sources and over 26,000 localities for over 100 countries. We utilize a certified triple-scope verification process that involves multiple third-parties such as premier subject matter experts including industry associations as well as accounting, consulting and law firms. Our capabilities are enabled by our proprietary data capture, management and analysis tool and ISO 9001:2015 based management system processes that we believe provide us with a significant competitive advantage.

Sales and Marketing

We sell our solutions through our global direct sales organization. We organize our sales force by geographic region with sales teams currently covering North America, Latin America, Europe, Africa, the Middle East, Asia and Asia-Pacific. We organize our sales and marketing professionals into territory-specific teams in order to align sales and marketing towards common sales goals. A typical sales cycle with a prospective client begins with the generation of a sales lead through trade shows, industry events, online marketing, outbound calling or other means of referral. The sales cycle continues with an assessment of the prospective client's support contract renewal date, sales presentations and, in many cases, client reference calls. Our sales cycle can vary substantially from client to client, but typically requires six to twelve months. Enterprise software customers typically need to renew their contracts on an annual basis so there is already budget for our services, and that budget is usually larger than our fees since most of our prospective clients are enterprise software vendor customers paying higher annual fees for their current support services.

We attempt to commence discussions with prospective clients far enough in advance of that prospective client's current support service end date to provide enough time to complete the sale and to perform certain transition tasks. In certain situations, we will engage with a prospective client over multiple renewal cycles. In addition to new client sales, we have a dedicated sales team focused on renewals of existing clients.

We generate customer leads, accelerate sales opportunities and build brand awareness through our marketing programs. Our marketing programs target chief information officers, other IT executives, senior business leaders and procurement specialists, focusing on the unique benefits of our offerings. Additionally, our marketing programs serve to create further market awareness of the benefits of independent enterprise software support. As a result of our efforts in educating organizations on the alternatives to vendor support, we believe we are recognized as a thought leader in this market.

Our marketing programs include the following:

- use of our website to provide application and company information, as well as learning opportunities for potential customers;
- business development representatives who respond to incoming leads to convert them into new sales opportunities;
- participation in, and sponsorship of, field marketing events including user conferences, trade shows and industry events;
- online marketing activities including email campaigns, online advertising and webinars;
- public relations; and
- thought leadership through marketing to industry analysts, webinars, speaking engagements and sponsored research.

Competitive Strengths

We believe that we have a number of competitive advantages that will enable us to strengthen our position as the leading independent provider of enterprise software support. Our key competitive strengths include:

Unique enterprise software support model, products and services

Our enterprise software support model, products and services differentiate us from traditional enterprise software vendors. We built our company from the ground up to disrupt the 30-year old traditional enterprise software vendor support model. We are focused on delivering unique, highly responsive and award-winning enterprise software support solutions. We believe our innovative support products and services, offered at a value-driven price point, provide a significant return on investment for our clients that cannot be achieved by use of traditional enterprise software vendor offerings. Our highly qualified engineers have an average of over 15 years of relevant industry experience, which provides us with a competitive advantage and is a key element of our proven track record of providing exceptional client service.

Scalable business model

We have developed proprietary knowledge, software tools and processes in the design, development and delivery of our enterprise software support services. We have also designed an innovative support model that organizes our support engineers into modular, scalable teams. We believe our client support model enables us to quickly and cost-effectively scale to meet growing global demand in our existing product lines. We have become proficient at applying our support methodologies and approach to new product lines, enabling us to rapidly and efficiently support additional enterprise software products in the future. Additionally, we have received ISO certifications for our support services, which we believe helps ensure our clients consistently receive high quality, responsive service as our client base continues to grow.

Large global client base

As of December 31, 2020, we supported over 2,480 active clients globally, including 75 Fortune 500 companies and 17 Fortune Global 100 companies. We also believe that our proven ability to deliver value to an extensive list of clients across a broad range of industries validates our business model and provides us with important references to prospective clients.

Comprehensive support services

We offer clients a comprehensive suite of independent support offerings in terms of features and capabilities; global breadth; vendor products and releases supported; and tax, legal and regulatory updates. We believe our continued investment in our software support products and services will expand our scope of services to the benefit of our clients.

Clear leadership position

We are the global leader of independent enterprise software support services for Oracle and SAP products, based on both number of active clients and recognition by industry analyst firms. We believe we have substantial thought leadership in

our market through our extensive marketing efforts and promotion of the independent enterprise software support model, including participation in key industry conferences, publishing white papers and hosting webinars. We believe that our position as the market leader enables us to bring new services to market more quickly, attract and retain high quality personnel, and acquire new clients.

Highly experienced management team

Our senior management team has over 150 years of combined experience in the enterprise software and services industry with companies such as Accenture, Agile, EDS, JD Edwards, Oracle, PeopleSoft, Saba, and SAP and with a significant amount of time and experience focused on building, managing and delivering support products and services. We believe our senior management team's significant relevant industry experience positions us to continue to extend our market leadership.

Client-centric culture

We believe that our culture is a key element of our success and one of our core values. We recruit employees who share a passion for delivering exceptional service to our clients and continuously measure, recognize and reward employees for achieving exemplary client satisfaction. We further believe that our culture has enabled us to attract and retain high quality, experienced and skilled professionals. Over the years, we have earned exceptional customer satisfaction ratings and have won numerous Stevie Awards for customer service.

Our Growth Strategy

We possess deep expertise in enterprise software products, services and support and intend to leverage our leadership position to further penetrate our current markets and expand our support product and service capabilities into new markets. The key elements of our growth strategy include:

Add new clients

We believe that the market for independent enterprise software support products and services is large, growing and underserved. We expect significant growth opportunities in our market as organizations increasingly look to achieve more value from their technology budgets. We are continuing to make significant investments in sales and marketing and will continue our strong focus on acquiring new clients.

Continue global expansion

For the year ended December 31, 2020, we generated approximately 41% of our revenue outside of the United States. We believe that there is a large opportunity to grow our global business by increasing our direct sales force and by selective utilization of strategic marketing and sales partnerships around the world. We attribute revenue to individual countries based on the location of the contracting entity. No foreign country comprised more than 10% of revenue for the three-year period ended December 31, 2020.

Expand the portfolio of supported vendors and products

Since our inception over 15 years ago, we have developed enterprise support services for five software vendors and 21 software product families. We believe there is a significant market opportunity to offer support for additional product lines, and we intend to extend our support service offerings to additional enterprise software products.

Capitalize on the shift to hybrid IT

We believe organizations are increasingly creating IT environments that are a mixture of perpetual license and subscription license software solutions deployed across the client's system and cloud computing providers (hybrid IT environments), and traditional enterprise software vendors cannot effectively support these environments because of complex integrations, customizations and other unique challenges. Further, we believe a hybrid IT strategy enables organizations to reliably and cost-effectively run their business on an existing, stable core ERP application, while at the same time enabling them to more quickly adopt new innovative applications and services, including cloud, mobile and analytics. Multi-application, multi-environment solutions create a unique growth opportunity for independent support providers like Rimini Street.

Further penetrate our existing client base

We intend to increase adoption of our services among our existing clients by selling additional support contracts for other software products within their organizations. As of December 31, 2020, approximately 62% of our over 1,310 unique clients have selected us to provide support for more than one product line, and we believe there is additional opportunity for growth with our existing client base. Our client-centric focus in combination with the critical nature of our services, enables us to maintain close working relationships with primary decision makers, which we believe helps us identify and capitalize on additional growth opportunities, including products, business divisions and geographies, within our existing client base.

Expand Application Management Services global offering

Application Management Services (“AMS”) for SAP and Oracle enterprise software was launched during the second half of 2019 and integrates our ultra-responsive traditional Support Services with clients day-to-day AMS needs. Application Management is comprised of system administration, operational support, health monitoring and enhancement support. As an integrated service, we believe we can provide clients a better model, better people, and better outcomes with higher satisfaction and significant savings of time, labor and money. In addition, as a Salesforce partner, we offer premium support for their Salesforce Sales Cloud and Salesforce Service Cloud products.

Launch new enterprise software support solutions

We intend to develop and bring to market new software products and services that help our clients with various business and support functions. For example, we announced Rimini Street Advanced Database Security in 2018, a new subscription product that, enhanced with technology from McAfee, a global leader in cybersecurity, protects databases from known vulnerabilities by monitoring and analyzing database communications traffic and allowing faster blocking of attempted attacks using advanced virtual patching technology. We are also bringing innovative mobile and analytic applications, in concert with key technology partners, to extend the value of a client’s IT investment and leverage a client’s existing, stable core ERP software.

Client Service Delivery

Client Support Delivery

Our Client Support Delivery operation is staffed globally and provides product support services to our clients 24 hours a day, seven days a week. A key element of our support delivery model is the assignment of one or more named Primary Support Engineers (“PSEs”), who serve as the primary product support contact for our clients. PSEs provide technical advice, functional expertise and general support to ensure the resolution of all support issues. Our PSEs are focused exclusively on supporting our clients and have on average over 15 years of experience and significant real-world understanding of client implementations and deployments. For the year ended December 31, 2020, we delivered an average support call response time of less than five minutes for a PSE to engage with a client to address high priority issues, which is significantly shorter than the 10-minute guaranteed response time that is standard in our client support agreements.

Each PSE works as part of our global network of engineers, and provides deep expertise for a vendor, product family and product line. Support engineers across the company are able to leverage their collective knowledge and experience to meet the complex support needs of our clients.

Product Delivery

The Product Delivery team manages the scoping, development, testing and delivery of all client deliverables and internally developed applications, tools and technologies. The primary client deliverables are grouped into the following categories:

Global tax, legal and regulatory updates

We provide our clients with the proactive updates they need to maintain compliance with changing tax, payroll, accounting, fixed-asset and related rates, regulations and standards. In addition, we also create and update documentation that supports our tax, legal and regulatory updates.

New client synchronization

When a client switches to our support, they may not be up to date with the latest tax, legal and regulatory updates made available by the enterprise software vendor. As part of the client onboarding process, our Product Delivery team assesses the compliance level of each client deployment and creates initial updates as needed for clients to ensure full adherence to current tax, legal and regulatory standards in their jurisdictions of operation and to streamline the process for future updates.

We believe the quality and scope of our Product Delivery processes and deliverables surpass those of traditional enterprise software vendors. For example, we maintain updates for tax, legal, and regulatory changes for over 100 countries on a continuous basis by employing a rigorous software development lifecycle that complies with ISO 9001:2015 standards to ensure that required and identified tax, legal, and regulatory changes are delivered in an accurate and timely manner that based on management’s experience and analysis, we believe is typically earlier than traditional enterprise software vendors. Our Product Delivery organization is scalable and has the capability to deploy its solutions for additional countries based on the needs of our clients. For the year ended December 31, 2020, we have delivered over 89,000 tax, legal and regulatory updates to clients with quality and accuracy.

Product Delivery professionals serve in a variety of roles which include business, functional and technical analysts as well as software development, testing, quality assurance and delivery professionals. Scoping professionals and business analysts utilize proprietary methodologies to search for updates across all supported jurisdictions and provide support for all product groups. Technical and software development professionals are product-focused and have relevant domain expertise. Testing and delivery professionals are responsible for implementation of any changes and support all product groups. Engineers support all aspects of analysis, development and testing for the Product Delivery team. This flexible model has enabled us to identify best practices and solutions for the multiple product lines we service. Additionally, we utilize internally developed proprietary tools, technologies and processes to efficiently research and deliver quality and timely tax, legal and regulatory updates.

Client Engagement

Account managers in our Client Engagement organization serve as a single point of contact for all non-product support related client issues. The Client Engagement organization works closely with our Support, Product Delivery and Sales organizations to provide an exceptional client experience with superior client satisfaction and success, with the ultimate goal of retention, renewal and expansion of our client contracts. The Client Engagement team oversees the following client management processes:

Onboarding

When a client switches to our support products and services, an account manager oversees the onboarding process, which is a set of interwoven processes that new clients undertake to facilitate a successful migration to our support model.

During this time, we help clients smoothly transition their support while we gain an in-depth understanding of a client's business needs, IT infrastructure, IT strategies and objectives.

Account Management

Following the onboarding period, account managers coordinate our resources and capabilities to provide personalized support to each client. When issues arise, account managers escalate them within our organization as appropriate to help ensure client satisfaction. Account managers are also tasked with establishing and maintaining executive relationships and promoting usage of our extensive services within each client's organization.

Account Retention

Account managers play an integral role in client retention by helping to ensure our clients are realizing the full value of our service offering and working with our Renewal Sales team on the renewal and extension of client contracts.

Clients

As of December 31, 2020, we supported over 2,480 active clients globally, including 75 Fortune 500 companies and 17 Fortune Global 100 companies across a broad range of industries. We define an active client as a distinct entity, such as a company, an educational or government institution, or a business unit of a company that purchases our services to support a specific product. For example, we count as two separate active client instances in circumstances where we provide support for two different products to the same entity. We define a unique client as a distinct entity, such as a company, an educational or government institution or subsidiary, division or business unit of a company that purchases one or more of our products or services. For example, we count as two separate unique clients when two separate subsidiaries, divisions or business units of an entity purchase our products or services.

Employees and Human Capital Strategy

We have built our culture centered on our dedication to provide our clients with an exceptional service experience. Our employees focus on providing exceptional service to our clients, and we strive to foster an environment that enables and encourages them in this pursuit. To this end, we view all employees as partners and are committed to providing an exciting, participatory and team-oriented work environment. This commitment starts with our Core Values:

- People – Treat everyone with respect and communicate clearly, openly, and honestly.
- Integrity – Act with integrity in all we do.
- Accountability – Uphold our commitments.
- Client-centric – Consider client interests in every decision.
- Innovation – Drive continuous improvement, evolution, and disruption of status quo in everything we do.
- Trustworthy – Earn trust through consistent, reliable, and high-quality execution.
- Profitability – Strive for long-term, sustained profitability that benefits all stakeholders.
- Community – Give back to the communities in which we work, live, and serve clients.
- Fun – Take time to celebrate our successes together as a team.

As a key aspect of our success, we believe our culture enables us to recruit and retain high quality talent. In addition, we strive to offer compensation, bonus and benefit programs appropriate for proven top-performing professionals. To ensure alignment with our short- and long-term objectives, our compensation programs for all employees include base pay, short-term incentives, and opportunities for long-term incentives. Furthermore, we believe our remote delivery model provides an attractive employment option for our highly experienced PSEs compared to consulting roles that can require significant travel.

We are committed to creating a diverse and inclusive environment and are proud to be an Equal Employment Opportunity Employer. All qualified applicants will receive consideration for employment without regard to age, race, color, religion, national origin, sexual orientation, gender or gender identity, disability and protected veterans' status or any other characteristic protected by law.

Specifically, in 2020, in response to the COVID-19 pandemic, we provided special compensation bonuses for lower-paid employees and special compensation bonuses for the few of our employees who tested positive for COVID-19. Please refer to Part II, Item 7 of this report "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Impact of COVID-19*" for additional information on this topic.

Finally, through the Rimini Street Foundation, which is privately funded by the Company, we encourage our employees to support humankind and share our company's success by investing back into the communities we serve through in-kind donations, employee time and Company financial support.

As of December 31, 2020, we employed approximately over 1,420 professionals globally. We also engage temporary employees and consultants as needed. None of our U.S. based employees are covered by collective bargaining agreements. Certain of our non-U.S. based employees are members of unions, works councils, trade associations or are otherwise subject to collective bargaining agreements in particular jurisdictions, as required by local labor laws. We have not experienced any work stoppages, and we consider our relations with our employees to be very good.

Technology Infrastructure and Operations

We have IT infrastructure and staff globally. Our operations support our client offerings, compliance requirements and future global expansion. To connect to systems owned, leased or otherwise controlled by our clients, we utilize site-to-site tunnels and virtual private networks with secure firewall administration underpinned with a high level of global network reliability, security and performance.

We maintain a formal and comprehensive security program designed to ensure the security and integrity of client data, protect against security threats or data breaches, and prevent unauthorized access to the data of our customers. We have achieved worldwide ISO 27001:2013 information security certification for our security processes. We strictly regulate and limit all access to our offices, have deployed advanced security software and hardware, and utilize advanced security measures.

Compliance and Certifications

ISO certifications are part of our commitment to developing and executing best-in-class processes to ensure our clients consistently receive exceptional service. We have achieved and maintain ISO 9001 and ISO 27001 certifications.

In 2010, we achieved ISO 9001 Quality Management System certification for "Third-party provider of enterprise software support services specifically on-boarding of client and client environments". In 2011, we expanded our certification for "Provision of third-party enterprise software support services specifically on-boarding of client, building of client environments, worldwide tax and regulatory research and delivery of tax and regulatory updates". In 2012, we expanded our certification for "Global provision of enterprise software support services, including client onboarding; client account management; product support for vendor delivered and client customized code; fix development and delivery; and research, development and delivery of worldwide tax, legal and regulatory updates". The certification process verifies that detailed processes for relevant business areas are reviewed, continuously monitored and improved to ensure services and deliverables are consistently delivered with excellence. During 2018, the ISO standard was upgraded. Our current ISO 9001:2015 certification was issued in December 2019 and is valid until December 2022. During this certification cycle, annual surveillance audits are conducted to validate ongoing compliance to the requirements.

In 2013, we achieved worldwide ISO 27001 information security certification for our support services. ISO 27001 is a security standard covering "The information security management system that supports the global provisioning of third-party software maintenance services". Independent assessments of our conformity to the ISO 27001 standard includes evaluating security risks, designing and implementing comprehensive security controls and adopting an information security management process to meet security needs on an ongoing basis. Our current ISO 27001:2013 certification was issued in July 2019 and is valid until April 2022. During this certification cycle, annual surveillance audits are conducted to validate ongoing compliance to the requirements.

Competition

We compete in the market for enterprise software support products and services. This market has been dominated by the enterprise software vendors themselves as the primary support providers for their own products. We believe the competitive service market with new independent competitors is still relatively undeveloped and maturing. As a result, we believe our primary competition today comes from the enterprise software vendors who license the products we service, such as IBM, Microsoft, Oracle and SAP. We expect that continued growth in our market could lead to significantly increased competition resulting from new entrants. In the meantime, our success will depend to a substantial extent on the willingness of companies to engage an independent service vendor such as us to provide software maintenance and support services for their enterprise software.

We believe the principal competitive factors in our market include the following:

- track record of technical capability to provide the required software support;
- ability to identify, develop and deliver required tax, legal and regulatory updates;
- infrastructure model to deliver support globally within guaranteed service levels;
- track record of providing a high level of client satisfaction;
- ease of support model onboarding, deployment and usage;
- breadth and depth of support functionality, including the ability to support customized software;
- cost of products and services;
- brand awareness and reputation;
- capability for delivering services in a secure, scalable and reliable manner;
- ability to innovate and respond to client needs rapidly; and
- size of referenceable client base.

We believe we compete favorably with our competitors on the basis of these factors. Our support model allows us to gain an in-depth understanding of a given client's unique software environment, enabling rapid and accurate responses to the client's support requests. We provide our clients with comprehensive software support capabilities, including full support for add-ons and custom code as part of our services, something that, based on management's experience and belief, enterprise software vendors typically do not provide with their standard support offering. We also offer our clients a substantial discount to the fees they would otherwise pay their enterprise software vendor for their support services and enable them to avoid or defer undesired, costly upgrades. By eliminating unnecessary upgrades, additional resources to support customizations and providing savings on support fees, based on management's experience, belief and estimates, our clients can save up to approximately 1.5 times their traditional vendor base support fees per year when using our base support services over a 10-year period. We have also invested significant resources developing our unique service methodologies and a data capture and management process to deliver comprehensive tax, legal and regulatory updates tailored for each client.

However, we believe some of our actual and potential competitors have advantages over us, such as longer operating histories, significantly greater financial, technical, marketing or other resources, greater name recognition and deeper customer relationships. Additionally, many software licensees are reluctant to engage a smaller independent company such as us to provide software maintenance and support services for their enterprise application software, choosing instead to continue relying on support services provided by their enterprise software vendor.

We expect competition and competitive pressure, both from new and existing competitors, to increase in the future.

Intellectual Property

We rely on federal, state, common law and international rights, as well as contractual restrictions, to protect our intellectual property consisting of a combination of trade secrets, copyrights, trademarks, service marks, domain names and patented technology. We control access to our proprietary technology by entering into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with third parties, such as service providers, vendors, individuals and entities that may be exploring a business relationship with us.

On December 17, 2019, the United States Patent and Trademark Office granted Rimini Street its first patent, U.S. Patent No. 10,509,639 for the invention "Automatic Software-Update Framework". On August 18, 2020, the United States Patent and Trademark Office granted Rimini Street its second patent, U.S. Patent No. 10,749,926 for the invention "Proxy for Modifying HTTP Messages to Comply with Browser". We currently have four patent applications pending in the United States.

We own federal trademark registrations for the Rimini Street trademark in the United States, which registration will expire in March 2030 unless renewed. In addition, we have the Engineered for Support trademark in the United States, which registration will expire in September 2022 unless renewed. We also own trademark registrations for Rimini Street in Canada, the European Union, China, Japan, India, Australia and certain other countries. Such registered trademarks will expire unless renewed at various times in the future. We have also applied for registration of Rimini Street as a trademark in certain other countries.

Policing unauthorized use of our processes and software tools and intellectual property rights is difficult. As of December 31, 2020, we are not aware of any breaches of our intellectual property rights.

Information about our Executive Officers.

The following table sets forth the names, ages and positions of our executive officers as of March 3, 2021:

Name	Age	Position
Executive Officers		
Seth A. Ravin	54	Chief Executive Officer and Chairman of the Board of Directors
Gerard Brossard	56	Chief Operating Officer
Sebastian Grady	57	President
Nancy Lyskawa	58	Executive Vice President, Global Client Onboarding
Kevin Maddock	55	Executive Vice President and Chief Recurring Revenue Officer
Stanley Mbugua	50	Group Vice President and Chief Accounting Officer
Michael L. Perica	49	Executive Vice President and Chief Financial Officer
David Rowe	55	Executive Vice President and Chief Marketing Officer
Steven Salaets	43	Chief Information Officer, Chief People Officer & Executive Vice President, Global Security, Facilities, Quality and Internal Audit
Brian Slepko	57	Executive Vice President, Global Service Delivery
Daniel B. Winslow	62	Executive Vice President, Chief Legal Officer and Secretary

Seth A. Ravin founded our company and has served as our Chief Executive Officer and Chairman of the Board since September 2005 and also served as our President from September 2005 to January 2011. Mr. Ravin has served as a member of our board of directors since September 2005. Prior to joining us, Mr. Ravin served in various executive roles at TomorrowNow, Inc. from May 2002 to April 2005, most recently as President and a board director. TomorrowNow, Inc. was a supplier of software maintenance and support services for Oracle's PeopleSoft and J.D. Edwards applications, and was acquired in January 2005 as a wholly-owned subsidiary of SAP America, Inc. From April 2000 to March 2001, Mr. Ravin served as Vice President of Inside Sales for Saba Software, Inc., a provider of e-Learning and human resource management software. From April 1996 to April 2000, Mr. Ravin served in various management roles at PeopleSoft, Inc. (acquired by Oracle), most recently as a Vice

President of the Customer Sales Division. Mr. Ravin holds a Bachelor of Science in Business Administration from the University of Southern California.

Gerard Brossard has served as our Chief Operating Officer since March 2021. Previously, he served as our Executive Vice President and Chief Operating Officer since joining the Company in June 2020. He sits on the business advisory council of Illuminate Ventures and participates on multiple strategic advisory boards of enterprise SaaS start-ups. Prior to joining us, in addition to his strategic advisory board service, which began in 2013, from August 2017 until September 2019, Mr. Brossard served in multiple capacities at Rackspace, most recently as its EVP and GM of Global Solutions and Services where he was responsible for all products, solutions and services. From April 2015 until March 2017, he served as EVP and Managing Director, Enterprise and Mid-Market at Earthlink. Earlier in his career, Mr. Brossard spent 24 years with Hewlett-Packard where he held various executive positions in France and the US. Mr. Brossard holds a Bachelor of Science in Mathematics and Physics from Externat Sainte Marie de Lyon, France, and a Masters in Computer Science from Universite Claude Bernard in Lyon, France.

Sebastian Grady has served as our President since January 2011. Prior to joining us, Mr. Grady served as President and Chief Operating Officer at Altus Corporation, a provider of video search and management software for sales enablement, from March 2005 to January 2011. From October 2000 to October 2001, he served as President and Chief Operating Officer of Saba Software, Inc. From March 1993 to October 2000, Mr. Grady served in various executive roles with PeopleSoft, Inc. (acquired by Oracle Corporation), most recently as Vice President and General Manager of the Customer Sales Division from March 1997 to October 2000. From February 1987 to March 1993, Mr. Grady served in various roles with Accenture (formerly Andersen Consulting). Mr. Grady holds a Bachelor of Science degree in Computer Science from Rensselaer Polytechnic Institute.

Nancy Lyskawa has served as our Executive Vice President, Global Client Onboarding since March 2020. Previously she served as our Senior Vice President, Global Client Onboarding since joining the Company in September 2009. Prior to joining us, Ms. Lyskawa was with Oracle Corporation, a computer technology company, from December 2004 to September 2009, where she served in various executive roles, most recently as Vice President, Support Services and Marketing, from August 2005 to September 2009. From March 1994 to December 2004, she served as head of Global Services Marketing for PeopleSoft, Inc. (acquired by Oracle Corporation). From May 1986 to March 1994, Ms. Lyskawa served in various roles with Electronic Data Systems Corporation (acquired by Hewlett-Packard Company). Ms. Lyskawa is a Certified Management Accountant (CMA). Ms. Lyskawa holds a Bachelor of Business Administration in Accounting and Finance from the University of North Dakota and a Masters Certificate in Marketing from the Cox School of Business at Southern Methodist University.

Kevin Maddock has served as our Executive Vice President and Chief Recurring Revenue Officer since March 2021. Previously, he served as our Executive Vice President, Global Sales - Recurring Revenue from March 2020 until March 2021, our Senior Vice President, Global Sales - Recurring Revenue from January 2018 to March 2020 and our Senior Vice President, Global Sales from December 2008 to January 2018. Prior to joining us, Mr. Maddock served as Executive Vice President of Worldwide Inside Sales and Operations for ServiceSource, a recurring revenue management company, from October 2004 to March 2008. From May 1998 to September 2004, Mr. Maddock served as Vice President of Worldwide Support Service Sales at PeopleSoft, Inc. (acquired by Oracle). From September 1995 to May 1998, Mr. Maddock served in multiple roles at KPMG Consulting. From August 1987 to April 1993, Mr. Maddock served in various roles at Accenture (formerly Andersen Consulting). Mr. Maddock holds a Bachelor of Business Administration in Finance with Honors from the University of Notre Dame and a Masters of Business Administration from the Anderson School of Management at UCLA.

Stanley Mbugua has served as our Group Vice President and Chief Accounting Officer since November 2019, prior to which, he was our Vice President and Corporate Controller since he joined the company on September 25, 2017. Prior to joining us, from March 2015 through September 2017, he served as Senior Director & Corporate Controller of Lattice Semiconductor Corporation (Nasdaq: LSCC, previously, Silicon Image, Inc.). He began working at Silicon Image, Inc. in August 2011 and held various positions, including Senior Director & Corporate Controller, Director of Accounting, Assistant Controller and Revenue Manager, until Silicon Image, Inc. was acquired by Lattice Semiconductor Corporation in March 2015, at which time he was appointed to be Senior Director and Corporate Controller of the combined company. Earlier in his career,

Mr. Mbugua worked at both PricewaterhouseCoopers and BDO on audit and consulting engagements for both privately held and publicly-traded companies. Mr. Mbugua holds a Bachelor of Accounting Degree from the University of Nairobi and is an active Certified Public Accountant.

Michael L. Perica has served as our Executive Vice President and Chief Financial Officer since October 2020. Prior to joining us, Mr. Perica served as Vice President Finance and Chief Financial Officer of the $1.2 billion Energy Systems Global business unit at Enersys (NYSE: ENS), a global leader in stored energy solutions. Mr. Perica joined Enersys in December 2018 as the result of Enersys' acquisition of Alpha Technologies, where he led the sell-side process as Alpha Technologies' Chief Financial Officer. Prior to his appointment as Chief Financial Officer in August 2015, he served as Alpha Technologies Vice President, International Finance and Operations since November 2013. Prior to his tenure at Alpha Technologies, Perica served as the Chief Financial Officer of Channell Commercial Corporation and spent 12 years as a sell-side analyst on Wall Street where he worked in senior publishing analyst positions at various investment banks. Mr. Perica holds a Bachelor of Business Administration degree in Accounting from Central Michigan University and a Master of Business Administration degree from the University of Southern California, Marshall School of Business.

David Rowe has served as our Executive Vice President and Chief Marketing Officer since March 2020. Previously, he served as our Senior Vice President and Chief Marketing Officer from April 2012 to March 2020 and our Senior Vice President of Global Marketing and Alliances from December 2008 to April 2012 and our Vice President Marketing and Alliances from September 2006 to December 2008. Prior to joining us, Mr. Rowe served as Vice President of Product Management and Marketing at Perfect Commerce, Inc., an eProcurement company, from November 2004 to June 2006. From May 1995 to June 1999, Mr. Rowe held various positions with PeopleSoft, Inc. (acquired by Oracle Corporation), most recently serving as Director, Product Strategy. From July 1988 to April 1995, Mr. Rowe served in various roles at Accenture (formerly Andersen Consulting). Mr. Rowe holds a Bachelor of Science degree in Engineering from Harvey Mudd College.

Steven Salaets joined our company in 2009 and has served as our Chief Information Officer, Chief People Officer & Executive Vice President, Global Security, Facilities, Quality and Internal Audit since July 2020. Previously, he served as our Chief Information Officer and Executive Vice President, Global Security, Internal Audit and Quality from March 2020 until July 2020, our Chief Information Officer & Senior Vice President, Global Security, Quality and Internal Audit from December 2019 until March 2020 and our Senior Vice President, Global Security & Compliance and Chief Information Officer from August 2018 to December 2019. Prior to that, he served as our Group Vice President, Information Technology & Global Security, Compliance and Internal Audit (December 2016 to July 2018) and our Group Vice President, Global Human Resources and Global Security, Risk and Compliance (September 2013 to November 2016). Prior to September 2013, he held multiple other senior and director-level roles within our company focused on global security, risk and compliance. Prior to joining our company Mr. Salaets held management-level positions with Moody's KMV and Wind River. He holds a Bachelor of Science degree in Computer Science from Groep-T in Leuven, Belgium.

Brian Slepko has served as our Executive Vice President, Global Service Delivery, since March 2020. Previously, he served as our Senior Vice President, Global Service Delivery since joining us in 2008 and served as a member of our board of directors from October 2006 to July 2007. Prior to joining us, Mr. Slepko was with Oracle Corporation, which he joined as part of Oracle's acquisition of Agile Software, Inc., an enterprise software solutions company. From July 2005 to June 2007, Mr. Slepko served as Vice President of Global Maintenance Revenue and Sales Operations at Agile Software. From March 2003 to February 2005, Mr. Slepko served as a Director of Sales Operations for Ocular Sciences, Inc. From August 1995 to May 2001, Mr. Slepko served in a variety of roles with PeopleSoft, Inc. (acquired by Oracle Corporation), most recently serving as Director, Sales Operations. From January 1990 to August 1995, Mr. Slepko held various roles with Accenture (formerly Andersen Consulting). Mr. Slepko holds a Bachelor of Business Administration in Management and Management Information Systems from the University of Oklahoma and a Masters of Business Administration from Loyola University of Chicago.

Daniel B. Winslow joined our company in September 2013 and has served as our Executive Vice President, Chief Legal Officer and Secretary since March 2020. Previously, he served as our Senior Vice President, Chief Legal Officer and Secretary from January 2019 to March 2020 and our Senior Vice President and General Counsel (September 2013 to February 2019) and our Senior Vice President, General Counsel and Secretary (February 2019 to December 2019). Prior to joining us, Mr. Winslow was a member of the Massachusetts House of Representatives from January 2011 to September 2013. Mr. Winslow served as Of Counsel at the law firm of Duane Morris LLP from June 2013 to September 2013. He served as Senior Counsel at the law firm of Proskauer Rose LLP from May 2010 to March 2013 and as a partner at Duane Morris LLP from January 2005 to May 2010. From January 2002 to December 2004, he was Chief Legal Counsel to then-Massachusetts Governor Mitt Romney and was previously a presiding justice and appellate division justice in the Massachusetts Trial Court. Mr. Winslow holds a Bachelor of Arts degree in Political Science from Tufts University and a Juris Doctorate from Boston College Law School.

Available Information

We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports, as well as our other SEC filings, available on our website, free of charge, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our website address is *www.riministreet.com*. The information contained on our website is not incorporated by reference in this document.

Item 1A. – Risk Factors

Factors that could cause our actual results to differ materially from those in this Report are any of the risks described in this Item 1.A. Any of these factors could result in a significant or material adverse effect on our business, financial condition, results of operations and cash flows. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. In addition, risk factors relating to economic uncertainties, downturns in the general economy or the industries in which our clients operate should be interpreted as heightened risks as a result of the COVID-19 pandemic.

Our business operations are subject to a number of risk factors that may adversely affect our business, financial condition, results of operations or cash flows. If any significant adverse developments resulting from these risk factors should occur, the trading price of our securities could decline, and moreover, investors in our securities could lose all or part of their investment in our securities.

You should consider these risks, You should refer to the explanation of the qualifications and limitations on forward-looking statements under the heading "Special Note Regarding Cautionary Note About Forward-Looking Statements" and the risks described elsewhere in this Annual Report on Form 10-K set forth in Part I, Item 2 of this Report. All forward-looking statements made by us are qualified by the risk factors described below. We may update these risk factors in our future periodic reports.

Risk Factors Summary

The following is a summary of some of the risks and uncertainties that could materially adversely affect our business, financial condition and results of operations. You should read this summary together with the more detailed description of each risk factor. Additional discussion of the risks summarized in this Risk Factors Summary, and other risks that we face, can be found below under the heading "Risk Factors" and should be carefully considered, together with other information in this Form 10-K and our other filings with the SEC, before making an investment in our securities.

Risks Related to Our Business, Operations and Industry

Risks Related to Litigation

- We are involved in litigation with Oracle. An adverse outcome in the litigation could result in the payment of substantial damages and/or an injunction against certain of our business practices.
- The Oracle software products that are part of our litigation represent a significant portion of our revenue.
- Oracle has a history of litigation against companies offering alternative support programs for Oracle products

- We received a federal grand jury inquiry in March 2018. If such inquiry leads to legal proceedings, we would incur legal costs and may potentially suffer an adverse outcome.

Other Risks Related to Our Business, Operations and Industry

- The duration of and impacts on our business of the COVID-19 pandemic, as well as the responsive actions taken by governments or clients may have a material adverse effect on our business.
- The market for independent software support services is relatively undeveloped and may not grow.
- We have had a history of losses and may not achieve or sustain profitability in the future.
- If we are unable to attract new clients or retain and sell additional products or services to existing clients, our revenue growth will be adversely affected.
- If our retention rates decrease our future revenue and results of operations may be harmed.
- We face significant competition.
- Our past growth is not indicative of future growth, and we may not be able to manage our growth effectively.
- Our failure to generate significant capital or raise additional capital necessary to fund our operations and invest in new services and products could reduce our ability to compete and could harm our business.
- Our business may suffer if it is alleged or determined that our technology infringes others' intellectual property rights.
- The loss of one or more key employees could harm our business.
- The failure to attract and retain additional qualified personnel could prevent us from executing our business strategy.
- Because we recognize revenue from subscriptions over the term of the relevant contract, downturns or upturns in sales are not immediately reflected in full in our results of operations.
- Failure to effectively develop and expand our marketing and sales capabilities could harm our ability to increase our client base and achieve broader market acceptance of our products and services.
- Interruptions to or degraded performance of our service could result in client dissatisfaction, damage to our reputation, loss of clients, limited growth and reduction in revenue.
- We may experience fluctuations in our results of operations due to a number of factors, which makes our future results difficult to predict and could cause our results of operations to fall below expectations or our guidance.
- Our future liquidity and results of operations may be adversely affected by the timing of new orders, the level of client renewals and cash receipts from clients.
- We may be subject to additional obligations to collect and remit sales tax and other taxes, and we may be subject to tax liability, interest and/or penalties for past sales, which could adversely harm our business.
- We may need to change our pricing models to compete successfully.
- If we are not able to scale our business quickly and grow efficiently, our results of operations could be harmed.
- We have experienced significant growth resulting in changes to our organization and structure, which if not effectively managed, could have a negative impact on our business.
- Our business will be susceptible to risks associated with global operations.
- If we fail to forecast our revenue accurately, or if we fail to match our expenditures with corresponding revenue, our results of operations and liquidity could be adversely affected.
- Consolidation in our target sales markets is continuing at a rapid pace, which could harm our business.
- If there is a widespread shift by clients or potential clients to enterprise software vendors, products and releases for which we do not provide software products or services, our business would be adversely impacted.
- Delayed or unsuccessful investment in new technology, products, services and markets may harm our financial condition and results of operations.
- If our data security measures are compromised, our services may be perceived as not being secure, clients may curtail or cease their use of our services, our reputation may be harmed, and we may incur significant liabilities.
- If our products and services fail due to defects or similar problems, we could lose clients, become subject to service performance or warranty claims or incur significant costs.

- If we take advantage of certain exemptions from reporting and disclosure requirements available to smaller reporting companies that are also accelerated filers, this could make our common stock less attractive to investors.
- If we are not able to maintain an effective system of internal control over financial reporting, investors could lose confidence in our financial reporting, which could harm our business and have an adverse effect on our stock price.
- Economic uncertainties or downturns in the general economy or the industries in which our clients operate could disproportionately affect the demand for our products and services and negatively impact our results of operations.
- Catastrophic events may disrupt our business.
- If we fail to enhance our brand, our ability to expand our client base will be impaired.
- If we fail to adequately protect our proprietary rights, our competitive position could be impaired and we may lose valuable assets, experience reduced revenue and incur costly litigation to protect our rights.
- We may not be able to use a portion of our net operating loss carryforwards, which could adversely affect profitability.
- We are a multinational organization, and we could be obligated to pay additional taxes in various jurisdictions.
- Future strategic transactions could be difficult to identify and integrate, divert the attention of management, disrupt our business, dilute stockholder value and adversely affect our financial condition and results of operations.
- Failure to comply with laws and regulations could harm our business.
- Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported results of operations.
- Reports published by analysts, including projections in those reports that differ from our actual results, could adversely affect the price and trading volume of our Common Stock.

Risks Related to Capitalization Matters and Corporate Governance

Risks Related to our Preferred Stock and Common Stock, Warrants and Units

- Our Series A Preferred Stock and Convertible Notes restrict our ability to incur certain indebtedness, and the Convertible Notes contain additional restrictions and obligations, which limit our flexibility in operating our business.
- The price of our Common Stock, warrants and units may be volatile.
- Our preferred stockholders and certain of our common stockholders can exercise significant control, which could limit your ability to influence the outcome of key transactions, including a change of control.
- Future resales of our Common Stock held by significant stockholders or of the shares of Common Stock issuable upon conversion of the Series A Preferred Stock may cause the market price of our Common Stock to drop significantly.
- Any issuance of Common Stock upon conversion of the Series A Preferred Stock and/or exercise of warrants will cause dilution to existing stockholders and may depress the market price of our Common Stock.
- We do not currently intend to pay dividends on our Common Stock.
- The DGCL and our organizational documents contain provisions that limit the ability of stockholders to take certain actions and could delay or discourage takeover attempts that stockholders may consider favorable.
- Our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, stockholders, employees or agents could be limited by our choice of forum in our bylaws.

Other Risks Related to our Series A Preferred Stock and Convertible Notes

- Our Series A Preferred Stock and related Convertible Notes have rights, preferences and privileges that are not held by, and are preferential to, the rights of our common stockholders, which could adversely affect our liquidity and financial condition, and may result in the interests of their holders differing from those of our common stockholders.
- Our ability to pay Cash Dividends on the Series A Preferred Stock may be limited or we may not have sufficient cash to pay our redemption obligations due upon the occurrence of a redemption event.
- There is no market for the Series A Preferred Stock or Convertible Notes and their value will be directly affected by the market price of our Common Stock, which may be volatile.

Risks Related to Our Business, Operations and Industry

<u>Risks Related to Litigation</u>

We and our Chief Executive Officer are involved in litigation with Oracle. An adverse outcome in the ongoing litigation could result in the payment of substantial damages and/or an injunction against certain of our business practices, either of which could have a material adverse effect on our business and financial results.

In January 2010, certain subsidiaries of Oracle Corporation (together with its subsidiaries individually and collectively, "Oracle") filed a lawsuit, *Oracle USA, Inc. et al v. Rimini Street, Inc. et al* (United States District Court for the District of Nevada) ("District Court"), against us and our Chief Executive Officer, Seth Ravin, alleging that certain of our processes ("Process 1.0") violated Oracle's license agreements with its customers and that we committed acts of copyright infringement and violated other federal and state laws ("Rimini I"). The litigation involved our business processes and the manner in which we provided our services to our clients.

After completion of jury trial in 2015 and subsequent appeals, the final outcome of Rimini I was that Mr. Ravin was found not liable for any claims and we were found liable for only one claim: "innocent infringement," a jury finding that we did not know and had no reason to know that its former support processes were infringing. The jury also found that the infringement did not cause Oracle to suffer lost profits. We were ordered to pay a judgment of $124.4 million in 2016, which we promptly paid and then pursued appeals. With interest, attorneys' fees and costs, the total judgment paid by us to Oracle after the completion of all appeals was approximately $89.9 million. A portion of such judgment was paid by our insurance carriers (for additional information on this topic, see Note 10 of our consolidated financial statements included in Part II, Item 8 of this Annual Report).

The total judgment paid by us and our insurance carriers reflects a reduction of approximately $12.8 million that we had previously paid to Oracle (plus interest of $0.2 million), representing an award of non-taxable expenses to Oracle that was eventually overturned by unanimous decision of the U.S. Supreme Court in March 2019. As mandated by the U.S. Supreme Court, $13.0 million (the principal amount plus post-judgment interest) was refunded to us by Oracle in April 2019.

Following post-trial motions, the District Court entered a permanent injunction prohibiting us from using certain processes. In August 2019, the United States Court of Appeals for the Ninth Circuit Court of Appeals affirmed the permanent injunction issued by the District Court, while also correcting certain legal errors that narrowed the scope of the injunction. The injunction prohibits Rimini from using support processes that had been found in Rimini I to "innocently" infringe certain Oracle copyrights, which Rimini ceased using no later than July 31, 2014.

On July 10, 2020, Oracle filed a motion to show cause contending that we are in contempt of the injunction. We are opposing the motion. The matter is now fully briefed to the District Court, with no known timeline for a ruling. At this time, we do not have sufficient information regarding possible damages for the contempt asserted by Oracle. As a result, an estimate of the range of loss cannot be reasonably determined. Because we believe that we have complied with the injunction and that an award for damages and/or attorneys' fees is not probable, no accrual has been made as of December 31, 2020. If the District Court grants Oracle's motion to show cause, and if we are later found to be in contempt of the injunction, Oracle may seek equitable, punitive, and compensatory relief, the outcome of which may have a material adverse effect on our business and financial condition.

Oracle may file additional contempt motions against us at any time to attempt to enforce its interpretation of the injunction or if it has reason to believe we are not in compliance with express terms of the injunction. Such contempt proceedings or any judicial finding of contempt could result in a material adverse effect on our business and financial condition. In addition, the pendency of the injunction, alone, or Oracle's July 2020 contempt filing described above, could dissuade clients from purchasing or continuing to purchase our services. Further, certain outcomes, should they occur, may also trigger the mandatory redemption of our Series A Preferred Stock, with the redemption amounts automatically becoming payment obligation under our Convertible Notes with a concurrent cancellation of the outstanding shares of the Series A Preferred Stock.

If we are obligated to pay substantial civil assessments arising from any finding of contempt, this could reduce the amount of cash flows available to pay dividends due in respect of our Series A Preferred Stock or, if the shares are converted, the interest under the Convertible Notes. Holders of our Convertible Notes are entitled to accelerate repayment of the indebtedness under such notes if we default in our interest payment obligations. We cannot assure you that we will have sufficient assets which would allow us to repay such indebtedness in full at such time. In addition, we may not be able to obtain additional debt or equity financing, if required, to repay our obligations under the Convertible Notes. As a result, we could be forced into bankruptcy or liquidation.

In October 2014, we filed a separate lawsuit, *Rimini Street Inc. v. Oracle Int'l Corp.*, in the District Court against Oracle seeking a declaratory judgment that our support practices, in use since at least July 2014, do not infringe certain Oracle copyrights ("Rimini II"). Our operative complaint asserts declaratory judgment, tort, and statutory claims. Oracle's operative counterclaim asserts declaratory judgment and copyright infringement claims and Lanham Act, breach of contract, and business tort violations.

On September 15, 2020, the District Court issued an order resolving the parties' motions for summary judgment. It found infringement of 17 Oracle PeopleSoft copyrights for work we performed for a set of "gap customers" that were supported by processes litigated in Rimini I, and that became our customers after Rimini I was filed. The District Court also found infringement of four Oracle PeopleSoft copyrights involving support of two specific clients, described by the District Court as "limited cases" and involving "limited circumstance[s]." There was no finding of infringement on any other Oracle copyrights at issue.

We could be required to pay substantial damages for our current or past business activities and/or be enjoined from certain business practices. Any of these outcomes could result in a material adverse effect on our business and financial condition, and the pendency of the litigation alone could dissuade clients from purchasing or continuing to purchase our services. Further, these outcomes may also trigger the mandatory redemption of our Series A Preferred Stock, with the redemption amounts automatically becoming payment obligations under our Convertible Notes with a concurrent cancellation of the outstanding shares of the Series A Preferred Stock. If we are obligated to pay substantial damages to Oracle or are enjoined from certain business practices, this could reduce the amount of cash flows available to pay dividends due in respect of our Series A Preferred Stock or the indebtedness under the Convertible Notes. If we default in our payment obligations under the Convertible Notes and the indebtedness under the Convertible Notes were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full, and we could be forced into bankruptcy or liquidation.

Our business has been and may continue to be materially harmed by this litigation and Oracle's conduct. During the course of these cases, we anticipate there will be rulings by the District Court in Rimini II, the District Court in Rimini I, and possibly the Court of Appeals in both Rimini I and Rimini II in connection with hearings, motions, decisions, and other matters, as well as other interim developments related to the litigations. If securities analysts or investors regard these rulings as negative, the market price of our Common Stock may decline. If current or prospective clients regard these rulings as negative, it could negatively impact our new client sales or renewal sales.

While we plan to continue to vigorously litigate the pending matters in Rimini I and Rimini II, we are unable to predict the timing or outcome of these lawsuits. No assurance is or can be given that we will prevail on any appeal, contempt proceeding, claim, or counterclaim.

See the section titled "*Legal Proceedings*" in Part I, Item 1 and Note 8 of our consolidated financial statements included in Part I, Item 1 of this Report for more information related to this litigation.

The Oracle software products that are part of our ongoing litigation with Oracle represent a significant portion of our current revenue.

In Rimini II, Oracle has filed counterclaims relating to our support services for Oracle's PeopleSoft, J.D. Edwards, Siebel, E-Business Suite, and Database software products. For the year ended December 31, 2020, approximately 64% of our

revenue was derived from the support services that we provide for our clients using Oracle's PeopleSoft, J.D. Edwards, Siebel, E-Business Suite and Database software products. The percentage of revenue derived from services we provide for PeopleSoft software only was approximately 13% of our total revenue during this same period. Although we provide support services for additional Oracle product lines that are not subject to litigation and support services for software products provided by companies other than Oracle, our current revenue depends significantly on the product lines that are the subject of the Rimini II litigation. Should Oracle prevail on its claims in Rimini II or should a contempt action result in a finding that we are in violation of the injunction, we could be required to change the way we provide support services to some of our clients, which could result in the loss of clients and revenue, and may also give rise to claims for compensation from our clients, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our ongoing litigation with Oracle presents challenges for growing our business.

We have experienced challenges growing our business as a result of our ongoing litigation with Oracle. Many of our existing and prospective clients have expressed concerns regarding our ongoing litigation and, in some cases, have been subjected to various negative communications by Oracle in connection with the litigation. We have experienced in the past, and may continue to experience in the future, volatility and slowness in acquiring new clients, as well as clients not renewing their agreements with us, due to these challenges relating to our ongoing litigation with Oracle. Further, certain of our prospective and existing clients may be subject to additional negative communications from software vendors. We have taken steps to minimize disruptions to our existing and prospective clients regarding the litigation, but we continue to face challenges growing our business while the litigation remains ongoing. In certain cases, we have agreed to pay certain liquidated damages to our clients if we are no longer able to provide services to these clients, and/or reimburse our clients and our former lenders for their reasonable legal fees incurred in connection with any litigation-related subpoenas and depositions or to provide certain client indemnification or termination rights if any outcome of litigation results in our inability to continue providing any of the paid-for services. In addition, we believe the length of our sales cycle is longer than it otherwise would be due to prospective client diligence on possible effects of the Oracle litigation on our business. We cannot assure you that we will continue to overcome the challenges we face as a result of the litigation and continue to renew existing clients or secure new clients.

Additionally, the existence of this ongoing litigation and, specifically, Oracle's July 2020 contempt filing, could negatively impact the value of our equity securities, and could negatively impact our ability to raise additional equity or debt financing.

We are self-insured for any costs related to any current or future intellectual property litigation, although we maintain and have tendered our errors and omissions insurance coverage for the wrongful acts alleged in Oracle's contempt proceeding. However, our errors and omissions insurers may or may not provide defense or indemnification coverage for the contempt proceeding. While we currently believe our cash on hand, accounts receivable and contractually committed backlog provides us with liquidity to cover costs related to litigation with Oracle, we cannot assure our liquidity will be sufficient.

Oracle has a history of litigation against companies offering alternative support programs for Oracle products, and Oracle could pursue additional litigation with us.

Oracle has been active in litigating against companies that have offered competing maintenance and support services for their products. For example, in March 2007, Oracle filed a lawsuit against SAP and its wholly-owned subsidiary, TomorrowNow, Inc.. After a jury verdict awarding Oracle $1.3 billion, the parties stipulated to a final judgment of $306 million subject to appeal. After the appeal, the parties settled the case in November 2014 for $356.7 million. In February 2012, Oracle filed suit against ServiceKey, Inc. and settled the case in October 2013 after the District Court issued an injunction against ServiceKey and its CEO. Oracle also filed suit against CedarCrestone Corporation in September 2012 and settled the case in July 2013. TomorrowNow and CedarCrestone offered maintenance and support for Oracle software products, and Service Key offered maintenance and support for Oracle technology products. Given Oracle's history of litigation against companies offering alternative support programs for Oracle products, we can provide no assurance, regardless of the outcome of our current litigations with Oracle, that Oracle will not pursue additional litigation against us. Such additional litigation could be costly, distract our management team from running our business and reduce client interest and our sales revenue.

We received a federal grand jury inquiry in March 2018 directing delivery of certain documents relating to our operations. If such inquiry leads to legal proceedings against us or any of our employees or members of our Board of Directors, we would incur legal costs and may potentially suffer an adverse outcome negatively affecting our business and financial results.

In March 2018, we received a federal grand jury subpoena, issued from the United States District Court for the Northern District of California, requesting that we produce certain documents relating to specified support and related operational practices. We fully cooperated with this inquiry and the related document requests by April 15, 2019 and have received no further requests since that date. Accordingly, this will be the last update regarding this topic going forward unless and until any developments warrant subsequent disclosure. Any legal proceedings instituted involving us, if any, from such inquiry, regardless of merit or outcome, could have a negative impact on our future revenue, revenue growth, client acquisition and retention and ability to obtain new or alternative financing, would require us to incur additional legal costs, and if adversely determined, may ultimately result in the imposition of fines or other penalties. Any such resulting material costs and expenses or other penalties could have a material adverse effect on our financial condition and results of operations.

Other Risks Related to Our Business, Operations and Industry

The duration of and economic, operational and financial impacts on our business of the COVID-19 pandemic, as well as the actions taken by governmental authorities, clients or others in response to the COVID-19 pandemic may have a material adverse effect on our business, financial condition, results of operations, or cash flows.

In response to the uncertain and rapidly evolving situation relating to the COVID-19 pandemic, we have taken precautionary measures to protect the health and well-being of our employees, clients, and the communities in which we operate. We have established work-at-home arrangements for most of our employees, placed restrictions on non-essential business travel, transitioned to a no in-person event marketing strategy and implemented a fully remote sales model. We believe that many of our clients are doing and will continue to do the same. These precautionary measures could impact our clients' and potential clients' ability or willingness to participate in our sales, marketing and client success efforts, which could adversely affect our business, financial condition and results of operations. Further, there is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the global economy and consumer confidence. The COVID-19 pandemic could have a sustained adverse impact on economic and market conditions and trigger a period of global economic slowdown, which may delay prospective clients' decisions regarding engaging our services, impair the ability of our current clients to make timely payments to us, cause our current clients to ask for payment concessions or discounts, impact client renewal rates and adversely affect our revenue. If such conditions occur, we may be required to increase our reserves, allowances for doubtful accounts and write-offs of accounts receivable, and our results of operations would be harmed.

We are unable to accurately predict the ultimate impact of the COVID-19 pandemic due to various uncertainties, including the duration of the outbreak, the effectiveness of any vaccines developed to slow or stop the spread of the virus and actions that may be taken by governmental authorities to contain the virus. We closely monitor the impact of the COVID-19 pandemic, continually assessing its potential effects on our business. The extent to which our results are affected by COVID-19 will largely depend on future developments which cannot be accurately predicted and are uncertain, but the COVID-19 pandemic or the perception of its effects could have a material adverse effect on our business, financial condition, results of operations, or cash flows. Further, due to our subscription-based business model, the effect of the pandemic may not be fully reflected in our results of operations until future periods, and the global macroeconomic effects of the pandemic may persist for an indefinite period, even after the pandemic has subsided. Refer to Management's Discussion and Analysis of Financial Condition and Results of Operations - Impact of COVID-19 for additional information.

The market for independent software support services is relatively undeveloped and may not grow.

The market for independent enterprise software support services is still relatively undeveloped, has not yet achieved widespread acceptance and may not grow quickly or at all. Our success will depend to a substantial extent on the willingness of

companies to engage a third party such as us to provide software support services for their enterprise software. Many enterprise software licensees are still hesitant to use a third party to provide such support services, choosing instead to rely on support services provided by the enterprise software vendor. Other enterprise software licensees have invested substantial personnel, infrastructure and financial resources in their own organizations with respect to support of their licensed enterprise software products and may choose to self-support with their own internal resources instead of purchasing services from the enterprise software vendor or an independent provider such as ourselves. Companies may not engage us for other reasons, including concerns regarding our ongoing litigation with Oracle and governmental inquiry, the potential for future litigation, the potential negative effect our engagement could have on their relationships with their enterprise software vendor, or concerns that they could infringe third party intellectual property rights or breach one or more software license agreements if they engage us to provide support services. New concerns or considerations may also emerge in the future. Particularly because our market is relatively undeveloped, we must address our potential clients' concerns and explain the benefits of our approach to convince them of the value of our services. If companies are not sufficiently convinced that we can address their concerns and that the benefits of our services are compelling, then the market for our services may not develop as we anticipate, and our business will not grow.

We have had a history of losses and may not achieve or sustain profitability in the future.

While we had net income of $13.0 million for the year ended December 31, 2020, we had an accumulated deficit of $301.7 million as of December 31, 2020. We will need to generate and sustain increased revenue levels in future periods while managing our costs to become profitable, and, even if we do, we may not be able to maintain or increase our level of profitability. We intend to continue to expend significant funds to expand our sales and marketing operations, enhance our service offerings, expand into new markets, launch new product offerings and meet the increased compliance requirements associated with our operations as a public company. Our efforts to grow our business may be costlier than we expect, and we may not be able to increase our revenue enough to offset our higher operating expenses. We may incur significant losses in the future for a number of reasons, including, as a result of our ongoing litigation with Oracle, the potential for future litigation, impact of the COVID-19 pandemic, other risks described herein, unforeseen expenses, difficulties, complications and delays and other unknown events. If we are unable to achieve and sustain profitability, the market price of our securities may significantly decrease.

If we are unable to attract new clients or retain and/or sell additional products or services to our existing clients, our revenue growth will be adversely affected.

To increase our revenue, we must add new clients, encourage existing clients to renew or extend their agreements with us on terms favorable to us and sell additional products and services to existing clients. As competitors introduce lower-cost and/or differentiated services that are perceived to compete with ours, or as enterprise software vendors introduce competitive pricing or additional products and services or implement other strategies to compete with us, our ability to sell to new clients and renew agreements with existing clients based on pricing, service levels, technology and functionality could be impaired. As a result, we may be unable to renew or extend our agreements with existing clients or attract new clients or new business from existing clients on terms that would be favorable or comparable to prior periods, which could have an adverse effect on our revenue and growth. In addition, certain of our existing clients may choose to license a new or different version of enterprise software from an enterprise software vendor, and such clients' license agreements with the enterprise software vendor will typically include a minimum one-year mandatory maintenance and support services agreement. In such cases, it is unlikely that these clients would renew their maintenance and support services agreements with us, at least during the early term of the license agreement. In addition, such existing clients could move to another enterprise software vendor, product or release for which we do not offer any products or services.

If our retention rates decrease, or we do not accurately predict retention rates, our future revenue and results of operations may be harmed.

Our clients have no obligation to renew their product or service subscription agreements with us after the expiration of a non-cancelable agreement term. In addition, the majority of our multi-year, non-cancelable client agreements are not pre-paid other than the first year of the non-cancelable service period. We may not accurately predict retention rates for our clients. Our retention rates may decline or fluctuate as a result of a number of factors, including our clients' decision to license a new product or release from an enterprise software vendor, our clients' decision to move to another enterprise software vendor, product or release for which we do not offer products or services, the impact of the COVID-19 pandemic on our clients' businesses, client satisfaction with our products and services, the acquisition of our clients by other companies, and clients going out of business. If our clients do not renew their agreements for our products and services or if our clients decrease the amount they spend with us, our revenue will decline and our business will suffer.

We face significant competition from both enterprise software vendors and other companies offering independent enterprise software support services, as well as from software licensees that attempt to self-support, which may harm our ability to add new clients, retain existing clients and grow our business.

We face intense competition from enterprise software vendors, such as Oracle and SAP, who provide software support services for their own products. Enterprise software vendors have offered discounts to companies to whom we have marketed our services. In addition, our current and potential competitors and enterprise software vendors may develop and market new technologies that render our existing or future services less competitive or obsolete. Competition could significantly impede our ability to sell our services on terms favorable to us and we may need to decrease the prices for our services to remain competitive. If we are unable to maintain our current pricing due to competitive pressures, our margins will be reduced and our results of operations will be negatively affected.

There are also several smaller vendors in the independent enterprise software support services market with whom we compete with respect to certain of our services. We expect competition to continue to increase in the future, particularly if we prevail in Rimini II, which could harm our ability to increase sales, maintain or increase renewals and maintain our prices.

Our current and potential competitors may have significantly more financial, technical and other resources than we have, may be able to devote greater resources to the development, promotion, sale and support of their products and services, have more extensive customer bases and broader customer relationships than we have and may have longer operating histories and greater name recognition than we have. As a result, these competitors may be better able to respond quickly to new technologies and provide more robust support offerings. In addition, certain independent enterprise software support organizations may have or may develop more cooperative relationships with enterprise software vendors, which may allow them to compete more effectively over the long term. Enterprise software vendors may also offer support services at reduced or no additional cost to their customers. In addition, enterprise software vendors may take other actions in an attempt to maintain their support service business, including changing the terms of their customer agreements, the functionality of their products or services, or their pricing terms. For example, starting in the second quarter of 2017 Oracle has prohibited us from accessing its support websites to download software updates on behalf of our clients who are authorized to do so and permitted to authorize a third party to do so on their behalf. In addition, various support policies of Oracle and SAP may include clauses that could penalize customers that choose to use independent enterprise software support vendors or that, following a departure from the software vendor's support program, seek to return to the software vendor to purchase new licenses or services. To the extent any of our competitors have existing relationships with potential clients for enterprise software products and support services, those potential clients may be unwilling to purchase our services because of those existing relationships. If we are unable to compete with such companies, the demand for our services could be substantially impacted.

Our past growth is not indicative of our future growth, and if we grow rapidly, we may not be able to manage our growth effectively.

Our revenue grew from $76.1 million for the three months ended December 31, 2019 to $87.8 million for the three months ended December 31, 2020, representing a period over period increase of 15%. Our revenue grew from $68.1 million for the three months ended December 31, 2018 to $76.1 million for the three months ended December 31, 2019, representing a period over period increase of 12%. Prior to the first quarter of 2020, we had been experiencing a decline in period over period revenue growth. The period over period decline in our revenue growth rates was due in part to covenants of our former Credit Facility that restricted our spending on sales and marketing activity that resulted in sequential reductions in new business

activity during 2017 and the first half of 2018. An October 2017 amendment allowed us to increase our sales and marketing spending in the fourth quarter of 2017 and the first half of 2018. Due to the termination of the Credit Facility on July 19, 2018, we are no longer subject to restrictions related to our sales and marketing spending. However, even though we have increased our sales and marketing spending since the termination of the Credit Facility, it can take several quarters before these efforts translate to improved revenue growth rates. In addition, beginning in the second quarter of 2017 and continuing through 2018, some potential sales transactions were adversely affected by certain competitive actions that also impacted our revenue growth. You should not consider our past growth as indicative of our future performance. We believe growth of our revenue depends on a number of factors, including our ability to:

- price our products and services effectively so that we are able to attract new clients and retain existing clients without compromising our profitability;
- introduce our products and services to new geographic markets;
- introduce new enterprise software products and services supporting additional enterprise software vendors, products and releases;
- satisfactorily conclude the Oracle litigation and our governmental inquiry and any other litigation or governmental inquiry that may occur; and
- increase awareness of our company, products and services on a global basis.

We may not successfully accomplish all or any of these objectives. We plan to continue our investment in future growth. We expect to continue to expend substantial financial and other resources on, among others:

- sales and marketing efforts;
- training to optimize our opportunities to overcome litigation risk concerns of our clients;
- expanding in new geographical areas;
- growing our product and service offerings and related capabilities;
- adding additional product and service offerings; and
- general administration, including legal and accounting expenses related to being a public company.

In addition, our historical rapid growth has placed and may continue to place significant demands on our management and our operational and financial resources. Our organizational structure is becoming more complex as we add additional staff, and we will need to improve our operational, financial and management controls, as well as our reporting systems and procedures. We will require significant capital expenditures and the allocation of valuable management resources to grow and change in these areas without undermining our corporate culture of rapid innovation, teamwork and attention to client service that has been central to our growth.

Our failure to generate significant capital or raise additional capital necessary to fund and expand our operations and invest in new services and products could reduce our ability to compete and could harm our business.

We may need to raise additional capital beyond funds raised from our issuance and sale of Series A Preferred Stock and our August 2020 Offering if we cannot fund our growth sufficiently and capital optimization efforts through our operating cash flows. Should this occur, we may not be able to obtain debt or additional equity financing on favorable terms, if at all. We are also subject to certain restrictions for future financings as discussed in the risk factor *"Our Series A Preferred Stock and Convertible Notes restrict our ability to incur certain indebtedness, and the Convertible Notes contain additional restrictions and obligations that are currently effective or become effective upon certain events, which limit our flexibility in operating our business"*. If we raise additional equity financing our stockholders may experience significant dilution of their ownership interests and the value of our Common Stock could decline. If we engage in debt financings, the holders of the debt securities or lenders would have priority over the holders of our Common Stock. We may also be required to accept terms that further restrict our ability to incur additional indebtedness, take other actions that would otherwise not be in the best interests of our stockholders, or force us to maintain specified liquidity or other ratios, any of which could harm our business, results of operations and financial condition. If we cannot raise additional capital on acceptable terms, we may not be able to, among other things:

- maintain our operations;
- develop or enhance our products and services;
- continue to expand our sales and marketing functions;
- devote resources to research and development activities;
- acquire complementary technologies, products or businesses;
- expand operations, in the United States or globally;
- hire, train and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

Our failure to do any of these things could impact our ability to grow our revenue and seriously harm our business, financial condition and results of operations.

Our business may suffer if it is alleged or determined that our technology infringes the intellectual property rights of others.

The software industry is characterized by the existence of a large number of patents, copyrights, trademarks, trade secrets and other intellectual and proprietary rights. Companies in the software industry are often required to defend against claims and litigation alleging infringement or other violations of intellectual property rights. Many of our competitors and other industry participants have been issued patents and/or have filed patent applications and may assert patent or other intellectual property rights within the industry. From time to time, we may receive threatening letters or notices alleging infringement or may be the subject of claims that our services and underlying technology infringe or violate the intellectual property rights of others. Any allegation of infringement, whether innocent or intentional, can adversely impact marketing, sales and our reputation.

For example, as described further in the section titled "Risk Factors-Risks Related to Litigation" above, we are engaged in litigation with Oracle relating in part to copyright infringement claims. See the risk factor "*We and our Chief Executive Officer are involved in litigation with Oracle. An adverse outcome in the ongoing litigation could result in the payment of substantial damages and/or an injunction against certain of our business practices, either of which could have a material adverse effect on our business and financial results*" above for additional information regarding the Rimini I and Rimini II cases.

We rely on our management team and other key employees, including our Chief Executive Officer, and the loss of one or more key employees could harm our business.

Our success and future growth depend upon the continued services of our management team, including Seth Ravin, our Chief Executive Officer, and other key employees. Since 2008, Mr. Ravin has been under the regular care of a physician for kidney disease, which includes ongoing treatment. During this time, Mr. Ravin has continuously performed all of his duties as Chief Executive Officer of our company on a full-time basis. Although Mr. Ravin's condition has not had any impact on his performance in his role as Chief Executive Officer or on the overall management of the Company, we can provide no assurance that his condition will not affect his ability to perform the role of Chief Executive Officer in the future. In addition, from time to time, there may be changes in our management team resulting from the hiring or departure of executives, which could disrupt our business. We may terminate any employee at any time, with or without cause, and any employee may resign at any time, with or without cause. We do not maintain key man life insurance on any of our employees. The loss of one or more of our key employees could harm our business.

The failure to attract and retain additional qualified personnel could prevent us from executing our business strategy.

To execute our business strategy, we must attract and retain highly qualified personnel. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with

appropriate qualifications. In particular, we have experienced an extremely competitive hiring environment in the San Francisco Bay Area, where we have a significant amount of operations, but also face extremely competitive hiring environments across the United States and the other countries in which we operate. Further, our efforts to attract, develop, integrate and retain highly skilled employees with appropriate qualifications may be compounded by intensified restrictions on travel (including during the COVID-19 pandemic), immigration, or the availability of work visas. Many of the companies with which we compete for experienced personnel have greater resources than we do. In addition, in making employment decisions, job candidates often consider the value of the stock options or other equity incentives they are to receive in connection with their employment. If the price of our stock declines or experiences significant volatility, our ability to attract or retain qualified employees will be adversely affected. In addition, as we continue to expand into new geographic markets, there can be no assurance that we will be able to attract and retain the required management, sales, marketing and support services personnel to profitably grow our business. If we fail to attract new personnel or fail to retain and motivate our current personnel, our growth prospects could be severely harmed.

Because we recognize revenue from subscriptions over the term of the relevant contract, downturns or upturns in sales are not immediately reflected in full in our results of operations.

As a subscription-based business, we recognize revenue over the service period of our contracts. As a result, much of our reported revenue each quarter results from contracts entered into during previous quarters. Consequently, while a shortfall in demand for our products and services or a decline in new or renewed contracts in any one quarter may not significantly reduce our revenue for that quarter, it could negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in new sales, renewals or extensions of our service agreements will not be reflected in full in our results of operations until future periods. Our revenue recognition model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new clients must be recognized over the applicable service contract term.

Failure to effectively develop and expand our marketing and sales capabilities could harm our ability to increase our client base and achieve broader market acceptance of our products and services.

Our ability to increase our client base and achieve broader market acceptance of our products and services will depend to a significant extent on our ability to expand our marketing and sales operations. We plan to continue expanding our sales force globally. These efforts will require us to invest significant financial and other resources. Moreover, our sales personnel typically take an average of between nine to twelve months before any new sales personnel can operate at the capacity typically expected of experienced sales personnel. This ramp cycle, combined with our typical six- to twelve-month sales cycle for engaged prospects, means that we will not immediately recognize a return on this investment in our sales department. In addition, the cost to acquire clients is high due to the cost of these marketing and sales efforts. Our business may be materially harmed if our efforts do not generate a correspondingly significant increase in revenue. We may not achieve anticipated revenue growth from expanding our sales force if we are unable to hire, develop and retain talented sales personnel, if our new sales personnel are unable to achieve desired productivity levels in a reasonable period of time or if our sales and marketing programs are not effective.

Interruptions to or degraded performance of our service could result in client dissatisfaction, damage to our reputation, loss of clients, limited growth and reduction in revenue.

Our software support agreements with our clients generally guarantee a 10-minute response time with respect to certain high-priority issues. To the extent that we do not meet the 10-minute guarantee, our clients may in some instances be entitled to liquidated damages, service credits or refunds. To date, no such payments have been made.

We also deliver tax, legal and regulatory updates to our clients and generally have done so faster than our competitors. If there are inaccuracies in these updates, or if we are not able to deliver them on a timely basis to our clients, our reputation may be damaged, and we could face claims for compensation from our clients, lose clients, or both.

Any interruptions or delays in our service, whether as a result of third-party error, our own error, natural disasters or other catastrophic events, security breaches or a result of any other issues, whether accidental or willful, could harm our relationships with clients and cause our revenue to decrease and our expenses to increase. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. These factors, in turn, could further reduce our revenue, subject us to liability, cause us to pay liquidated damages, issue credits or cause clients not to renew their agreements with us, any of which could materially adversely affect our business.

We may experience fluctuations in our results of operations due to a number of factors, including the sales cycles for our products and services, which makes our future results difficult to predict and could cause our results of operations to fall below expectations or our guidance.

Our results of operations have fluctuated in the past and are expected to fluctuate in the future due to a variety of factors, many of which are outside of our control. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Historically, our sales cycle has been tied to the renewal dates for our clients' existing and prior vendor support agreements for the products that we support. Because our clients make support vendor selection decisions in conjunction with the renewal of their existing support agreements with Oracle and SAP, among other enterprise software vendors, we have experienced an increase in business activity during the periods in which those agreements are up for renewal. Because we have introduced and intend to continue to introduce products and services for additional software products that do not follow the same renewal timeline or pattern, our past results may not be indicative of our future performance, and comparing our results of operations on a period-to-period basis may not be meaningful. Also, if we are unable to engage a potential client before its renewal date for software support services in a particular year, it will likely be at least another year before we would have the opportunity to engage that potential client again, given that such potential client likely had to renew or extend its existing support agreement for at least an additional year's worth of service with its existing support provider. Furthermore, our existing clients generally renew their agreements with us at or near the end of each calendar year, so we have also experienced and expect to continue to experience heavier renewal rates in the fourth quarter. In addition to the other risks described herein, factors that may affect our quarterly results of operations include the following:

- changes in spending on enterprise software products and services by our current or prospective clients;
- pricing of our products and services so that we are able to attract and retain clients;
- acquisition of new clients and increases of our existing clients' use of our products and services;
- client renewal rates and the amounts for which agreements are renewed;
- budgeting cycles of our clients;
- the occurrence of catastrophic events that may disrupt our business, including the COVID-19 pandemic;
- changes in the competitive dynamics of our market, including consolidation among competitors or clients;
- the amount and timing of payment for operating expenses, particularly sales and marketing expenses and employee benefit expenses, as well as the quarterly Cash Dividends required to be made on our Series A Preferred Stock;
- the amount and timing of non-cash expenses, including stock-based compensation, PIK Dividends on our Series A Preferred Stock and other non-cash charges;
- the amount and timing of costs associated with recruiting, training and integrating new employees;
- the amount and timing of cash collections from our clients;
- unforeseen costs and expenses related to the expansion of our business, operations, infrastructure and new products and services such as Application Management Services (AMS);
- the amount and timing of our legal costs, particularly related to our litigation with Oracle;
- changes in the levels of our capital expenditures; foreign currency exchange rate fluctuations; and
- general economic and political conditions in our global markets, including pandemic and other catastrophic conditions outside our control.

We may not be able to accurately forecast the amount and mix of future product and service subscriptions, revenue and expenses, and as a result, our results of operations may fall below our estimates or the expectations of securities analysts and investors. If our revenue or results of operations fall below the expectations of investors or securities analysts, or below any guidance we may provide, the price of our Common Stock could decline.

Our future liquidity and results of operations may be adversely affected by the timing of new orders, the level of client renewals and cash receipts from clients.

Due to the collection of cash from our clients before services are provided, our revenue is recognized over future periods when there are no corresponding cash receipts from such clients. Accordingly, our future liquidity is depends upon the ability to continue to attract new clients and to enter into renewal arrangements with existing clients. If we experience a decline in orders from new clients or renewals from existing clients, our revenue may continue to increase while our liquidity and cash levels decline. Any such decline, however, will negatively affect our revenues in future quarters. Accordingly, the effect of declines in orders from new clients or renewals from existing clients may not be fully reflected in our results of operations and cash flows until future periods. Comparing our revenues and operating results on a period-to-period basis may not be meaningful, as it may not be an indicator of the future sufficiency of our cash and cash equivalents to meet our liquidity requirements. You should not rely on our past results as an indication of our future performance or liquidity.

We may be subject to additional obligations to collect and remit sales tax and other taxes, and we may be subject to tax liability, interest and/or penalties for past sales, which could adversely harm our business.

State, local and foreign jurisdictions have differing rules and regulations governing sales, use, value-added and other taxes, and these rules and regulations can be complex and are subject to varying interpretations that may change over time. In particular, the applicability of such taxes to our products and services in various jurisdictions is unclear. Further, these jurisdictions' rules regarding tax nexus are complex and can vary significantly. As a result, we could face the possibility of tax assessments and audits, and our liability for these taxes and associated interest and penalties could exceed our original estimates. A successful assertion that we should be collecting additional sales, use, value-added or other taxes in those jurisdictions where we have not historically done so and in which we do not accrue for such taxes could result in substantial tax liabilities and related penalties for past sales, discourage clients from purchasing our products and services or otherwise harm our business and results of operations.

We may need to change our pricing models to compete successfully.

We currently offer our clients support services for a fee that is equal to a percentage of the annual fees charged by the enterprise software vendor, so changes in such vendors' fee structures would impact the fees we would receive from our clients. If the enterprise software vendors offer deep discounts on certain services or lower prices generally, we may need to change our pricing models or suffer adverse effect on our results of operations. In addition, we have recently begun to offer new products and services and do not have substantial experience with pricing such products and services, so we may need to change our pricing models for these new products and services over time to ensure that we remain competitive and realize a return on our investment in developing these new products and services. If we do not adapt our pricing models as necessary or appropriate, our revenue could decrease and adversely affect our results of operations.

We may not be able to scale our business systems quickly enough to meet our clients' growing needs, and if we are not able to grow efficiently, our results of operations could be harmed.

As enterprise software products become more advanced and complex, we will need to devote additional resources to innovating, improving and expanding our offerings to provide relevant products and services to our clients using these more advanced and complex products. In addition, we will need to appropriately scale our internal business systems and our global operations and client engagement teams to serve our growing client base, particularly as our client demographics expand over time. Any such expansion may be expensive and complex, requiring financial investments, management time and attention. Any failure of or delay in these efforts could adversely affect the quality or success of our services and negatively impact client satisfaction, resulting in potential decreased sales to new clients and possibly lower renewal rates by existing clients.

We could also face inefficiencies or operational failures as a result of our efforts to scale our infrastructure. There can be no assurance that the expansion and improvements to our infrastructure and systems will be fully or effectively implemented within budgets or on a timely basis, if at all. Any failure to efficiently scale our business could result in reduced revenue and adversely impact our operating margins and results of operations.

We have experienced significant growth resulting in changes to our organization and structure, which if not effectively managed, could have a negative impact on our business.

Our headcount and operations have grown in recent years. We increased the number of full-time employees from over 1,270 as of December 31, 2019 to over 1,420 as of December 31, 2020. We believe that our corporate culture has been a critical component of our success. We have invested substantial time and resources in building our team and nurturing our culture. As we expand our business and operate as a public company, we may find it difficult to maintain our corporate culture while managing our employee growth. Any failure to manage our anticipated growth and related organizational changes in a manner that preserves our culture could negatively impact future growth and achievement of our business objectives.

In addition, our organizational structure has become more complex as a result of our significant growth. We have added employees and may need to continue to scale and adapt our operational, financial and management controls, as well as our reporting systems and procedures. The expansion of our systems and infrastructure may require us to commit additional financial, operational and management resources before our revenue increases and without any assurances that our revenue will increase. If we fail to successfully manage our growth, we likely will be unable to successfully execute our business strategy, which could have a negative impact on our business, financial condition and results of operations.

Because our long-term growth strategy involves further expansion of our sales to clients outside the United States, our business will be susceptible to risks associated with global operations.

A significant component of our growth strategy involves the further expansion of our operations and client base outside the United States. Accordingly, our international revenue grew from $101.4 million for the year ended December 31, 2019 to $135.3 million for the three months ended December 31, 2020, an increase of $34.0 million or 33%. We currently have subsidiaries outside of the United States in Australia, Brazil, Canada, UAE (Dubai), France, Germany, Hong Kong, India, Israel, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Poland, Singapore, Sweden, Taiwan and the United Kingdom, which focus primarily on selling our services in those regions.

In the future, we may expand to other locations outside of the United States. Our current global operations and future initiatives will involve a variety of risks, including:

- changes in a specific country's or region's political or economic conditions;
- the occurrence of catastrophic events that may disrupt our business;
- changes in regulatory requirements, taxes or trade laws such as Brexit;
- more stringent regulations relating to data security, such as where and how data can be housed, accessed and used, and the unauthorized use of, or access to, commercial and personal information;
- differing labor regulations, especially in countries and geographies where labor laws are more advantageous to employees as compared to the United States, including deemed hourly wage and overtime regulations;
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs as well as hire and retain local management, sales, marketing and support personnel, along with the ability to recapture costs to open up new geographies;
- difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems and regulatory systems;
- increased logistics, travel, real estate, infrastructure and legal compliance costs associated with global operations;
- currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions if we choose to do so in the future;
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;

- laws and business practices favoring local competitors or general preferences for local vendors;
- limited or insufficient intellectual property protection;
- political instability or terrorist activities;
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act and similar laws and regulations in other jurisdictions; and
- adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash.

Our limited experience in operating our business globally and the unique challenges of each new geography increase the risk that any potential future expansion efforts that we may undertake will not be successful. If we invest substantial time and resources to expand our global operations and are unable to do so successfully and in a timely manner, our business and results of operations will be adversely affected.

If we fail to forecast our revenue accurately, or if we fail to match our expenditures with corresponding revenue, our results of operations and liquidity could be adversely affected.

Because our recent growth has resulted in the rapid expansion of our business, we do not have a long history upon which to base forecasts of future operating revenue. In addition, the variability of the sales cycle for the evaluation and implementation of our products and services, which typically has been six to twelve months once a client is engaged, may also cause us to experience a delay between increasing operating expenses for such sales efforts, and the generation of corresponding revenue. Accordingly, we may be unable to prepare accurate internal financial forecasts or replace anticipated revenue that we do not receive as a result of delays arising from these factors. As a result, our results of operations and liquidity in future reporting periods may be significantly below the expectations of the public market, securities analysts or investors, which could negatively impact the price of our Common Stock.

Consolidation in our target sales markets is continuing at a rapid pace, which could harm our business in the event that our clients are acquired and their agreements are terminated, or not renewed or extended.

Consolidation among companies in our target sales markets has been robust in recent years, and this trend poses a risk for us. If such consolidation continues, we expect that some of the acquiring companies will terminate, renegotiate and elect not to renew our agreements with the clients they acquire, which may have an adverse effect on our business and results of operations.

If there is a widespread shift by clients or potential clients to enterprise software vendors, products and releases for which we do not provide software products or services, our business would be adversely impacted.

Our current revenue is primarily derived from the provision of support services for Oracle and SAP enterprise software products. If other enterprise software vendors, products and releases emerge to take substantial market share from current Oracle and SAP products and releases we support, and we do not provide products or services for such vendors, products or releases, demand for our products and services may decline or our products and services may become obsolete. Developing new products and services to address different enterprise software vendors, products and releases could take a substantial investment of time and financial resources, and we cannot guarantee that we will be successful. If fewer clients use enterprise software products for which we provide products and services, and we are not able to provide services for new vendors, products or releases, our business may be adversely impacted.

Delayed or unsuccessful investment in new technology, products, services and markets may harm our financial condition and results of operations.

We plan to continue investing resources in research and development in order to enhance our current product and service offerings, and other new offerings that will appeal to clients and potential clients, for example, our partnership with Salesforce to support SaaS solutions and our Application Management Services (AMS) for SAP and Oracle products. The development of new product and service offerings could divert the attention of our management and our employees from the day-to-day operations of our business, the new product and service offerings may not generate sufficient revenue to offset the increased research and development expenses, they may not generate gross profit margins consistent with our current margins, and if we are not successful in implementing the new product and service offerings, we may need to write off the value of our investment. Also, these new product and service offerings may be in markets that are more competitive than markets for our existing product and service offerings, making it more difficult to introduce them to clients and potential clients effectively or provide them profitably. Furthermore, if our new or modified products, services or technology do not work as intended, are not responsive to client needs or industry or regulatory changes, are not appropriately timed with market opportunity, or are not effectively brought to market, we may lose existing and prospective clients or related opportunities, in which case our financial condition and results of operations may be adversely impacted.

If our data security measures are compromised or unauthorized access to or misuse of client data occurs, our services may be perceived as not being secure, clients may curtail or cease their use of our services, our reputation may be harmed, and we may incur significant liabilities. Further, we are subject to governmental and other legal obligations related to privacy, and our actual or perceived failure to comply with such obligations could harm our business.

Our services sometimes involve accessing, processing, sharing, using, storing and transmitting proprietary information and protected data of our clients. We rely on proprietary and commercially available systems, software, tools and monitoring, as well as other processes, to provide security for accessing, processing, sharing, using, storing and transmitting such information and data. If our security measures are compromised as a result of third-party action, employee, vendor or client error, malfeasance, stolen or fraudulently obtained log-in credentials or otherwise, our reputation could be damaged, our business and our clients may be harmed, and we could incur significant liabilities. In particular, cyberattacks, such as phishing, continue to increase in frequency and in magnitude generally, and these threats are being driven by a variety of sources, including nation-state sponsored espionage and hacking activities, industrial espionage, organized crime, sophisticated organizations and hacking groups and individuals. In addition, if the security measures of our clients are compromised, even without any actual compromise of our own systems or security measures, we may face negative publicity or reputational harm if our clients or anyone else incorrectly attributes the blame for such security breaches to us, our products and services, or our systems. We may also be responsible for repairing any damage caused to our clients' systems that we support, and we may not be able to make such repairs in a timely manner or at all. We may be unable to anticipate or prevent techniques used to obtain unauthorized access or to sabotage systems because they change frequently and generally are not detected until after an incident has occurred. As we increase our client base and our brand becomes more widely known and recognized, we may become more of a target for third parties seeking to compromise our systems or security measures or gain unauthorized access to our clients' proprietary information and protected data.

Many governments have enacted laws requiring companies to notify individuals of data security incidents involving certain types of personal data. In addition, some of our clients contractually require notification of any data security compromise. In the event of a data security compromise, we may have difficulty timely complying with notification requirements that are unreasonably short or burdensome. Security compromises experienced by our clients, by our competitors or by us may lead to public disclosures, which may lead to widespread negative publicity. Any data security compromise in our industry, whether actual or perceived, could harm our reputation, erode client confidence in the effectiveness of our security measures, negatively impact our ability to attract new clients, cause existing clients to elect not to renew their agreements with us, or subject us to third party lawsuits, government investigations, regulatory fines or other action or liability, all or any of which could materially and adversely affect our business, financial condition and results of operations.

We cannot assure you that any limitations of liability provisions in our contracts for a security breach would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. We also cannot be sure that our existing general liability insurance coverage and coverage for errors or omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more claims, or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of substantial deductible or co-insurance requirements, could have a material adverse effect on our business, financial condition and results of operations.

As a global company, we are subject to the laws and regulations of numerous jurisdictions worldwide regarding accessing, processing, sharing, using, storing, transmitting, disclosure and protection of personal data, the scope of which are constantly changing, subject to differing interpretation, and may be inconsistent between countries or in conflict with other laws, legal obligations or industry standards. For example, the General Data Protection Regulation (GDPR), in effect in the European Union (EU), creates a broad range of new compliance requirements and imposes substantial penalties for non-compliance, including possible fines of up to 4% of global annual revenue for the preceding financial year or €20 million (whichever is higher) for the most serious infringements. We are also subject to certain requirements of the California Consumer Privacy Act of 2018, effective on January 1, 2020, which adds to the range of privacy-related compliance requirements. We generally comply with industry standards and strive to comply with all applicable laws and other legal obligations relating to privacy and data protection, but it is possible that these laws and legal obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with industry standards or our practices or may be mandated at a pace that exceeds our ability to comply. Compliance with such laws and other legal obligations may be costly and may require us to modify our business practices, which could adversely affect our business and profitability. Any failure or perceived failure by us to comply with these laws, policies or other obligations may result in governmental enforcement actions or litigation against us, potential fines and other expenses related to such governmental actions, result in an order requiring that we change our data practices or business practices, and could cause our clients to lose trust in us, any of which could have an adverse effect on our business.

If our products and services fail due to defects or similar problems, and if we fail to correct any defect or other software problems, we could lose clients, become subject to service performance or warranty claims or incur significant costs.

Our products and services and the systems infrastructure necessary for the successful delivery of our products and services to clients are inherently complex and may contain material defects or errors. We have from time to time found defects in our products and services and may discover additional defects in the future. In particular, we have developed our own tools and processes to deliver comprehensive tax, legal and regulatory updates tailored for each client, which we endeavor to deliver to our clients in a shorter timeframe than our competitors, which may result in an increased risk of material defects or errors. We may not be able to detect and correct defects or errors before clients begin to use our products and services. Consequently, defects or errors may be discovered after our products and services are provided and used. These defects or errors could also cause inaccuracies in the data we collect and process for our clients, or even the loss, damage or inadvertent release of such confidential data. Even if we are able to implement fixes or corrections to our tax, legal and regulatory updates in a timely manner, any history of defects or inaccuracies in the data we collect for our clients, or the loss, damage or inadvertent release of such confidential data could cause our reputation to be harmed, and clients may elect not to renew, extend or expand their agreements with us and subject us to service performance credits, warranty or other claims or increased insurance costs. The costs associated with any material defects or errors in our products and services or other performance problems may be substantial and could materially adversely affect our financial condition and results of operations.

We are a smaller reporting company within the meaning of the Securities Act, and if we take advantage of certain exemptions from reporting and disclosure requirements available to smaller reporting companies that are also accelerated filers within the meaning of the Securities Act, this could make our common stock less attractive to investors.

While we are an accelerated filer, we are also a smaller reporting company ("SRC"), which allows us to take advantage of certain exemptions from various reporting requirements that are applicable to other accelerated filers that are not SRCs, including reduced disclosure obligations regarding executive compensation in our Annual Report and our periodic reports and proxy statements. We will remain an SRC until (a) the aggregate market value of our outstanding common stock held by non-affiliates as of the last business day our most recently completed second fiscal quarter exceeds $250 million or (b) (1) we have over $100 million in annual revenues and (2) the aggregate market value of our outstanding common stock held by non-affiliates as of the last business day our most recently completed second fiscal quarter exceeds $700 million.

As a result, our stockholders may not have access to certain information they may deem important. We cannot predict whether investors will find our securities less attractive because we will rely on these exemptions. If some investors find our securities less attractive as a result of our reliance on these exemptions, the market prices of our securities may be lower than they otherwise would be, there may be a less active trading market for our securities and the market prices of our securities may be more volatile.

If we are not able to maintain an effective system of internal control over financial reporting, current and potential investors could lose confidence in our financial reporting, which could harm our business and have an adverse effect on our stock price.

As reported in prior years, we have had material weaknesses in our internal control over financial reporting. In connection with the audit of our consolidated financial statements for the years ended December 31, 2016 and 2015, management determined that we had several material weaknesses in our internal control over financial reporting. The material weaknesses related to the following:

- inadequate controls in relation to recognition of liabilities for embedded derivatives in connection with our former Credit Facility (2016);
- inadequate controls in relation to revenue recognition from support service sales contracts whereby we incorrectly accounted for multi-year, non-cancelable support service sales contracts as a single delivery arrangement and incorrectly accounting for revenue for certain non-standard contract provisions (2015 and 2016);
- various sales tax control matters related to manual processes and determination of tax liabilities in certain states (2015); and
- inadequate controls for accrual of loss contingencies related to our litigation with Oracle (2015).

Although we remediated these material weaknesses during the years ended December 31, 2017 and 2016, we cannot provide assurance that material weaknesses in our internal control over financial reporting will not be identified in the future.

With respect to controls over revenue accounting procedures, we intend to continue to work on automating our processes, especially around the new FASB revenue accounting standard, as well as to continue to enhance our review processes around new and renewal contracts. In addition, we are required to have our independent public accounting firm attest to and report on management's assessment of the effectiveness of our internal control over financial reporting. If we are unable to conclude that we have effective internal control over financial reporting or, if our independent auditors are unable to provide us with an attestation and an unqualified report as to the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our securities. For further information regarding our controls and procedures, see Part II, Item 9a of this Report.

Economic uncertainties or downturns in the general economy or the industries in which our clients operate could disproportionately affect the demand for our products and services and negatively impact our results of operations.

General worldwide economic conditions have experienced significant fluctuations in recent years, and market volatility and uncertainty remain widespread, with the expectation that economic challenges and possible recession will be exacerbated for an extended period in the wake of the COVID-19 pandemic. As a result, we and our clients find it extremely difficult to accurately forecast and plan future business activities. In addition, these conditions could cause our clients or prospective clients to reduce their IT budgets, which could decrease corporate spending on our products and services, resulting in delayed and lengthened sales cycles, a decrease in new client acquisition and loss of clients. Furthermore, during challenging economic times, our clients may face issues with their cash flows and in gaining timely access to sufficient credit or obtaining credit on reasonable terms, which could impair their ability to make timely payments to us, impact client renewal rates and adversely affect our revenue. If such conditions occur, we may be required to increase our reserves, allowances for doubtful accounts and write-offs of accounts receivable, and our results of operations would be harmed. We cannot predict the timing, strength or duration of any economic slowdown or recovery, whether global, regional or within specific markets. If the conditions of the general economy or markets in which we operate worsen, our business could be harmed. In addition, even if the overall economy improves, the market for our products and services may not experience growth. Moreover, recent events, including the United Kingdom's exit from the European Union ("Brexit"), change in U.S. trade policies and responsive changes in policy by foreign jurisdictions, governmental and multinational organizations' responses to the COVID-19 pandemic and

similar geopolitical developments and uncertainty in the European Union and elsewhere have increased levels of political and economic unpredictability globally, and may increase the volatility of global financial markets and the global and regional economies.

Catastrophic events may disrupt our business.

We rely heavily on our network infrastructure and information technology systems for our business operations. A disruption or failure of these systems in the event of online attack, earthquake, fire, terrorist attack, power loss, telecommunications failure, extreme weather conditions (such as hurricanes, wildfires or floods) or other catastrophic event could cause system interruptions, delays in accessing our service, reputational harm, loss of critical data or could prevent us from providing our products and services to our clients. In addition, several of our employee groups reside in areas particularly susceptible to earthquakes, such as the San Francisco Bay Area and Japan, and a major earthquake or other catastrophic event could affect our employees, who may not be able to access our systems, or otherwise continue to provide our services to our clients. A catastrophic event that results in the destruction or disruption of our data centers, or our network infrastructure or information technology systems, or access to our systems could affect our ability to conduct normal business operations and adversely affect our business, financial condition and results of operations. Additionally, the emergence or spread of a pandemic or other widespread health emergency (or concerns over and response to the possibility of such an emergency), including COVID-19, that causes any of our employee groups to become ill, quarantined or otherwise unable to work and/or travel due to health reasons or governmental or client corporate restrictions, or causes our clients to have ill or logistically restricted workforces, or who choose to cease or delay meetings with us or decisions regarding engaging our services could adversely affect our business, financial condition and results of operations.

If we fail to enhance our brand, our ability to expand our client base will be impaired and our financial condition may suffer.

We believe that our development of the Rimini Street brand is critical to achieving widespread awareness of our products and services, and as a result, is important to attracting new clients and maintaining existing clients. We also believe that the importance of brand recognition will increase as competition in our market increases. Successful promotion of our brand will depend largely on the effectiveness of our marketing efforts and on our ability to provide reliable products and services at competitive prices, as well as the outcome of our ongoing litigation with Oracle. Brand promotion activities may not yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incurred in building our brand. If we fail to successfully promote and maintain our brand, our business could be adversely impacted.

If we fail to adequately protect our proprietary rights, our competitive position could be impaired and we may lose valuable assets, experience reduced revenue and incur costly litigation to protect our rights.

Our success depends, in part, upon protecting our proprietary products, services, knowledge, software tools and processes. We rely on a combination of copyrights, trademarks, service marks, trade secret laws and contractual restrictions to establish and protect our proprietary rights. However, the steps we take to protect our intellectual property may be inadequate. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Any of our copyrights, trademarks, service marks, trade secret rights or other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy or use information that we regard as proprietary to create products and services that compete with ours. In addition, the laws of some countries do not protect proprietary rights to the same extent as the laws of the United States. To the extent we expand our global activities, our exposure to unauthorized copying and use of our processes and software tools may increase.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in controlling access to and distribution of our proprietary intellectual property.

Further, these agreements may not prevent our competitors from independently developing products and services that are substantially equivalent or superior to our products and services.

Although we have been successful in the past, there can be no assurance that we will receive any additional patent protection for our proprietary software tools and processes. Even if we were to receive patent protection, those patent rights could be invalidated at a later date. Furthermore, any such patent rights may not adequately protect our processes, our software tools or prevent others from designing around our patent claims.

To protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our products, processes and software tools against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our products and services, impair the functionality of our products and services, delay introductions of new products and services, result in our substituting inferior or more costly technologies into our products and services, or injure our reputation.

We may not be able to use a significant portion of our net operating loss carryforwards, which could adversely affect our profitability.

We have U.S. federal and state net operating loss carryforwards due to prior period losses, which could expire unused and be unavailable to offset future income tax liabilities, which could adversely affect our profitability.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), our ability to utilize net operating loss carryforwards or other tax attributes in any taxable year may be limited if we experience an "ownership change." A Section 382 "ownership change" generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws in the United States. While our ownership changes to date have not triggered any limitations under Section 382, it is possible that any future ownership changes or issuances of our capital stock, could have a material effect on the use of our net operating loss carryforwards or other tax attributes, which could adversely affect our profitability.

We are a multinational organization faced with increasingly complex tax issues in many jurisdictions, and we could be obligated to pay additional taxes in various jurisdictions.

As a multinational organization, we may be subject to taxation in several jurisdictions worldwide with increasingly complex tax laws, the application of which can be uncertain. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. As such, our results may differ from previous estimates and may materially affect our financial position.

The amount of taxes we pay in jurisdictions in which we operate could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could have a material adverse effect on our liquidity and results of operations. In addition, the authorities in these jurisdictions could review our tax returns and impose additional tax, interest and penalties, and the authorities could claim that various withholding requirements apply to us or our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries, any of which could have a material impact on us and the results of our operations.

Future acquisitions, strategic investments, partnerships or alliances could be difficult to identify and integrate, divert the attention of management, disrupt our business, dilute stockholder value and adversely affect our financial condition and results of operations.

We may in the future seek to acquire or invest in businesses, products or technologies that we believe could complement or expand our services, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not the acquisition purchases are completed. If we acquire businesses, we may not be able to integrate successfully the acquired personnel, operations and technologies, or effectively manage the combined business following the acquisition. We may not be able to find and identify desirable acquisition targets or be successful in entering into an agreement with any particular target or obtain adequate financing to complete such acquisitions. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our results of operations. In addition, if an acquired business fails to meet our expectations, our business, financial condition and results of operations may be adversely affected.

Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported results of operations.

Generally accepted accounting principles in the United States are subject to interpretation by the FASB, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in accounting standards or practices can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and will likely occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies that are adopted by us as of the specified effective date. For example, in May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition standards under U.S. GAAP. In addition, the FASB issued ASU No. 2016-02, *Leases*, in February 2016, which requires organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than twelve months. For the impact on our financial position or results of operations upon adoption of recently issued accounting standards that are not yet effective and our plans for adoption of those standards, please refer to the section titled *Recent Accounting Pronouncements* under Note 2 to our consolidated financial statements included in Part II, Item 8 of this Report.

Risks Related to Capitalization Matters and Corporate Governance

<u>Risks Related to our Preferred Stock and Common Stock, Warrants and Units</u>

Our Series A Preferred Stock and their related Convertible Notes restrict our ability to incur certain indebtedness, and the Convertible Notes contain additional restrictions and obligations that are currently effective or become effective upon certain events, which limit our flexibility in operating our business.

While a specified minimum number of shares of Series A Preferred Stock or, if applicable, principal amount of Convertible Notes remain outstanding, holders owning a majority of the then outstanding shares of Series A Preferred Stock or principal outstanding under the Convertible Notes must consent to the issuance of debt other than "permitted indebtedness" which means (i) unsecured indebtedness, (ii) indebtedness classified and accounted for as capital leases in an aggregate amount not to exceed $3.5 million at any time outstanding, (iii) indebtedness with respect to credit cards and similar services or in respect of guarantees to clients or suppliers in the ordinary course of business, (iv) secured indebtedness assumed when a person becomes our subsidiary, provided that such secured indebtedness was not incurred in contemplation of such acquisition, merger or consolidation, such liens do not attach to our assets other than the assets subject to such lien at the time of the transaction, and in any event does not exceed $3.0 million at any time outstanding, and (v) indebtedness secured by a lien not to exceed $1.0 million at any time outstanding, which (i) through (v) in the aggregate may not exceed the greater of (x) $20.0 million or (y) 5% of U.S. GAAP revenue (calculated on a quarterly basis as set forth in our annual report on Form 10-K or our quarterly reports on Form 10-Q, as applicable), for the 12 month period ending at the quarter-end immediately prior to the incurrence of such indebtedness.

The Convertible Notes contain customary covenants, including among others, a prohibition on the disposal (by merger, consolidation, liquidation or otherwise) of all or any part of our business, assets or property, subject to certain exceptions (i.e., sales of inventory in the ordinary course of business, non-exclusive licenses, etc.), and from the date upon which there is a redemption event causing redemption obligations to become principal under the Convertible Notes, restrictions on our ability to make certain payments with respect to its capital stock, subordinated and unsecured indebtedness and, at the option of a holder of a Convertible Note, requirements to deliver certain financial information to the holders at specified intervals, among others.

Upon the occurrence of an event of default under the Convertible Notes, the Noteholders would have the right to accelerate all of our obligations under the Convertible Notes, which obligations will immediately become due and payable. If such acceleration occurs prior to July 19, 2021, the Noteholders will also be entitled to a make-whole premium that provides full yield maintenance as if the Convertible Notes were held for a full three years through that date.

The terms of the Convertible Notes may impact our alternatives to finance our business, which could limit our ability to fund growth. Further, full acceleration of the Convertible Notes may occur at a time when we are unable to pay all obligations, and thus subjecting us to the risk of liquidation or bankruptcy if such acceleration occurs.

The price of our Common Stock, warrants and units may be volatile.

The price of our Common Stock, warrants and units may fluctuate due to a variety of factors, including:

- developments in our continuing litigation with Oracle;
- actions that may be taken by our holders of Series A Preferred Stock and the Convertible Notes;
- any future equity or debt financing or other capitalization optimization transactions by us;
- our ability to pay cash dividends payable on our Series A Preferred Stock or to effectively service any outstanding debt obligations;
- the announcement of new products or product enhancements by us or our competitors;
- developments concerning intellectual property rights;
- changes in legal, regulatory and enforcement frameworks impacting our products;
- developments in the governmental inquiry instituted in March 2018 and any legal proceedings instituted involving us, if any, from such inquiry;
- variations in our and our competitors' results of operations;
- the addition or departure of key personnel;
- announcements by us or our competitors of acquisitions, investments or strategic alliances;
- actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry
- macroeconomic conditions and the economic impact of the COVID-19 pandemic;
- the level and changes in our year-over-year revenue growth rate;
- the failure of securities analysts to publish research about us, or shortfalls in our results of operations compared to levels forecast by securities analysts;
- any delisting of our Common Stock from Nasdaq Global Market due to any failure to meet listing requirements;
- our Public Warrants and units are quoted on the OTC Pink Current Information Marketplace which is a significantly more limited market than Nasdaq; and
- the general state of securities markets.

These market and industry factors may materially reduce the market price of our Common Stock, regardless of our operating performance.

Our preferred stockholders and certain of our common stockholders can exercise significant control, which could limit your ability to influence the outcome of key transactions, including a change of control.

Based on the number of shares of Common Stock and Series A Preferred Stock outstanding as of December 31, 2020, eleven of our stockholders have aggregate voting power of 69.1% of our outstanding capital stock. As of December 31, 2020, on an as-converted basis, (i) approximately 28.0% of our outstanding voting capital stock is held by Adams Street Partners LLC and certain Adams Street fund limited partnerships ("ASP"), (ii) approximately 14.2% of our outstanding voting capital stock is beneficially owned by our Chief Executive Officer, (iii) approximately 8.5% of our outstanding voting capital stock is beneficially owned by GPIC Ltd., and (iv) the remaining holders of our Series A Preferred Stock have aggregate voting power representing approximately 18.3% of our outstanding voting capital stock. Holders of our Series A Preferred Stock are entitled to vote their shares on an as-converted basis on all matters submitted to a vote of stockholders and to convert their shares into Common Stock at any time, which amounts will increase as PIK dividends are paid through the issuance of additional shares of Series A Preferred Stock. Additionally, holders of our Series A Preferred Stock are required to approve certain matters as a class, voting separately from the Common Stock, such as dividends or distributions on our Common Stock, purchase or redemption of our Common Stock, certain amendments to our Certificate of Incorporation or Certificate of Designations that adversely affect the rights of the preferred stockholders, and authorization of the creation or issuance of any pari passu or senior securities. Our directors and officers or persons affiliated with our directors and officers have aggregate voting power of approximately 52.2% as of December 31, 2020.

As a result, these stockholders, acting together, have significant influence over all matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. Corporate action might be taken even if other stockholders oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of our company that other stockholders may view as beneficial.

Future resales of our Common Stock held by our significant stockholders or of the shares of Common Stock issuable upon conversion of the Series A Preferred Stock may cause the market price of our Common Stock to drop significantly.

We registered for resale the shares of Common Stock issued in the Initial Private Placement, the March 2019 Private Placement and the June 2019 Private Placement, and the shares of Common Stock issuable upon conversion of, or issued as dividends upon, the Series A Preferred Stock or Convertible Notes, and are obligated to take certain actions to facilitate the transfer and sale of such shares. Upon such registration, the shares of Common Stock became freely salable. Additional shares of Series A Preferred Stock are authorized for issuance and may be issued in the future, subject to substantively similar rights. The Common Stock issuable upon conversion of our Series A Preferred Stock may represent overhang that may also adversely affect the market price of our Common Stock. Overhang occurs when there is a greater supply of a company's stock in the market than there is demand for that stock. When this happens, the price of our stock will decrease, and any additional shares which stockholders attempt to sell in the market, or the perception that such sales might occur, will only further decrease the share price. If the share volume of our Common Stock cannot absorb converted shares sold by the holders of the Series A Preferred Stock, then the value of our Common Stock will likely decrease.

Any sale of large amounts of our Common Stock on the open market or in privately negotiated transactions could have the effect of increasing the volatility in the price of our Common Stock or putting significant downward pressure on the price of our Common Stock.

Any issuance of Common Stock upon conversion of the Series A Preferred Stock and/or exercise of warrants will cause dilution to existing stockholders and may depress the market price of our Common Stock.

Each share of our Series A Preferred Stock is initially convertible, at the option of the holders, into 100 shares of our Common Stock (subject to appropriate adjustment in the event of a stock split, stock dividend, combination or other similar recapitalization) for an aggregate of 15.5 million shares of Common Stock as of December 31, 2020 and is generally convertible at a conversion price equal to the quotient of its liquidation preference and $10.00. The Series A Preferred Stock also has a PIK dividend that will increase the number of shares of Common Stock into which the Series A Preferred Stock will be convertible while it remains outstanding. We have the right to convert outstanding Series A Preferred Stock into Common Stock after July 19, 2021 if our volume weighted average stock price for at least 30 trading days of the 45 consecutive trading days immediately preceding such conversion is greater than $11.50 per share. We can exercise this right to convert twice per calendar year for a maximum number of shares of Common Stock that has publicly traded over the 60 consecutive trading days prior to the conversion date (less any shares of Common Stock that have been issued pursuant to any such conversion during such 60-day period).

The issuance of Common Stock upon conversion of the Series A Preferred Stock may result in immediate and substantial dilution to the interests of our Common Stockholders.

Further, the issuance of Common Stock upon exercise of warrants may result in immediate and substantial dilution to the equity interests of our existing common stockholders and might result in dilution in the tangible net book value of a share of a Common Stock, depending upon the price on which the additional shares are issued.

We do not currently intend to pay dividends on our Common Stock and, consequently, the ability to achieve a return on investment in our Common Stock will depend on appreciation in the price of our Common Stock.

We have not paid any cash dividends on our Common Stock to date. The payment of any cash dividends on our Common Stock will depend upon our revenue, earnings and financial condition from time to time. The payment of any dividends will be within the discretion of our Board of Directors and would require us to obtain the consent of and to pay a corresponding dividend to holders of our shares of Series A Preferred Stock. It is presently expected that except for the cash dividends payable to the holders of our Series A Preferred Stock, we will retain all earnings for use in our business operations and, accordingly, it is not expected that our Board of Directors will declare any dividends on our Common Stock in the foreseeable future. Our ability to declare dividends on our Common Stock may also be limited by the terms of financing and other agreements entered into by us or our subsidiaries from time to time. Therefore, you are not likely to receive any dividends on your Common Stock for the foreseeable future and the success of an investment in shares of our Common Stock will depend upon any future appreciation in its value. There is no guarantee that shares of our Common Stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

We may seek to engage in capital optimization transactions in the future in respect of our outstanding Preferred stock, warrants or units, the result of which may also trigger some dilution and not achieve an improved capital structure.

The DGCL and our certificate of incorporation and bylaws contain certain provisions, including anti-takeover provisions that limit the ability of stockholders to take certain actions and could delay or discourage takeover attempts that stockholders may consider favorable.

Our certificate of incorporation and bylaws, and Delaware General Corporation Law (the "DGCL"), contain provisions that could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our Board of Directors and therefore depress the trading price of our Common Stock. These provisions could also make it difficult for stockholders to take certain actions, including electing directors who are not nominated by the current members of our Board of Directors or taking other corporate actions, including effecting changes in our management. Among other things, our certificate of incorporation and bylaws include provisions regarding:

- a classified Board of Directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our Board of Directors;
- the ability of our Board of Directors to issue shares of preferred stock, including “blank check” preferred stock, and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer, pursuant to which we have issued Series A Preferred Stock entitled to receive a liquidation preference and certain amounts in connection with a change of control of the Company and other similar extraordinary transactions;
- the limitation of the liability of, and the indemnification of our directors and officers;

- the exclusive right of our Board of Directors to elect a director to fill a vacancy created by the expansion of the Board of Directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our Board of Directors;
- the requirement that directors may only be removed from our Board of Directors for cause;
- a prohibition on common stockholder action by written consent, which forces common stockholder action to be taken at an annual or special meeting of stockholders and could delay the ability of stockholders to force consideration of a stockholder proposal or to take action, including the removal of directors;
- the requirement that a special meeting of stockholders may be called only by our Board of Directors, the chairperson of our Board of Directors, our chief executive officer or our president (in the absence of a chief executive officer), which could delay the ability of stockholders to force consideration of a proposal or to take action, including the removal of directors;
- controlling the procedures for the conduct and scheduling of Board of Directors and stockholder meetings;
- the requirement for the affirmative vote of holders of at least 66 2/3% of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend, alter, change or repeal any provision of our certificate of incorporation or our bylaws, which could preclude stockholders from bringing matters before annual or special meetings of stockholders and delay changes in our Board of Directors and also may inhibit the ability of an acquirer to effect such amendments to facilitate an unsolicited takeover attempt;
- the ability of our Board of Directors to amend the bylaws, which may allow our Board of Directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend the bylaws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our Board of Directors or to propose matters to be acted upon at a stockholders’ meeting, which could preclude stockholders from bringing matters before annual or special meetings of stockholders and delay changes in our Board of Directors and also may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of our company.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our Board of Directors or management.

In addition, as a Delaware corporation, we are subject to provisions of Delaware law, including Section 203 of the DGCL, which may prohibit certain stockholders holding 15% or more of our outstanding capital stock from engaging in certain business combinations with us for a specified period of time.

Any provision of our certificate of incorporation, bylaws or DGCL that has the effect of delaying or preventing a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock and could also affect the price that some investors are willing to pay for our Common Stock.

Our bylaws designate a state or federal court located within the State of Delaware as the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, stockholders or employees.

Our bylaws provide that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for:

- any derivative action or proceeding brought on behalf of us;
- any action asserting a claim of breach of a fiduciary duty owed to us or our stockholders by any of our directors, officers or other employees;
- any action asserting a claim against us or any of our directors, officers or employees arising out of or relating to any provision of the DGCL, our certificate of incorporation or our bylaws; or
- any action asserting a claim against us or any of our directors, officers, stockholders or employees that is governed by the internal affairs doctrine of the Court of Chancery.

This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations and financial condition. This choice of forum provision does not apply to suits brought to enforce any liability or duty created by the Securities Act or the Exchange Act.

Other Risks Related to our Series A Preferred Stock and Convertible Notes

Our Series A Preferred Stock and related Convertible Notes have rights, preferences and privileges that are not held by, and are preferential to, the rights of our common stockholders, which could adversely affect our liquidity and financial condition, and may result in the interests of the holders of our Series A Preferred Stock and Convertible Notes differing from those of our common stockholders.

In the event of our liquidation, dissolution or the winding up of our affairs, the holders of our Series A Preferred Stock have the right to receive a liquidation preference (the "Liquidation Preference") entitling them to be paid out of our assets generally available for distribution to our equity holders, before any payment may be made to holders of any other class or series of capital stock, in an amount equal to the greater of (i) $1,000 plus accrued but unpaid dividends and (ii) the per share amount of all cash, securities and other property to be distributed in respect of the Common Stock such holder would have been entitled to receive for its Series A Preferred Stock on an as-converted basis. In the event of a liquidation, dissolution or winding up of our affairs prior to July 19, 2021, the holders of Series A Preferred Stock are entitled to a make-whole premium that provides them with full yield maintenance as if the shares of Series A Preferred Stock were held for a full three years through that date. To the extent principal amounts become outstanding under our Convertible Notes, such notes are entitled to similar preferential amounts upon such events.

In addition, the holders of our Series A Preferred Stock are entitled to (i) Cash Dividends of 10.0% per annum payable quarterly in arrears, and (ii) PIK Dividends of 3.0% per annum. The PIK dividend is accrued quarterly in arrears for the first five years following the issuance of the Series A Preferred Stock and thereafter all Dividends accruing on such Series A Preferred Stock will be payable in cash at a rate of 13.0% per annum. To the extent principal amounts become outstanding under our Convertible Notes, such Convertible Notes are entitled to substantially the same payments in the form of interest (in lieu of dividends) payments.

Further, the holders of our Series A Preferred Stock also have redemption rights upon the occurrence of certain events upon which obligations in respect of the Series A Preferred Stock become principal amounts under the Convertible Notes. Specifically, the Series A Preferred Stock is mandatorily redeemable, upon the election by the holders of a majority of the then-outstanding shares of Series A Preferred Stock, on or after July 19, 2023 at a redemption price per share equal to the sum of (i) the Liquidation Preference per share plus (ii) an amount per share equal to accrued but unpaid dividends not previously added to the Liquidation Preference on such share of Series A Preferred Stock (the "Redemption Amount"). Any and all then-outstanding liquidation value of the Series A Preferred Stock plus any capitalized or unpaid accrued Dividends not previously included in the Liquidation Preference will be repaid in full in cash on such redemption date or satisfied in the form of obligations under the Convertible Notes issued concurrently with the Series A Preferred Stock to collateralize amounts, if any, that may become payable by us pursuant to certain redemption provisions of the Series A Preferred Stock. The Series A Preferred Stock will also become mandatorily redeemable by the holders at any time upon the reasonable determination of the holders of a majority of the Series A Preferred Stock then outstanding of the occurrence of a Material Adverse Effect or upon a Material Litigation Effect (as such terms are defined in the Certificate of Designations for the Series A Preferred Stock), with the Redemption Amounts automatically becoming payment obligations pursuant to the Convertible Notes with a concurrent cancellation of the shares of the Series A Preferred Stock.

Finally, prior to or on July 19, 2021, we will have the right to redeem up to $80.0 million of shares of the Series A Preferred Stock for cash amounts equal to the Redemption Amount which would include a make-whole premium that provides

the holders thereof with full yield maintenance as if the Series A Preferred Stock was held for three years after the initial issuance of the Series A Preferred Stock through that date, subject to certain conditions and limitations. After such time, we will have the right to redeem shares of Series A Preferred Stock for a cash per share amount equal to the Redemption Amount subject to certain conditions.

These Dividend and Redemption Amount payment obligations could impact our liquidity and reduce the amount of cash flows available for working capital, capital expenditures, growth opportunities, acquisitions, and other general corporate purposes. Our obligations to the holders of Series A Preferred Stock could also limit our ability to obtain additional financing or increase our borrowing costs, which could have an adverse effect on our financial condition. The preferential rights described above could also result in divergent interests between the holders of shares of Series A Preferred Stock or Convertible Notes and the holders of our Common Stock.

Our ability to pay Cash Dividends on the Series A Preferred Stock may be limited under Delaware law or we may not have sufficient cash to pay Dividends or our redemption obligations (and potential Convertible Note payments) due to the holders of tour Series A Preferred Stock upon the occurrence of a redemption event.

Under the DGCL, our Board of Directors may only declare and pay cash dividends on shares of our capital stock out of our statutory "surplus" (which is the amount equal to total assets minus total liabilities, in each case at fair market value, minus statutory capital), or if there is no such surplus, out of our net profits for the then current and/or immediately preceding fiscal year. Even if we are permitted under Delaware law to declare and pay Cash Dividends on the Series A Preferred Stock, we may not have sufficient cash to declare and pay such Dividends or pay the Redemption Amounts due upon the occurrence of certain redemption events, causing there to be outstanding obligations under the Convertible Notes. The Convertible Notes contain customary restrictions on our ability to, among other things, make certain restricted payments with respect to our capital stock, subordinated indebtedness and unsecured indebtedness, consummate certain mergers, consolidations or dissolutions and make certain dispositions, subject to specific exclusions. The Convertible Notes also include customary obligations in respect of inspection, reporting, preservation of the security interest and indemnification.

Upon the occurrence of an Event of Default (as defined in the Convertible Notes), the holders of such Convertible Notes will have the right to accelerate all of our obligations thereunder, and such obligations will become immediately due and payable. In addition, if such acceleration occurs prior to July 19, 2021, the holders will also have the right to receive a make-whole premium thereunder.

If the indebtedness under the Convertible Notes were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full and we could be forced into bankruptcy or liquidation.

There is no market for the Series A Preferred Stock or Convertible Notes and their value will be directly affected by the market price of our Common Stock, which may be volatile.

The Series A Preferred Stock has no established trading market and is not listed on any securities exchange, and we have no intention to list the Series A Preferred Stock on any securities exchange. Additionally, the Convertible Notes issued in respect of the redemption obligations for the Series A Preferred Stock are only transferable with the related shares of Series A Preferred Stock until certain events occur. To the extent that a secondary market for the Series A Preferred Stock develops, we believe that the market price of the Series A Preferred Stock will be significantly affected by the market price of our Common Stock. The trading price of our Common Stock has been and is likely to continue to be volatile. The risk factors described elsewhere herein may cause the price of our Common Stock to fluctuate. In addition, the stock market has experienced extreme price and volume fluctuations that often have been unrelated or disproportionate to the operating performance of affected companies. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. These broad market fluctuations may adversely affect the market prices of our Common Stock, and, in turn, the value of the Series A Preferred Stock and Convertible Notes.

General Risks

Failure to comply with laws and regulations applicable to our operations could harm our business.

Our business is subject to regulation by various global governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, workplace safety, environmental laws, consumer protection laws, anti-bribery laws, import/export controls, securities laws and tax laws and regulations. For example, transfer of certain software outside of the United States or to certain persons is regulated by export controls. In addition, in response to the COVID-19 pandemic, federal, state, local and foreign governmental authorities have imposed, and may continue to impose, protocols and restrictions intended to contain the spread of the virus, including limitations on the size of gatherings, closures of work facilities, schools, public buildings and businesses, quarantines, lockdowns and travel restrictions. Such restrictions have disrupted and may continue to disrupt our business operations and limit our ability to perform critical functions.

In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. Noncompliance with applicable requirements could subject us to investigations, sanctions, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions and may result in our inability to provide certain products and services. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, or if clients made claims against us for compensation for such non-compliance, our business, financial condition and results of operations could be harmed. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in professional fees and costs. Enforcement actions and sanctions could further harm our business, financial condition and results of operations.

Reports published by analysts, including projections in those reports that differ from our actual results, could adversely affect the price and trading volume of our Common Stock.

Securities research analysts may establish and publish their own periodic projections for us. These projections may vary widely and may not accurately predict the results we actually achieve. Our share price may decline if our actual results do not meet the projections of these securities research analysts. Similarly, if one or more of the analysts who write reports on us downgrades our stock or publishes inaccurate or unfavorable research about our business, our share price could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, our share price or trading volume could decline. If no additional analysts commence coverage of us, the market price and volume for our common shares could be adversely affected.

Item 1B. – Unresolved Staff Comments

None.

Item 2. – Properties

Our principal executive offices are located in Las Vegas, Nevada. We also have offices located in Pleasanton, California; Chicago, Illinois; New York, New York; Wilmington, Delaware; Greensboro, North Carolina; Hong Kong; London, United Kingdom; Sydney, Australia; Melbourne, Australia; Brisbane, Australia; Auckland, New Zealand; Dubai, United Arab Emirates; Kuala Lumpur, Malaysia; Mexico City, Mexico; Amsterdam, Netherlands; São Paulo, Brazil; Frankfurt, Germany; Paris, France; Warsaw, Poland; Stockholm, Sweden; Taipei, Taiwan; Tel Aviv, Israel; Tokyo, Japan; Osaka, Japan; Seoul, South Korea; Hyderabad, India; Bengaluru, India; and Singapore.

We lease all of our facilities, and we do not own any real property. We are expanding in multiple locations globally. To the extent we may require additional office space in the future, we believe that it would be readily available on commercially reasonable terms.

Item 3. – Legal Proceedings

The legal proceedings and government inquiry described in Note 10 of the 2020 consolidated financial statements included in Item 8 of this Report are incorporated in this Item 3. *Legal Proceedings* by reference.

In addition, from time to time, we may be a party to litigation and subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these ordinary course matters will not have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of judgment, defense and settlement costs, diversion of management resources and other factors.

Item 4. – Mine Safety Disclosures

Not applicable.

PART II

Item 5. – Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Common Stock trades on the Nasdaq Global Market under the symbol "RMNI."

Holders

On March 1, 2021, there were approximately 48 stockholders of record of our Common Stock. We believe the number of beneficial owners of our Common Stock are substantially greater than the number of record holders because a large portion of our outstanding Common Stock are held of record in broker "street names" for the benefit of individual investors.

Dividends

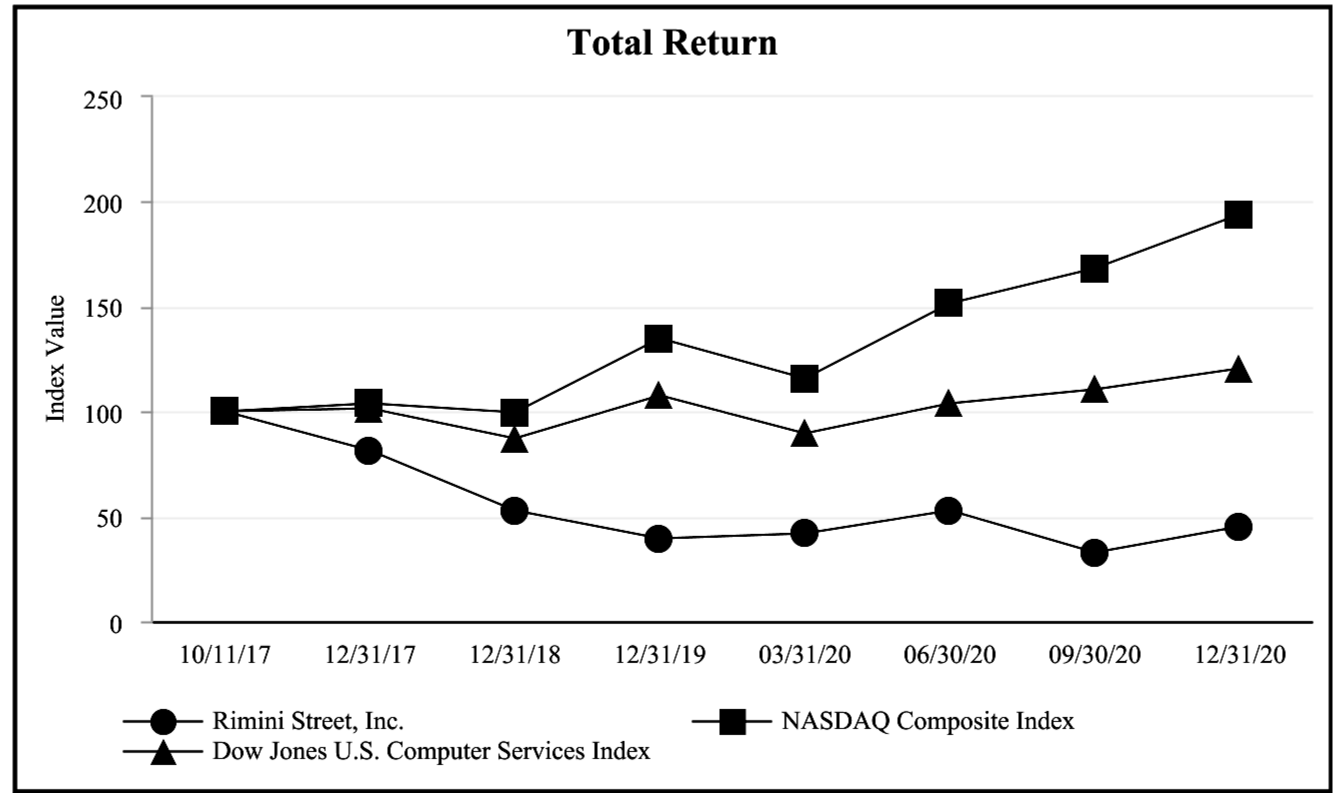
The holders of Series A Preferred Stock are entitled to (i) a cash dividend of 10.0% per annum (the "Cash Dividend"), payable quarterly in arrears, and (ii) a quarterly payment-in-kind dividend of 3.0% per annum (the "PIK Dividend" and together with the Cash Dividend, the "Dividends"). The PIK dividend is accrued quarterly in arrears for the first five years following the July 19, 2018 issuance and thereafter all Dividends accruing on such Series A Preferred Stock will be payable in cash at a rate of 13.0% per annum. For the year ended December 31, 2020, we incurred Cash Dividends of $15.7 million and PIK Dividends of $4.7 million, totaling $20.5 million. Based on 154,911 shares of Series A Preferred Stock outstanding as of December 31, 2020, we incurred total dividends of $130.08 per share of the Series A Preferred Stock for the year ended December 31, 2020. The holders of Series A Preferred Stock are entitled to participate in Common Stock dividends, if and when declared, on a one-to-one per-share basis. For further information about dividends on our Series A Preferred Stock, please refer to Note 6 of our consolidated financial statements included in Item 8 of this Report.

The payment of any dividends on our Common Stock is currently within the discretion of our Board of Directors subject to the restriction pursuant to the terms of our Series A Preferred Stock. We have not paid any cash dividends on our Common Stock to date and the payment of any future cash dividends will be dependent upon our revenue, earnings and financial condition from time to time. It is presently expected that we will retain all earnings for use in our business operations and, accordingly, it is not expected that our Board of Directors will declare any dividends on our outstanding shares of Common Stock in the foreseeable future.

Stock Performance

The accompanying performance graph compares the cumulative total stockholder return on our Common Stock, $0.0001 par value per share, for the period beginning October 11, 2017 and ended December 31, 2020, with the cumulative total return on the Nasdaq Composite Index and the Dow Jones U.S. Computer Services Index over the same period (assuming the investment of $100 in our Common Stock, the Nasdaq Composite Index and the Dow Jones U.S. Computer Services Index on October 11, 2017, the Company's initial listing date on the Nasdaq Global Market), and the reinvestment of dividends. The cumulative total stockholder return on the following graph is historical and is not necessarily indicative of future stock price performance. No cash dividends have been paid on our Common Stock.

	10/11/2017	12/31/2017	12/31/2018	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020
Rimini Street, Inc.	$100.00	$81.31	$52.59	$39.37	$41.56	$52.59	$32.51	$45.10
Nasdaq Composite Index	$100.00	103.81	$99.48	$134.88	$115.61	$151.32	$168.11	$194.17
Dow Jones U.S. Computer Services Index	$100.00	$101.53	$87.21	$107.64	$89.40	$103.61	$110.61	$120.27



This stock performance information is "furnished" and shall not be deemed to be "soliciting material" or subject to Regulation 14A under the Securities Exchange Act of 1934 (the "Exchange Act"), shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, and shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this report and irrespective of any general incorporation by reference language in any such filing, except to the extent we specifically incorporate the information by reference.

Securities Authorized for Issuance under Equity Compensation Plans

Reference is made to "*Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters"* for the information required by this item.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 6. – Selected Financial Data

As discussed in Note 1 to our consolidated financial statements included in Item 8 of this Report, on October 10, 2017 the mergers between RSI and GPIA were consummated and accounted for as a reverse recapitalization whereby RSI is the acquirer for accounting and financial reporting purposes, and GPIA is the legal acquirer. RSI's capital structure consisted of Series A, B and C Convertible Preferred Stock ("RSI Preferred Stock") and Class A and Class B Common Stock ("RSI Common Stock"). In accounting and reporting for the reverse recapitalization on October 10, 2017, the historical capitalization of RSI was adjusted to give effect for the reverse recapitalization and the Delaware Domestication.

The following selected historical financial data should be read together with the consolidated financial statements and accompanying notes appearing in Item 8 of this Report, and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" in Item 7 of this Report. The selected consolidated financial data in this section is not intended to replace our consolidated financial statements and the related notes. Our historical results are not necessarily indicative of our future results.

We derived the selected consolidated statements of operations and cash flows data for the years ended December 31, 2020, 2019 and 2018, and the consolidated balance sheet data as of December 31, 2020 and 2019, from our audited consolidated financial statements appearing in Item 8 of this Report. The selected consolidated statements of operations and cash flows data for the years ended December 31, 2017 and 2016 and the selected consolidated balance sheet data as of December 31, 2018, 2017 and 2016 are derived from our audited consolidated financial statements that are not included in this Report. Presented below is our selected financial data for each of the years in the five-year period ended December 31, 2020 (in thousands, except percentages and per share amounts):

	As of December 31,				
	2020	2019	2018	2017	2016
Consolidated balance sheet data:					
Cash, cash equivalents and restricted cash	$ 87,909	$ 38,388	$ 25,206	$ 40,027	$ 28,237
Total assets	279,935	201,220	146,523	145,781	99,378
Long-term debt:					
Current maturities of long-term debt	—	—	2,372	15,500	24,750
Long-term debt, net of current maturities	—	—	—	66,613	63,314
Total liabilities	343,019	292,497	257,923	319,910	312,888
Redeemable Series A Preferred Stock, net of discount	137,854	131,316	113,998	—	—
Stockholders' deficit	(200,938)	(222,593)	(225,398)	(174,127)	(213,510)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Consolidated statements of operations data:					
Revenue	$ 326,780	$ 281,052	$ 253,460	$ 214,860	$ 160,175
Cost of revenue	126,211	105,106	95,981	82,898	67,045
Gross profit	200,569	175,946	157,479	131,962	93,130
Gross margin (1)	*61.4 %*	*62.6 %*	*62.1 %*	*61.4 %*	*58.1 %*
Operating expenses:					
Sales and marketing	114,741	107,280	89,493	65,684	72,936
General and administrative	52,222	47,364	37,204	36,144	36,212
Impairment charges related to operating lease right-of-use assets	1,167	—	—	—	—
Litigation costs and related recoveries, net	14,555	(834)	1,258	4,860	(29,949)
Total operating expenses	182,685	153,810	127,955	106,688	79,199
Operating income	17,884	22,136	29,524	25,274	13,931
Interest expense	(77)	(398)	(32,530)	(43,357)	(13,356)
Other debt financing expenses	—	—	(58,331)	(18,361)	(6,372)
Gain (loss) from change in fair value of redeemable warrants	—	—	—	(16,352)	1,578
Gain (loss) from change in fair value of embedded derivatives	—	—	1,600	3,800	(5,400)
Other income (expense), net	(258)	(1,495)	(2,222)	291	(1,786)
Income (loss) before income taxes	17,549	20,243	(61,959)	(48,705)	(11,405)
Income tax expense	(4,569)	(2,714)	(1,992)	(1,319)	(1,532)
Net income (loss)	$ 12,980	$ 17,529	$ (63,951)	$ (50,024)	$ (12,937)
Net loss attributable to common stockholders	$ (13,829)	$ (7,914)	$ (74,592)	$ (50,024)	$ (22,937)
Net loss per share attributable to common stockholders, basic and diluted (2)	$ (0.19)	$ (0.12)	$ (1.22)	$ (1.55)	$ (0.95)
Weighted average number of shares of Common Stock outstanding, basic and diluted (2)	71,231	66,050	61,384	32,229	24,262
Consolidated statements of cash flows data:					
Net cash provided by (used in):					
Operating activities	$ 42,103	$ 20,386	$ 22,382	$ 29,163	$ (59,609)
Investing activities	(1,483)	(1,872)	(1,053)	(1,392)	(1,188)
Financing activities	6,375	(5,737)	(34,774)	(16,490)	77,088

(1) Gross margin is computed by dividing gross profit by revenue.

(2) The change in capital structure resulting from the consummation of the mergers and reverse recapitalization has been given retroactive effect in the calculation of net loss per share attributable to common stockholders based on the restated weighted average number of shares of our Common Stock outstanding, as discussed in the introductory paragraph to this Item 6. In accounting for the reverse recapitalization, the historical capitalization related to shares of RSI Common Stock have been retroactively restated based on the Exchange Ratio as if shares of Common Stock had been issued as of the later of (i) the issuance date of the shares, or (ii) the earliest period presented herein. With respect to RSI Preferred Stock, conversion to shares of Common Stock required the affirmative vote by the respective holders of RSI Preferred Stock. Therefore, conversion is not reflected until October 10, 2017, and the capital structure of RMNI is deemed to include the RSI Preferred Stock until consummation of the mergers. For purposes of the calculation of diluted net loss per share for all periods, all shares of RSI's Series A, B and C Preferred Stock and all common stock equivalents have been excluded from the weighted average number of common shares outstanding since the impact was anti-dilutive.

Item 7. – Management's Discussion and Analysis of Financial Condition and Results of Operations

Rimini Street, Inc. (referred to as the "Company", "we" and "us") was incorporated in Delaware on October 10, 2017. As discussed below, the Company's predecessor was also named Rimini Street, Inc., a company incorporated in the state of Nevada in September 2005 and referred to herein as RSI. References to "management" or "management team" refer to the officers and directors of the Company and/or RSI as its predecessor.

Rimini Street, Inc. ("RSI") was incorporated in the state of Nevada in September 2005. RSI provides enterprise software support services. In May 2017, RSI entered into an Agreement and Plan of Merger (the "Merger Agreement") with GP Investments Acquisition Corp. ("GPIA"), a publicly-held special purpose acquisition company ("SPAC") incorporated in the Cayman Islands and formed for the purpose of effecting a business combination with one or more businesses. The Merger Agreement was approved by the respective shareholders of RSI and GPIA in October 2017, and closing occurred on October 10, 2017, resulting in (i) the merger of a wholly-owned subsidiary of GPIA with and into RSI, with RSI as the surviving corporation, after which (ii) RSI merged with and into GPIA, with GPIA as the surviving corporation and renamed "Rimini Street, Inc." (referred to herein as "RMNI", as distinguished from RSI, which is defined as the predecessor entity with the same legal name) immediately after consummation of the second merger. As such, the consolidated financial results of the Company for the years ended December 31, 2020, 2019 and 2018 presented in the consolidated financial statements reflect the operating results of RSI and its consolidated subsidiaries.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes to those statements included in Item 8 of this Report. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "*Risk Factors*" in Item 1A and elsewhere in this Report.

Certain figures, such as interest rates and other percentages included in this section have been rounded for ease of presentation. Percentage figures included in this section have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this section may vary slightly from those obtained by performing the same calculations using the figures in our consolidated financial statements or in the associated text. Certain other amounts that appear in this section may similarly not sum due to rounding.

Overview

Rimini Street, Inc. is a global provider of enterprise software support products and services, and the leading independent software support provider for Oracle and SAP products, based on both the number of active clients supported and recognition by industry analyst firms. We founded our company to disrupt and redefine the enterprise software support market by developing and delivering innovative new products and services that fill a then unmet need in the market. We believe we have achieved our leadership position in independent enterprise software support by recruiting and hiring experienced, skilled and proven staff; delivering outcomes-based, value-driven and award-winning enterprise software support products and services; seeking to provide an exceptional client-service, satisfaction and success experience; and continuously innovating our unique products and services by leveraging our proprietary knowledge, tools, technology and processes.

Enterprise software support products and services is one of the largest categories of overall global information technology ("IT") spending. We believe core enterprise resource planning ("ERP"), customer relationship management ("CRM"), product lifecycle management ("PLM") and technology software platforms have become increasingly important in the operation of mission-critical business processes over the last 30 years, and also that the costs associated with failure, downtime, security exposure and maintaining the tax, legal and regulatory compliance of these core software systems have also increased. As a result, we believe that licensees often view software support as a mandatory cost of doing business, resulting in recurring and highly profitable revenue streams for enterprise software vendors. For example, for fiscal year 2020, SAP

reported that support revenue represented approximately 42% of its total revenue and, for fiscal 2020, Oracle reported a margin of 85% for cloud services and license support.

We believe that software vendor support is an increasingly costly model that has not evolved to offer licensees the responsiveness, quality, breadth of capabilities or value needed to meet the needs of licensees. Organizations are under increasing pressure to reduce their IT costs while also delivering improved business performance through the adoption and integration of emerging technologies, such as mobile, virtualization, internet of things ("IoT") and cloud computing. Today, however, the majority of IT budget is spent operating and maintaining existing infrastructure and systems. As a result, we believe organizations are increasingly seeking ways to redirect budgets from maintenance to new technology investments that provide greater strategic value, and our software products and services help clients achieve these objectives by reducing the total cost of support.

As of December 31, 2020, we employed approximately 1,420 professionals and supported over 2,480 active clients globally, including 75 Fortune 500 companies and 17 Fortune Global 100 companies across a broad range of industries. We define an active client as a distinct entity, such as a company, an educational or government institution, or a business unit of a company that purchases our services to support a specific product. For example, we count as two separate active client instances in circumstances where we provide support for two different products to the same entity. We market and sell our services globally, primarily through our direct sales force, and have wholly-owned subsidiaries in Australia, Brazil, Canada, UAE (Dubai), France, Germany, Hong Kong, India, Israel, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Poland, Singapore, Sweden, Taiwan, the United Kingdom and the United States. We believe our primary competitors are the enterprise software vendors whose products we service and support, including IBM, Microsoft, Oracle and SAP.

Our subscription-based revenue provides a strong foundation for, and visibility into, future period results. We generated revenue of $326.8 million, $281.1 million and $253.5 million for the years ended December 31, 2020. 2019, and 2018, respectively, representing a year-over-year increase of 16% and 11% for 2020 and 2019, respectively. We have a history of losses, and as of December 31, 2020, we had an accumulated deficit of $301.7 million. We earned net income of $13.0 million and $17.5 million for the years ended December 31, 2020 and 2019, respectively, and had a net loss of $64.0 million for the year ended December 31, 2018. We generated approximately 59% of our revenue in the United States and approximately 41% of our revenue from our international business for the year ended December 31, 2020.

Since our inception, we have financed our operations through cash collected from clients and net proceeds from equity financings and borrowings. As of December 31, 2020, we had no outstanding financial obligations under any note payables.

We intend to continue investing for long-term growth. We have invested and expect to continue investing in expanding our ability to market, sell and provide our current and future products and services to clients globally. We also expect to continue investing in the development and improvement of new and existing products and services to address client needs. We currently do not expect to be profitable in the near future.

Impact of COVID-19

During fiscal year 2020, we continued investing for long-term growth. However, as we neared the end of the first quarter of 2020, the emergence of the COVID-19 pandemic took hold and is having widespread, rapidly evolving and unpredictable impacts on global society, economies, financial markets and business practices. Federal and state governments have implemented multiple measures aiming to contain the spread of the virus, including social distancing, travel restrictions, border closures, quarantine guidance following travel to certain jurisdictions, limitations on public gatherings and continued closures of certain non-essential businesses. As a result, to protect the health and well-being of our employees, clients and the communities in which we operate, we transitioned as many of our employees as possible to a work-at-home model, temporarily closed our offices worldwide, placed restrictions on non-essential business travel, transitioned to a no in-person event marketing strategy and implemented a fully remote sales model. We believe these measures have been successful and have not significantly affected our financial results for the year ended December 31, 2020. We have implemented business continuity measures and will continue to respond to the COVID-19 pandemic as circumstances dictate.

As a result of the measures that we have taken in response to the COVID-19 pandemic described above, we have realized reduced costs of travel, reductions in costs resulting from cancelling certain in-person marketing events, reductions in office operating costs and potential rent abatement related to office closures around the world (that began mid-March 2020 and are expected to continue through at least June 2021). While some of our offices have partially re-opened with limited staffing, our offices will not fully re-open until local authorities permit us to, and our own criteria and conditions to ensure employee health and safety are satisfied. We continue to expect to offset some of these reduced costs with accelerated investments including implementing virtual sales and other marketing programs, special compensation bonuses for lower-paid employees and special compensation bonuses for employees who have tested positive for COVID-19. For example, during fiscal year 2020, we paid COVID-19 special bonuses to certain of our employees to help with pandemic-related special costs and for the few of our employees who have tested positive for COVID-19. We have authorized COVID-19 special bonuses during pandemic that have been paid throughout 2020. The cost of these special bonuses were more than offset by the cost reductions relating to travel and in-person marketing event fees and expenses described above.

The COVID-19 pandemic had no significant net impact on our revenue or results of operations during the year ended December 31, 2020, and we continued to deliver uninterrupted and critical support services to our clients during this period. Our ability to utilize our secure remote-connectivity global infrastructure promotes the safety of our employees while abiding by the restrictions currently in place where they are located throughout the world. While we did implement discounted or extended payment terms for certain of our clients in 2020, in most cases it was in exchange for contractual concessions favorable to us, for example, extended contract terms or marketing support for references, and the collective impact of such changes was not material to our results. However, the COVID-19 pandemic has impacted business markets worldwide, primarily due to the uncertainty relating to the continued effects of the pandemic. As a result, we have experienced some clients not renewing our services as their businesses have been adversely impacted during the pandemic. Despite this, we expect to continue to be able to market, sell and provide our current and future products and services to clients globally. We also expect to continue investing in the development and improvement of new and existing products and services to address client needs.

The extent to which the COVID-19 pandemic impacts our business going forward will depend on numerous evolving factors we cannot reliably predict, including the duration and scope of the pandemic; governmental and business actions in response to the pandemic; and the impact on economic activity, including the possibility of recession or financial market instability. These factors may adversely impact consumer, business, and government spending on technology as well as our clients' ability to pay for our services on an ongoing basis. This uncertainty also affects management's accounting estimates and assumptions, which could result in greater variability in a variety of areas that depend on these estimates and assumptions, including receivables and forward-looking guidance. As such, the effects of the COVID-19 pandemic may not be fully reflected in our financial results until future periods. Refer to "Risk Factors" (Part I, Item 1A of this Report) for a discussion of these factors and other risks.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law in the United States to address the economic impact of the COVID-19 pandemic. We have elected to defer payroll tax payments which totaled $3.3 million as of December 31, 2020 as permitted by the CARES Act (such deferred payroll taxes are due in two installments: 50% by December 31, 2021 and 50% by December 31, 2022). We continue to monitor any effects that may result from the CARES Act and other similar legislation or actions in geographies in which our business operates.

Recent Developments

Reference is made to Note 6 to our consolidated financial statements included in Part II, Item 8 of this Report for a discussion of recent developments related to the securities purchase agreements entered into on October 30, 2020 and January 5, 2021, and the related private placements of Series A Preferred Stock, Common Stock and Convertible Notes.

On August 18, 2020, we completed a firm commitment underwritten public offering (the "August 2020 Offering") of 6.1 million shares of our Common Stock at a price of $4.50 per share for total gross proceeds of $27.5 million. Net proceeds from the August 2020 Offering were approximately $25.1 million after deducting underwriting discounts and offering expenses. We intend to use the net proceeds from the August 2020 Offering for working capital and other general corporate purposes.

Reference is made to Note 7 to our unaudited condensed consolidated financial statements included in Part II, Item 8 of this Report for information about the August 2020 Offering.

Additionally, reference is made to Note 10 to our consolidated financial statements included in Part II, Item 8 of this Report for a discussion of developments in our litigation with Oracle.

Our Business Model

We believe most enterprise software vendors license the rights for customers to use their software. In a traditional licensing model, the customer typically procures a perpetual software license and pays for the license in a single upfront fee ("Perpetual License"), and base software support services can be optionally procured from the software vendor for an annual fee that averages approximately 22% of the total cost of the software license. In a subscription-based licensing model, such as software as a service, or SaaS, the customer generally pays as it goes for usage of the software on a monthly or annual basis ("Subscription License"). Under a Subscription License, the product license and a base level of software support are generally bundled together as a single purchase, and the base level of software support is not procured separately nor is it an optional purchase.

When we provide base software support for a Perpetual License, we generally offer our clients service for a fee that is equal to approximately 50% of the annual fees charged by the software vendor for their base support. When providing supplemental software support for a Perpetual License, where the client procures our support service in addition to retaining the software vendor's base support, we generally offer our clients service for a fee that is equal to 25% of the annual fees charged by the software vendor for their base support. For supplemental software support on a Subscription License, we generally offer our clients services for a fee that is equal to 50% of the annual fees charged by the software vendor for their supplemental or premium support. We also offer a special support service, Rimini Street Extra Secure Support, for clients that require a higher level of security clearance for our engineers accessing their system. Rimini Street Extra Secure Support is an additional fee added to our base or supplemental support fee and is priced at approximately 1% of the software vendor's annual fees for base maintenance for Perpetual Licenses and at approximately 2% of the subscription fees for Subscription Licenses. Subscriptions for additional software products and services are available, designed to meet specific client needs and we believe provide exceptional value for the fees charged.

Our subscription-based software support products and services offer enterprise software licensees a choice of solutions that replace or supplement the support products and services offered by enterprise software vendors for their products. Features, service levels, service breadth, technology and pricing differentiate our software products and services. We believe clients utilize our software products and services to achieve substantial cost savings; receive more responsive and comprehensive support; obtain support for their customized software that is not generally covered under the enterprise software vendor's service offerings; enhance their software functionality, capabilities, and data usage; and protect their systems and extend the life of their existing software releases and products. Our products and services enable our clients to keep their mission-critical systems operating smoothly and to remain in tax, legal and regulatory compliance; improve productivity; and better allocate limited budgets, labor and other resources to investments that provide competitive advantage and support growth.

We currently offer most of our support products and services on a subscription basis for a term that is generally 15 years in length with generally an initial, non-cancelable period of two to three years. The negotiated fees extend for the full term of the contract and usually include modest increases (averaging approximately three percent) after the initial non-cancelable period of each contract. For both of the years ended December 31, 2020 and December 31, 2019, approximately 75% of our invoicing was generated inside a non-cancelable period, and approximately 25% of our invoicing was generated outside of a non-cancelable period.

After a non-cancelable period, our clients generally have the ability to terminate their support contracts on an annual basis upon a notice period generally ranging from 60 to 90 days prior to the end of the support period or renegotiate a mutually-agreeable, additional support period – including potentially an additional multi-year, non-cancelable support period. We generally invoice our clients annually in advance of the support period. We record amounts invoiced for support periods that have not yet occurred as deferred revenue on our balance sheet. We net any unpaid accounts receivable amounts relating to cancellable support periods against deferred revenue on our balance sheet.

In November 2019, we announced the global availability of our Application Management Systems ("AMS") for Oracle, which includes coverage for Oracle Database, Middleware and a wide range of Oracle applications including E-Business Suite, JD Edwards, PeopleSoft and Siebel. In addition to leveraging our support services for Oracle that replaces expensive and less robust software vendor annual support with a more responsive and comprehensive support offering, our clients can now have us manage their Oracle systems day-to-day with an integrated application management and support service provided by a single trusted vendor. As an integrated service, we believe we can provide clients a better model, better people, and better outcomes with higher satisfaction and significant savings of time, labor and money. The AMS for Oracle includes system administration, operational support, health monitoring and enhancement support.

In August 2019, we announced plans to globally offer AMS for SAP enterprise software, expanding the scope of support services we will offer clients globally. This AMS service is in addition to our traditional enterprise Support Services. We are already providing this new SAP AMS service to clients in North and South America. The service includes system administration and SAP Basis support, system health monitoring with proactive analysis, preventative system recommendations and event detection; and enhancement support for complex SAP software landscapes.

Our pricing model is a key component of our marketing and sales strategy and we believe delivers significant savings and value to our clients.

Key Business Metrics

Number of clients

Since we founded our company, we have made the expansion of our client base a priority. We believe that our ability to expand our client base is an indicator of the growth of our business, the success of our sales and marketing activities, and the value that our services bring to our clients. We define an active client as a distinct entity, such as a company, an educational or government institution, or a business unit of a company that purchases our services to support a specific product. For example, we count as two separate active clients when support for two different products is being provided to the same entity. As of December 31, 2020, 2019 and 2018, we had over 2,480, 2,060 and 1,800 active clients, respectively.

We define a unique client as a distinct entity, such as a company, an educational or government institution or a subsidiary, division or business unit of a company that purchases one or more of our products or services. We count as two separate unique clients when two separate subsidiaries, divisions or business units of an entity purchase our products or services. As of December 31, 2020, 2019 and 2018, we had over 1,310, 1,160 and 1,050 unique clients, respectively.

The increase in both our active and unique client counts have been almost exclusively from new unique clients and not from sales of new products and services to existing unique clients. However, as noted previously, we intend to focus future growth on both new and existing clients. We believe that the growth in our number of clients is an indication of the increased adoption of our enterprise software products and services.

Annualized subscription revenue

We recognize subscription revenue on a daily basis. We define annualized subscription revenue as the amount of subscription revenue recognized during a quarter and multiplied by four. This gives us an indication of the revenue that can be earned in the following 12-month period from our existing client base assuming no cancellations or price changes occur during that period. Subscription revenue excludes any non-recurring revenue, which has been insignificant to date. Our annualized subscription revenue was approximately $349 million, $302 million and $271 million as of December 31, 2020, 2019 and 2018, respectively.

Revenue retention rate

A key part of our business model is the recurring nature of our revenue. As a result, it is important that we retain clients after the completion of the non-cancelable portion of the support period. We believe that our revenue retention rate provides insight into the quality of our products and services and the value that our products and services provide our clients.

We define revenue retention rate as the actual subscription revenue (dollar-based) recognized in a 12-month period from clients that existed on the day prior to the start of the 12-month period divided by our annualized subscription revenue as of the day prior to the start of the 12-month period. Our revenue retention rate was 92%, 92% and 91% for the years ended December 31, 2020, 2019 and 2018, respectively.

Gross margin

We derive revenue through the provision of our enterprise software products and services. All the costs incurred in providing these products and services are recognized as part of the cost of revenue. The cost of revenue includes all direct product line expenses, as well as the expenses incurred by our shared services organization which supports all product lines.

We define gross profit as the difference between revenue and the costs incurred in providing the software products and services. Gross margin is the ratio of gross profit divided by revenue. Our gross margin was approximately 61.4%, 62.6% and 62.1% for the years ended December 31, 2020, 2019 and 2018, respectively. We believe the gross margin provides an indication of how efficiently and effectively we are operating our business and serving our clients.

Factors Affecting Our Operating Performance

Litigation

The information from Item 3, *Legal Proceedings* and Item 1A, "*Risk Factors-—Risks Related to Litigation—"We and our Chief Executive Officer are involved in litigation with Oracle. An adverse outcome in the ongoing litigation could result in the payment of substantial damages and/or an injunction against certain of our business practices, either of which could have a material adverse effect on our business and financial results,*" is incorporated by reference herein. For claims on which Oracle has prevailed or may prevail, we have been and could be required to pay substantial damages for our current or past business activities, be enjoined from certain business practices, and/or be in breach of covenants and restrictions related to our Series A Preferred Stock, which could result in the ability of the holders to immediately accelerate the mandatory redemption date with the Redemption Amounts automatically becoming payment obligations pursuant to the Convertible Notes with a concurrent cancellation of the shares of the Series A Preferred Stock. Any of these outcomes could result in a material adverse effect on our business.

Adoption of enterprise software products and services

We believe the existing market for independent enterprise software support services is underserved. We currently provide support services for IBM, Microsoft, SAP, Oracle and other enterprise software vendors' products. We also believe the existing market for our other enterprise software products and services is underserved, and that we have unique products and services that can meet client needs in the marketplace. For example, we provide the Rimini Street Advanced Database Security product in partnership with McAfee, a global leader in cybersecurity.

We also believe that our total addressable market for our enterprise software products and services is substantially larger than our current client base and the products and services we currently offer. As a result, we believe we have the opportunity to expand our global client base and to further increase adoption of our software products and services within and across existing clients. However, as the market for independent enterprise software support services as well as our other software products and services is still emerging, it is difficult for us to predict the timing of when and if widespread acceptance will occur.

Sales cycle

We sell our services to our clients primarily through our direct sales organization. Our sales cycle, depending on the product or service, typically ranges from six months to a year from when a prospective client is engaged. While we believe that there is a significant market opportunity for our enterprise software products and services, we often must educate prospective clients about the value of our products and services, which can result in lengthy and multiple sales cycles, particularly for larger prospective clients, as well as the incurrence of significant marketing expenses. Our typical sales cycle with a prospective client begins with the generation of a sales lead through trade shows, industry events, online marketing, media interviews and articles, inbound calls, outbound calls or client, analyst or other referral. The sales lead is followed by an assessment of the prospect's current software license contract terms, systems environment, products and releases being used, needs and objectives.

The variability in our sales cycle for replacement or supplemental software support services is impacted by whether software vendors are able to convince potential clients that they should renew their software maintenance with the existing vendor or procure or renew supplemental support services from the existing vendor, respectively. Another driver of our sales cycle variability is any announcement by a software vendor of their discontinuation, reduction or limitation of support services for a particular software product or release for which we continue to offer a competing support service. In addition, our sales cycle variability is impacted by vendor discounts provided by software companies to retain existing clients or attract potential clients. Finally, our litigation with Oracle can also drive sales cycle variability as clients oftentimes perform their own legal due diligence, which can lengthen the sales cycle.

Key Components of Consolidated Statements of Operations

Revenue. We currently derive nearly all of our revenue from subscription-based contracts for software services. Revenue from these contracts is recognized ratably on a straight-line basis over the applicable service period.

Cost of revenue. Cost of revenue includes salaries, benefits and stock-based compensation expenses associated with our technical support and services organization, as well as allocated overhead and non-personnel expenses such as outside services, professional fees and travel-related expenses. Allocated overhead includes overhead costs for depreciation of equipment, facilities (consisting of leasehold improvements and rent) and technical operations (including costs for compensation of our personnel and costs associated with our infrastructure). We recognize expenses related to our technical support and services organization as they are incurred.

Sales and marketing expenses. Sales and marketing expenses consist primarily of personnel costs for our sales, marketing and business development employees and executives, amortization expense associated with capitalized sales commissions, sales commissions that do not qualify for capitalization, travel related expenses, outside services and allocated overhead. Sales commissions are costs of obtaining customer contracts and are capitalized and then amortized over a period of benefit that we have determined to be 4 years.

General and administrative expenses. General and administrative expenses consist primarily of personnel costs for our administrative, legal, human resources, finance and accounting employees and executives. These expenses also include non-employee expenses, such as travel-related expenses, outside services, legal, auditing and other professional fees, and general corporate expenses, along with an allocation of our general overhead expenses.

Litigation costs and related recoveries, net. Litigation costs consist of legal settlements, pre-judgment interest, and third-party professional fees to defend against litigation claims. In the past, we have had liability insurance policies where a portion of our defense costs and litigation judgments or settlements have been reimbursed under the terms of the policies. Such insurance recoveries were reflected as a reduction of litigation costs upon notification of approval for reimbursement by the insurance company. For legal expenses related to Rimini II litigation, the deferred settlement liability was reduced with a corresponding reduction of legal expenses when the costs were incurred.

Interest expense. Interest expense is incurred under our credit facilities and other debt obligations. The components of interest expense include the amount of interest payable in cash at the stated interest rate, interest that is payable in kind through additional borrowings, make-whole applicable premium, and accretion of debt discounts and issuance costs ("DDIC") using the effective interest method.

Other debt financing expenses. Other debt financing expenses are incurred pursuant to our former Credit Facility. The components of other debt financing expenses include collateral monitoring fees, unused line fees required to ensure our availability to funding, amortization of DDIC related to the unfunded portion of the Credit Facility, write-off of DDIC related to the funded portion of the Credit Facility in connection with principal prepayments, penalties incurred for not achieving target dates for completing the mergers with GPIA, and fees charged for administrative agent and loan servicing fees.

Gain from change in fair value of embedded derivatives. Our former Credit Facility contained features referred to as embedded derivatives that were required to be bifurcated and recorded at fair value. Embedded derivatives included requirements to pay default interest upon the existence of an event of default, requirements to pay certain target date fees, and to pay "make-whole" interest for certain mandatory and voluntary prepayments of the outstanding principal balance under the Credit Facility. We engaged an independent valuation specialist to perform valuations of the embedded derivatives on a quarterly basis. Changes in the fair value of embedded derivatives were reflected as a non-operating gain or loss in our consolidated statements of operations until July 19, 2018 when the Credit Facility was terminated.

Other expenses, net. Other expenses, net consists primarily of gains or losses on foreign currency transactions, write-off of deferred debt financing costs related to unsuccessful financings, and interest income.

Income tax expense. The provision for income taxes is based on the amount of our taxable income and enacted federal, state and foreign tax rates, as adjusted for allowable credits and deductions. Our provision for income taxes consists primarily of foreign taxes for the periods presented, our taxable income for U.S. federal and state purposes is offset by net operating losses. In addition, because of our lack of domestic earnings history, the domestic net deferred tax assets have been fully offset by a valuation allowance and no tax benefit has been recognized.

Results of Operations

Comparison of Years ended December 31, 2020 and 2019

Our consolidated statements of operations for the years ended December 31, 2020 and 2019 are presented below (in thousands):

			Variance	
	2020	2019	Amount	Percent
Revenue	$ 326,780	$ 281,052	$ 45,728	*16.3%*
Cost of revenue:				
Employee compensation and benefits	83,941	70,604	13,337	*18.9%*
Engineering consulting costs	21,388	16,644	4,744	*28.5%*
Administrative allocations (1)	14,432	12,271	2,161	*17.6%*
All other costs	6,450	5,587	863	*15.4%*
Total cost of revenue	126,211	105,106	21,105	*20.1%*
Gross profit	200,569	175,946	24,623	*14.0%*
Gross margin	*61.4 %*	*62.6 %*		
Operating expenses:				
Sales and marketing	114,741	107,280	7,461	*7.0%*
General and administrative	52,222	47,364	4,858	*10.3%*
Impairment charges related to operating lease right-of-use assets	1,167	—	1,167	*N/A*
Litigation costs and related recoveries, net	14,555	(834)	15,389	*(1,845.2)%*
Total operating expenses	182,685	153,810	28,875	*18.8%*
Operating income	17,884	22,136	(4,252)	*(19.2)%*
Non-operating expenses:				
Interest expense	(77)	(398)	321	*(80.7)%*
Other expenses, net	(258)	(1,495)	1,237	*(82.7)%*
Income before income taxes	17,549	20,243	(2,694)	*(13.3)%*
Income tax expense	(4,569)	(2,714)	(1,855)	*68.3%*
Net income	$ 12,980	$ 17,529	$ (4,549)	*(26.0)%*

(1) Includes the portion of costs for information technology, security services and facilities costs that are allocated to cost of revenue. In our consolidated financial statements, such costs are allocated between cost of revenue, sales and marketing, and general and administrative expenses based primarily on relative headcount, except for facilities which is based on occupancy.

Revenue. Revenue increased from $281.1 million for the year ended December 31, 2019 to $326.8 million for the year ended December 31, 2020, an increase of $45.7 million or 16%. The vast majority of this increase was driven by a 10% increase in the average number of unique clients, as opposed to existing unique clients subscribing to additional services. On a regional basis, United States revenue grew from $179.7 million for fiscal 2019 to $191.4 million for fiscal 2020, an increase of $11.8 million or 7%, while international revenue grew from $101.4 million for fiscal 2019 to $135.3 million for fiscal 2020, an increase of $34.0 million or 33%. Accelerated growth in our international business was driven by an increase in sales headcount primarily in Asia and Europe and an increase in marketing and advertising spend targeted for prospective clients outside the United States. Our fiscal 2020 versus fiscal 2019 growth in revenue increased from approximately 11% for 2019 to 16% for 2020.

Cost of revenue. Total cost of revenue increased from $105.1 million for the year ended December 31, 2019 to $126.2 million for the year ended December 31, 2020, an increase of $21.1 million or 20%. This increase was primarily due to additional support for the increasing number of clients that resulted in an increase in employee compensation and benefits of

$13.3 million, an increase of engineering consulting costs of $4.7 million, an increase in allocation cost of $2.2 million and an increase in all other costs of $0.9 million.

The $13.3 million increase in cost of revenue attributable to employee compensation and benefits for the year ended December 31, 2020, was primarily due to (a) an increase in salaries, wages and benefit costs of $12.9 million due to a 20% increase in the average number of employees devoted to cost of revenue functions, annual pay increases, and increased bonus payouts. In addition, stock based compensation increased $0.2 million and sabbatical expense increased by $0.2 million from the prior year. Our sabbatical benefit plan began in May 2018, and provides full time employees that achieve 10 years of service with a one-month paid sabbatical leave, and the grant of restricted stock units ("RSU's") with a fair value on the date of grant of $10,000 that vest over the subsequent 12-month period.

As discussed in Note 10 to our consolidated financial statements included in Item 8 of this Report, in August 2018 Oracle obtained a permanent injunction from the District Court that prohibits us from using certain processes that could require us to incur additional labor costs to provide support for our clients as contracted. In September 2018, the Company filed a motion with the Court of Appeals, seeking a stay of the permanent injunction pending appeal and requesting a decision before the expiration of the temporary stay entered by the District Court. In November 2018, the Court of Appeals denied the Company's motion for a stay pending appeal of the injunction issued by the District Court without addressing the merits of the Company's appeal, and it confirmed the briefing schedule for the appeal. The briefing on our appeal to the Court of Appeals was completed in March 2019, and a hearing on our appeal occurred in July 2019. In August 2019, the Court of Appeals entered an order affirming the permanent injunction and the award of attorneys' fees that were previously paid to Oracle. However, the Court of Appeals agreed that the injunction was overbroad in two respects and instructed the District Court to remove the restriction on "local hosting" of J.D. Edwards and Siebel software and the prohibition against "accessing" J.D. Edwards and Siebel software source code. Since the date the temporary stay was lifted on the permanent injunction, we have incurred and will continue to incur additional expenses in the range of 1% to 2% of revenue for additional labor costs because, as drafted, the injunction contains language that could be read to cover some current support practices that are being litigated in the "Rimini II" lawsuit and that have not been found to be infringing.

Gross Profit. Gross profit increased from $175.9 million for the year ended December 31, 2019 compared to $200.6 million for the year ended December 31, 2020, an increase of $24.6 million or 14%. Gross margin for the year ended December 31, 2019 was 62.6% compared to 61.4% for the year ended December 31, 2020. Our revenue for the year ended December 31, 2020 increased by $45.7 million or 16% compared to the year ended December 31, 2019. Total cost of revenue for the year ended December 31, 2020 increased by $21.1 million, or 20%, compared to the year ended December 31, 2010. Given that the increase in the cost of revenue was 20% compared to the increase in revenue of 16%, it resulted in a slight decline in gross margin for the year ended December 31, 2020 compared to the year ended December 31, 2019. The lower gross margin for the year ended December 31, 2020 was primarily due to the increase in employee compensation and employee benefits as well as engineering consulting costs.

Sales and marketing expenses. As a percentage of our revenue, sales and marketing expenses have decreased from 38% for the year ended December 31, 2019 to 35% for the year ended December 31, 2020. In dollar terms, sales and marketing expenses increased from $107.3 million for the year ended December 31, 2019 to $114.7 million for the year ended December 31, 2020, an increase of $7.5 million or 7%. This increase was primarily due to (i) a $4.1 million increase in employee compensation and benefits as a result of a 4% increase in average headcount, (ii) an increase in marketing and promotional costs as well as advertising costs of $6.0 million, (iii) an increase of all other costs of $1.2 million, (iv) an increase in contract labor of $0.9 million and (v) an increase in recruiting costs of $0.5 million. These increases were offset by a decline in trade show expenses of $2.8 million and a reduction of travel expenses of $2.8 million.

The $4.1 million increase in sales and marketing expense attributable to employee compensation and benefits for the year ended December 31, 2020, was primarily due to an increase in (i) salaries, wages and benefit costs of $3.2 million due to a 4% increase in the average number of employees devoted to sales and marketing functions, annual pay increases, and higher bonus payouts and (ii) commissions of $0.9 million due to new customer wins in excess of the prior year. Our overall spending increased as we attempt to accelerate our future revenue growth by investing in more resources.

General and administrative. General and administrative expenses increased from $47.4 million for the year ended December 31, 2019 to $52.2 million for the year ended December 31, 2020, an increase of $4.9 million or 10%. This increase was primarily due to (i) increases in compensation and benefit costs of $7.9 million, (ii) an increase in computer software and license costs of $1.7 million, (iii) an increase of outside services of $1.6 million, (iv) an increase in rent of $1.0 million and (v) and increase in other costs of $0.9 million. These unfavorable variances were offset, in part, by (i) a favorable increase in administrative allocations of $2.3 million, (ii) a reduction in travel costs of $2.0 million, (iii) a decline in recruitment costs of $0.9 million and (iv) a decrease of sales and other related taxes of $0.8 million.

The $7.9 million increase in general and administrative expenses attributable to employee compensation and benefits for the year ended December 31, 2020, was primarily due to an increase in salaries, wages and benefit costs of $6.8 million due to a 15% increase in the average number of employees devoted to general and administrative functions, annual pay increases, and increased bonus payouts, and an increase of $1.1 million in stock-based compensation expense.

Looking forward, we expect to continue to incur higher expenses associated with supporting the growth of our business, both in terms of size and geographical diversity, and to meet the increased compliance requirements associated with being a public company. Public company costs that are expected to increase in the future include additional information systems costs, costs for additional personnel in our accounting, human resources, IT and legal functions, SEC and Nasdaq fees, and incremental professional, legal, audit and insurance costs. As a result, we currently expect our general and administrative expenses to increase in dollar terms in future periods.

Impairment charges related to operating lease right-of-use assets. We recognized an impairment charge of $1.2 million for the year ended December 31, 2020, related to one of our office leases as we ceased use of a portion of the office space due to increased use of remote work which has occurred during the COVID-19 pandemic.

Litigation costs and related recoveries, net. For the years ended December 31, 2020 and 2019, litigation costs and related recoveries, net consist of the following (in thousands):

	2020	2019	Change
Professional fees and other defense costs of litigation	$ 13,493	$ 8,002	$ 5,491
Litigation appeal refund	—	(12,775)	12,775
Insurance recoveries, net	1,062	3,939	(2,877)
Litigation costs, net of related insurance recoveries	$ 14,555	$ (834)	$ 15,389

Professional fees and other defense costs associated with litigation increased from $8.0 million for the year ended December 31, 2019 to $13.5 million for the year ended December 31, 2020, an increase of $5.5 million. This increase was primarily due to increased costs associated with discovery work on the Rimini II litigation and the Rimini I appeal during the year ended December 31, 2020 compared to the year ended December 31, 2019.

Litigation appeal refunds decreased from $12.8 million for the year ended December 31, 2019 to none for the year ended December 31, 2020. In May 2018, we appealed to the U.S. Supreme Court for approximately $12.8 million of the District Court's award of non-taxable expenses related to the judgment. On March 4, 2019, the U.S. Supreme Court issued a unanimous decision reversing earlier decisions by the lower courts and ruling that Oracle must return approximately $12.8 million in non-taxable expenses that we had previously paid to Oracle (plus interest). As described in Note 10 to our consolidated financial statements included in Part II, Item 8 of this Report, as mandated by the U.S. Supreme Court, on April 5, 2019, Oracle paid us approximately $13.0 million (the principal amount plus post-judgment interest). As a result, we recognized a recovery of non-taxable expenses for $12.8 million and recorded interest income of $0.2 million for the year ended December 31, 2019. The award received is required to be shared on a pro rata basis with an insurance company, which had previously paid for part of the judgment and reimbursed a portion of defense costs, after deducting the costs of all of our past and pending appeal and remand proceedings in Rimini I.

Insurance costs and related recoveries, net decreased from a net cost of $3.9 million for the year ended December 31, 2019 to net cost of $1.1 million for the year ended December 31, 2020. We recognized costs of $3.9 million for the year ended December 31, 2019, reflecting the estimate of the amounts owed to the insurance company at that time. The liability, noted above, was subject to change as additional costs related to any future Rimini I appeal and remand proceedings were incurred. For the year ended December 31, 2020, we recognized costs of $1.1 million to revise the amount due to the insurance company (for portions of the Court of Appeals and U.S. Supreme Court awards), which was paid in September 2020. We are self-insured for any costs related to any current or future intellectual property litigation. We currently believe our cash on hand, accounts receivable and contractually committed backlog provides us with sufficient liquidity to cover costs related to our litigation with Oracle.

Interest expense. Interest expense decreased from $0.4 million for the year ended December 31, 2019 to $0.1 million for the year ended December 31, 2020, a decrease of $0.3 million. Interest expense decreased due to a reduction in accretion expense of $0.2 million related to the GP Sponsor note payable. The GP Sponsor note was paid off on June 28, 2019. Interest expense related to capital leases also decreased by approximately $0.1 million.

Other expenses, net. For the year ended December 31, 2019, we had other expenses, net of $1.5 million as compared to other expenses net of $0.3 million for the year ended December 31, 2020, a decrease of $1.2 million. For the year ended December 31, 2020, other expense, net was primarily comprised of foreign exchange losses of $77 thousand and other non-operating expenses of $0.2 million. For the year ended December 31, 2019, other expense, net of $1.5 million was primarily comprised of foreign exchange losses of $1.6 million and other non-operating expenses of $0.2 million. The amounts were partially offset by interest income of $0.2 million related to the U.S. Supreme Court decision.

Income tax expense. Income tax expense increased from $2.7 million for the year ended December 31, 2019 to $4.6 million for the year ended December 31, 2020, an increase of $1.9 million or 68%. Our foreign earnings before income taxes increased from $6.7 million for the year ended December 31, 2019 to $9.0 million for the year ended December 31, 2020, an increase of $2.3 million. The provision for income taxes is based on the amount of our taxable income and enacted federal, state and foreign tax rates, as adjusted for allowable credits and deductions. Our provision for income taxes consists primarily of foreign taxes for the periods presented, as our taxable income for U.S. federal and state purposes is offset by net operating losses. In addition, because of our lack of domestic earnings history, the domestic net deferred tax assets have been fully offset by a valuation allowance and no tax benefit has been recognized.

Comparison of Years ended December 31, 2019 and 2018

Our consolidated statements of operations for the years ended December 31, 2019 and 2018 are presented below (in thousands):

	2019	2018	Variance Amount	Variance Percent
Revenue	$ 281,052	$ 253,460	$ 27,592	*10.9%*
Cost of revenue:				
Employee compensation and benefits	70,604	64,158	6,446	*10.0%*
Engineering consulting cost	16,644	13,946	2,698	*19.3%*
Administrative allocations (1)	12,271	10,715	1,556	*14.5%*
All other costs	5,587	7,162	(1,575)	*(22.0)%*
Total cost of revenue	105,106	95,981	9,125	*9.5%*
Gross profit	175,946	157,479	18,467	*11.7%*
Gross margin	*62.6 %*	*62.1 %*		
Operating expenses:				
Sales and marketing	107,280	89,493	17,787	*19.9%*
General and administrative	47,364	37,204	10,160	*27.3%*
Litigation costs and related recoveries, net	(834)	1,258	(2,092)	*(166.3)%*
Total operating expenses	153,810	127,955	25,855	*20.2%*
Operating income	22,136	29,524	(7,388)	*(25.0)%*
Non-operating expenses:				
Interest expense	(398)	(32,530)	32,132	*(98.8)%*
Other debt financing expenses	—	(58,331)	58,331	*(100.0)%*
Gain from change in fair value of embedded derivatives	—	1,600	(1,600)	*(100.0)%*
Other expenses, net	(1,495)	(2,222)	727	*(32.7)%*
Income (loss) before income taxes	20,243	(61,959)	82,202	*(132.7)%*
Income tax expense	(2,714)	(1,992)	(722)	*36.2%*
Net income (loss)	$ 17,529	$ (63,951)	$ 81,480	*(127.4)%*

(1) Includes the portion of costs for information technology, security services and facilities costs that are allocated to cost of revenue. In our consolidated financial statements, such costs are allocated between cost of revenue, sales and marketing, and general and administrative expenses based primarily on relative headcount, except for facilities which is based on occupancy.

Revenue. Revenue increased from $253.5 million for the year ended December 31, 2018 to $281.1 million for the year ended December 31, 2019, an increase of $27.6 million or 11%. The vast majority of this increase was driven by a 13% increase in the average number of unique clients, as opposed to existing unique clients subscribing to additional services. On a regional basis, United States revenue grew from $163.7 million for fiscal 2018 to $179.7 million for fiscal 2019, an increase of $15.9 million or 10%, while international revenue grew from $89.8 million for fiscal 2018 to $101.4 million for fiscal 2019, an increase of $11.6 million or 13%. Accelerated growth in our international business was driven by an increase in sales headcount primarily in Asia and Europe and an increase in marketing and advertising spend targeted for prospective clients outside the United States.

Our former Credit Facility included covenants that restricted our spending on sales and marketing activity that resulted in sequential quarterly reductions in new business activity during fiscal 2018. These covenants became less restrictive beginning on October 10, 2017 when the Credit Facility was amended, and all covenants were eliminated on July 19, 2018 as a result of the termination of the Credit Facility. The October 2017 amendment allowed us to increase our sales and marketing spending beginning in the fourth quarter of 2017. However, even though we are currently increasing our sales and marketing spending, it can take several quarters before these efforts are expected to translate into revenue, if at all. In addition, beginning in the second quarter of 2017, some potential sales transactions were adversely affected by certain competitive actions, and we are encountering increased competitive discounting by enterprise software vendors. As a result, our fiscal 2019 versus fiscal 2018 growth in revenue decreased from approximately 18% for 2018 to 11% for 2019.

Cost of revenue. Total cost of revenue increased from $96.0 million for the year ended December 31, 2018 to $105.1 million for the year ended December 31, 2019, an increase of $9.1 million or 10%. This increase was primarily due to additional support for the increasing number of clients that resulted in an increase in employee compensation and benefits of $6.4 million and an increase in contract labor costs of $2.7 million.

The $6.4 million increase in cost of revenue attributable to employee compensation and benefits for the year ended December 31, 2019, was primarily due to (a) an increase in salaries, wages and benefit costs of $7.1 million due to a 10% increase in the average number of employees devoted to cost of revenue functions, annual pay increases, and increased bonus payouts, offset by a decrease of $0.7 million in sabbatical expense. Our sabbatical benefit plan began in May 2018, and provides full time employees that achieve 10 years of service with a one-month paid sabbatical leave, and the grant of restricted stock units ("RSU's") with a fair value on the date of grant of $10,000 (the RSU's then vest over the subsequent 12-month period).

Gross Profit. Gross profit increased from $157.5 million for the year ended December 31, 2018 compared to $175.9 million for the year ended December 31, 2019, an increase of $18.5 million or 12%. Gross margin for the year ended December 31, 2018 was 62.1% compared to 62.6% for the year ended December 31, 2019. Our revenue for the year ended December 31, 2019 increased by $27.6 million or 11% compared to the year ended December 31, 2018. Total cost of revenue for the year ended December 31, 2019 increased by $9.1 million, or 10%, compared to the year ended December 31, 2018. Given that the increase in the cost of revenue was 10% compared to the increase in revenue of 11%, it resulted in a slightly improved gross margin for the year ended December 31, 2019 compared to the year ended December 31, 2018. The improved gross margin for the year ended December 31, 2019 was primarily the result of a reduction in all other costs, largely driven by a $1.6 million decrease in travel and business meeting costs as we did not hold our Global Service Delivery conference during 2019, which our support team attends.

Sales and marketing expenses. As a percentage of our revenue, sales and marketing expenses have increased from 35% for the year ended December 31, 2018 to 38% for the year ended December 31, 2019. In dollar terms, sales and marketing expenses increased from $89.5 million for the year ended December 31, 2018 to $107.3 million for the year ended December 31, 2019, an increase of $17.8 million or 20%. This increase was primarily due to (i) a $15.8 million increase in employee compensation and benefits as a result of a 19% increase in average headcount, (ii) an increase in shared service allocations for facilities, security and technology of $2.7 million to support more employees, (iii) a $0.9 million increase in contract labor, and (iv) an increase of $0.4 million for all other costs. These increases were offset in part by (i) a $1.5 million decrease in travel and business meeting costs as we did not hold our sales kickoff meeting during 2019, (ii) a $0.5 million decrease in marketing and advertising costs, and (iii) a decrease in employee recruitment costs of $0.2 million.

The $15.8 million increase in sales and marketing expense attributable to employee compensation and benefits for the year ended December 31, 2019, was primarily due to an increase in (i) salaries, wages and benefit costs of $11.6 million due to a 19% increase in the average number of employees devoted to sales and marketing functions, annual pay increases, and higher bonus payouts and (ii) commissions of $4.6 million due to new customer wins in excess of the prior year and (iii) an unfavorable impact of $2.8 million as a result of adopting ASC 606 as less commissions were capitalized in 2019. These increases were partially offset by a decrease in costs of $0.3 million associated with our sabbatical benefit plan adopted in May 2018.

General and administrative. General and administrative expenses increased from $37.2 million for the year ended December 31, 2018 to $47.4 million for the year ended December 31, 2019, an increase of $10.2 million or 27%. This increase was primarily due to (i) increases in compensation and benefit costs of $5.9 million, (ii) increases in sales tax expense and other taxes of $4.5 million due to recording a larger sales tax benefit in 2018, (iii) an increase in contract labor of $1.8 million, and (iv) an increase of computer supplies and software costs for $1.3 million.

These increases which total $13.5 million were partially offset by an increase in general and administrative allocations out to other departments of $4.3 million driven primarily by increased headcount in 2019.

The $5.9 million increase in general and administrative expenses attributable to employee compensation and benefits for the year ended December 31, 2019, was primarily due to (i) an increase in salaries, wages and benefit costs of $4.9 million due to a 11% increase in the average number of employees devoted to general and administrative functions, annual pay increases, and increased bonus payouts, and (ii) an increase of $1.1 million in stock-based compensation expense. These increases were partially offset by a decrease of $0.2 million of sabbatical benefit plan costs.

Litigation costs and related recoveries, net. For the years ended December 31, 2019 and 2018, litigation costs and related recoveries, net consist of the following (in thousands):

	2019	2018	Variance
Professional fees and other defense costs of litigation	$ 8,002	$ 30,126	$ (22,124)
Insurance recoveries and reduction in deferred settlement liability	(12,775)	(21,285)	8,510
Pre-judgment interest on litigation judgment	3,939	(7,583)	11,522
Litigation costs, net of related insurance recoveries	$ (834)	$ 1,258	$ (2,092)

Professional fees and other defense costs associated with litigation decreased from $30.1 million for the year ended December 31, 2018 to $8.0 million for the year ended December 31, 2019, a decrease of $22.1 million. This decrease was primarily due to lower costs associated with discovery work on the Rimini II litigation, the Rimini I appeal, and the United States Attorney's Office (the "USAO") inquiry during 2019 compared to 2018. In addition, the Company resolved a dispute with a vendor, which resulted in a non-recurring benefit of $1.8 million to professional fees and litigation costs during 2019.

Litigation appeal refunds decreased from $21.3 million for the year ended December 31, 2018 to $12.8 million for the year ended December 31, 2019. Over a six-year period through October 2016, we were actively engaged in the Rimini I litigation, for which we paid a judgment of $124.4 million in October 2016. On March 31, 2018, Oracle paid us approximately $21.5 million including post-judgment interest of $0.2 million for the reversal of the award under state computer access statutes mandated by the Court of Appeals. Due to the collection of this award in cash, we recognized a recovery of the 2016 judgment for $21.3 million and interest income of $0.2 million for the year ended December 31, 2018.

In May 2018, we also appealed to the U.S. Supreme Court for approximately $12.8 million of the District Court's award of non-taxable expenses related to the judgment. On March 4, 2019, the U.S. Supreme Court issued a unanimous decision reversing earlier decisions by the lower courts and ruling that Oracle must return approximately $12.8 million in non-taxable expenses that we had previously paid to Oracle (plus interest). As further described in Note 10 to our consolidated financial statements included in Part II, Item 8 of this Report, as mandated by the U.S. Supreme Court, on April 5, 2019, Oracle paid us approximately $13.0 million (the principal amount plus post-judgment interest). As a result, we recognized a recovery of non-taxable expenses for $12.8 million and recorded interest income of $0.2 million for the year ended December 31, 2019. The award received is required to be shared on a pro rata basis with an insurance company, which had previously paid for part of the judgment and reimbursed a portion of defense costs, after deducting the costs of all of our past and pending appeal and remand proceedings in Rimini I.

Insurance costs and related recoveries, net increased from a net recovery of $7.6 million for the year ended December 31, 2018 to net cost of $3.9 million for the year ended December 31, 2019. During the first quarter of 2018, Rimini II legal fees exceeded the $8.0 million balance of the deferred settlement liability which was eliminated through the recognition of insurance recoveries. As a result, we recognized an $8.0 million deferred gain for the year ended December 31, 2018 offset by $0.4 million owed to an insurance company. As noted above, we recognized costs of $3.9 million for the year ended December 31, 2019 reflecting our current estimate of the amounts owed to the insurance company to date from the amounts refunded by

Oracle from the Rimini I litigation. The liability is subject to decrease as additional costs related to any future Rimini I appeal and remand proceedings are incurred. We expect this liability to be settled in the second quarter of 2020.

Interest expense. Interest expense decreased from $32.5 million for the year ended December 31, 2018 to $0.4 million for the year ended December 31, 2019, a decrease of $32.1 million. Reductions in interest expense were primarily due to the payoff of the former Credit Facility on July 19, 2018, including reductions in (i) interest payable at 12.0% of $7.5 million, (ii) PIK interest payable at 3.0% of $1.9 million, (iii) accretion expense of $11.7 million, and (iv) make-whole applicable premium of $3.1 million, (v) a make-whole applicable premium of $7.3 million upon payoff of the Credit Facility on July 19, 2018, and (vi) an decrease in accretion of $0.7 million related to the GP Sponsor note payable. The note was paid off on June 28, 2019.

Other debt financing expenses. Other debt financing expenses were $58.3 million for the year ended December 31, 2018 and were none for the year ended December 31, 2019. The debt financing expenses in fiscal year 2018 were primarily attributable to the payoff of the Credit Facility on July 19, 2018, which resulted in charges for the write-off of DDIC for the funded debt of $44.6 million and the unfunded debt of $2.8 million. In addition, there were other costs which were not incurred during 2019 due the payoff of the Credit Facility such as write-offs of DDIC due to mandatory prepayments of $7.2 million, collateral monitoring fees of $1.6 million and amortization as well as unused line fees.

Gain from change in fair value of embedded derivatives. Upon the termination of the former Credit Facility on July 19, 2018, we no longer recognized a liability for embedded derivatives associated with this instrument and recognized a corresponding gain in the third quarter of 2018. As a result, we recognized a gain of $1.6 million due to the change in fair value of embedded derivatives for the year ended December 31, 2018. There was no corresponding activity due to the termination of the former Credit Facility in 2018, resulting in no gain or loss being recorded for the year ended December 31, 2019.

Other expenses, net. For the year ended December 31, 2018, we had other expense, net of $2.2 million as compared to other expense, net of $1.5 million for the year ended December 31, 2019, a decrease of $0.7 million. For the year ended December 31, 2019, other expense, net was primarily comprised of foreign exchange losses of $1.6 million and other non-operating expenses of $0.2 million. The amounts were partially offset by interest income of $0.2 million related to the U.S. Supreme Court decision. For the year ended December 31, 2018, other expense, net of $2.2 million was primarily comprised of foreign exchange losses of $1.4 million, and write-off of deferred financing costs of $0.7 million related to an unsuccessful debt financing, and other non-operating expenses of $0.3 million. These amounts, which total $2.4 million, were partially offset by post-judgment interest on the litigation appeal award of $0.2 million.

Income tax expense. Income tax expense increased from $2.0 million for the year ended December 31, 2018 to $2.7 million for the year ended December 31, 2019, an increase of $0.7 million or 36%. Substantially all of our income tax expense is attributable to our foreign operations. Our foreign earnings before income taxes increased from $6.3 million for the year ended December 31, 2018 to $6.7 million for the year ended December 31, 2019, an increase of $0.4 million.

Liquidity and Capital Resources

Overview

As of December 31, 2020, we had a working capital deficit of $62.1 million and we had an accumulated deficit of $301.7 million. We recorded net income of $13.0 million and $17.5 million for the years ended December 31, 2020 and 2019, respectively, and a net loss of $64.0 million for the year ended December 31, 2018.

A key component of our business model generally requires that customers prepay us annually for the services we will provide over the following year or longer. As a result, we collect cash from our customers in advance of when the related service costs are incurred, which resulted in deferred revenue of $229.0 million that is included in current liabilities as of December 31, 2020. Therefore, we believe that working capital deficit is not as meaningful in evaluating our liquidity since the costs of fulfilling our commitments to provide services to customers are currently limited to approximately 39% of the related deferred revenue based on our gross margin of 61% for the year ended December 31, 2020.

We have contractual obligations of approximately $25.6 million that are due during the 12 months ending December 31, 2020. This amount consists of (i) Series A Preferred Stock dividends payable in cash of approximately $14.8 million and (ii) operating and capital lease payments of $6.4 million.

For the next 12 months, we believe that cash, cash equivalents, and restricted cash of $87.9 million as of December 31, 2020, plus future cash flow from operating activities will be sufficient to meet our anticipated cash needs including working capital requirements, planned capital expenditures, and our contractual obligations of approximately $25.6 million that are due during the 12 months ending December 31, 2021.

As discussed below in greater detail, for the year ended December 31, 2020, we generated cash flows from our operating activities of $42.1 million, which were derived from cash earnings of $29.1 million and favorable changes in operating assets and liabilities of $13.0 million. We believe our operating cash flows for the year ending December 31, 2020 will be sufficient to fund the portion of our contractual obligations that is not funded with existing capital resources.

Private Placement

The holders of Series A Preferred Stock are entitled to, from the respective issuance date, a cash dividend of 10.0% per annum and a payment-in-kind dividend of 3.0% per annum for the first five years following the initial June 2018 closing and thereafter all dividends accruing on such Series A Preferred Stock will be payable in cash at a rate of 13.0% per annum. Assuming no redemptions of the Series A Preferred Stock and no conversions to Common Stock, the following cash and PIK dividends (settled through issuance of additional shares of Series A Preferred Stock), regarding the combined June 2019 Private Placement, March 2019 Private Placement and Initial Private Placement, are expected to accrue for each year from January 1, 2020 through July 19, 2023 (in thousands):

Year Ending December 31:	Cash	PIK	Total
2021	$ 14,797	$ 4,439	$ 19,236
2022	15,229	4,569	19,798
2023	8,574	2,572	11,146
Total	$ 38,600	$ 11,580	$ 50,180

This refinancing improved our liquidity and capital resources whereby future financing cash payments are expected to be limited to annual cash dividends ranging from $14.8 million to $15.2 million through July 19, 2023.

Please refer to Notes 6 and 13 to the audited consolidated financial statements included in Item 8 of this Report for further details about the Series A Preferred Stock including (i) mandatory redemption rights, (ii) the security agreement and Convertible Notes that may become payable pursuant to certain redemption provisions, (iii) rights to convert to shares of Common Stock, (iv) registration rights, and (v) voting rights and preferences in liquidation.

Interest rates in the United States are subject to market changes. Therefore, any future equity or debt refinancing may be affected by the timing and overall interest rate environment in effect at such time.

Note Payable to GP Sponsor

Upon consummation of the merger with GP Investments Acquisition Corp. ("GPIA") in May 2017, an outstanding note payable to GP Sponsor with an initial face amount of approximately $3.0 million was assumed by the Company. This note was originally non-interest bearing and was not due and payable until the outstanding principal balance under the former Credit Facility was less than $95.0 million. At the inception of this note, the maturity date was expected to occur in June 2020 based on the scheduled principal payments under the Credit Facility. Interest was initially imputed under this note payable at the rate of 15.0% per annum. This note payable was amended twice in 2018, which resulted in further changes to the effective interest rate and maturity date.

The second amendment to the loan agreement was effective on December 21, 2018 and provided for an extension of the maturity date from January 4, 2019 to June 28, 2019. In addition, the parties agreed that the note payable would retroactively bear interest at 13.0% per annum from July 19, 2018 through the maturity date. Total retroactive interest amounted to $0.2 million, which is accounted for as DDIC that was being accreted through the maturity date. The Company recognized accretion expense of $0.2 million and $0.9 million for the years ended December 31, 2019 and 2018, respectively.

In addition, the second amendment provided for monthly principal payments starting in December 2018 of approximately $0.4 million plus accrued interest. In December 2018, the Company made a payment of $0.6 million, primarily consisting of payment of retroactive interest of $0.2 million and the first monthly principal payment of $0.4 million. The Company made principal and interest payments totaling $2.7 million during the year ended December 31, 2019. The effective interest rate for accretion of DDIC was 26.4% for the period from December 21, 2018 through June 28, 2019. The note was paid off on June 28, 2019.

Former Credit Facility

In June 2016, the Company entered into a multi-draw term loan Financing Agreement (the “Credit Facility”) with a syndicate of lenders (the “Lenders”). The Credit Facility would have matured in June 2020 but was repaid and terminated in July 2018 as discussed below. The Credit Facility provided for an aggregate commitment of up to $125.0 million which consisted of an initial term loan for $30.0 million, a “delayed draw A Term Loan” for $65.0 million, and a “delayed draw B Term Loan” for $30.0 million. An origination fee equal to 5.0% of the $125.0 million commitment was paid in cash to the Lenders from the proceeds of the initial term loan. The Credit Facility provided for an Original Issue Discount (“OID”) of 2.0% of the initial face amount of borrowings. Origination fees and OID were accounted for as DDIC.

Borrowings under the Credit Facility were collateralized by substantially all assets of the Company, including certain cash depository accounts that were subject to control agreements with the Lenders.

The outstanding principal balance under the former Credit Facility provided for monthly interest payments at 15.0% per annum, consisting of 12.0% per annum that was payable in cash and 3.0% per annum that was payable through the issuance of additional borrowings beginning on the interest payment due date (referred to as paid-in-kind, or “PIK” interest). In addition, a make-whole applicable premium payment of approximately 15.0% per annum through June 2019 was required for certain principal prepayments.

The Credit Facility provided for collateral monitoring fees at the rate of 2.5% of the outstanding principal balance during 2018 until the Credit Facility was terminated. The Credit Facility also required unused line fees of 5.0% per annum on the $17.5 million undrawn portion of the Credit Facility during 2018 until the termination date. All unused line fees and collateral monitoring fees were payable monthly in arrears and were recorded as a component of other financing expenses in the period incurred.

DDIC that relates to the entire Credit Facility was allocated pro rata between the funded and unfunded portions of the Credit Facility based on the relative amounts that were cumulatively borrowed versus the undrawn portion of the $125.0 million commitment. DDIC related to funded debt was accreted to interest expense using the effective interest method based on the aggregate principal obligations to the Lenders and consulting and Trigger Event exit fee obligations to one of the lenders that served as the origination agent (the “Origination Agent”). DDIC associated with unfunded debt was amortized using the straight-line method from the date incurred through the maturity date of the Credit Facility, which was included in other debt financing expenses in the accompanying consolidated statements of operations and comprehensive loss.

In connection with the closing on July 19, 2018 of the Initial Private Placement discussed in Note 5 to our consolidated financial statements included in Item 8 of this Report, we used substantially all of the $133.0 million of cash proceeds to repay all outstanding indebtedness and fees under the Credit Facility, and the Credit Facility was terminated. The aggregate cash payments to terminate the Credit Facility amounted to $132.8 million and consisted of the following (in thousands):

Contractual principal and exit fees:	
Principal balance	$ 102,576
Mandatory trigger event exit fees	13,624
Mandatory consulting	2,000
Subtotal	118,200
Make-whole applicable premium	7,307
Amendment fees and related liabilities	6,250
Accrued interest and fees payable	1,073
Total cash termination payments	$ 132,830

Cash Flows Summary

Presented below is a summary of our operating, investing and financing cash flows for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	2020	2019	2018
Net cash provided by (used in):			
Operating activities	$ 42,103	$ 20,386	$ 22,382
Investing activities	(1,483)	(1,872)	(1,053)
Financing activities	6,375	(5,737)	(34,774)

Cash Flows Provided by Operating Activities

A key component of our business model generally requires that customers prepay us annually for the services we will provide over the following year or longer. As a result, we collect cash in advance of the date when the vast majority of the related services are provided. During 2020, we focused on our collection efforts as the COVID-19 pandemic emerged to minimize the unfavorable impact of our accounts receivable. For the years ended December 31, 2020, 2019 and 2018, cash flows provided by operating activities amounted to $42.1 million, $20.4 million and $22.4 million, respectively. The key components in the calculation of our cash provided by operating activities for the years ended December 31, 2020, 2019 and 2018, are as follows (in thousands):

	2020	2019	2018
Net income (loss)	$ 12,980	$ 17,529	$ (63,951)
Non-cash expenses, net	16,166	7,431	74,854
Non-operating expense	—	—	10,410
Changes in operating assets and liabilities, net	12,957	(4,574)	1,069
Net cash provided by operating activities	$ 42,103	$ 20,386	$ 22,382

For the year ended December 31, 2020, cash flows provided by operating activities amounted to $42.1 million. We recognized net income of $13.0 million, non-cash expenses of $16.2 million and favorable changes in operating assets and liabilities, net of $13.0 million for the year ended December 31, 2020. For year ended December 31, 2020, the non-cash expenses, net amounted to $16.2 million and were comprised of stock-based compensation expense of $7.5 million, amortization and accretion related to ROU assets and liabilities of $6.2 million, depreciation and amortization expense of $1.8 million and a non-cash impairment charge related to a ROU asset of $1.2 million.

For the year ended December 31, 2020, changes in operating assets and liabilities were favorable by $13.0 million to the operating cash flows due to an increase of deferred revenue of $22.7 million, a decrease in prepaid expenses, deposits and other assets of $3.2 million, an increase in accrued liabilities of $1.6 million and an increase in accounts payable of $0.9 million. These favorable changes were offset by unfavorable changes in accounts receivable for $8.5 million and deferred contract costs for $6.9 million.

For the year ended December 31, 2019, cash flows provided by operating activities amounted to $20.4 million. We recognized net income of $17.5 million for the year ended December 31, 2019 and non-cash expenses of $7.4 million, which were offset by unfavorable changes in operating assets and liabilities, net of $4.6 million. For the year ended December 31, 2019, non-cash expenses, net amounted to $7.4 million and were primarily comprised of stock-based compensation expense of $5.5 million and depreciation and amortization expense of $1.9 million.

For the year ended December 31, 2019, changes in operating assets and liabilities were unfavorable by $4.6 million to operating cash flows primarily due to cash uses related to an increase in accounts receivable of $31.2 million, an increase in prepaid expenses, deposits and other assets of $9.2 million, an increase in deferred contract costs of $1.0 million and a decline in accounts payable for $10.5 million. These cash uses were offset by sources of cash from customer cash collections that resulted from an increase of deferred revenue for $39.1 million and an increase in accrued liabilities of $8.3 million.

For the year ended December 31, 2018, cash flows provided by operating activities amounted to $22.4 million. While we recognized a net loss of $64.0 million for the year ended December 31, 2018, non-cash expenses mitigated the cash impact of our net loss. For the year ended December 31, 2018, net non-cash expenses amounted to $74.9 million and were primarily comprised of the write-off of DDIC of $54.5 million, accretion and amortization expense of $13.3 million, and stock-based compensation expense of $4.4 million. Additionally, make-whole applicable premium of $10.4 million is an expense included in our net loss that was classified as a financing cash outflow since it related to the prepayment of principal under our Credit Facility.

For the year ended December 31, 2018, changes in operating assets and liabilities contributed $1.1 million of positive operating cash flows primarily due to customer cash collections that resulted from an increase of deferred revenue for $29.0 million, a decrease in prepaid expenses and other of $0.6 million, and an increase in accounts payable of $2.9 million, which were partially offset by a use of cash from an increase of accounts receivable for $18.0 million, a reduction in the deferred insurance settlement liability of $8.0 million, an increase in deferred contract costs of $3.7 million and a reduction in accrued liabilities of $1.5 million.

Cash Flows Used in Investing Activities

Cash flows used in investing activities were primarily driven by capital expenditures for leasehold improvements and computer equipment as we continued to invest in our business infrastructure and advance our geographic expansion. Such capital expenditures totaled $1.5 million, $1.9 million and $1.1 million for the years ended December 31, 2020, 2019 and 2018, respectively. From June 2016 when we entered into the Credit Facility until the termination of the Credit Facility in July 2018, we were subject to covenants in the Credit Facility that restricted our capital expenditures.

For the year ended December 31, 2020, capital expenditures of $1.5 million consisted of new computer equipment and leasehold improvements of $0.8 million for our U.S. facilities, and $0.7 million for computer equipment at our foreign locations, primarily in India.

For the year ended December 31, 2019, capital expenditures of $1.9 million consisted of new computer equipment of $0.9 million for our U.S. facilities, and $0.5 million for computer equipment and software for our facility in India, and $0.1 million for computer equipment and software at our facility in Brazil.

For the year ended December 31, 2018, capital expenditures of $1.1 million consisted of new computer equipment of $0.5 million for our U.S. facilities, and $0.3 million for computer equipment and software for our facility in India, and $0.1 million for computer equipment and software at our facility in Brazil.

Cash Flows from Financing Activities

For the year ended December 31, 2020, cash provided by financing activities of $6.4 million was attributable to net proceeds of $25.7 million generated from our August 2020 Offering and proceeds of $1.8 million received from stock option exercises. These cash proceeds were offset by dividend payments of $15.8 million, payments of $4.5 million related to repurchasing 5,000 shares of the Series A Preferred Stock, payments for professional fees associated with our August 2020 Offering of $0.6 million and capital lease payments of $0.3 million.

For the year ended December 31, 2019, cash used in financing activities was $5.7 million. For the year ended December 31, 2019, cash utilized in financing activities consisted of dividend payments of $14.7 million, payments of $2.6 million on our GP Sponsor loan, payments of $0.5 million related to the transaction costs for both the June 2019 SPA and March 2019 SPA and capital lease payments of $0.4 million. These costs were offset, in part, by proceeds received of $9.1 million from both the June 2019 SPA and March 2019 SPA transactions and proceeds received of $3.3 million from the stock option exercises.

For the year ended December 31, 2018, cash used in financing activities was $34.8 million. For the year ended December 31, 2018, sources of cash from financing activities were comprised of $133.0 million of proceeds from the issuance of Series A Preferred Stock and Common Stock in the Private Placement, and $2.0 million from the exercise of stock options. For the year ended December 31, 2018, our financing activities resulted in cash outflows that totaled $169.8 million. The key uses of cash from financing activities consisted of (i) payments under the Credit Facility for principal and other contractual obligations of $145.8 million, (ii) make-whole applicable premium payments of $10.4 million, (iii) payments for DDIC and other financing costs of $5.9 million and payments for deferred offering costs related to the Private Placement of $4.3 million (totaling $10.2 million), and (v) principal payments under capital lease obligations of $0.6 million. Principal payments under the Credit Facility consisted of a mandatory prepayment in April 2018 of $17.9 million from collection of the Rimini I appeal award, $2.0 million of mandatory consulting fees under the Credit Facility in June 2018, scheduled principal payments of $7.3 million, and a cash payment of $118.2 million upon payoff of the Credit Facility on July 19, 2018. Payments for DDIC and other financing costs totaled $5.9 million, which consisted of $5.0 million of Credit Facility amendment fees that were incurred in 2017, and $0.7 million related to an unsuccessful debt financing that was charged to expense for the year ended December 31, 2018.

Foreign Subsidiaries

Our foreign subsidiaries and branches are dependent on our U.S.-based parent for continued funding. We currently do not intend to repatriate any amounts that have been invested overseas back to the U.S.-based parent. The imposition of the Transition Tax set forth in the U.S. Tax Cuts and Jobs Act of 2017 may reduce or eliminate U.S. federal deferred taxes on the unremitted earnings of our foreign subsidiaries. However, we may still be liable for withholding taxes, state taxes, or other income taxes that might be incurred upon the repatriation of foreign earnings. We have not made any provision for additional income taxes on undistributed earnings of our foreign subsidiaries. As of December 31, 2020, we had cash and cash equivalents of $42.6 million in our foreign subsidiaries.

Contractual Obligations

The following table summarizes our contractual obligations on an undiscounted basis as of December 31, 2020, and the period in which each contractual obligation is due (in thousands):

	Year Ending December 31:						
	2021	2022	2023	2024	2025	Thereafter	Total
Series A Preferred Stock:							
Cash Dividends at 10.0% per annum	$ 14,797	$ 15,229	$ 8,574	$ —	$ —	$ —	$ 38,600
PIK Dividends at 3.0% per annum (1)	4,439	4,569	2,572	—	—	—	11,580
Assumed redemption (2)							
Lease obligations:							
Operating	5,820	5,255	4,532	4,266	3,096	2,650	25,619
Financing	549	405	398	398	332	—	2,082
Total	$ 25,605	$ 25,458	$ 16,076	$ 4,664	$ 3,428	$ 2,650	$ 77,881

(1) PIK Dividends are accrued quarterly in arrears at 3.0% per annum for the first five years following the July 19, 2018 original issuance date. The accrued PIK Dividends are settled quarterly through the issuance of additional shares of Series A Preferred Stock. Accordingly, the PIK shares of Series A Preferred Stock may be converted to Common Stock or subject to the holders' redemption rights beginning on July 19, 2023 (and earlier under certain circumstances).

(2) As discussed in Note 6 to our consolidated financial statements included in Item 8 of this Report, the Series A Preferred Stock will become mandatorily redeemable, upon the election by the holders of a majority of the then outstanding Preferred Stock, on or after July 19, 2023. For purposes of this table, we have assumed that holders of Series A Preferred Stock do not elect to exercise their right to convert to Common Stock and we do not elect to redeem any shares prior to July 19, 2023. Rather, we have assumed that the holders elect to require us to redeem all outstanding shares of Series A Preferred Stock on July 19, 2023 for the entire liquidation preference of $154.9 million that is outstanding as of December 31, 2020. Under this scenario, the cumulative PIK Dividends of $11.6 million shown in the table above would also be subject to redemption on July 19, 2023.

Off-Balance Sheet Arrangements

During the periods presented, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, which were established for the purpose of facilitating off-balance sheet arrangements.

Critical Accounting Policies and Significant Judgments and Estimates

Our management’s discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported revenue and expenses during the reporting periods. These items are monitored and analyzed for changes in facts and circumstances, and material changes in these estimates could occur in the future. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Changes in estimates are reflected in reported results for the period in which they become known. Actual results may differ from these estimates under different assumptions or conditions.

With respect to our significant accounting policies that are described in Note 2 to our consolidated financial statements included in Item 8 of this Report, we believe that the following accounting policies involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations.

Series A Preferred Stock

In July 2018 we completed a private placement of Series A Preferred Stock, Common Stock, and Convertible Notes with no principal amount outstanding as of the issuance date. In addition, we entered into two securities purchase agreements on both March 7, 2019 and June 20, 2019 with accredited investors regarding two private placements. We allocated the net proceeds received based on the relative fair value of the Common Stock and the Series A Preferred Stock as determined by an independent valuation specialist for each private placement. The net carrying value of the Series A Preferred Stock is classified as mezzanine equity in our consolidated balance sheets since the holders have redemption rights beginning in July 2023 (and earlier under certain circumstances). The aggregate discount related to the Series A Preferred Stock is being accreted using the effective interest method through the earliest date that the holders can currently demand redemption. Accordingly, the carrying value of the Series A Preferred Stock is being increased with corresponding reductions in additional paid-in capital until July 19, 2023, when the carrying value will be equal to the aggregate liquidation preference. Accrued dividends at the aggregate rate of 13.0% per annum are a component of the liquidation preference until paid in cash or settled in additional shares of Series A Preferred Stock. For the calculation of earnings per share of Common Stock, accretion and accrued dividends are treated as deductions in the calculation of earnings applicable to common stockholders.

The liquidation preference of the Series A Preferred Stock is convertible into shares of our Common Stock by the holders and, subject to certain restrictions, we have the right to require the holders to convert their shares of Series A Preferred Stock into Common Stock after July 19, 2021. Subject to provisions that require a make-whole penalty for the first three years, we also have the right to redeem the outstanding shares of Series A Preferred Stock. The Series A Preferred Stock will become mandatorily redeemable at any time upon the reasonable determination of the holders of a majority of the Series A Preferred Stock then outstanding of the occurrence of a Material Adverse Effect or the occurrence of a Material Litigation Effect (as such terms are defined in the Certificate of Designations ("CoD")), with the Redemption Amounts payable automatically becoming payment obligations pursuant to the Convertible Notes with a concurrent cancellation of the shares of the Series A Preferred Stock. If any conversion or redemption event occurs prior to July 19, 2023, the discount that has not been accreted with respect to such shares of Series A Preferred Stock will be deducted in the calculation of earnings applicable to common stockholders for the period in which the conversion or redemption event occurs. Additionally, at such time, if any, that the holders of Series A Preferred Stock have the right to demand a mandatory redemption, we will be required to classify the Series A Preferred Stock or the Convertible Notes as a current liability in our consolidated balance sheets.

Revenue Recognition

Revenue is primarily derived from support services, and to a lesser extent, software licensing and related maintenance and professional services.

Effective in fiscal year 2019 with the adoption of Accounting Standards Codification 606 ("ASC 606"), *Revenue from Contracts with Customers,* revenue is recognized when performance obligations, as stipulated in the contracts, are transferred to a customer for an amount that reflects the consideration we expect to receive in exchange for those support services and service contracts. This occurs when the contracts are executed by both parties, the rights and obligations of the parties are identified, payment terms are identified, the contracts have commercial substance and collectability of consideration is probable. Our contracts generally do not contain any refund provisions other than in the event of our non-performance or breach.

We determine revenue recognition through the following steps:

- *Identification of the contract with the customer.*
- *Identification of the performance obligations.*
- *Determination of the transaction price.*
- *Allocation of the transaction price to the performance obligations.*
- *Recognition of revenue when the performance obligations are satisfied.*

Most of our contracts contain a single performance obligation for subscription support services. In a limited number of arrangements, we also license software and related maintenance services under term-based arrangements or provide our professional services. Our performance obligations are evaluated for whether they can be distinct or should be accounted for as one performance obligation and primarily consist of (i) subscription support services or (ii) professional services sold on a time and materials basis.

The transaction price is generally the same as the contractual price. Typically, the structure of our arrangements does not give rise to variable consideration. However, in the event where variable consideration should exist, we estimate additional revenue for variable consideration when we have an enforceable right, the amount can be estimated reliably and its realization is probable.

Our subscription support services are part of a comprehensive support program that helps clients keep their software and systems running smoothly and in full legal compliance. Subscription support services include product support (fixes and installation support), security, advanced support (performance tuning and interoperability), strategic roadmap services (upgrade process), global tax, legal and regulatory services, global security, proactive support services, strategic roadmap services, device and user interface support and account management services. Subscription contracts are generally non-cancelable and do not contain general rights of return. Our support subscription is viewed as a stand-ready performance obligation comprised of a series of distinct services that is satisfied ratably over time as the services are provided. A time-elapsed output method is used to measure progress because our efforts are expended evenly throughout the period given the nature of the promise is a stand-ready service.

Other services include both software licensing services and our professional services. Our software licensing includes both internally developed software licenses as well as third party licenses. Our professional services consist of various consulting services which include project oversight, minor software customization or enhancement, and testing of client-developed software customization. Services may be provided solely by us, by a partner of ours, or in combination with our partners. Our professional services are generally provided under a separate statement of work from our subscription support services. Revenue is recognized as services are performed.

Deferred revenue is a contract liability that consists of billings issued that are non-cancellable but not yet paid and payments received in advance of revenue recognition. We typically invoice our customers at the beginning of the contract term, in annual and multi-year installments. Deferred revenue is recognized as we satisfy our performance obligations over the term of the contracted service period.

Loss Contingencies

We are subject to various loss contingencies arising in the ordinary course of business. An estimated loss contingency is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If some amount within a range of probable loss appears to be a better estimate than any other amount within the range, we accrue that amount. Alternatively, when no amount within a range of probable loss appears to be a better estimate than any other amount, we accrue the lowest amount in the range. If we determine that a loss is reasonably possible and the range of the loss is estimable, then we disclose the range of the possible loss if the upper end of the range is material. If we cannot estimate the range of loss, we will disclose the reason why it cannot estimate the range of loss, if there is a reasonable possibility that the amount of loss may be material. We regularly evaluate current information available to it to determine whether an accrual is required, an accrual should be adjusted and if a range of possible loss should be disclosed.

Recent Accounting Pronouncements

The following accounting standards are not yet effective and management has not completed its evaluation of the recent accounting pronouncements to determine the impact that adoption of these standards will have on our consolidated financial statements.

In December 2019, the FASB issued new guidance on income taxes, ASU 2019-12*, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The guidance removes certain exceptions to the general income tax accounting principles, and clarifies and amends existing guidance to facilitate consistent application of the accounting principles. The new guidance is effective for us as of January 1, 2021. We are assessing the impact of the adoption of this guidance on our Consolidated Financial Statements.

In January 2020, the FASB issued new guidance ASU 2020-1, *Investments—Equity Securities (Topic 321), Investments - Equity and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*. The guidance clarifies the interactions between the existing accounting standards on equity securities, equity method and joint ventures, and derivatives and hedging. The new guidance addresses accounting for the transition into and out of the equity method and measuring certain purchased options and forward contracts to acquire investments. The new guidance is effective for us as of January 1, 2021. We are assessing the impact of the adoption of this guidance on our Consolidated Financial Statements.

In August 2020, the FASB issued ASU 2020-6, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40).* The guidance eliminates the beneficial conversion and cash conversion accounting for convertible instruments. The new guidance also modifies how particular convertible instruments and certain contracts that may be settled in cash or shares impact the diluted EPS computation. The new guidance is effective for us as of January 1, 2022. We are assessing the impact of the adoption of this guidance on our Consolidated Financial Statements.

For additional information on recently issued accounting standards and our plans for adoption of those standards, please refer to the section titled *Recent Accounting Pronouncements* under Note 2 and *Adoption of ASC 842, Leases* under Note 3 to our consolidated financial statements included in Item 8 of this Report.

Item 7A. – Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. Dollar, primarily the Euro, British Pound Sterling, Brazilian Real, Australian Dollar, Indian Rupee and Japanese Yen. We generated between 35% and 41% of our revenue from our international business for the years ended December 31, 2020, 2019 and 2018. Increases in the relative value of the U.S. Dollar to other currencies may negatively affect our revenue, partially offset by a positive impact to operating expenses in other currencies as expressed in U.S. Dollars. We have experienced and will continue to experience fluctuations in our net income (loss) as a result of transaction gains or losses related to revaluing certain current asset and current liability balances, including intercompany receivables and payables, which are denominated in currencies other than the functional currency of the entities in which they are recorded. While we have not engaged in the hedging of our foreign currency transactions to date, we are evaluating the costs and benefits of initiating such a program and we may in the future hedge selected significant transactions denominated in currencies other than the U.S. Dollar.

During the fiscal years ended December 31, 2020, 2019 and 2018, the effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our consolidated financial statements.

Interest Rate Sensitivity

We hold cash and cash equivalents for working capital purposes. We do not have material exposure to market risk with respect to investments, as any investments we enter into are primarily highly liquid investments.

Inflation Risk

We do not believe that inflation currently has a material effect on our business.

Item 8. – Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Rimini Street, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Rimini Street, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive income (loss), stockholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2020 due to the adoption of Topic 842, *Leases*.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of revenue contracts with non-standard provisions

As discussed in Note 2 and Note 4 to the consolidated financial statements, the Company recognized $327 million in revenue which was primarily derived from the subscription-based software support revenue for the year ended December 31, 2020. A significant portion of the Company's contracts contain non-standard provisions which require judgment to determine the appropriate accounting through the five-step framework prescribed by *ASC Topic 606 – Revenue from Contracts with Customers.*

We identified the evaluation of revenue contracts with non-standard provisions related to subscription-based software support revenue as a critical audit matter. This matter required a higher degree of auditor judgment to assess whether non-standard provisions in contracts and amendments were appropriately evaluated by management.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of an internal control over the Company's subscription-based software support revenue processes that included identifying and evaluating non-standard contract provisions. We applied auditor judgment to determine the nature and extent of procedures to be performed over subscriptions-based software support revenue. For a selection of revenue transactions, we developed independent expectations of the revenue recognized based on the provisions in contracts and amendments and compared them to the amounts recorded by the Company. We also evaluated the overall sufficiency of the audit evidence over revenue by assessing the results of our procedures.

Contingencies for Rimini II litigation

As discussed in Note 10 to the consolidated financial statements, on September 15, 2020, the U.S. District Court of Nevada issued an order resolving seven total motions for summary judgment with respect to the Rimini II litigation. The Court found infringement of certain Oracle PeopleSoft copyrights for work Rimini performed for a set of specific customers. As of this date, no damages have been awarded and, if any, such will be determined ultimately by the

Rimini II jury. The Company believes that an award for damages payable to Oracle is not probable. Further, the Company has determined that the amount of loss or range of loss cannot be reasonably estimated. Accordingly, no accrual has been recorded and no disclosure of the amount of estimated loss or range of loss has been made as of December 31, 2020.

We identified the evaluation of the Company's assessment of contingencies related to the Rimini II litigation as a critical audit matter. There was a high degree of subjective auditor judgment required in evaluating the probability of legal outcomes and disclosures related to the litigation contingencies.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to management's evaluation of contingencies, including the determination of whether a loss is probable of being incurred and whether the amount of loss or range of loss can be reasonably estimated. We evaluated the reasonableness of management's assessment of an unfavorable outcome being not probable by (1) performing inquiries of management and of internal and external legal counsel; (2) reading minutes of meetings of the board of directors and committees thereof; and (3) inspecting historical court documents and other relevant support. We obtained letters of audit inquiry from internal and external legal counsel to confirm the status of the litigation in court proceedings and obtain legal interpretation to evaluate management's assessment that the award of damages at this time is not probable. We evaluated the sufficiency of the Company's litigation contingency disclosures in accordance with Financial Accounting Standards Board (the "FASB") Accounting Standards Codifications Topic 450, *Contingencies*, by assessing the results of procedures performed.

/s/ KPMG LLP

We have served as the Company's auditor since 2016.

Santa Clara, California
March 3, 2021

RIMINI STREET, INC.

Consolidated Balance Sheets
(In thousands, except per share amounts)

	December 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 87,575	$ 37,952
Restricted cash	334	436
Accounts receivable, net of allowance of $723 and $1,608, respectively	117,937	111,574
Deferred contract costs, current	13,918	11,754
Prepaid expenses and other	13,456	15,205
Total current assets	233,220	176,921
Long-term assets:		
Property and equipment, net	4,820	3,667
Operating lease right-of-use assets	17,521	—
Deferred contract costs, noncurrent	21,027	16,295
Deposits and other	1,476	3,089
Deferred income taxes, net	1,871	1,248
Total assets	$ 279,935	$ 201,220
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 3,241	$ 2,303
Accrued compensation, benefits and commissions	38,026	27,918
Other accrued liabilities	21,154	23,347
Operating lease liabilities, current	3,940	—
Deferred revenue	228,967	205,771
Total current liabilities	295,328	259,339
Long-term liabilities:		
Deferred revenue, noncurrent	27,966	29,727
Operating lease liabilities, noncurrent	15,993	—
Accrued PIK dividends payable	1,193	1,156
Other long-term liabilities	2,539	2,275
Total liabilities	343,019	292,497
Commitments and contingencies (Note 10)		
Redeemable Series A Preferred Stock. Authorized 180 shares, issued and outstanding 155 shares and 155 shares as of December 31, 2020 and 2019, respectively. Liquidation preference of $154,911, net of discount of $17,057 and $155,231, net of discount of $23,915 as of December 31, 2020 and 2019, respectively.	137,854	131,316
Stockholders' deficit:		
Preferred stock, $0.0001 par value per share. Authorized 99,820 shares (excluding 180 shares of Series A Preferred Stock); no other series has been designated	—	—
Common stock, $0.0001 par value. Authorized 1,000,000 shares; issued and outstanding 76,406 and 67,503 shares as of December 31, 2020 and 2019, respectively	8	7
Additional paid-in capital	101,047	93,484
Accumulated other comprehensive loss	(318)	(1,429)
Accumulated deficit	(301,675)	(314,655)
Total stockholders' deficit	(200,938)	(222,593)
Total liabilities, redeemable preferred stock and stockholders' deficit	$ 279,935	$ 201,220

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

RIMINI STREET, INC.

Consolidated Statements of Operations and Comprehensive Income (Loss)
(In thousands, except per share amounts)

	Years Ended December 31,		
	2020	2019	2018
Revenue	$ 326,780	$ 281,052	$ 253,460
Cost of revenue	126,211	105,106	95,981
Gross profit	200,569	175,946	157,479
Operating expenses:			
Sales and marketing	114,741	107,280	89,493
General and administrative	52,222	47,364	37,204
Impairment charges related to operating lease right-of-use assets	1,167	—	—
Litigation costs and related recoveries:			
Professional fees and other costs of litigation	13,493	8,002	30,126
Litigation appeal refunds	—	(12,775)	(21,285)
Insurance costs and recoveries, net	1,062	3,939	(7,583)
Litigation costs and related recoveries, net	14,555	(834)	1,258
Total operating expenses	182,685	153,810	127,955
Operating income	17,884	22,136	29,524
Non-operating expenses:			
Interest expense	(77)	(398)	(32,530)
Other debt financing expenses	—	—	(58,331)
Gain from change in fair value of embedded derivatives	—	—	1,600
Other expenses, net	(258)	(1,495)	(2,222)
Income (loss) before income taxes	17,549	20,243	(61,959)
Income tax expense	(4,569)	(2,714)	(1,992)
Net income (loss)	12,980	17,529	(63,951)
Other comprehensive income (loss):			
Foreign currency gain (loss)	1,111	138	(700)
Comprehensive income (loss)	$ 14,091	$ 17,667	$ (64,651)
Net loss attributable to common stockholders	$ (13,829)	$ (7,914)	$ (74,592)
Net loss per share attributable to common stockholders (basic and diluted)	$ (0.19)	$ (0.12)	$ (1.22)
Weighted average number of shares of Common Stock outstanding (basic and diluted)	71,231	66,050	61,384

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

RIMINI STREET, INC.
Consolidated Statements of Stockholders' Deficit
(In thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balances, December 31, 2017	59,314	$ 6	$ 94,967	$ (867)	$ (268,233)	$ (174,127)
Stock-based compensation	—	—	4,394	—	—	4,394
Exercise of stock options for cash	1,982	—	2,034	—	—	2,034
Issuance of Common Stock in Private Placement, net	2,897	—	17,593	—	—	17,593
Accretion of discount on Series A Preferred Stock	—	—	(2,373)	—	—	(2,373)
Accrued dividends on Series A Preferred Stock						
Paid and payable in cash	—	—	(6,366)	—	—	(6,366)
Paid and payable in kind	—	—	(1,902)	—	—	(1,902)
Foreign currency translation gain	—	—	—	(700)	—	(700)
Net loss	—	—	—	—	(63,951)	(63,951)
Balances, December 31, 2018	64,193	6	108,347	(1,567)	(332,184)	(225,398)
Stock-based compensation expense	—	—	5,532	—	—	5,532
Exercise of stock options for cash	2,780	1	3,334	—	—	3,335
Restricted stock units vested	178	—	—	—	—	—
Issuance of Common Stock in Private Placement, net	207	—	935	—	—	935
Issuance of Common Stock	145	—	779	—	—	779
Accretion of discount on Series A Preferred Stock	—	—	(5,848)	—	—	(5,848)
Accrued dividends on Series A Preferred Stock						
Paid and payable in cash	—	—	(15,073)	—	—	(15,073)
Paid and payable in kind	—	—	(4,522)	—	—	(4,522)
Foreign currency translation loss	—	—	—	138	—	138
Net income	—	—	—	—	17,529	17,529
Balances, December 31, 2019	67,503	7	93,484	(1,429)	(314,655)	(222,593)
Stock-based compensation expense	—	—	7,461	—	—	7,461
Exercise of stock options for cash	1,689	—	1,808	—	—	1,808
Restricted stock units vested	1,114	—	—	—	—	—
Issuance of Common Stock in August 2020 Offering, net	6,100	1	25,103	—	—	25,104
Return related to repurchase of Series A Preferred Stock	—	—	(83)	—	—	(83)
Accretion of discount on Series A Preferred Stock	—	—	(6,275)	—	—	(6,275)
Accrued dividends on Series A Preferred Stock						
Paid and payable in cash	—	—	(15,713)	—	—	(15,713)
Paid and payable in kind	—	—	(4,738)	—	—	(4,738)
Foreign currency translation loss	—	—	—	1,111	—	1,111
Net income	—	—	—	—	12,980	12,980
Balances, December 31, 2020	76,406	$ 8	$ 101,047	$ (318)	$ (301,675)	$ (200,938)

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

Consolidated Statements of Cash Flows
(In thousands)

	Years Ended December 31,		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 12,980	$ 17,529	$ (63,951)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Accretion and amortization of debt discount and issuance costs	—	185	13,331
Write-off of debt discount and issuance costs	—	—	54,536
Non-cash impairment charge	1,167	—	—
Amortization and accretion related to ROU assets	6,192	—	—
Gain from change in fair value of embedded derivatives	—	—	(1,600)
Paid-in-kind interest expense	—	—	1,886
Stock-based compensation expense	7,461	5,532	4,394
Depreciation and amortization	1,813	1,913	1,838
Write-off of deferred debt financing costs	—	—	704
Deferred income taxes	(514)	(337)	(235)
Other	47	138	—
Make-whole applicable premium included in interest expense	—	—	10,410
Changes in operating assets and liabilities:			
Accounts receivable	(8,547)	(31,221)	(18,036)
Prepaid expenses, deposits and other	3,189	(9,244)	555
Deferred contract costs	(6,895)	(968)	(3,722)
Accounts payable	931	(10,513)	2,875
Accrued compensation, benefits, commissions and other liabilities	1,565	8,262	(1,541)
Deferred insurance settlement	—	—	(8,033)
Deferred revenue	22,714	39,110	28,971
Net cash provided by operating activities	42,103	20,386	22,382
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Capital expenditures	(1,483)	(1,872)	(1,053)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds related to the issuance of Common Stock from August 2020 Offering	25,657	—	—
Payments of professional fees related to issuance of Common Stock from August 2020 Offering	(553)	—	—
Net proceeds from issuance of Series A Preferred Stock and Common Stock	—	9,110	133,000
Payments to repurchase shares of Series A Preferred Stock	(4,500)	—	—
Principal payments on borrowings	—	(2,555)	(145,807)
Make-whole applicable premium related to prepayment of borrowings	—	—	(10,410)
Payments for deferred offering and finance costs	—	(452)	(10,159)
Proceeds from exercise of employee stock options	1,808	3,335	2,034
Payment of cash dividends on Series A Preferred Stock	(15,781)	(14,742)	(2,845)
Principal payments on financing leases	(256)	(433)	(587)
Net cash provided by (used in) financing activities	6,375	(5,737)	(34,774)
Effect of foreign currency changes on cash	2,526	405	(1,376)
Net change in cash, cash equivalents and restricted cash	49,521	13,182	(14,821)
Cash, cash equivalents and restricted cash at beginning of year	38,388	25,206	40,027
Cash, cash equivalents and restricted cash at end of year	$ 87,909	$ 38,388	$ 25,206

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

Consolidated Statements of Cash Flows, Continued
(In thousands)

	Years Ended December 31,		
	2020	2019	2018
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 63	$ 230	$ 19,321
Cash paid for income taxes	3,065	2,184	1,765
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Discount on shares of Common Stock issued in August 2020 Public Offering:	$ 1,650	$ —	$ —
Underwriter discounts and commissions	143	—	—
Underwriter expenses	300	—	—
Accrued professional fees related to the issuance of Common Stock			
Discount on shares issued in Private Placement:			
Fair value of 292 and 2,897 shares of Common Stock issued for no consideration in 2019 and 2018, respectively	$ —	$ 1,098	$ 20,131
Original issuance discount on Series A Preferred Stock	—	500	7,000
Transaction costs	—	390	—
Issuance of 120 shares of Common Stock regarding consent for Private Placements	—	638	—
Redeemable Series A Preferred Stock Dividends and Accretion:			
Accrued cash dividends	$ 3,842	$ 3,889	$ 3,521
Accrued PIK dividends	1,193	1,156	1,056
Accretion of discount on Series A Preferred Stock	6,275	5,848	2,373
Issuance of Series A Preferred Stock for PIK Dividends	4,680	4,385	846
Liability for mandatory fees and related debt discount under Credit Facility:			
Adjustment for updated calculation of mandatory trigger event exit fees	$ —	$ —	$ 3,952
Increase in principal for debt discount on GP Sponsor loan	—	—	167
Purchase of equipment under capital lease obligations	1,640	206	353

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

NOTE 1 — BASIS OF PRESENTATION

Nature of Business

Rimini Street, Inc. is a global provider of enterprise software support services. The Company's subscription-based software support products and services offer enterprise software licensees a choice of solutions that replace or supplement the support products offered by enterprise software vendors.

Rimini Street, Inc. ("RSI") was incorporated in the state of Nevada in September 2005. RSI provides enterprise software support services. In May 2017, RSI entered into an Agreement and Plan of Merger (the "Merger Agreement") with GP Investments Acquisition Corp. ("GPIA"), a publicly-held special purpose acquisition company ("SPAC") incorporated in the Cayman Islands and formed for the purpose of effecting a business combination with one or more businesses. The Merger Agreement was approved by the respective shareholders of RSI and GPIA in October 2017, and closing occurred on October 10, 2017, resulting in (i) the merger of a wholly-owned subsidiary of GPIA with and into RSI, with RSI as the surviving corporation, after which (ii) RSI merged with and into GPIA, with GPIA as the surviving corporation and renamed "Rimini Street, Inc." (referred to herein as "RMNI", as distinguished from RSI, which is defined as the predecessor entity with the same legal name) immediately after consummation of the second merger. As such, the consolidated financial results of the Company for the years ended December 31, 2020, 2019 and 2018 presented in the consolidated financial statements reflect the operating results of RSI and its consolidated subsidiaries.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements, which include the accounts of the Company and its wholly-owned subsidiaries, are prepared in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP"). All significant intercompany balances and transactions have been eliminated.

Liquidity

As of December 31, 2020, the Company's current liabilities exceeded its current assets by $62.1 million, and the Company earned net income of $13.0 million for the year ended December 31, 2020. As of December 31, 2020, the Company had available cash, cash equivalents and restricted cash of $87.9 million. As of December 31, 2020, the Company's current liabilities included $229.0 million of deferred revenue whereby the historical costs of fulfilling the Company's commitments to provide services to its customers was approximately 39% of the related deferred revenue for the year ended December 31, 2020.

As discussed in Note 7, the Company completed a firm commitment underwritten public offering on August 18, 2020 (the "August 2020 Offering") of 6.1 million shares of its Common Stock at a price of $4.50 per share for total gross proceeds of $27.5 million. Underwriter discounts and commissions were $1.7 million and the underwriter expenses were $0.1 million. The Company also incurred additional professional fees of $0.6 million as part of the transaction, resulting in net proceeds from the August 2020 Offering of approximately $25.1 million. The Company intends to use the net proceeds from the August 2020 Offering for working capital and other general corporate purposes.

As discussed in Note 6, the Company entered into an agreement on October 30, 2020 with certain of the holders of its Series A Preferred Stock (the "Stock Repurchase Agreement") to repurchase 5,000 shares of Series A Preferred Stock and the associated

obligations pursuant to the Company's Convertible Secured Promissory Notes outstanding in respect thereof (the "Note Obligations") for an aggregate purchase price of approximately $4.5 million.

On June 20, 2019, the Company completed a third private placement, which provided additional net proceeds of $3.0 million from the sale of 3,500 shares of 13.00% Series A Redeemable Convertible Preferred Stock, par value $0.0001 per share (the "Series A Preferred Stock") and 72,414 of Common Stock. On March 7, 2019, the Company had completed a second placement, which provided additional net cash proceeds of $5.0 million from the sale of 6,500 shares of the Series A Preferred Stock and 134,483 shares of Common Stock.

In 2018, the Company refinanced and repaid its Credit Facility on July 19, 2018 through aggregate cash payments of $132.8 million that resulted in the termination of the Credit Facility. These payments were funded from the Private Placement that resulted in cash proceeds of $133.0 million from the sale of 140,000 shares of Series A Preferred Stock and approximately 2.9 million shares of Common Stock. In addition, the Company used approximately $2.7 million of its cash, primarily for interest and fees under the Credit Facility and transaction costs that were due on July 19, 2018. This refinancing is expected to improve the Company's liquidity and capital resources whereby cash dividends are payable at 10.0% per annum that will result in quarterly cash dividends ranging from $3.9 million to $4.3 million over the initial 5-year period beginning on the issuance date assuming all shares of Series A Preferred Stock remain outstanding, and thereafter, if not previously redeemed or converted, cash dividends will be payable at 13.0% per annum. Additionally, the Company repaid the $2.4 million loan payable to GP Sponsor during the first half of 2019, and to make operating and financing lease payments that are due within the next 12 months in the aggregate amount of $6.4 million. The Company believes that current cash, cash equivalents, restricted cash, and future cash flow from operating activities will be sufficient to meet the Company's anticipated cash needs, including cash dividend requirements, working capital needs, capital expenditures and contractual obligations for at least 12 months from the issuance date of these financial statements.

Reclassifications

Certain amounts in the consolidated financial statements of the Company for prior years have been reclassified to conform to the Company's presentation for the current year. These reclassifications had no effect on the previously reported net loss, stockholders' deficit and cash flows.

Use of Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires the Company to make judgments, assumptions, and estimates that affect the amounts reported in its consolidated financial statements and accompanying notes. The full extent to which the COVID-19 pandemic will impact the Company's business and operating results will depend on circumstances which are highly uncertain and cannot be accurately predicted. The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes are reasonable under the circumstances, to determine the carrying values of assets and liabilities that are not readily apparent from other sources. The Company's significant accounting estimates include, but are not necessarily limited to, the allowance for doubtful accounts receivable, valuation assumptions for stock options, operating lease right-of-use assets and liabilities, deferred income taxes and the related valuation allowances, accretion of discounts on debt and Series A Preferred Stock, and the evaluation and measurement of contingencies. To the extent there are material differences between the Company's estimates and the actual results, the Company's future consolidated results of operation may be affected.

Risks and Uncertainties

Inherent in the Company's business are various risks and uncertainties, including its limited operating history in a rapidly changing industry. These risks include the Company's ability to manage its rapid growth and its ability to attract new customers and expand sales to existing customers, risks related to litigation, as well as other risks and uncertainties. In the event that the

Company does not successfully execute its business plan, certain assets may not be recoverable, certain liabilities may not be paid and investments in its capital stock may not be recoverable. The Company's success depends upon the acceptance of its expertise in providing services, development of sales and distribution channels, and its ability to generate significant revenues and cash flows from the use of this expertise.

Segments

The Company's chief operating decision maker (the "CODM"), who is the Company's Chief Executive Officer, allocates resources and assesses performance based on financial information of the Company. The CODM reviews financial information presented on an entity-level basis for purposes of making operating decisions and assessing financial performance. The entity-level financial information is identical to the information presented in the accompanying consolidated statements of operations and comprehensive loss. Accordingly, the Company has determined that it operates in a single operating and reportable segment.

Cash, Cash Equivalents and Restricted Cash

All highly liquid investments purchased with an original maturity of three months or less that are freely available for the Company's immediate and general business use are classified as cash and cash equivalents. Cash and cash equivalents consist primarily of demand deposits with financial institutions. The restricted cash consists of demand deposits that are pledged as collateral for corporate credit card debts.

Allowance for Doubtful Accounts

The Company records a provision for doubtful accounts based on historical experience and a detailed assessment of the collectability of its accounts receivable. In estimating the allowance for doubtful accounts, the Company considers, among other factors, the aging of the accounts receivable, its historical write-offs, the credit worthiness of customers, and general economic conditions. Account balances are charged off against the allowance when the Company believes that it is probable that the receivable will not be recovered. Actual write-offs may either be in excess or less than the estimated allowance.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated using the straight-line method over the estimated useful life of the following assets:

	Years
Computer equipment	1 – 3
Furniture and fixtures	3 - 7
Capitalized software costs	3
Leasehold improvements	Up to 8 years, not to exceed lease term

Maintenance and repairs are expensed as incurred. Application development costs related to internal use software projects are capitalized and included in property and equipment. Preliminary planning activities and post implementation activities for internal use software projects are expensed as incurred. Construction-in-progress primarily consists of computer equipment and leasehold improvements that have not yet been placed into service for their intended use. Depreciation and amortization commence when assets are initially placed into service for their intended use.

RIMINI STREET, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred Contract Costs

Costs incurred to obtain new client contracts and to extend existing client contracts are primarily comprised of sales commissions. Initial sales commissions are generally deferred and amortized over their estimated useful life, which is generally 4 years. We determined the period of benefit by taking into consideration the estimated life cycles for our customers, our technology and other factors. We recognized amortization expense related to deferred contract costs of $14.0 million, $12.4 million and $11.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment exists for property and equipment and other long-lived assets if the carrying amounts of such assets exceed the estimates of future net undiscounted cash flows expected to be generated by such assets. Impairment for intangible software assets is based upon an assessment of net realizable value. An impairment charge is recognized for the amount by which the carrying amount of the asset, or asset group, exceeds its fair value. The Company recognized an impairment charge of $1.2 million for the year ended December 31, 2020, related to one of our office leases as it ceased use of a portion of the office space due to increased use of remote work which has occurred during the COVID-19 pandemic.

Debt Issuance Costs and Discounts

Debt issuance costs are costs incurred to obtain new debt financing or modify existing debt financing and consist of incremental direct costs incurred for professional fees and due diligence services, including reimbursement of similar costs incurred by the lenders. Debt issuance costs are allocated proportionately between funded and unfunded portions of debt. Amounts paid to the lenders when a financing is consummated are a reduction of the proceeds and are treated as a debt discount. Debt issuance costs and discounts related to funded debt are presented in the accompanying consolidated balance sheet as a reduction in the carrying value of the debt and are accreted to interest expense using the effective interest method. Debt issuance costs related to unfunded debt is presented in the accompanying consolidated balance sheets as a long-term asset and are amortized using the straight-line method over the contractual term of the debt agreement. Unamortized deferred debt issuance costs are not charged to expense when the related debt becomes a demand obligation due to the violation of terms so long as it is probable that the lenders will either waive the violation or will agree to amend or restructure the terms of the indebtedness. If either circumstance is probable, the deferred debt issuance costs continue to be amortized over the remaining term of the initial amortization period. If it is not probable, the costs will be charged to expense. Debt discounts and issuance costs are collectively referred to as DDIC.

Embedded Derivatives

When the Company enters into a financial instrument such as a debt or equity agreement (the "host contract"), the Company assesses whether the economic characteristics of any embedded features are clearly and closely related to the primary economic characteristics of the remainder of the host contract. When it is determined that (i) an embedded feature possesses economic characteristics that are not clearly and closely related to the primary economic characteristics of the host contract, and (ii) a separate, stand-alone instrument with the same terms would meet the definition of a financial derivative instrument, then the embedded feature is bifurcated from the host contract and accounted for as a derivative instrument. The estimated fair value of the derivative feature is recorded separately from the carrying value of the host contract, with subsequent changes in the estimated fair value recorded as a non-operating gain or loss in the Company's consolidated statements of operations.

Accounting for Series A Preferred Stock

Series A Preferred Stock is classified as mezzanine equity in the Company's consolidated balance sheet since the holders have redemption rights beginning in July 2023 (and earlier under certain circumstances). Discounts and incremental and direct costs incurred to consummate the Private Placement were allocated pro rata between the Series A Preferred Stock and the Common Stock issued based on the relative fair value on the Closing Date. The discount related to Series A Preferred Stock is being accreted using the effective interest method. Accordingly, the carrying value of the Series A Preferred Stock is being increased with a corresponding reduction in additional paid-in capital from the issuance date of July 19, 2018 until the first redemption date of July 19, 2023, when the carrying value will be equal to the aggregate liquidation preference. The Company records a liability for dividends in the period incurred. Accrued dividends are a component of the liquidation preference until paid in cash or settled in additional shares of Series A Preferred Stock. Accretion and accrued dividends are treated as deductions in the calculation of earnings attributable to common stockholders.

Beneficial Conversion Features

A beneficial conversion feature is a non-detachable conversion feature that is "in the money" at the commitment date, which requires recognition of a deemed dividend. A conversion option is in the money if the conversion price is lower than the fair value of a share into which it is convertible.

Revenue Recognition

Revenue is primarily derived from support services, and to a lesser extent, software licensing and related maintenance and professional services.

Effective in fiscal year 2019 with the adoption of Accounting Standards Codification 606 ("ASC 606"), *Revenue from Contracts with Customers,* revenue is recognized when performance obligations, as stipulated in the contracts, are transferred to a customer for an amount that reflects the consideration the Company expects to receive in exchange for those support services and service contracts. This occurs when the contracts are executed by both parties, the rights and obligations of the parties are identified, payment terms are identified, the contracts have commercial substance and collectability of consideration is probable. The Company's contracts generally do not contain any refund provisions other than in the event of our non-performance or breach.

The Company determines revenue recognition through the following steps:

- *Identification of the contract with the customer.*
- *Identification of the performance obligations.*
- *Determination of the transaction price.*
- *Allocation of the transaction price to the performance obligations.*
- *Recognition of revenue when the performance obligations are satisfied.*

Most of the Company's contracts contain a single performance obligation for subscription support services. In a limited number of arrangements, the Company also licenses software and related maintenance services under term-based arrangements or provides professional services. The Company's performance obligations are evaluated for whether they can be distinct or should be accounted for as one performance obligation and primarily consist of (i) subscription support services or (ii) professional services sold on a time and materials basis.

The transaction price is generally the same as the contractual price. Typically, the structure of our arrangements do not give rise to variable consideration. However, in those instances where variable consideration should exist, the Company includes in its estimates, additional revenue for variable consideration when it has an enforceable right, the amount can be estimated reliably and its realization is probable.

Subscription Services

The Company's subscription support services are part of a comprehensive support program that helps clients keep their software and systems running smoothly and in full legal compliance. Subscription support services include product support (fixes and installation support), security, advanced support (performance tuning and interoperability), strategic roadmap services (upgrade process), global tax, legal and regulatory services, global security, proactive support services, strategic roadmap services, device and user interface support and account management services. Subscription contracts are generally non-cancelable and do not contain general rights of return. The Company's support subscription is viewed as a stand-ready performance obligation comprised of a series of distinct services that is satisfied ratably over time as the services are provided. A time-elapsed output method is used to measure progress as the Company's efforts are expended evenly throughout the period given the nature of the promise is a stand-ready service.

Other Services

Other services include both software licensing services and professional services. The Company's software licensing includes both internally developed software licenses as well as third party licenses. The Company's professional services consist of various consulting services, which include project oversight, minor software customization or enhancement, and testing of client-developed software customization. Services may be provided solely by the Company, by a partner of the Company, or in combination with the Company's partners. The Company's professional services are generally provided under a separate statement of work from our subscription support services. Revenue is recognized as services are performed.

Revenues generally include any taxes withheld by foreign customers and subsequently remitted to governmental authorities in those foreign jurisdictions. Foreign withholding taxes included in revenues amounted to $2.1 million, $0.9 million and $0.8 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Deferred revenue is a contract liability that consists of billings issued that are non-cancellable but not yet paid and payments received in advance of revenue recognition. The Company typically invoices its customers at the beginning of the contract term, in annual and multi-year installments. Deferred revenue is recognized as the Company satisfies its performance obligations over the term of the contracted service period. The Company expects to recognize revenue on approximately $229.0 million of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

Advertising

Advertising costs are charged to sales and marketing expense in the period incurred.

Legal Costs and Deferred Settlement Proceeds

Legal fees and costs are charged to general and administrative expense as incurred, other than legal fees and costs that are accounted for as deferred offering costs and debt issuance costs. The proceeds from legal fee insurance coverage prepaid settlements were accounted for as a deferred liability that was reduced as legal expenses related to the litigation were incurred.

Loss Contingencies

The Company is subject to various loss contingencies arising in the ordinary course of business. An estimated loss contingency is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If some amount within a range of probable loss appears to be a better estimate than any other amount within the range, the Company accrues that amount. Alternatively, when no amount within a range of probable loss appears to be a better estimate than any other amount, the Company accrues the lowest amount in the range. If the Company determines that a loss is reasonably possible and the range of the loss is estimable, then the Company discloses the range of the possible loss if the upper end of the range is material. If the Company cannot estimate the range of loss, it will disclose the reason why it cannot estimate the range of loss, if there is a reasonable possibility that the amount of loss may be material. The Company regularly evaluates current information available to it to determine whether an accrual is required, an accrual should be adjusted and if a range of possible loss should be disclosed.

Stock-Based Compensation

The Company measures the cost of employee and director services received in exchange for all equity awards granted, based on the fair market value of the award as of the grant date. The Company computes the fair value of options using the Black-Scholes-Merton ("BSM") option pricing model. The Company recognizes the cost of the equity awards over the period that services are provided to earn the award, usually the vesting period. For awards granted which contain a graded vesting schedule, and the only condition for vesting is a service condition, compensation cost is recognized as an expense on a straight-line basis over the requisite service period as if the award was, in substance, a single award. Stock-based compensation expense is recognized based on awards ultimately expected to vest whereby estimates of forfeitures are based upon historical experience.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered or settled. Realization of deferred tax assets is dependent upon future taxable income. A valuation allowance is recognized if it is more likely than not that some portion or all of a deferred tax asset will not be realized based on the weight of available evidence, including expected future earnings.

The Company recognizes an uncertain tax position in its financial statements when it concludes that a tax position is more likely than not to be sustained upon examination based solely on its technical merits. Only after a tax position passes the first step of recognition will measurement be required. Under the measurement step, the tax benefit is measured as the largest amount of benefit that is more likely than not to be realized upon effective settlement. This is determined on a cumulative probability basis. The full impact of any change in recognition or measurement is reflected in the period in which such change occurs. Interest and penalties related to income taxes are recognized in the provision for income taxes.

Foreign Currency

The Company's reporting currency is the U.S. Dollar, while the functional currencies of its foreign subsidiaries are their respective local currencies. The asset and liability accounts of the foreign subsidiaries are translated from their local currencies at the exchange rates in effect on the balance sheet date. Revenue and expenses are translated at average rates of exchange prevailing during the period. Gains and losses resulting from the translation of the subsidiary balance sheets are recorded net of tax as a component of accumulated other comprehensive loss. Gains and losses from foreign currency transactions are recorded in other income and expense in the consolidated statements of operations and comprehensive loss. The tax effect has not been material to date.

Loss Per Common Share

Basic net loss per common share is computed by dividing the net loss applicable to common stockholders by the weighted average number of common shares outstanding for each period presented. Diluted net loss per common share is computed using the treasury stock method by giving effect to the exercise of all potential shares of Common Stock, including stock options and warrants, and the conversion of RSI Preferred Stock, to the extent dilutive. RSI Preferred Stock participated in dividends but

was not considered participating securities when there was a net loss because the holders did not have a contractual obligation to share in the losses.

The holders of Series A Preferred Stock are entitled to participate in Common Stock dividends, if and when declared, on a one-to-one per-share basis. Accordingly, in periods in which the Company has net income, earnings per share will be computed using the two-class method whereby the pro rata dividends distributable to the holders of Series A Preferred Stock will be deducted from earnings applicable to common stockholders, regardless of whether a dividend is declared for such undistributed earnings.

Recent Accounting Pronouncements

The following accounting standards were adopted during the fiscal year 2020:

In February 2016, Financial Accounting Standards Board (the "FASB") issued ASU 2016-02, *Leases*, which requires organizations that lease assets ("lessees") to recognize on the balance sheet the right of use ("ROU") assets and liabilities for the rights and obligations created by those leases with lease terms of more than 12 months and to disclose key information about leasing arrangements. Under the new standard, both finance and operating leases will be required to be recognized on the balance sheet. Additional quantitative and qualitative disclosures, including significant judgments made by management, are also required. The Company adopted ASC 842 using the modified retrospective method on January 1, 2020. See Note 3 for the disclosure on the impact of adopting this standard.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments,* which requires application of an impairment model known as the current expected credit loss ("CECL") model to certain financial instruments held at amortized cost, including trade receivables. Using the CECL model, an entity recognizes an allowance for expected credit losses based on historical experience, current conditions, and forecasted information rather than the current methodology of delaying recognition of credit losses until it is probable loss has been incurred. The new guidance was effective for the Company in January 2020. The adoption of this guidance did not have a material impact on the Company's Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement: Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurements*, which provides new guidance on disclosures related to fair value measurements. The guidance is intended to improve the effectiveness of the notes to financial statements by facilitating clearer communication, and it includes multiple new, eliminated and modified disclosure requirements. The guidance was effective for the Company in January 2020. The adoption of this guidance did not have an impact on the Company's Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which clarifies the accounting for implementation costs in cloud computing arrangements. The guidance aligns the requirements for capitalizing implementation costs in a hosting arrangement that is a service contract with the requirements for capitalization costs incurred to develop or obtain internal-use software and hosting arrangements that include an internal-use software license. The new guidance was effective for the Company in January 2020. The adoption of this guidance did not have a material impact on the Company's Consolidated Financial Statements.

NOTE 3 — ADOPTION OF ASC 842, LEASES

Effective at the start of fiscal 2020, the Company adopted the provisions and expanded disclosure requirements described in Topic 842. The Company adopted the standard using the prospective method. Accordingly, the results for the prior comparable periods were not adjusted to conform to the current period measurement or recognition of results. The Company has operating leases for real estate and equipment with an option to renew the leases for up to one month to five years. Some of the leases include the option to terminate the leases upon 30-days' notice with a penalty. The Company's leases have various remaining lease terms ranging from January 2021 to January 2027. The Company's lease agreements may include renewal or termination options for varying periods that are generally at the Company's discretion. The Company's lease terms only include those periods related to renewal options the Company believes are reasonably certain to exercise. The Company generally does not include these renewal options as it is not reasonably certain to renew at the lease commencement date. This determination is based on consideration of certain economic, strategic and other factors that the Company evaluates at lease commencement date and reevaluates throughout the lease term. Some leases also include options to terminate the leases and the Company only includes those periods beyond the termination date if it is reasonably certain not to exercise the termination option.

The Company uses a discount rate to calculate the ROU asset and lease liability. When the implicit rate is known or provided in the lease documents, the Company is required to use this rate. In cases in which the implicit rate is not known, the Company uses an estimated incremental borrowing rate.

Some leasing arrangements require variable payments that are dependent on usage or may vary for other reasons, such as payments for insurance and tax payments. The variable portion of lease payments is not included in the Company's ROU assets or lease liabilities. Rather, variable payments, other than those dependent upon an index or rate, are expensed when the obligation for those payments is incurred and are included in lease expenses recorded in selling and administrative expenses on the Consolidated Statements of Operations.

The Company has lease agreements with both lease and non-lease components that are treated as a single lease component for all underlying asset classes. Accordingly, all expenses associated with a lease contract are accounted for as lease expenses.

The Company has elected to apply the short-term lease exception for all underlying asset classes. That is, leases with a term of 12 months or less are not recognized on the balance sheet, but rather expensed on a straight-line basis over the lease term. The Company's leases do not include significant restrictions or covenants, and residual value guarantees are generally not included within its operating leases. As of December 31, 2020, the Company did not have any material additional operating leases that have not yet commenced.

The components of operating lease expense and supplemental balance sheet information were as follows (in thousands):

		Year Ended December 31, 2020
Operating lease expense related to ROU assets and liabilities	$	6,192
Other lease expense		1,076
Total lease expense	$	7,268

Other information related to leases was as follows (in thousands):

Supplemental Balance Sheet Information		December 31, 2020
Operating lease right-of-use assets, noncurrent	$	17,521
Operating lease liabilities, current	$	3,940
Operating lease liabilities, noncurrent		15,993
Total operating lease liabilities	$	19,933

As of January 1, 2020, the Company had total operating lease right-of use assets of $18.8 million and total operating lease liabilities of $20.0 million.

Weighted Average Remaining Lease Term	Years
Operating Leases	4.8
Weighted Average Discount Rate	
Operating Leases	10.7 %

Maturities of operating lease liabilities as of December 31, 2020 were as follows (in thousands):

Year Ending December 31:		
2021	$	5,820
2022		5,255
2023		4,532
2024		4,266
2025		3,096
Thereafter		2,650
Total future undiscounted lease payments		25,619
Less imputed interest		(5,686)
Total	$	19,933

For the year ended December 31, 2020, the Company paid $6.1 million for operating leases.

Maturities of operating leases as of December 31, 2019 were as follow (in thousands):

Year Ending December 31, 2019		
2020	$	5,609
2021		5,155
2022		4,067
2023		2,993
2024		2,670
Thereafter		5,065
	$	25,559

NOTE 4 — OTHER FINANCIAL INFORMATION

Cash, cash equivalents and restricted cash

For purposes of the consolidated statements of cash flows, as of December 31, 2020, 2019 and 2018 cash, cash equivalents and restricted cash are as follows (in thousands):

		2020		2019
Cash and cash equivalents	$	87,575	$	37,952
Restricted cash		334		436
Total cash, cash equivalents and restricted cash	$	87,909	$	38,388

Allowance for Doubtful Accounts

Activity in the allowance for doubtful accounts is set forth below for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	2020	2019	2018
Allowance, beginning of year	$ 1,608	$ 711	$ 51
Provisions	996	971	713
Write offs, net of recoveries	(1,881)	(74)	(53)
Allowance, end of year	$ 723	$ 1,608	$ 711

Write offs, net of recoveries significantly increased in 2020 due to collection issues and client bankruptcies resulting, in part, to the COVID-19 pandemic.

Prepaid Expenses and Other Current Assets

As of December 31, 2020 and 2019, prepaid expenses and other current assets consisted of the following (in thousands):

	2020	2019
Prepaid expenses and deposits	$ 7,686	$ 12,390
Foreign tax refunds receivable	1,714	1,819
Other	4,056	996
Total	$ 13,456	$ 15,205

Property and Equipment

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

	2020	2019
Computer equipment	$ 11,141	$ 8,786
Furniture and fixtures	2,837	2,836
Capitalized software costs	438	515
Leasehold improvements	1,292	1,251
Construction-in-progress	97	126
Total property and equipment	15,805	13,514
Less accumulated depreciation	(10,985)	(9,847)
Property and equipment, net	$ 4,820	$ 3,667

Depreciation expense was $1.8 million, $1.9 million and $1.8 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Deferred Contract Costs

Activity for deferred contract costs for the years ended December 31, 2020 and 2019 was provided below (in thousands):

	Years Ended December 31,	
	2020	2019
Deferred contract costs, current and noncurrent as of the beginning of the period	$ 28,049	$ 27,080
Capitalized commissions during the period	20,886	13,408
Amortized deferred contract costs during the period	(13,990)	(12,439)
Deferred contract costs, current and noncurrent, as of the end of the period	$ 34,945	$ 28,049

Other Accrued Liabilities

As of December 31, 2020 and 2019, other accrued liabilities consist of the following (in thousands):

	2020	2019
Accrued sales and other taxes	$ 5,213	$ 5,752
Accrued professional fees	5,912	4,367
Accrued dividends on Redeemable Series A Preferred Stock	3,842	3,889
Current maturities of capital lease obligations	429	222
Income taxes payable	2,245	1,091
Appeal proceeds payable to insurance company	—	4,388
Other accrued expenses	3,513	3,638
Total other accrued liabilities	$ 21,154	$ 23,347

Deferred Revenue

Activity for deferred revenue for the years ended December 31, 2020 and 2019 was provided below (in thousands):

	Years Ended December 31,	
	2020	2019
Deferred revenue, current and noncurrent, as of the beginning of the period	$ 235,498	$ 196,706
Billings, net	348,215	319,844
Revenue recognized	(326,780)	(281,052)
Deferred revenue, current and noncurrent, as of the end of the period	$ 256,933	$ 235,498

Advertising

Advertising expenses were $3.1 million, $0.9 million and $1.0 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Other Expenses, Net

For the years ended December 31, 2020, 2019 and 2018, other expenses, net consists of the following (in thousands):

	2020	2019	2018
Interest income:			
Post-judgment interest on litigation appeal award	$ —	$ 212	$ 199
Other	24	45	54
Write-off of deferred debt financing costs	—	—	(704)
Foreign currency transaction losses	(77)	(1,640)	(1,476)
Other expenses	(205)	(112)	(295)
Total other expenses, net	$ (258)	$ (1,495)	$ (2,222)

NOTE 5 — FORMER DEBT AGREEMENTS

Related Party Note Payable to GP Sponsor

Upon consummation of the merger with GP Investments Acquisition Corp. ("GPIA") in May 2017, an outstanding note payable to GP Sponsor with an initial face amount of approximately $3.0 million was assumed by the Company. This note was originally non-interest bearing and was not due and payable until the outstanding principal balance under the former Credit Facility was less than $95.0 million. At the inception of this note, the maturity date was expected to occur in June 2020 based on the scheduled principal payments under the Credit Facility. Interest was initially imputed under this note payable at the rate of 15.0% per annum. This note payable was amended twice in 2018, which resulted in further changes to the effective interest rate and maturity date.

The second amendment to the note payable was effective on December 21, 2018 and provided for an extension of the maturity date from January 4, 2019 to June 28, 2019. In addition, the parties agreed that the note payable would retroactively bear interest at 13.0% per annum from July 19, 2018 through the maturity date. Total retroactive interest amounted to $0.2 million which is accounted for as DDIC that was being accreted through the maturity date. The Company recognized accretion expense of $0.2 million and $0.9 million for the years ended December 31, 2019 and 2018, respectively

In addition, the second amendment provided for monthly principal payments starting in December 2018 of approximately $0.4 million plus accrued interest. In December 2018, the Company made a payment of $0.6 million, primarily consisting of payment of retroactive interest of $0.2 million and the first monthly principal payment of $0.4 million. The Company made principal and interest payments totaling $2.7 million during the year ended December 31, 2019. The effective interest rate for accretion of DDIC was 26.4% for the period from December 21, 2018 through June 28, 2019. The note was paid off on June 28, 2019.

Former Credit Facility

Overview. In June 2016, the Company entered into a multi-draw term loan Financing Agreement (the "Credit Facility") with a syndicate of lenders (the "Lenders"). The Credit Facility would have matured in June 2020 but was repaid and terminated in July 2018 as discussed below. The Credit Facility provided for an aggregate commitment of up to $125.0 million, which consisted of an initial term loan for $30.0 million in June 2016, a "delayed draw A Term Loan" for $65.0 million, and a "delayed draw B Term Loan" for $30.0 million. An origination fee equal to 5.0% of the $125.0 million commitment was paid in cash to the Lenders from the proceeds of the initial term loan. The Credit Facility provided for an Original Issue Discount ("OID") of 2.0% of the initial face amount of borrowings. Origination fees and OID were accounted for as DDIC.

Borrowings under the Credit Facility were collateralized by substantially all assets of the Company, including certain cash depository accounts that were subject to control agreements with the Lenders.

Interest and Fees. The outstanding principal balance under the Credit Facility provided for monthly interest payments at 15.0% per annum, consisting of 12.0% per annum that was payable in cash and 3.0% per annum that was payable through the issuance of additional borrowings beginning on the interest payment due date (referred to as paid-in-kind, or "PIK" interest). In addition, a make-whole applicable premium payment of approximately 15.0% per annum through June 2019 was required for certain principal prepayments as defined in the Credit Facility.

The Credit Facility provided for collateral monitoring fees at the rate of 2.5% of the outstanding principal balance during 2018 until the Credit Facility was terminated. The Credit Facility also required unused line fees of 5.0% per annum on the $17.5 million undrawn portion of the Credit Facility during 2018 until the termination date. All unused line fees and collateral monitoring fees were payable in monthly arrears and were recorded as a component of other debt financing expenses in the period incurred.

Accretion and Amortization. DDIC that relates to the entire Credit Facility was allocated pro rata between the funded and unfunded portions of the Credit Facility based on the relative amounts that were cumulatively borrowed versus the undrawn portion of the $125.0 million commitment. DDIC related to funded debt was accreted to interest expense using the effective interest method based on the aggregate principal obligations to the Lenders and consulting and Trigger Event obligations to the Origination Agent. DDIC associated with unfunded debt was amortized using the straight-line method from the date incurred through the maturity date of the Credit Facility, which was included in other debt financing expenses in the accompanying consolidated statements of operations and comprehensive loss.

Termination of the Credit Facility. In connection with the closing on July 19, 2018 of the Initial Private Placement, the Company used substantially all of the $133.0 million of gross proceeds from the Initial Private Placement (together with cash-on-hand) to repay all outstanding indebtedness and fees under the Credit Facility, and the Credit Facility was terminated. The aggregate cash payments to terminate the Credit Facility amounted to $132.8 million and consisted of the following (in thousands):

Contractual principal and exit fees:	
Principal balance	$ 102,576
Mandatory trigger event exit fees	13,624
Mandatory consulting	2,000
Subtotal	118,200
Make-whole applicable premium	7,307
Amendment fees and related liabilities	6,250
Accrued interest and fees payable	1,073
Total cash termination payments	$ 132,830

Funded Credit Facility Activity for 2018. Presented below is a summary of activity related to the funded debt, including allocated DIC, for the year ended December 31, 2018 (in thousands):

				Contractual Liability Payments				DDIC Write-off		
	December 31, 2017	PIK Accrual	Liability Adjustments	Scheduled	Prepayments	Pay-off	Accretion Expense	Prepayments	Pay-off	December 31, 2018
Contractual liabilities:										
Principal balance	$ 125,872	$ 1,886	$ —	$ (7,250)	$ (17,932)	$ (102,576)	$ —	$ —	$ —	$ —
Mandatory trigger event exit fees	9,672	—	3,952	—	—	(13,624)	—	—	—	—
Mandatory consulting fees	4,000	—	—	(2,000)	—	(2,000)	—	—	—	—
Total contractual liabilities	139,544	1,886	3,952	(9,250)	(17,932)	(118,200)	—	—	—	—
DDIC:										
Original issue discount	1,816	—	—	—	—	—	—	(234)	(1,582)	—
Origination fee	4,538	—	—	—	—	—	—	(586)	(3,952)	—
Amendment fee	11,521	—	—	—	—	—	—	(1,487)	(10,034)	—
Fair value of warrants	6,424	—	—	—	—	—	—	(829)	(5,595)	—
Consulting fees to lenders	6,519	—	—	—	—	—	—	(841)	(5,678)	—
Mandatory trigger event exit fees	55,200	—	3,952	—	—	—	—	(7,314)	(51,838)	—
Other issuance costs	3,600	—	—	—	—	—	—	(465)	(3,135)	—
Total DDIC	89,618	—	3,952	—	—	—	—	(11,756)	(81,814)	—
Cumulative accretion	(30,128)	—	—	—	—	—	(11,670)	4,587	37,211	—
Net discount	59,490	—	3,952	—	—	—	(11,670)	(7,169)	(44,603)	—
Net carrying value	$ 80,054	$ 1,886	$ —	$ (9,250)	$ (17,932)	$ (118,200)	$ 11,670	$ 7,169	$ 44,603	$ —

Interest Expense

The components of interest expense for the years ended December 31, 2020, 2019 and 2018 are presented below (in thousands):

	2020	2019	2018
Credit Facility:			
Interest expense at 12.0%	$ —	$ —	$ 7,513
PIK interest at 3.0%	—	—	1,886
Accretion expense for funded debt	—	—	11,670
Make-whole applicable premium:			
Credit Facility prepayments	—	—	3,103
Payoff of funded Credit Facility	—	—	7,307
Accretion expense for GP Sponsor note payable	—	185	905
Interest on other borrowings	77	213	146
Total interest expense	$ 77	$ 398	$ 32,530

Other Debt Financing Expenses

The components of other debt financing expenses for the years ended December 31, 2020, 2019 and 2018 are presented below (in thousands):

	2020	2019	2018
Write-off of DDIC:			
Credit Facility prepayments	$ —	$ —	$ 7,169
Payoff of funded Credit Facility	—	—	44,603
Termination of unfunded Credit Facility	—	—	2,764
Collateral monitoring fees	—	—	1,556
Amortization of debt issuance costs related to unfunded debt	—	—	756
Unused line fees	—	—	481
Amortization of prepaid agent fees and other	—	—	1,002
Total debt financing expenses	$ —	$ —	$ 58,331

Embedded Derivatives

The Credit Facility included features that were determined to be embedded derivatives requiring bifurcation and accounting as separate financial instruments. Prior to the termination of the Credit Facility on July 19, 2018, the Company determined that embedded derivatives included the requirements to pay make-whole applicable premium in connection with certain mandatory prepayments of principal, and default interest due to non-credit-related events of default. These embedded derivatives were classified within Level 3 of the fair value hierarchy.

Changes in the fair value of embedded derivative liabilities resulted in a gain of $1.6 million for the year ended December 31, 2018. These changes in fair value are reflected in the Company's consolidated statements of operations as a gain from change in fair value of embedded derivatives.

NOTE 6 — REDEEMABLE SERIES A PREFERRED STOCK

2018 Securities Purchase Agreement

On July 19, 2018, the Company closed a Securities Purchase Agreement (the "2018 SPA") with several accredited investors (the "Purchasers") for a private placement (the "Initial Private Placement") of (i) 140,000 shares of Series A Preferred Stock, (ii) approximately 2.9 million shares of Common Stock, and (iii) convertible secured promissory notes (the "Convertible Notes"), with no principal amount outstanding at issuance that solely collateralize amounts, if any, that may become payable by the Company pursuant to certain redemption provisions of the Series A Preferred Stock.

Pursuant to the 2018 SPA, the Purchasers acquired an aggregate of 140,000 shares of Series A Preferred Stock, 2.9 million shares of Common Stock, and Convertible Notes with no principal amount outstanding as of the issuance date, for an aggregate purchase price equal to $133.0 million in cash (after taking into account a discount of $7.0 million, but before the incremental and direct transaction costs associated with the Private Placement of $4.6 million). The allocation of the net proceeds as of the Closing Date, along with changes in the net carrying value of the Series A Preferred Stock through December 31, 2019 are set forth below (dollars in thousands):

	Series A Preferred Stock Shares	Series A Preferred Stock Amount	Common Stock	Convertible Notes	Total
Fair value on July 19, 2018:					
Series A Preferred Stock	140,000	$ 126,763 [1]	$ —	$ —	$ 126,763
Common Stock	—	—	20,131 [2]	—	20,131
Convertible Notes	—	—	—	—	—
Total	140,000	$ 126,763	$ 20,131	$ —	$ 146,894
Relative fair value allocation on July 19, 2018:					
Aggregate cash proceeds on July 19, 2018	140,000	$ 114,773 [3]	$ 18,227 [3]	$ —	$ 133,000
Incremental and direct costs	—	(3,994) [4]	(634) [4]	—	(4,628)
Net carrying value on July 19, 2018	140,000	$ 110,779	$ 17,593	$ —	$ 128,372

1. The liquidation preference for each share of Series A Preferred Stock on the closing date for the Initial Private Placement was $1,000 per for an aggregate liquidation preference of $140.0 million. The estimated fair value of the Series A Preferred Stock was approximately $126.8 million on July 19, 2018, which is the basis for allocation of the net proceeds. Please refer to Note 13 for further discussion of the valuation methodology employed.
2. The fair value of the issuance of approximately 2.9 million shares of the Common Stock was based on the last closing price of $6.95 per share on the date prior to closing the transaction.
3. The aggregate cash proceeds of $133.0 million on July 19, 2018 were allocated pro rata based on the fair value of all consideration issued.
4. Incremental and direct costs of the Initial Private Placement were allocated pro rata based on the fair value of all consideration issued. Such costs include financial advisory and professional fees of $2.7 million that were incurred by the Company, and due diligence and professional fees incurred by the investors of $1.9 million.

At the closing, the Company used the $133.0 million of proceeds from the Initial Private Placement plus cash and cash equivalents of $2.7 million to (i) repay all outstanding indebtedness and various operating and financing fees and expenses under the former Credit Facility in the aggregate amount of $132.8 million as discussed in Note 5, (ii) pay incremental and direct transaction costs of $2.7 million, and (iii) pay a professional services retainer of $0.2 million.

In connection with the completion of the Initial Private Placement, the Company, among other customary closing actions, (i) filed a Certificate of Designations with the State of Delaware setting forth the rights, preferences, privileges, qualifications, restrictions and limitations on the Series A Preferred Stock, (ii) entered into a Registration Rights Agreement with the Purchasers setting forth certain registration rights of capital stock held by the Purchasers (the “Registration Rights Agreement”), (iii) delivered a Convertible Note to each Purchaser, and (iv) entered into a Security Agreement (the “Security Agreement”) in respect of the Company’s assets collateralizing the amounts that may become payable pursuant to the Convertible Notes if certain redemption provisions of the Series A Preferred Stock are triggered in the future.

March 2019 Securities Purchase Agreement

On March 7, 2019, the Company entered into a securities purchase agreement (the “March 2019 SPA”) with an accredited investor for a private placement (the "March 2019 Private Placement") of (i) 6,500 shares of Series A Preferred Stock, (ii) 134,483 shares of Common Stock, and (iii) a Convertible Note (as defined below) with no principal balance outstanding. The shares of Series A Preferred Stock were authorized pursuant to the Certificate of Designations (as defined below) and are subject to the provisions set forth in an amended Security Agreement (as defined below), a Convertible Note and a registration rights agreement that is substantially similar in all material respects to the Registration Rights Agreement (as defined below) entered into in connection with the 2018 Securities Purchase Agreement discussed below. The accredited investor in the March 2019 Private Placement is affiliated with one of the accredited investors in the Initial Private Placement.

The aggregate cash proceeds from the March 2019 Private Placement were $5.8 million in cash (after an 11.0% discount or $0.7 million). The net proceeds were approximately $5.0 million after estimated transaction costs payable by the Company of $0.8 million. The transaction costs consisted of 85,000 shares of Common Stock issued to the existing holders of the Series A Preferred Stock for their consent at a cost of approximately $0.5 million and direct transaction costs of approximately $0.3 million related to due diligence and professional fees. The net proceeds were allocated based on their relative fair values at issuance of the Series A Preferred Stock and the Common Stock. The allocation of the net proceeds from the March 2019 Private Placement are set forth below (dollars in thousands):

	Series A Preferred Stock Shares	Series A Preferred Stock Amount	Common Stock	Convertible Notes	Total
Fair value on March 7, 2019:					
Series A Preferred Stock	6,500	$ 5,313 [1]	$ —	$ —	$ 5,313
Common Stock	—	—	722 [2]	—	722
Convertible Notes	—	—	—	—	—
Total	6,500	$ 5,313	$ 722	$ —	$ 6,035
Relative fair value allocation on March 7, 2019:					
Aggregate cash proceeds on March 7, 2019	6,500	$ 5,093 [3]	$ 692 [3]	$ —	$ 5,785
Incremental and direct costs	—	(661) [4]	(90) [4]	—	(751)
Net carrying value on March 7, 2019	6,500	$ 4,432	$ 602	$ —	$ 5,034

1. The liquidation preference for each share of Series A Preferred Stock on the closing date for the March 2019 Private Placement was $1,000 per share for an aggregate liquidation preference of $6.5 million. The estimated fair value of the Series A Preferred Stock was approximately $5.3 million on March 7, 2019, which is the basis for allocation of the net proceeds. Please refer to Note 13 for further discussion of the valuation methodology employed.
2. The fair value of the issuance of approximately 134,483 shares of the Common Stock was based on the closing price of $5.37 per share on the date prior to closing of the transaction.
3. The aggregate cash proceeds of $5.8 million on March 7, 2019 were allocated pro rata based on the fair value of all consideration issued.
4. Incremental and direct costs related to the March 2019 Private Placement were allocated pro rata based on the fair value of all consideration issued. Such costs included the issuance of 85,000 shares of Common Stock to the Initial Private Placement investors in the Series A Preferred Stock for their consent of approximately $0.5 million and financial advisory and professional fees that were incurred of approximately $0.3 million that were either paid or accrued directly by the Company as of March 31, 2019.

June 2019 Securities Purchase Agreement

On June 20, 2019, the Company entered into a securities purchase agreement (the "June 2019 SPA") with accredited investors for a private placement (the “June 2019 Private Placement”) of (i) 3,500 shares of Series A Preferred Stock, (ii) 72,414 shares of Common Stock, and (iii) a Convertible Note (as defined below) with no principal balance outstanding. The shares of the Series A Preferred Stock were authorized pursuant to the Certificate of Designations (as defined below) and are subject to the provisions set forth in an amended Security Agreement (as defined below), a Convertible Note and a registration rights agreement that is substantially similar in all material respects to the Registration Rights Agreement (as defined below) entered into connection with the 2018 Securities Purchase Agreement discussed below. The accredited investors in the June 2019 Private Placement are not affiliated with the accredited investors in the March 2019 Private Placement or the Initial Private Placement.

The aggregate cash proceeds from the June 2019 Private Placement were $3.3 million in cash (after a 5.0% discount or $0.2 million). The net proceeds were approximately $3.0 million after estimated transaction costs payable by the Company of $0.3 million. The transaction costs consisted of 35,000 shares of Common Stock issued to the existing holders of the Series A Preferred Stock for their consent at a cost of approximately $0.2 million and direct transaction costs of approximately $0.2 million related to professional fees of the investors, existing holders of Series A Preferred Stock and the Company. The net proceeds were allocated based on their relative fair values at issuance of the Series A Preferred Stock and the Common Stock. The allocation of the net proceeds from the June 2019 Private Placement are set forth below (dollars in thousands):

	Series A Preferred Stock Shares	Series A Preferred Stock Amount	Common Stock	Convertible Notes	Total
Fair value on June 20, 2019:					
Series A Preferred Stock	3,500	$ 2,997 (1)	$ —	$ —	$ 2,997
Common Stock	—	—	376 (2)	—	376
Convertible Notes	—	—	—	—	—
Total	3,500	$ 2,997	$ 376	$ —	$ 3,373
Relative fair value allocation on June 20, 2019:					
Aggregate cash proceeds on June 20, 2019	3,500	$ 2,954 (3)	$ 371 (3)	$ —	$ 3,325
Incremental and direct costs	—	(301) (4)	(38) (4)	—	(339)
Net carrying value on June 20, 2019	3,500	$ 2,653	$ 333	$ —	$ 2,986

1. The liquidation preference for each share of Series A Preferred Stock on the closing date for the June 2019 Private Placement was $1,000 per share for an aggregate liquidation preference of $3.5 million. The estimated fair value of the Series A Preferred Stock was approximately $3.0 million on June 20, 2019, which is the basis for allocation of the net proceeds. Please refer to Note 13 for further discussion of the valuation methodology employed.
2. The fair value of the issuance of approximately 72,414 shares of the Common Stock was based on the closing price of $5.19 per share on the date prior to closing of the transaction.
3. The aggregate cash proceeds of $3.3 million on June 20, 2019 were allocated pro rata based on the fair value of all consideration issued.
4. Incremental and direct costs related to the June 2019 Private Placement were allocated pro rata based on the fair value of all consideration issued. Such costs included the issuance of 35,000 shares of Common Stock to the Initial Private Placement investors in the Series A Preferred Stock for their consent of approximately $0.2 million and financial advisory and professional fees that were incurred of approximately $0.2 million that were either paid or accrued directly by the Company as of June 30, 2019.

On October 30, 2020, the Company entered into the Stock Repurchase Agreement with certain of the holders of its Series A Preferred Stock to repurchase 5,000 shares of Series A Preferred Stock and the associated Note Obligations for an aggregate purchase price of approximately $4.5 million representing a discount to the face value of such shares of Series A Preferred Stock and no make-whole payments were required. The Stock Repurchase Agreement contains customary representations, warranties and covenants of the parties and waivers relating to the purchased shares of Series A Preferred Stock.

Upon the closing of the transactions contemplated by the Stock Repurchase Agreement, the shares of Series A Preferred Stock purchased by the Company were retired (and the underlying Note Obligations cancelled) and are not eligible for re-issuance by the Company in accordance with the terms of the Certificate of Designations for the Series A Preferred Stock.

Subsequent Event

On January 5, 2021, the Company entered into an agreement with certain of the holders of its Series A Preferred Stock (the "Stock Repurchase Agreement") to repurchase 10,000 shares of Series A Preferred Stock and the associated obligations pursuant to the Company's Convertible Secured Promissory Notes outstanding in respect thereof (the "Note Obligations") for an aggregate purchase price of approximately $8.95 million representing a discount to the face value of such shares of Series A Preferred Stock and no make-whole payments were required. The Stock Repurchase Agreement contains customary representations, warranties and covenants of the parties and waivers relating to the purchased shares of Series A Preferred Stock.

Upon the closing of the transactions contemplated by the Stock Repurchase Agreement, the shares of Series A Preferred Stock purchased by the Company were retired (and the underlying Note Obligations cancelled) and are not eligible for re-issuance by the Company in accordance with the terms of the Certificate of Designations for the Series A Preferred Stock.

The changes in the net carrying value of Series A Preferred Stock from July 19, 2018 to December 31, 2020, are set forth below (dollars in thousands):

	Series A Preferred Stock Shares	Series A Preferred Stock Amount
Net carrying value on July 19, 2018	140,000	$ 110,779
Issuance of shares to settle PIK dividends on October 1, 2018	846	846
Accretion of discount for the year end December 31, 2018	—	2,373
Net carrying value as of December 31, 2018	140,846	113,998
Issuance of shares to settle PIK dividends on January 2, 2019	1,062	1,062
Additional shares issued on March 7, 2019	6,500	4,432
Issuance of shares to settle PIK dividends on April 1, 2019	1,059	1,059
Additional shares issued on June 20, 2019	3,500	2,653
Issuance of shares to settle PIK dividends on July 1, 2019	1,115	1,115
Issuance of shares to settle PIK dividends on October 1, 2019	1,149	1,149
Accretion of discount for the year ended December 31, 2019	—	5,848
Net carrying value as of December 31, 2019	155,231	131,316
Issuance of shares to settle PIK dividends on January 2, 2020	1,170	1,170
Issuance of shares to settle PIK dividends on April 1, 2020	1,153	1,153
Issuance of shares to settle PIK dividends on July 1, 2020	1,175	1,175
Issuance of shares to settle PIK dividends on October 1, 2020	1,182	1,182
Repurchase of 5,000 shares on October 30, 2020	(5,000)	(4,417)
Accretion of discount for the year ended December 31, 2020	—	6,275
Net carrying value for the year ended December 31, 2020	154,911	$ 137,854

For future calculations of earnings applicable to common stockholders, the aggregate discount applicable to the Series A Preferred Stock will be accreted using the effective interest method from the respective issuance dates through July 19, 2023 when the holders of all outstanding shares of Series A Preferred Stock may elect to redeem their shares for cash.

Agreements Related to Private Placement Transactions

In connection with the completion of the Initial Private Placement, the Company, among other customary closing actions, (i) filed a Certificate of Designations with the State of Delaware setting forth the rights, preferences, privileges, qualifications, restrictions and limitations on the Series A Preferred Stock (the "CoD"), (ii) entered into a Registration Rights Agreement with the Purchasers setting forth certain registration rights of the Purchasers (the "Registration Rights Agreement"), (iii) delivered a Convertible Note to each Purchaser, and (iv) entered into a Security Agreement (the "Security Agreement") in respect of the Company's assets collateralizing the amounts that may become payable pursuant to the Promissory Notes if certain redemption provisions of the Series A Preferred Stock are triggered in the future. In connection with both the March 2019 and June 2019 Private Placements, the Company entered into a securities purchase agreement, a Registration Rights Agreement, a First (March 2019) and Second (June 2019) Amendment to the Security Agreement, as well as issued Convertible Notes to each investor, in each case substantially in the same form as entered into by the Company in the Initial Private Placement.

Certificate of Designations of the Series A Preferred Stock and Dividends

The CoD authorizes the issuance of up to 180,000 shares of Series A Preferred Stock. The holders of Series A Preferred Stock are entitled to (i) a cash dividend of 10.0% per annum (the "Cash Dividend"), payable quarterly in arrears, and (ii) a payment-in-kind dividend of 3.0% per annum (the "PIK Dividend" and together with the Cash Dividend, the "Dividends"). The PIK dividend is accrued quarterly in arrears for the first five years following the Closing and thereafter all Dividends accruing on such Series A Preferred Stock will be payable in cash at a rate of 13.0% per annum. The Series A Preferred Stock is classified as mezzanine equity in the Company's consolidated balance sheet as of December 31, 2020 since the holders have redemption rights beginning on July 19, 2023 (and earlier under certain circumstances).

As required under the CoD and approved by the Company's Board of Directors, the Cash Dividends and PIK Dividends for the period in which the Series A Preferred Stock was outstanding during the fourth quarter of 2020 were paid on January 4, 2021. Accrued Cash Dividends and PIK Dividends for the fourth quarter of 2019 were paid on January 4, 2021 to holders of record on December 20, 2020. Accordingly, the Company accrued a current liability for accrued dividends payable in cash through December 31, 2020 for $3.8 million. A long-term liability was recorded for $1.2 million of dividends that accrued through December 31, 2020, and that were settled through the issuance of additional shares of Series A Preferred Stock on January 4, 2021. Presented below is a summary of total and per share dividends declared through December 31, 2020 (dollars in thousands, except per share amounts):

	Dividends Payable in:		Total	Dividends
	Cash	PIK	Dividends	Per Share
Cash Dividends at 10.0% per annum:				
For the year ended December 31, 2018	$ 6,360	$ —	$ 6,360	$ 99.56
PIK Dividends at 3.0% per annum:				
For the year ended December 31, 2018	—	1,902	1,902	29.77
Fractional shares payable in cash for the year ended December 31, 2018	6	—	6	0.09
Dividends paid during the year ended December 31, 2018	(2,845)	(846)	(3,691)	(57.78)
Liability for unpaid dividends, December 31, 2018	3,521	1,056	4,577	32.50
Cash Dividends at 10.0% per annum:				
For the year ended December 31, 2019	15,073	—	15,073	99.98
PIK Dividends at 3.0% per annum:				
For the year ended December 31, 2019	—	4,485	4,485	29.75
Fractional shares payable in cash for the year ended December 31, 2019	37	—	37	0.25
Dividends paid during the year ended December 31, 2019	(14,742)	(4,385)	(19,127)	(126.86)
Liability for unpaid dividends, December 31, 2019	3,889	1,156	5,045	32.50
Cash Dividends at 10.0% per annum:				
For the year ended December 31, 2020	15,713	—	15,713	99.90
PIK Dividends at 3.0% per annum:				
For the year ended December 31, 2020	—	4,717	4,717	29.99
Fractional shares payable in cash for the year ended December 31, 2020	21	—	21	0.13
Dividends paid during the year ended December 31, 2020	(15,781)	(4,680)	(20,461)	(130.08)
Liability for unpaid dividends, December 31, 2020	$ 3,842	$ 1,193	$ 5,035	32.50

Each share of Series A Preferred Stock is entitled to vote with the Common Stock on an as-converted basis. In addition, the holders of the outstanding shares of Series A Preferred Stock are required to approve certain actions affecting the rights of the Series A Preferred Stock. The approval of a majority of the outstanding Series A Preferred Stock are required to approve any of the following: (i) the declaration or payment of any principal, dividend or distribution on securities junior in rights to the Series

A Preferred Stock ("Junior Securities") or pari passu in rights to the Series A Preferred Stock or the purchase, redemption or other acquisition by the Company of Junior Securities or pari passu securities if at the time of such declaration, payment, dividend or distribution, the Dividends for the Series A Preferred Stock have not been satisfied or paid in full; and (ii) any amendment or repeal of the Company's certificate of incorporation or the CoD adversely affecting the rights, preferences or privileges of the Series A Preferred Stock. The approval of all holders of outstanding Series A Preferred Stock are required for (i) the authorization or creation of, issuance of, or reclassification into, any stock that ranks pari passu with or senior to the Series A Preferred Stock with respect to payment of dividends and liquidation preference and (ii) amendment of the CoD provisions regarding Dividends, liquidation rights, redemption rights, conversion rights, voting rights and reorganization events.

The liquidation value of the Series A Preferred Stock is convertible into shares of Common Stock at an initial conversion rate of $10.00 per share for a total of 15.5 million shares of Common Stock based on 154,911 shares of Series A Preferred Stock outstanding as of December 31, 2020. Each share of Series A Preferred Stock is convertible at the holder's option into one share of Common Stock at a conversion price equal to the quotient of (i) the Liquidation Preference (as defined below), and (ii) $10.00 (subject to appropriate adjustment in the event of a stock split, stock dividend, combination or other similar recapitalization) (the "Per Share Amount"). The Company has the right to convert outstanding shares of Series A Preferred Stock into Common Stock for the Per Share Amount after July 19, 2021, if the Company's volume weighted average stock price for at least 30 trading days of the 45 consecutive trading days immediately preceding such conversion is greater than $11.50 per share. The Company can exercise this right to convert twice per calendar year for a maximum number of shares of Common Stock that has publicly traded over the 60 consecutive trading days prior to the conversion date (less any shares of Common Stock that have been issued pursuant to any such conversion during such 60-day period).

The Series A Preferred Stock will become mandatorily redeemable, upon the election by the holders of a majority of the then outstanding Preferred Stock, on or after July 19, 2023. Any and all of the then outstanding liquidation value of the Series A Preferred Stock plus any capitalized PIK Dividends and any unpaid accrued Cash Dividends not previously included in the Liquidation Preference (the "Redemption Amount") is required to be repaid in full in cash on such redemption date or satisfied in the form of obligations under the Convertible Notes, as further described below. Additionally, in certain circumstances the Company may require the holders of shares of the Series A Preferred Stock to convert into shares of Common Stock in lieu of cash payable upon redemption.

The Series A Preferred Stock will also become mandatorily redeemable at any time upon the reasonable determination of the holders of a majority of the Series A Preferred Stock then outstanding of the occurrence of a Material Adverse Effect or the occurrence of a Material Litigation Effect (as such terms are defined in the CoD), with the Redemption Amounts payable automatically becoming payment obligations pursuant to the Convertible Notes with a concurrent cancellation of the shares of the Series A Preferred Stock, unless under certain circumstances, the Company redeems the Series A Preferred Stock for cash at such time.

Prior to July 19, 2021, the Company will have the right to redeem up to $80.0 million of shares of the Series A Preferred Stock for cash amounts equal to the Redemption Amount which would include a make-whole premium that provides the holders thereof with full yield maintenance as if the Series A Preferred Stock was held until July 19, 2021, provided that such redemptions are subject to certain conditions and limitations. After July 19, 2021, the Company will have the right to redeem shares of Series A Preferred Stock for a cash per share amount equal to the Redemption Amount.

The holders of Series A Preferred Stock may exercise their conversion rights prior to any optional redemption. In the event of a liquidation, dissolution or winding up of the Company, the Series A Preferred Stock is entitled to a liquidation preference in the amount of the greater of (i) $1,000 plus accrued but unpaid Dividends (the "Liquidation Preference"), and (ii) the per share amount of all cash, securities and other property to be distributed in respect of the Common Stock such holder would have been entitled to receive for its Series A Preferred Stock on an as-converted basis. In the event of a liquidation, dissolution or winding up of the Company prior to July 19, 2021, the holders are entitled to a make-whole premium that provides the holders thereof with full yield maintenance as if the shares of Series A Preferred Stock were held until July 19, 2021.

Until approximately 95% of the Series A Preferred Stock or Convertible Notes are no longer outstanding, the Company is restricted from incurring Indebtedness (as defined in the Stock Purchase Agreement), subject to certain exceptions.

Security Agreement and Convertible Notes

The Company entered into the Security Agreement in respect of the Company's assets collateralizing the amounts that may become payable pursuant to the Convertible Notes. The Company delivered a Convertible Note to each holder of Series A Preferred Stock to collateralize amounts, if any, that may become payable by the Company pursuant to certain redemption provisions of the shares of Series A Preferred Stock. No principal amount or interest will be outstanding under the Convertible Notes unless and until (i) there is a redemption event as described in the section above on the CoD, and (ii) the holders of Series A Preferred Stock elect to surrender their shares in exchange for the Convertible Notes. Prior to such time, the Convertible Notes may not be transferred by the Purchasers other than an automatic assignment in whole or in part in connection with a transfer by the Purchasers of the shares of Series A Preferred Stock issued pursuant to the Securities Purchase Agreement. The Convertible Notes will bear interest at the rate of 13.00% per annum (10.0% per annum in cash and 3.0% per annum payment-in-kind until July 19, 2023). The Convertible Notes mature July 19, 2023 or upon a Reorganization Event (as defined in the CoD) and are secured by substantially all of the assets of the Company and certain of its domestic subsidiaries. After a redemption of the Series A Preferred Stock which causes there to be outstanding obligations under the Convertible Notes, the Convertible Notes are convertible at the option of the holder (but not the Company) on the same terms as the Series A Preferred Stock.

The Company may prepay for cash up to $80.0 million of the Convertible Notes on a pro rata basis prior to July 19, 2021 with full yield maintenance as if the Convertible Notes were held until July 19, 2021, provided that such redemptions are subject to certain conditions and limitations. The Company may prepay the Convertible Notes without penalty at any time on a pro rata basis after July 19, 2021. All prepayments are subject to the right of the holder of each Convertible Note to convert the prepayment amount into shares of Common Stock. The Convertible Notes also contain customary restrictions on the ability of the Company to, among other things, make certain restricted payments with respect to its capital stock, subordinated indebtedness and unsecured indebtedness, consummate certain mergers, consolidations or dissolutions and make certain dispositions, subject to specific exclusions.

Upon the occurrence of an Event of Default (as defined in the Convertible Notes), the holders of such Convertible Notes will have the right to accelerate all obligations of the Company thereunder (or in some instances, such obligations shall be accelerated with no action required on the part of the holders), and such obligations will become immediately due and payable. In addition, if such acceleration occurs prior to July 19, 2021, the holders will also have the right to receive a make-whole premium thereunder.

Registration Rights Agreement

The original Registration Rights Agreement required the Company to register the resale of the shares of Common Stock and Series A Preferred Stock issued pursuant to the 2018 SPA. The Company satisfied such registration requirements in November 2018. The Registration Rights Agreements, entered into in connection with both the March 2019 and June 2019 Private Placements, require the Company to register the resale of the shares of Common Stock and Series A Preferred Stock pursuant to the March 2019 SPA and the June 2019 SPA within 120 days of the respective March 7, 2019 and June 20, 2019 closing dates. The Company satisfied such registration requirements in July 2019. Each such Registration Rights Agreement also includes customary "piggyback" registration rights, suspension rights, indemnification, contribution, and assignment provisions.

NOTE 7 — CAPITAL STRUCTURE

Preferred Stock

Upon completion of the Delaware Domestication discussed in Note 1, the Company is authorized to issue 100,000,000 preferred shares with a par value of $0.0001 per share in one or more series. The Company's board of directors is authorized to establish the voting rights, if any, designations, powers, preferences, special rights, and any qualifications, limitations and restrictions thereof, applicable to the shares of each series. The Board of Directors has authorized the issuance of up to 180,000 shares of Series A Preferred Stock, and 154,911 shares were issued and outstanding as of December 31, 2020. The specific terms of the Series A Preferred Stock are discussed in detail in Note 6.

Common Stock

As of December 31, 2020 and 2019, Company is authorized to issue up to 1,000,000,000 shares of Common Stock, with a par value of $0.0001 per share. Holders of the Company's shares of Common Stock are entitled to one vote for each share.

On August 18, 2020, the Company completed a firm commitment underwritten public offering (the "August 2020 Offering") of 6.1 million shares of its Common Stock at a price of $4.50 per share for total gross proceeds of $27.5 million. Underwriter discounts and commissions were $1.7 million and the underwriter expenses were $0.1 million. The Company also incurred additional professional fees of $0.6 million as part of the transaction, resulting in net proceeds from the August 2020 Offering of approximately $25.1 million. The Company intends to use the net proceeds from the August 2020 Offering for working capital and other general corporate purposes.

NOTE 8 — STOCK-BASED COMPENSATION AND WARRANTS

Overview of Equity Incentive Plans

The Company's 2007 Stock Plan (the "2007 Plan") reserved up to approximately 14.3 million shares of Common Stock for the grant of stock options and stock purchase rights to employees and directors. The 2007 Plan was terminated in November 2013; however, the terms of the 2007 Plan continue to govern any outstanding awards thereunder. As of December 31, 2020, stock options for approximately 1.6 million shares are outstanding under the 2007 Plan, all of which are vested.

In October 2013, the Company established the 2013 Equity Incentive Plan, as amended and restated in July 2017 (the "2013 Plan") that provides for grants of stock options, stock appreciation rights, restricted stock, restricted stock units ("RSU's"), performance units and performance shares. As of December 31, 2020, options for approximately 7.0 million shares are outstanding and RSU's for approximately 3.3 million shares outstanding under the 2013 Plan. There are approximately 4.0 million shares available for future grants. Through December 31, 2020, grants under the 2013 Plan consist of stock options and RSU's. The 2013 Plan will expire in July 31, 2027.

The 2007 Plan and the 2013 Plan (collectively referred to as the "Stock Plans") provide for stock options to be granted to employees and directors at an exercise price not less than 100% of the fair value at the grant date. The options granted generally have a maximum term of 10 years from grant date and are exercisable upon vesting. Option granted to employees generally vest as to one-third of the shares subject to the award on each anniversary of the designated vesting commencement date, which may precede the grant date of such award. Options granted to directors generally vest for all of the shares one year after the grant date.

On the first day of each fiscal year beginning in 2018, the 2013 Plan provides that the number of authorized shares available for issuance will increase in an amount equal to the lesser of (i) 4.8 million shares, (ii) 4% of the outstanding shares of all classes of the Company's Common Stock as of the last day of the immediately preceding fiscal year; or (iii) such other amount as the Company's Board of Directors may determine. The Board of Directors approved an increase in the authorized shares for 3.1 million shares on February 23, 2021.

Stock Options

The following table sets forth the summary of stock option activity under the Company's Stock Plans for the years ended December 31, 2020, 2019 and 2018, (shares in thousands):

	2020			2019			2018		
	Shares	Price (1)	Term (2)	Shares	Price (1)	Term (2)	Shares	Price (1)	Term (2)
Outstanding, beginning of year	8,677	$ 4.55		11,904	$ 4.00		12,130	$ 2.95	
Granted	600	4.34		718	5.22		1,870	7.87	
Forfeited	(390)	6.28		(539)	7.68		(69)	7.96	
Expired	(191)	6.17		(626)	7.01		(45)	5.96	
Exercised	(1,689)	1.07		(2,780)	1.20		(1,982)	1.03	
Outstanding, end of year (3)(4)	7,007	5.24	5	8,677	4.55	4.9	11,904	4.00	5.1
Vested, end of year (3)	5,842	5.22	4.3	6,986	4.05	4.1	9,211	2.91	3.9

(1) Represents the weighted average exercise price.
(2) Represents the weighted average remaining contractual term until the stock options expire.
(3) As of December 31, 2020, 2019 and 2018, the aggregate intrinsic value of stock options outstanding was $3.8 million, $7.7 million, and $23.0 million, respectively. As of December 31, 2020, 2019 and 2018, the aggregate intrinsic value of vested stock options was $3.6 million, $7.7 million and $23.0 million, respectively.
(4) The number of outstanding stock options that are not expected to ultimately vest due to forfeiture amounted to 0.1 million shares as of December 31, 2020.

The following table presents the total number of shares available for grant under the 2013 Plan for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	2020	2019	2018
Available, beginning of year	2,885	2,758	2,413
Stock options granted	(600)	(718)	(1,870)
RSU's granted	(1,846)	(2,995)	(199)
Expired options under 2007 Plan	191	626	45
Forfeited options under Stock Plans	390	539	69
Forfeited RSUs under Stock Plans	317	108	—
Newly authorized by Board of Directors	2,700	2,567	2,300
Available, end of year	4,037	2,885	2,758

Fair Value of Stock Options

The fair value of each stock option grant under the Stock Plans was estimated on the date of grant using the BSM option-pricing model, with the following weighted-average assumptions for the years ended December 31, 2020, 2019 and 2018:

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	2020	2019	2018
Expected life (in years)	6.0	6.0	5.9
Volatility	40 %	35 %	31 %
Dividend yield	— %	— %	— %
Risk-free interest rate	0.5 %	2.3 %	2.8 %

The BSM model requires various highly subjective assumptions that represent management's best estimates of the fair value of the Company's Common Stock, volatility, risk-free interest rates, expected term, and dividend yield. The Common Stock option value is based on the Company's closing market price on the date of grant.

The expected term represents the weighted-average period that options granted are expected to be outstanding giving consideration to vesting schedules. Since the Company does not have an extended history of actual exercises, the Company has estimated the expected term using a simplified method which calculates the expected term as the average of the time-to-vesting and the contractual life of the awards. The Company has never declared or paid cash dividends and does not plan to pay cash dividends in the foreseeable future; therefore, the Company used an expected dividend yield of zero. The risk-free interest rate is based on U.S. Treasury rates in effect during the expected term of the grant. The expected volatility is based on historical volatility of publicly-traded peer companies.

The intrinsic value of the vested employee options exercised during the years ended December 31, 2020, 2019, and 2018 was $6.1 million, $10.5 million and $9.5 million, respectively. The weighted-average grant date fair value per share of employee options granted for the years ended December 31, 2020, 2019 and 2018 was $1.65, $1.98 and $2.73, respectively.

Restricted Stock Units

For the year ended December 31, 2020, the Board of Directors granted RSU's under the 2013 Plan for an aggregate of approximately 3.0 million shares of Common Stock to non-employee members of the Board of Directors, officers and employees of the Company. These RSU's vest over periods ranging from 12 to 36 months from the respective grant dates and the awards are subject to forfeiture upon termination of employment or service on the Board of Directors. Based on the weighted average fair market value of the Common Stock of $4.69 per share on the date of grant, the aggregate fair value for the shares underlying the RSU's amounted to $8.7 million as of the grant date that is being recognized as compensation cost over the vesting period. Accordingly, compensation expense of $6.2 million was recognized for the year ended December 31, 2020. The unrecognized portion of $10.5 million is expected to be charged to expense on a straight-line basis as the RSU's vest over a weighted-average period of approximately 1.88 years.

Stock-Based Compensation Expense

The aggregate stock-based compensation expense for stock options and RSU's for the years ended December 31, 2020, 2019 and 2018 is classified as follows (in thousands):

	2020	2019	2018
Cost of revenues	$ 1,174	$ 927	$ 885
Sales and marketing	2,450	1,821	1,865
General and administrative	3,837	2,784	1,644
Total	$ 7,461	$ 5,532	$ 4,394

As of December 31, 2020, 2019 and 2018, total unrecognized compensation cost related to unvested stock options was $1.2 million, $2.2 million and $4.0 million, respectively. The remaining unrecognized costs are expected to be recognized on a straight-line basis over a weighted-average period of approximately 1.74 years.

Employee Stock Purchase Plan

At the Annual Meeting of Stockholders held on June 7, 2018, the Company's stockholders approved the Rimini Street, Inc. 2018 Employee Stock Purchase Plan (the "ESPP"). The ESPP provides for the purchase by employees of up to an aggregate of 5.0 million shares of Common Stock. The purchase price per share at which shares are sold in an offering period under the ESPP will be equal to the lesser of 85% of the fair market value of the shares (i) on the first trading day of the offering period, or (ii) on the purchase date (i.e., the last trading day of the offering period). Offering periods will consist of two six-month periods generally commencing twice each calendar year. The purpose of the ESPP is to provide an opportunity for eligible employees of the Company to purchase shares of the Company at a discount through voluntary contributions from such employees' eligible pay, thereby attracting, retaining and rewarding such persons and strengthening the mutuality of interest between such employees and the Company's stockholders. Through December 31, 2020, no offering period under the ESPP had commenced and no shares of Common Stock have been issued under the ESPP.

Outstanding Warrants

All of the Company's outstanding warrants are currently exercisable. The exercise price and number of shares issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, recapitalization, reorganization, merger or consolidation. A summary of the terms of outstanding warrants and the number of shares of RMNI Common Stock issuable upon exercise, is presented below as of December 31, 2020 and 2019 (in thousands, except per share amounts):

Description	Issuance Date	Expiration Date	Exercise Price	Number of Shares
Origination Agent Warrant	October 2017	June 2026 (1)	$ 5.64	3,440 (2)
GPIA Public Warrants	May 2015	October 2022	11.50	8,625 (3)
GP Sponsor Private Placement Warrants	May 2015	October 2022	11.50	6,063 (4)
Total				18,128

(1) The expiration date for the Origination Agent Warrant is the earlier to occur of the stated expiration date or the date when the Company experiences a change of control.

(2) The Origination Agent Warrant was issued upon consummation of the Mergers discussed in Note 4 and resulted in the elimination of the redemption features associated with two warrants issued in 2016 as discussed below under /RSI Redeemable Warrants.

(3) On May 26, 2015, GPIA completed an initial public offering that included warrants for 8.6 million shares of Common Stock (the "Public Warrants"). Each Public Warrant entitles the holder to the right to purchase one share of Common Stock at an exercise price of $11.50 per share. No fractional shares will be issued upon exercise of the Public Warrants. The Company may elect to redeem the Public Warrants, in whole or in part, at a price of $0.01 per Public Warrant if (i) 30 days' prior written notice is provided to the holders, and (ii) the last sale price of the Company's Common Stock equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the notice of redemption is sent to the Public Warrant holders. Upon issuance of a redemption notice by the Company, the warrant holders have a period of 30 days to exercise for cash, or on a cashless basis.

(4) Simultaneously with GPIA's initial public offering in May 2015, GP Sponsor purchased an aggregate of 6.1 million warrants at a purchase price of $1.00 per warrant in a private placement (the "Private Placement Warrants"). The Private Placement Warrants may not be redeemed by the Company so long as the Private Placement Warrants are held by the initial purchasers, or such purchasers' permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers or such purchasers' permitted transferees, the Private Placement Warrants are redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

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NOTE 9 — INCOME TAXES

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was passed into law, amending portions of relevant US tax laws. The CARES Act contains changes to corporate taxation, including among other things, adjusting net operating loss (NOL) limitations and carryback rules, refundable AMT credits, bonus depreciation and interest expense limitations. The CARES Act also provides for an Employee Retention Credit, a fully refundable payroll tax credit for certain eligible employers and the ability for all eligible employers to defer payment of the employer share of payroll taxes owed on wages paid for the period ending December 31, 2020. The Company has elected to defer payroll tax payments which totaled $3.3 million as of December 31, 2020.

In December 2017, the U.S. Tax Cuts and Jobs Act of 2017 ("Tax Act") was enacted into law which significantly revises the Internal Revenue Code of 1986, as amended. The Tax Act, among other things, contains significant changes to corporate taxation, including a flat corporate tax rate of 21%, limitation of the deduction for newly generated net operating losses to 80% of current year taxable income and elimination of net operating loss carrybacks, one time taxation of offshore earnings at reduced rates regardless of whether they are repatriated (the "Transition Tax"), future taxation of certain classes of offshore earnings regardless of whether they are repatriated, immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits beginning in 2018.

The Tax Act also included a limitation of the tax deduction for interest expense to 30% of adjusted earnings ("Sec 163(j)"). Interest expense that was limited by Sec 163(j) was suspended and carried forward to subsequent tax years. Furthermore, the CARES Act") modified the percentage limitation in 2019 and 2020 by raising the percentage of adjusted taxable income from 30% to 50%.

The foreign subsidiaries undistributed earnings through December 31, 2017 have been taxed under the one-time transition tax under the Tax Act. This one-time transition tax was reflected on the 2017 federal tax return as filed with the IRS, and also reported on the relevant forms 965 on the 2018 tax return as filed. The Company continues to maintain that any undistributed foreign subsidiaries' earnings are permanently reinvested and has therefore not made any provision for additional income taxes on undistributed earnings of its foreign subsidiaries. However, the Company may still be liable for withholding taxes, state taxes, or other income taxes that might be incurred upon the repatriation of foreign earnings in the form or dividends or otherwise.

For the years ended December 31, 2020, 2019 and 2018, income (loss) before income tax expense is as follows (in thousands):

	2020	2019	2018
Domestic	$ 8,517	$ 13,557	$ (68,221)
International	9,032	6,686	6,262
	$ 17,549	$ 20,243	$ (61,959)

For the years ended December 31, 2020, 2019 and 2018, the reconciliation between the income tax benefit computed by applying the statutory U.S. federal income tax rate to the pre-tax loss before income taxes and total income tax expense recognized in the financial statements is as follows (in thousands):

	2020	2019	2018
Income tax (expense) benefit at statutory U.S. federal rate	$ (3,685)	$ (4,251)	$ 13,011
Income tax expense attributable to U.S. states, net	(639)	(607)	(362)
Permanent differences:			
Non-deductible expenses	(107)	(110)	(247)
Stock-based compensation	324	905	918
Other	274	57	(24)
Global intangible low taxed income	(226)	(1,770)	(1,027)
Foreign rate differential and foreign tax credits	(400)	(219)	(511)
Foreign withholding taxes	(1,686)	(631)	—
Capital loss carryforward expiration	—	(1,138)	—
Reclassification of warrant to equity and other	(515)	(144)	69
(Increase) decrease in valuation allowance	2,091	5,194	(13,819)
Total income tax expense	$ (4,569)	$ (2,714)	$ (1,992)

For tax years beginning after January 1, 2018, Global Intangible Low Tax Income (GILTI) requires companies to report income from its foreign subsidiaries that exceeds 10% of the calculated deemed tangible return on its fixed assets. The Company determined the tax effect (before valuation allowance) of the GILTI income inclusion for the year ended December 31, 2020 was $0.2 million.

Under U.S. GAAP, the Company is allowed to make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the "period cost method") or (2) factoring such amounts into a company's measurement of its deferred taxes (the "deferred method"). The Company has elected to treat GILTI as a current period expense and will not record GILTI deferred taxes.

For the years ended December 31, 2020, 2019 and 2018, income tax expense consisted of the following (in thousands):

	2020	2019	2018
Current income tax expense:			
Federal	$ —	$ —	$ —
State	(321)	(117)	(112)
Foreign	(4,762)	(2,934)	(2,115)
Total current income tax expense	(5,083)	(3,051)	(2,227)
Deferred income tax benefit:			
Federal	—	—	—
State	—	—	—
Foreign	514	337	235
Total deferred income tax benefit	514	337	235
Total income tax expense	$ (4,569)	$ (2,714)	$ (1,992)

As of December 31, 2020 and 2019, the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows (in thousands):

	2020	2019
Deferred income tax assets:		
Net operating loss carryforwards	$ 38,737	$ 45,195
Deferred revenue	3,914	2,514
Accounts payable and accrued expenses	14,067	2,298
Stock-based compensation	1,887	1,876
Operating lease liabilities	3,071	—
Tax credit carryforwards	423	423
Deferred rent and other	193	582
Foreign deferred assets	2,055	1,892
Business interest carryforwards	15,598	22,719
Gross deferred income tax assets	79,945	77,499
Valuation allowance for deferred income tax assets	(66,100)	(68,567)
Net deferred income tax assets	13,845	8,932
Deferred income tax liabilities:		
Deferred contract costs	(8,208)	(6,686)
Operating lease right-of-use assets	(2,573)	—
Other	(1,193)	(998)
Deferred tax assets, net	$ 1,871	$ 1,248

Net deferred tax assets consist solely of foreign net deferred tax assets which are expected to be realized in the future, and that are included in long-term assets in the accompanying consolidated balance sheets. For the years ended December 31, 2020 and 2019, the net decrease in the valuation allowance was $2.1 million and $5.2 million, respectively. The valuation allowance decreased in 2020 due to the decrease in deferred tax assets primarily related to 163j carryforward limitations and the current year NOL utilization. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Because of the Company's lack of domestic earnings history, the domestic net deferred tax assets have been fully offset by a valuation allowance.

At December 31, 2020, the Company has federal net operating tax loss carryforwards of approximately $144.1 million and varying amounts of U.S. state net operating loss carryforwards, totaling $136.2 million, that begin to expire in 2030 and 2019, respectively. At December 31, 2020, the Company has federal foreign tax credits carryforwards of $0.4 million expiring beginning in 2021.

Federal and state laws impose substantial restrictions on the utilization of net operating loss and tax credit carryforwards in the event of an ownership change for tax purposes, as defined in Section 382 of the Internal Revenue Code. Depending on the significance of past and future ownership changes, the Company's ability to realize the potential future benefit of tax losses and tax credits that existed at the time of the ownership change may be significantly reduced. Through December 31, 2020, the Company has not experienced an ownership change, as defined in Section 382.

The Company considers any undistributed foreign subsidiaries' earnings to be indefinitely reinvested and, accordingly, no related provision for U.S. federal or state income taxes has been provided. This has not changed subsequent to the one-time transition tax under the Tax Act as discussed above. Upon distribution of the foreign earnings in the form of dividends or otherwise, the company could be subject to both U.S. income taxes subject to an adjustment for foreign tax credits and withholding taxes in the various countries. As of December 31, 2020, the cumulative amount of unremitted earnings of the

Company's foreign subsidiaries was approximately $26.0 million. The unrecognized deferred tax liability for these earnings was approximately $1.9 million, consisting primarily of foreign withholding taxes.

The Company files income tax returns in the U.S. federal jurisdiction, the State of California and various other state and foreign jurisdictions. The Company's federal and state tax years for 2007 and forward are subject to examination by taxing authorities, due to unutilized net operating losses. All foreign jurisdictions tax years are also subject to examination. The Company does not have any unrecognized tax benefits to date.

NOTE 10 — COMMITMENTS AND CONTINGENCIES

Finance leases

The Company has entered into various financing lease agreements for certain computer equipment. The lease terms range from 12 months to 60 months with annual interest rates ranging from 7% to 8%. As of December 31, 2020, the future annual minimum lease payments under financing lease obligations are as follows (in thousands):

Year ending December 31:		
2021	$	549
2022		405
2023		398
2024		398
2025		332
Total minimum lease payments		2,082
Less amounts representing interest		324
Present value of minimum lease payments		1,758
Less current portion, included in accrued expenses		429
Long term obligation, included in other long-term liabilities	$	1,329

As of December 31, 2020 and 2019, the carrying values of leased equipment (included as a component of property and equipment) in the consolidated balance sheets, are as follows (in thousands):

		2020		2019
Leased computer equipment	$	4,954	$	3,315
Less accumulated depreciation		(3,202)		(2,881)
Net	$	1,752	$	434

Series A Preferred Stock Dividends

In connection with the issuances of Series A Preferred Stock for the Initial Private Placement, the March 2019 Private Placement and the June 2019 Private Placement, the Company is obligated to pay Cash Dividends and issue additional shares of Series A Preferred Stock in settlement of PIK Dividends. For the remaining period through July 19, 2023 that the Series A Preferred Stock is expected to be outstanding, estimated Cash Dividends and PIK Dividends required to be declared are as follows (in thousands):

Year Ending December 31:		Cash			PIK			Total
2021	$	14,797	(1)	$	4,439	(1)	$	19,236
2022		15,229	(1)		4,569	(1)		19,798
2023		8,574	(1)		2,572	(1)		11,146
Total	$	38,600		$	11,580		$	50,180

(1) Amounts shown assume there are no conversions to Common Stock and include the Series A Preferred Stock repurchases on October 30, 2020 and January 5, 2021 for the remaining period through July 19, 2023.

Retirement Plan

The Company has defined contribution plans for both its U.S. and foreign employees. For certain of these plans, employees may contribute up to the statutory maximum, which is set by law each year. The plans also provide for employer contributions. The Company's matching contribution to these plans totaled $2.7 million, $2.6 million and $2.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Rimini I Litigation

In January 2010, certain subsidiaries of Oracle Corporation (together with its subsidiaries individually and collectively, "Oracle") filed a lawsuit, *Oracle USA, Inc. et al. v. Rimini Street, Inc. et al.* (United States District Court for the District of Nevada) (the "District Court") ("Rimini I"), against the Company and its Chief Executive Officer, Seth Ravin, alleging that certain of the Company's processes ("Process 1.0") violated Oracle's license agreements with its customers and that the Company committed acts of copyright infringement and violated other federal and state laws. The litigation involved the Company's business processes and the manner in which the Company provided services to its clients.

After completion of jury trial in 2015 and subsequent appeals, the final outcome of Rimini I was that Mr. Ravin was found not liable for any claims and the Company was found liable for only one claim: "innocent infringement," a jury finding that the Company did not know and had no reason to know that its former support processes were infringing. The jury also found that the infringement did not cause Oracle to suffer lost profits. The Company was ordered to pay a judgment of $124.4 million in 2016, which the Company promptly paid and then pursued appeals. With interest, attorneys' fees and costs, the total judgment paid by the Company to Oracle after the completion of all appeals was approximately $89.9 million. A portion of such judgment was paid by the Company's insurance carriers.

Proceeds from U.S. Supreme Court Decision

The total judgment paid by the Company and its insurance carriers reflects a reduction of approximately $12.8 million that the Company had previously paid to Oracle (plus interest of $0.2 million), representing an award of non-taxable expenses to Oracle that was eventually overturned by unanimous decision of the U.S. Supreme Court in March 2019. As mandated by the U.S. Supreme Court, $13.0 million (the principal amount plus post-judgment interest) was refunded to the Company by Oracle in April 2019. A portion of the funds received by the Company will be shared on a pro rata basis with an insurance company that had paid for part of the judgment and a portion of Rimini's defense costs. This reimbursement will reflect a deduction of the costs of the Company's past and pending appeal and remand proceedings. As a result of the U.S. Supreme Court decision, the Company recognized a recovery of the non-taxable expenses for $12.8 million and interest income of $0.2 million for the year ended December 31, 2019, excluding any contractual amounts due to the insurance company. The Company recognized costs of $1.1 million for the year ended December 31, 2020, as the Company revised its current estimate of the amounts owed to the insurance company (for portions of all previously-paid judgments refunded to the Company on appeal, including the proceeds from the U.S. Supreme Court Decision) to $5.5 million, which was paid in September 2020.

Injunction

Following post-trial motions, the District Court entered a permanent injunction prohibiting the Company from using certain processes. In August 2019, the United States Court of Appeals for the Ninth Circuit Court of Appeals affirmed the permanent injunction issued by the District Court, while also correcting certain legal errors that narrowed the scope of the injunction. The injunction prohibits Rimini from using support processes that had been found in Rimini I to "innocently" infringe certain Oracle copyrights, which Rimini ceased using no later than July 31, 2014.

On July 10, 2020, Oracle filed a motion to show cause contending that the Company is in contempt of the injunction. The Company is opposing the motion. The matter is now fully briefed to the District Court, with no known timeline for a ruling. At this time, the Company does not have sufficient information regarding possible damages for the contempt asserted by Oracle. As a result, an estimate of the range of loss cannot be reasonably determined. Because the Company believes that it has complied with the injunction and that an award for damages and/or attorneys' fees is not probable, no accrual has been made as of December 31, 2020. If the District Court grants Oracle's motion to show cause, and if the Company is later found to be in contempt of the injunction, Oracle may seek equitable, punitive, and compensatory relief, the outcome of which may have a material adverse effect on the Company's business and financial condition.

Rimini II Litigation

In October 2014, the Company filed a separate lawsuit, *Rimini Street Inc. v. Oracle Int'l Corp.*, in the District Court against Oracle seeking a declaratory judgment that the Company's revised support practices, in use since at least July 2014, do not infringe certain Oracle copyrights ("Rimini II"). The Company's operative complaint asserts declaratory judgment, tort, and statutory claims. Oracle's operative counterclaim asserts declaratory judgment and copyright infringement claims and Lanham Act, breach of contract, and business tort violations.

On September 15, 2020, the District Court issued an order resolving the parties' motions for summary judgment. It found infringement of 17 Oracle PeopleSoft copyrights for work the Company performed for a set of "gap customers" that were supported by processes litigated in Rimini I, and that became the Company's customers after Rimini I was filed. The District Court also found infringement of four Oracle PeopleSoft copyrights involving support of two specific Company clients, described by the District Court as "limited cases" and involving "limited circumstance[s]." There was no finding of infringement on any other Oracle copyrights at issue.

The order also resolved several of the non-copyright claims asserted by the parties: (i) allowing the Company's claim for injunctive relief against Oracle for unfair competition in violation of the California Business & Professions Code §17200 et seq. to proceed to trial; (ii) granting summary judgment for Oracle on the Company's affirmative claims for damages under the Nevada and California unfair and deceptive trade practices statutes; and (iii) holding that Oracle had the right to revoke the Company's access to its websites. The Court also reiterated that the Company has the legal right to provide aftermarket support for Oracle's enterprise software.

The parties filed their joint pretrial order in Rimini II in December 2020. Also in December 2020, Oracle filed a motion to realign the parties and bifurcate trial, asking the District Court to (i) realign the parties, with Oracle designated as plaintiff and the Company and Mr. Ravin designated as the defendants in the case caption and at trial, and (ii) bifurcate the trial with a jury trial phase proceeding, first, followed by a separate bench phase on the parties' equitable claims for unfair competition and Oracle's claim for an accounting. In January 2021, the Company filed a motion to modify the order of proof and for an advisory jury verdict, asking the District Court to (i) modify the order of proof in the case so that, at trial, Oracle will present its case-in-chief first, followed by the Company's case-in-chief, (ii) not bifurcate the parties' unfair competition claims or Oracle's accounting claim from the other claims, (iii) empanel an advisory jury to make findings of fact with respect to the parties' unfair competition claims and Oracle's accounting claim; and (iv) hold a single jury trial.

As of this date, no damages of any kind have been awarded by the District Court in Rimini II. Damages, if any, will be a decision for the Rimini II jury. The Company reserves all rights, including appellate rights, with respect to the District Court and jury rulings and findings in Rimini II. There is currently no trial date scheduled, and while the Company does not expect a trial to occur in this matter earlier than the first half of 2022, the trial could occur earlier or later than that.

At this time, the Company does not have sufficient information regarding possible damages exposure for the counterclaims asserted by Oracle. As to the claims asserted by Oracle, in Rimini I, the jury awarded damages in the form of a fair market value license of $35.4 million for the 93 copyrighted works at issue, which the Company has paid. The parties dispute the relevance of that award for Rimini II, and the Court has not yet resolved that dispute. The Company maintains that zero damages should be awarded in Rimini II. A jury will ultimately determine what amount, if any, of damages to award. Both parties have sought injunctive relief in addition to monetary damages in this matter, and the Company has reserved its rights to appeal regarding the possible recovery of damages by the Company in connection with the Company's claims against Oracle. As a result, an estimate of the range of loss cannot be reasonably determined. The Company also believes that an award for damages payable to Oracle is not probable, so no accrual has been made as of December 31, 2020. However, as with any jury trial, the ultimate outcome may be different from our best estimates and could have a material adverse impact on our financial results and our business.

Other Litigation

From time to time, the Company may be a party to litigation and subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these ordinary course matters will not have a material adverse effect on its business. Regardless of the outcome, litigation can have an adverse impact on the Company because of judgment, defense and settlement costs, diversion of management resources and other factors. At each reporting period, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under ASC 450, *Contingencies*. Legal fees are expensed as incurred.

Governmental Inquiry

In March 2018, the Company received a federal grand jury subpoena, issued from the United States District Court for the Northern District of California, requesting the Company to produce certain documents relating to specified support and related operational practices. The Company fully cooperated with this inquiry and the related document requests by April 2019 and has received no further requests since that date. Accordingly, this will be the last update regarding this topic going forward unless and until any developments warrant further disclosure.

Liquidated Damages

The Company enters into agreements with customers that contain provisions related to liquidated damages that would be triggered in the event that the Company is no longer able to provide services to these customers. The maximum cash payments related to these liquidated damages is approximately $13.8 million and $22.7 million as of December 31, 2020 and 2019, respectively. To date, the Company has not incurred any costs as a result of such provisions and has not accrued any liabilities related to such provisions in these consolidated financial statements.

NOTE 11 — RELATED PARTY TRANSACTIONS

As discussed in Note 5, the GP Sponsor loan was amended twice and repaid in full on June 28,2019. An affiliate of GP Sponsor is a member of the Company's Board of Directors. In addition, an affiliate of Adams Street Partners and its affiliates (collectively referred to as "ASP") is also a member of the Company's Board of Directors.

An affiliate of ASP is a member of the Company's Board of Directors. As of December 31, 2020, ASP owned approximately 31.0% of the Company's issued and outstanding shares of Common Stock. In October 2016, ASP subscribed for shares of RSI Series C Preferred Stock in exchange for a cash contribution of $10.0 million. In July 2018, ASP acquired 19,209 shares of Series A Preferred Stock and approximately 0.4 million shares of Common Stock issued in the Private Placement discussed in Note 6 for total consideration of approximately $19.2 million. As of December 31, 2020, ASP had voting control of approximately 28.0% of the Company's issued and outstanding shares of Common Stock, including voting rights associated with the 20,498 shares of Series A Preferred Stock. For the years ended December 31, 2020, 2019 and 2018, the Company recognized no related party transactions. Prior to termination on July 19, 2018 of the amended Credit Facility, ASP owned a $10.0 million indirect interest in the amended Credit Facility.

NOTE 12 —LOSS PER SHARE

For the years ended December 31, 2020, 2019 and 2018, basic and diluted net loss per share of Common Stock was computed by dividing net loss applicable to common stockholders by the weighted average number of common shares outstanding during the year. For the years ended December 31, 2020, 2019 and 2018, basic and diluted net loss per share were the same since all Common Stock equivalents were anti-dilutive. The following table sets forth the computation of basic and diluted net loss per share of Common Stock for the years ended December 31, 2020, 2019 and 2018 (in thousands, except per share amounts):

	2020	2019	2018
Loss attributable to common stockholders:			
Net income (loss)	$ 12,980	$ 17,529	$ (63,951)
Return on repurchase of Series A Preferred Stock shares	(83)	—	—
Dividends and accretion related to Series A Preferred Stock:			
Cash dividends declared	(15,713)	(15,073)	(6,366)
PIK dividends declared	(4,738)	(4,522)	(1,902)
Accretion of discount	(6,275)	(5,848)	(2,373)
Undistributed earnings using the two-class method	—	—	—
Loss attributable to common stockholders	$ (13,829)	$ (7,914)	$ (74,592)

	2020	2019	2018
Weighted average number of shares of Common Stock outstanding	71,231	66,050	61,384
Additional shares outstanding if Series A Preferred Stock is converted	15,729	15,077	6,388
Total shares outstanding if Series A Preferred Stock is converted to Common Stock	86,960	81,127	67,772
Percentage of shares allocable to Series A Preferred Stock	*18.1 %*	*18.6 %*	*9.4 %*
Weighted average number of shares of Common Stock outstanding (basic & diluted)	71,231	66,050	61,384
Net loss per share attributable to Common Stock (basic and diluted)	$ (0.19)	$ (0.12)	$ (1.22)

The holders of Series A Preferred Stock are entitled to participate in Common Stock dividends, if and when declared, on a one-to-one per-share basis. For the years ended December 31, 2020, 2019 and 2018, the Company incurred a net loss and, accordingly, there were no undistributed earnings to allocate under the two-class method.

As of December 31, 2020, 2019 and 2018, the following potential Common Stock equivalents were excluded from the computation of diluted net loss per share since the impact of inclusion was anti-dilutive (in thousands):

RIMINI STREET, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2020	2019	2018
Warrants	18,128	18,128	18,128
Series A Preferred Stock	15,491	15,523	14,085
Stock options	7,007	8,677	11,904
Restricted stock units	3,322	2,909	199
Total	43,948	45,237	44,316

NOTE 13 — FINANCIAL INSTRUMENTS AND SIGNIFICANT CONCENTRATIONS

Fair Value Measurements

Fair value is defined as the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. When determining fair value, the Company considers the principal or most advantageous market in which it transacts and considers assumptions that market participants would use when pricing the asset or liability. The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair measurement:

Level 1—Quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date

Level 2—Other than quoted prices included in Level 1 that are observable for the asset and liability, either directly or indirectly through market collaboration, for substantially the full term of the asset or liability

Level 3—Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any market activity for the asset or liability at measurement date

As discussed in Note 6, the fair value of our Series A Preferred Stock issuances on June 20, 2019, March 7, 2019 and July 19, 2018 were determined to be $3.0 million, $5.3 million and $126.8 million, respectively, which was the basis for allocating the net proceeds. The fair value was determined by utilizing a combination of a discounted cash flow methodology related to funds generated by the Series A Preferred Stock, along with the BSM option-pricing model in relation to the conversion feature. Key assumptions applied for the discounted cash flow and BSM analysis included (i) three different scenarios whereby the Series A Preferred Stock would remain outstanding between 4 and 5 years along with a probability weighting assigned to each scenario, (ii) an implied yield of the Series A Preferred Stock ranging from 20.9% to 22.9% calibrated to the transaction values as of June 20, 2019, March 7, 2019 and July 19, 2018, respectively, (iii) a risk-free interest rate of 1.72%, 2.44% and 2.8%, and (iv) historical volatility of 30%.

For the year ended December 31, 2018, the Company's embedded derivative liability was the only liability that was carried at fair value on a recurring basis and were classified within Level 3 of the fair value hierarchy. All embedded derivative liabilities were eliminated on July 19, 2018 upon termination of the Credit Facility. The Company's policy is to recognize asset or liability transfers among Level 1, Level 2 and Level 3 as of the actual date of the events or change in circumstances that caused the transfer. During the years ended December 31, 2020 and 2019, the Company had no transfers of its assets or liabilities between levels of the fair value hierarchy. As of December 31, 2020, the Company does not have any assets or liabilities that are carried at fair value on a recurring basis.

The carrying amounts of the Company's financial instruments including cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and accrued liabilities approximate fair values due to their short-term maturities. Based on borrowing rates currently available to the Company for debt with similar terms, the carrying value of capital lease obligations and the related party note payable to GP Sponsor both approximate fair value as of the respective balance sheet dates.

Significant Concentrations

The Company attributes revenues to geographic regions based on the location of its customers' contracting entity. The following shows revenues by geographic region for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	2020	2019	2018
United States of America	$ 191,448	$ 179,677	$ 163,683
International	135,332	101,375	89,777
Total revenue	$ 326,780	$ 281,052	$ 253,460

No customers represented more than 10% of revenue for the years ended December 31, 2020, 2019 and 2018. As of December 31, 2020 and 2019, no customers represented 10% or more of total net accounts receivable. The Company tracks its assets by physical location. As of December 31, 2020 and 2019, the net carrying value of the Company's property and equipment located outside of the United States amounted to approximately $1.3 million and $1.4 million, respectively. As of December 31, 2020, the Company had operating lease right-of-use assets of $11.0 million, $5.8 million and $0.8 million in the United States, India and the rest of the world, respectively.

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash, and accounts receivable. The Company maintains its cash, cash equivalents and restricted cash at high-quality financial institutions, primarily in the United States of America. Deposits, including those held in foreign branches of global banks, may exceed the amount of insurance provided on such deposits. As of December 31, 2020 and 2019, the Company had cash and restricted cash with a single financial institution for an aggregate of $50.2 million and $33.1 million, respectively. The Company also had $0.3 million of restricted cash with a second financial institution as of December 31, 2020. The Company has never experienced any losses related to these balances.

Generally, credit risk with respect to accounts receivable is diversified due to the number of entities comprising the Company's customer base and their dispersion across different geographies and industries. The Company performs ongoing credit evaluations on certain customers and generally does not require collateral on accounts receivable. The Company maintains reserves for potential bad debts, and historically such losses are generally not significant.

NOTE 14 — UNAUDITED QUARTERLY FINANCIAL DATA

The Company's unaudited quarterly financial information for the two-year period ended December 31, 2020 is as follows (in thousands, except per share amounts):

	2020				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	$ 78,032	$ 78,402	$ 82,518	$ 87,828	$ 65,873	$ 69,869	$ 69,182	$ 76,128
Cost of revenue	30,199	30,437	31,991	33,584	23,837	25,034	25,915	30,320
Gross profit	47,833	47,965	50,527	54,244	42,036	44,835	43,267	45,808
Operating expenses:								
Sales and marketing	28,412	26,836	29,195	30,298	23,955	26,899	26,756	29,670
General and administrative	12,001	13,133	13,025	14,063	12,988	10,630	11,041	12,705
Impairment charges related to operating lease right-of-use assets	—	—	—	1,167	—	—	—	—
Litigation costs, net of recoveries	3,673	2,863	3,773	4,246	(6,095)	144	3,303	1,814
Total operating expenses	44,086	42,832	45,993	49,774	30,848	37,673	41,100	44,189
Operating income	3,747	5,133	4,534	4,470	11,188	7,162	2,167	1,619
Interest expense	(13)	(12)	(10)	(42)	(232)	(116)	(27)	(23)
Other income (expenses), net	(218)	(567)	54	473	43	(343)	(329)	(866)
Income before income taxes	3,516	4,554	4,578	4,901	10,999	6,703	1,811	730
Income tax expense	(971)	(1,084)	(1,272)	(1,242)	(705)	(621)	(451)	(937)
Net income (loss)	$ 2,545	$ 3,470	$ 3,306	$ 3,659	$ 10,294	$ 6,082	$ 1,360	$ (207)
Net income (loss) attributable to common stockholders (1)	$ (4,085)	$ (3,217)	$ (3,439)	$ (3,086)	$ 4,265	$ (239)	$ (5,159)	$ (6,780)
Earnings (loss) per share attributable to common stockholders:								
Basic (2)	$ (0.06)	$ (0.05)	$ (0.05)	$ (0.04)	$ 0.07	$ —	$ (0.08)	$ (0.10)
Diluted (2)	$ (0.06)	$ (0.05)	$ (0.05)	$ (0.04)	$ 0.06	$ —	$ (0.08)	$ (0.10)
Weighted average number of common shares outstanding:								
Basic (2)	67,863	68,290	72,377	76,325	64,622	65,535	66,696	67,310
Diluted (2)	67,863	68,290	72,377	76,325	69,101	65,535	66,696	67,310

(1) Amount consists of net income (loss) less dividends and accretion of discount related to Series A Preferred Stock discussed in Note 6.

(2) Quarterly amounts may not sum to annual amounts due to rounding and the nature of the calculations.

Item 9. – Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. – Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures that are designed to reasonably ensure that information required to be disclosed in our SEC reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and to reasonably ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) ("Disclosure Controls") will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. We monitor our Disclosure Controls and make modifications as necessary; our intent in this regard is that the Disclosure Controls will be modified as systems change and conditions warrant.

An evaluation of the effectiveness of the design and operation of our Disclosure Controls was performed as of the end of the period covered by this Report. This evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based on this evaluation, we concluded that our disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance to management and the Board of Directors regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the control documentation, evaluation of the design effectiveness of controls, testing the

operating effectiveness of controls and a conclusion on this evaluation. Based on our evaluation, we have concluded that our internal control over financial reporting was effective as of December 31, 2020.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of Independent Registered Public Accounting Firm

Our independent registered public accounting firm, KPMG LLP, has issued an attestation report with respect to the effectiveness of our internal control over financial reporting, which appears in Part II, Item 8 of this Annual Report on Form 10-K.

Item 9B. – Other Information

None.

PART III

Item 10. – Directors, Executive Officers and Corporate Governance

A list of our executive officers and biographical information appears in Part I of this Report under the heading "Executive Officers." The remaining information required by this item is incorporated by reference to the 2021 Proxy Statement to be filed with the SEC within 120 days after the year ended December 31, 2020.

Item 11. – Executive Compensation

The information required by this item is incorporated by reference to the 2021 Proxy Statement to be filed with the SEC within 120 days after the year ended December 31, 2020.

Item 12. – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to the 2021 Proxy Statement to be filed with the SEC within 120 days after the year ended December 31, 2020.

Item 13. – Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to the 2021 Proxy Statement to be filed with the SEC within 120 days after the year ended December 31, 2020.

Item 14. – Principal Accounting Fees and Services

The information required by this item is incorporated by reference to the 2021 Proxy Statement to be filed with the SEC within 120 days after the year ended December 31, 2020.

PART IV

Item 15. – Exhibits and Financial Statement Schedules

(a)(1) and (a)(2) Financial Statements and Financial Statement Schedules:

Reference is made to the Index to Financial Statements of the Company under Item 8 of Part II. All financial statement schedules are omitted because they are not applicable, or the amounts are immaterial, not required, or the required information is presented in the financial statements and notes thereto in Item 8 of Part II above.

(b) Exhibits. Certain of the agreements filed as exhibits to this Report contain representations and warranties by the parties to the agreements that have been made solely for the benefit of the parties to the agreement. These representations and warranties:

- may have been qualified by disclosures that were made to the other parties in connection with the negotiation of the agreements, which disclosures are not necessarily reflected in the agreements;
- may apply standards of materiality that differ from those of a reasonable investor; and
- were made only as of specified dates contained in the agreements and are subject to subsequent developments and changed circumstances.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date that these representations and warranties were made or at any other time. Investors should not rely on them as statements of fact.

The exhibits listed in the following Exhibit Index are filed or incorporated by reference as part of this Report. The following are exhibits to this Report and, if incorporated by reference, we have indicated the document previously filed with the SEC in which the exhibit was included.

EXHIBIT INDEX

		Incorporated by Reference			
Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
2.1*	Agreement and Plan of Merger by and among the Registrant, GPIA, Let's Go, and the Holder Representative named therein, dated as of May 16, 2017	8-K	001-37397	2.1	May 17, 2017
2.2*	Amendment No. 1 to Agreement and Plan of Merger by and among the Registrant, GPIA, Let's Go, and the Holder Representative named therein, dated as of June 30, 2017	8-K	001-37397	2.1	June 30, 2017
3.1*	Amended and Restated Certificate of Incorporation of the Registrant	8-K	001-37397	3.1	October 16, 2017
3.2*	Amended and Restated Bylaws of the Registrant	8-K	001-37397	3.2	October 16, 2017
3.3*	Certificate of Designations of 13.00% Series A Redeemable Convertible Preferred Stock	8-K	001-37397	3.1	July 19, 2018
4.1*	Form of Common Stock Certificate of the Registrant	S-4	333-219101	4.5	June 30, 2017
4.2+	Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934				
4.3*	Form of warrant certificate of the Registrant	S-1	333-203500	4.3	April 17, 2015
4.4*	Warrant Agreement by and between GPIA and Continental Stock Transfer & Trust Company, dated as of May 19, 2015	8-K	001-37397	4.1	June 1, 2015
4.5*	Registration Rights Agreement by and among GPIA and certain securityholders, dated as of May 19, 2015	8-K	001-37397	10.2	June 1, 2015
4.6*	Sponsor Warrants Purchase Agreement by and between GPIA and GPIC, Ltd., effective as of May 19, 2015	8-K	001-37397	10.3	June 1, 2015
4.7*	Warrant Consent and Conversion Agreement by and among the Registrant, GPIA and CB Agent Services LLC, dated as of May 16, 2017	S-4	333-219101	4.8	June 30, 2017
4.8*	Securities Purchase Agreement, dated June 18, 2018, by and among the Company and the Purchasers	8-K	001-37397	10.1	June 18, 2018
4.9*	Registration Rights Agreement, dated July 19, 2018	8-K	001-37397	10.1	July 19, 2018
4.10*	Form of Convertible Secured Promissory Note (2018)	DEF 14A	001-37397	Annex D	July 2, 2018
4.11*	Security Agreement, dated July 19, 2018	8-K	001-37397	10.3	July 19, 2018
4.12*	Securities Purchase Agreement, dated March 7, 2019, by and between the Company and the Investor	8-K/A	001-37397	10.1	March 12, 2019
4.13*	Registration Rights Agreement, dated March 7, 2019	8-K/A	001-37397	10.2	March 12, 2019
4.14*	Form of Convertible Secured Promissory Note (March 2019)	8-K/A	001-37397	10.3	March 12, 2019
4.15*	First Amendment to Securities Agreement dated March 7, 2019	8-K/A	001-37397	10.4	March 12, 2019
4.16*	Securities Purchase Agreement, dated June 20, 2019, by and among the Company and the Purchasers	8-K	001-37397	10.1	June 21, 2019
4.17*	Form of Convertible Secured Promissory Note (June 2019)	8-K	001-37397	10.3	June 21, 2019
4.18*	Preemptive Rights Agreement, dated as of December 7, 2017, by and among the Adams Street Holders (as defined therein), the GP Holders (as defined therein), and Rimini Street, Inc	8-K	001-37397	4.1	December 13, 2017
10.1*	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers	8-K	001-37397	10.1	October 16, 2017
10.2*†	Rimini Street, Inc. 2007 Stock Plan, including form agreements under the 2007 Stock Plan	S-4	333-219101	10.19	June 30, 2017
10.3*†	Rimini Street, Inc. 2013 Equity Incentive Plan, including form agreements under the 2013 Equity Incentive Plan	S-4/A	333-219101	10.20	August 9, 2017
10.4*†+	Form of RSU Award Agreement under the 2013 Equity Incentive Plan effective February 23, 2021				
10.5*†	Rimini Street, Inc. Executive Incentive Compensation Plan	S-4/A	333-219101	10.52	August 9, 2017
10.6*†	Amended and Restated Employment Agreement by and between the Registrant and Seth A. Ravin, dated as of January 6, 2017	S-4	333-219101	10.21	June 30, 2017
10.7*†	Amendment dated June 3, 2020 to the Amended and Restated Employment Agreement by and between the Registrant and Seth A. Ravin dated as of January 6, 2017	8-K	001-37397	10.2	June 5, 2020
10.8*†	Employment Agreement by and between the Registrant and Sebastian Grady, dated January 1, 2011	S-4	333-219101	10.24	June 30, 2017
10.9*†	Updated terms of employment by and between the Registrant and Sebastian Grady, dated May 14, 2013	S-4	333-219101	10.25	June 30, 2017
10.10*†	Offer Letter to Gerard Brossard dated May 22, 2020	8-K	001-37397	10.1	June 5, 2020
10.11*†	Offer Letter to Michael Perica dated August 28, 2020	8-K	001-37397	10.1	October 1, 2020

Exhibit Number	Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date
10.12*†	Non-Employee Director Compensation Policy Effective January 1, 2021	8-K	001-37397	10.1	December 23, 2020
10.13*	Lease by and between the Registrant and MS Crescent 3993 Hughes SPV, LLC, dated as of May 22, 2013	S-4	333-219101	10.38	June 30, 2017
10.14*	First Amendment dated as of October 8, 2014 to Lease dated as of May 22, 2013 by and between the Registrant and BRE/HC Las Vegas Holdings, L.L.C. as successor in interest to MS Crescent 3993 Hughes SPV, LLC	S-4	333-219101	10.39	June 30, 2017
10.15*	Second Amendment dated as of April 3, 2017 to Lease dated as of May 22, 2013 by and between the Registrant and BRE/HC Las Vegas Holdings, L.L.C. as successor in interest to MS Crescent 3993 Hughes SPV, LLC	S-4	333-219101	10.40	June 30, 2017
10.16+	Bernal Corporate Park – Sycamore Terrace: Amended and Restated Office Lease dated as of September 11, 2019 and effective as of September 1, 2020 between West State Company and Rimini Street, Inc.				
10.17*	Rimini Street, Inc. Employee Stock Purchase Plan	8-K	001-37397	10.1	June 8, 2018
10.18*	Stock Purchase Agreement dated October 30, 2020	8-K	001-37397	10.1	November 2, 2020
10.19*	Stock Purchase Agreement dated January 5, 2021	8-K	001-37397	10.1	January 6, 2021
21.1+	List of subsidiaries of the Registrant				
23.1+	Consent of KPMG LLP, Independent Registered Public Accounting Firm				
31.1+	Certification of Seth A. Ravin, Chief Executive Officer Pursuant to Rule 13a-14(a)				
31.2+	Certification of Michael L. Perica, Chief Financial Officer Pursuant to Rule 13a-14(a)				
32.1+	Certification of Seth A. Ravin, Chief Executive Officer Pursuant to 18 U.S.C. Section 1350				
32.2+	Certification of Michael L. Perica, Chief Financial Officer Pursuant to 18 U.S.C. Section 1350				
101.INS+	XBRL Instance Document				
101.SCH+	XBRL Taxonomy Extension Schema				
101.CAL +	XBRL Taxonomy Extension Calculation Linkbase				
101.DEF+	XBRL Taxonomy Extension Definition Linkbase				
101.LAB+	XBRL Taxonomy Extension Label Linkbase				
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase				
104+	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101)				

* Previously filed and incorporated herein by reference.

+ Filed herewith.

† Management contract or compensatory plan or arrangement.

In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.

Item 16. – Form 10-K Summary

Not applicable

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RIMINI STREET, INC.

Date: March 3, 2021 By: /s/ Seth A. Ravin
Seth A. Ravin
Chief Executive Officer and Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: March 3, 2021 By: /s/ Seth A. Ravin
Seth A. Ravin
Chief Executive Officer and Chairman of the Board

Date: March 3, 2021 By: /s/ Michael L. Perica
Michael L. Perica
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: March 3, 2021 By: /s/ Stanley Mbugua
Stanley Mbugua
Group Vice President and Chief Accounting Officer

Date: March 3, 2021 By: /s/ Jack L. Acosta
Jack L. Acosta
Director

Date: March 3, 2021 By: /s/ Thomas Ashburn
Thomas Ashburn
Director

Date: March 3, 2021 By: /s/ Antonio Bonchristiano
Antonio Bonchristiano
Director

Date: March 3, 2021 By: /s/ Steve Capelli
Steve Capelli
Director

Date: March 3, 2021 By: /s/ Robin Murray
Robin Murray
Director

Date: March 3, 2021 By: /s/ Jay Snyder
Jay Snyder
Director

Date: March 3, 2021 By: /s/ Margaret (Peggy) Taylor
Margaret (Peggy) Taylor
Director

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Enabling Digital Transformation to Support Competitive Advantage and Growth

Founded in 2005 and headquartered in Las Vegas, Nevada, USA, Rimini Street, Inc. is a global provider of enterprise software products and services, the leading third-party support provider for Oracle and SAP software products, and a Salesforce partner. We also offer third-party support services for IBM and Microsoft products.

Our premium, ultra-responsive, and unified application management and support services enable enterprise software licensees to significantly reduce costs, free up resources for innovation, and achieve better business outcomes. We also offer security, interoperability, and professional services solutions. We deliver our services to clients in more than 100 countries and in 9 languages.

Since inception, more than 4,000 Fortune 500, Fortune Global 100, midmarket, public sector, and other organizations from a broad range of industries have relied on Rimini Street as their trusted enterprise software services provider.

We have achieved an annual revenue CAGR of 23% from 2016 to 2020 and have set a goal of $1 billion in annual revenue by 2026 with operating profit and adjusted EBITDA margins in excess of 20%.

Doubling Down on Our Community Commitment

In early 2020, the world held its breath as COVID-19 began its devastating path of destruction across the globe. As we all began to adjust to a different reality, those with fewer resources felt the impact with sudden, often-catastrophic economic and personal ramifications.

The Rimini Street Foundation doubled down on its commitment to support the communities we live and work in around the world, purchasing masks and cleaning supplies for donation and deploying 3D printers to employees who printed and distributed face shields to hospitals and senior care centers. The Foundation Global Steering Committee identified organizations that were helping struggling communities respond to increased domestic violence and historic lines at food banks.

From the bustling cities of Hyderabad, India to remote villages in Brazil's Amazon region, the Rimini Street Foundation provided hope and care through donations of food and hygiene essentials. In total, more than 120 global partnerships were formed in 2020 to support people in need.

As the world forges onward to what we hope will be a journey of healing, the Rimini Street Foundation stands strong in our commitment to Support Humankind with open hearts.

Rimini Street
FOUNDATION
EST. 2015

The Rimini Street Foundation is a charitable operation funded solely by Rimini Street Inc. and its global subsidiaries and whose mission is to Support Humankind through financial contributions, in-kind donations, and company-wide employee volunteerism.

The Rimini Street Foundation donates hygiene essentials in partnership with Baby's Bounty, an organization that supports families facing economic hardships in our headquarters city of Las Vegas, Nevada, USA

CORPORATE INFORMATION

Worldwide Headquarters
3993 Howard Hughes Parkway, Suite 500, Las Vegas, NV 89169

Operations Center
6601 Koll Center Parkway,
Suite 300, Pleasanton, CA 94566

Stock Listing
The company's common stock is listed on the Nasdaq Global Market under the symbol **RMNI**

Independent Auditor
KPMG LLP serves as the company's independent registered public accounting firm

Investor Inquiries
Dean Pohl
VP, Investor Relations
IR@riministreet.com
+1 925-523-7636

Daniel B. Winslow
Corporate Secretary
EVP and Chief Legal Officer
dwinslow@riministreet.com
+1 925-264-7736

Media Relations
Michelle McGlocklin
VP, Global Communications
mmcglocklin@riministreet.com
+1 925-523-8414

Transfer Agent and Registrar
Continental Stock Transfer & Trust Co.
cstmail@continentalstock.com
+1 212-509-4000

Additional Global Offices
Amsterdam
Auckland
Bengaluru
Brisbane
Chicago
Dubai (UAE)
Frankfurt
Greensboro, NC
Hong Kong
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New York
Osaka
Paris
Sao Paulo
Seoul
Singapore
Stockholm
Sydney
Taipei
Tel Aviv
Tokyo
Warsaw
Wilmington, DE

BOARD OF DIRECTORS

Seth A. Ravin
Chairman of the Board and Chief Executive Officer

Margaret (Peggy) Taylor
Lead Independent Director
Chair of Compensation Committee

Jack L. Acosta
Director
Chair of Audit Committee

Thomas Ashburn
Director
Chair of Nominating & Corporate Governance Committee

Antonio Bonchristiano
Outside Director

Steve Capelli
Independent Director

Jay Snyder
Independent Director

Robin Murray
Independent Director