UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2020

Or

☐ **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: 001-38993

HEALTH CATALYST, INC.

(Exact name of registrant as specified in its charter)

Delaware	**45-3337483**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3165 Millrock Drive #400
Salt Lake City, UT 84121
(Address of principal executive offices, including zip code)

(801) 708-6800
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, par value $0.001 per share	**HCAT**	**The Nasdaq Global Select Market**

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, or 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	☐	Emerging growth company	☒
Non-accelerated Filer	☒	Smaller reporting 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 30, 2020, the Registrant had 38,008,474 shares of common stock outstanding.

HEALTH CATALYST, INC.

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Special Note Regarding Forward-looking Statements

As used in this Quarterly Report on Form 10-Q, unless expressly indicated or the context otherwise requires, references to "Health Catalyst," "we," "us," "our," "the Company," and similar references refer to Health Catalyst, Inc. and its consolidated subsidiaries. This Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the "Securities Act", and the Securities Exchange Act of 1934, as amended, or the "Exchange Act". These forward-looking statements, which are subject to a number of risks, uncertainties, and assumptions, generally relate to future events or our future financial or operating performance. In some cases, you can identify these statements by forward-looking words such as "believe," "may," "will," "estimate," "continue," "anticipate," "design," "intend," "expect," "could," "plan," "potential," "predict," "seek," "should," "would," "target," "project," "contemplate," or the negative version of these words and other comparable terminology that concern our expectations, strategy, plans, intentions, or projections. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about our:

- ability to attract new customers and retain and expand our relationships with existing customers;
- ability to expand our service offerings and develop new platform features;
- future financial performance, including trends in revenue, costs of revenue, gross margin, and operating expenses;

- ability to compete successfully in competitive markets;
- ability to respond to rapid technological changes;
- expectations and management of future growth;
- ability to enter new markets and manage our expansion efforts, particularly internationally;
- ability to attract and retain key employees, whom we refer to as team members;
- ability to effectively and efficiently protect our brand;
- ability to timely scale and adapt our infrastructure;
- ability to maintain, protect, and enhance our intellectual property and not infringe upon others' intellectual property;
- ability to successfully identify, acquire, and integrate companies and assets; and
- expectations regarding the impact of any natural disasters or public health emergencies, such as the COVID-19 outbreak on our business and results of operations.

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in the section titled "Risk Factors" in this Quarterly Report on Form 10-Q and as well as other documents that may be filed by us from time to time with the Securities and Exchange Commission (the SEC). Moreover, we operate in a very competitive and rapidly changing environment, and 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 Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements and you should not place undue reliance on our forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law.

You should read this Quarterly Report on Form 10-Q in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2019, included in our Annual Report on Form 10-K.

Part I. Financial Information

Item 1. Financial Statements

HEALTH CATALYST, INC.

Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)

	As of March 31, 2020	As of December 31, 2019
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 60,965	$ 18,032
Short-term investments	143,595	210,245
Accounts receivable, net[(1)]	35,367	27,570
Deferred costs	493	937
Prepaid expenses and other assets	9,439	7,455
Total current assets	249,859	264,239
Property and equipment, net	3,943	4,295
Intangible assets, net	31,753	25,535
Operating lease right-of-use assets	3,105	3,787
Goodwill	18,419	3,694
Other assets	1,678	810
Total assets	$ 308,757	$ 302,360
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 2,736	$ 3,622
Accrued liabilities	6,830	8,944
Acquisition-related consideration payable[(1)]	3,107	2,192
Deferred revenue[(1)]	35,454	30,653
Operating lease liabilities	2,301	2,806
Total current liabilities	50,428	48,217
Long-term debt	48,485	48,200
Acquisition-related consideration payable, net of current portion[(1)]	—	1,860
Deferred revenue, net of current portion	1,356	1,459
Operating lease liabilities, net of current portion	1,375	1,654
Contingent consideration liability	2,666	—
Other liabilities	326	326
Total liabilities	104,636	101,716
Commitments and contingencies (Note 14)		

Stockholders' equity:		
Preferred stock, $0.001 par value per share; 25,000,000 shares authorized as of March 31, 2020 and December 31, 2019; no shares issued and outstanding as of March 31, 2020 and December 31, 2019	—	—
Common stock, $0.001 par value per share; 500,000,000 shares authorized as of March 31, 2020 and December 31, 2019; 37,838,276 and 36,678,854 shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	38	37
Additional paid-in capital	832,167	811,049
Accumulated deficit	(628,123)	(610,514)
Accumulated other comprehensive income	39	72
Total stockholders' equity	204,121	200,644
Total liabilities and stockholders' equity	$ 308,757	$ 302,360

(1) Includes amounts attributable to related party transactions. See Note 16 for further details.

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

HEALTH CATALYST, INC.

Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended March 31,	
	2020	2019
Revenue[(1)]:		
Technology	$ 24,699	$ 20,148
Professional services	20,417	15,065
Total revenue	45,116	35,213
Cost of revenue, excluding depreciation and amortization:		
Technology	7,906	6,752
Professional services	16,162	10,574
Total cost of revenue, excluding depreciation and amortization	24,068	17,326
Operating expenses:		
Sales and marketing	13,487	10,473
Research and development	13,088	10,022
General and administrative	9,701	6,174
Depreciation and amortization	2,877	2,312
Total operating expenses	39,153	28,981
Loss from operations	(18,105)	(11,094)
Loss on extinguishment of debt	—	(1,670)
Interest and other expense, net	(621)	(945)
Loss before income taxes	(18,726)	(13,709)
Income tax (benefit) provision	(1,236)	11
Net loss	$ (17,490)	$ (13,720)
Less: accretion of redeemable convertible preferred stock	—	64,015
Net loss attributable to common stockholders	$ (17,490)	$ (77,735)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.47)	$ (16.21)
Weighted-average shares outstanding used in calculating net loss per share attributable to common stockholders, basic and diluted	37,109	4,795

(1) Includes amounts attributable to related party transactions. See Note 16 for further details.

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

HEALTH CATALYST, INC.

Condensed Consolidated Statements of Comprehensive Loss
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2020	**2019**
Net Loss	$ (17,490)	$ (13,720)
Other comprehensive income (loss):		
Change in unrealized gain (loss) on investments	(3)	3
Change in foreign currency translation adjustment	(30)	—
Comprehensive loss	$ (17,523)	$ (13,717)

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

HEALTH CATALYST, INC.

Condensed Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)

(in thousands, except share data)

(unaudited)

	Three Months Ended March 31, 2020							
	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2019	—	$ —	36,678,854	$ 37	$ 811,049	$ (610,514)	$ 72	$ 200,644
Impact of adopting the current expected credit loss standard	—	—	—	—	—	(119)	—	(119)
Exercise of stock options	—	—	1,048,760	1	9,045	—	—	9,046
Stock-based compensation	—	—	—	—	8,741	—	—	8,741
Issuance of common stock for acquisition consideration	—	—	110,662	—	3,332	—	—	3,332
Net loss	—	—	—	—	—	(17,490)	—	(17,490)
Other comprehensive loss	—	—	—	—	—	—	(33)	(33)
Balance as of March 31, 2020	—	$ —	37,838,276	$ 38	$ 832,167	$ (628,123)	$ 39	$ 204,121

	Three Months Ended March 31, 2019							
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2018	22,713,694	$ 409,845	4,779,356	$ 5	$ —	$ (374,772)	$ (1)	$ (374,768)
Issuance of Series F redeemable convertible preferred stock, net of issuance costs of $115	437,787	12,073	—	—	—	—	—	—
Exercise of stock options	—	—	94,558	—	808	—	—	808
Stock-based compensation	—	—	—	—	1,656	—	—	1,656
Accretion of redeemable convertible preferred stock	—	64,015	—	—	(2,464)	(61,551)	—	(64,015)
Net loss	—	—	—	—	—	(13,720)	—	(13,720)
Other comprehensive income	—	—	—	—	—	—	3	3
Balance as of March 31, 2019	23,151,481	$ 485,933	4,873,914	$ 5	$ —	$ (450,043)	$ 2	$ (450,036)

HEALTH CATALYST, INC.

Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2020	**2019**
Cash flows from operating activities		
Net loss	$ (17,490)	$ (13,720)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,877	2,312
Loss on extinguishment of debt	—	1,670
Amortization of debt discount and issuance costs	285	144
Investment discount and premium amortization	(6)	(83)
Gain on sale of property and equipment	(2)	(11)
Stock-based compensation expense	8,741	1,656
Deferred tax benefit	(1,280)	—
Change in fair value of contingent consideration liability	(359)	—
Other	(2)	—
Change in operating assets and liabilities:		
Accounts receivable, net	(7,284)	(557)
Deferred costs	444	(109)
Prepaid expenses and other assets	(2,244)	(185)
Operating lease right-of-use assets	682	130
Accounts payable, accrued liabilities, and other liabilities	(4,283)	(382)
Deferred revenue	3,936	4,012
Operating lease liabilities	(784)	(101)
Net cash used in operating activities	(16,769)	(5,224)
Cash flows from investing activities		
Purchases of property and equipment	(506)	(689)
Proceeds from the sale of property and equipment	6	14
Purchase of short-term investments	—	(30,726)
Proceeds from the sale and maturity of short-term investments	66,653	3,147
Purchase of intangible assets	(758)	(402)
Acquisition of business, net of cash acquired	(15,249)	—
Net cash provided by (used in) investing activities	50,146	(28,656)
Cash flows from financing activities		
Proceeds from the issuance of redeemable convertible preferred stock, net of issuance costs	—	12,073
Proceeds from exercise of stock options	9,046	808
Proceeds from employee stock purchase plan	1,289	—
Payment of SVB line of credit and mezzanine loan	—	(21,821)

Proceeds from credit facilities, net of debt issuance costs	—	47,169
Payments of acquisition-related consideration	(748)	(390)
Payments of deferred offering costs	—	(182)
Net cash provided by financing activities	9,587	37,657
Effect of exchange rate changes	(31)	—
Net increase in cash and cash equivalents	42,933	3,777
Cash and cash equivalents at beginning of period	18,032	28,431
Cash and cash equivalents at end of period	$ 60,965	$ 32,208
Supplemental disclosures of non-cash investing and financing information		
Redeemable convertible preferred stock accretion	$ —	$ 64,015
Deferred offering costs included in accounts payable and accrued liabilities	427	1,066
Purchase of intangible assets included in accounts payable and accrued liabilities	132	1,114
Purchase of property and equipment included in accounts payable and accrued liabilities	77	20
Supplemental disclosures of cash flow information related to leases		
Cash paid for operating lease liabilities in operating cash flows	$ 843	$ 778
Operating lease right-of-use assets obtained in exchange for operating lease obligations	—	581

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

1. Description of Business and Summary of Significant Accounting Policies

Nature of operations

Health Catalyst, Inc. (Health Catalyst) was incorporated under the laws of Delaware in September 2011. We are a leading provider of data and analytics technology and services to healthcare organizations. Our Solution comprises a cloud-based data platform, analytics software, and professional services expertise. Our customers, which are primarily healthcare providers, use our Solution to manage their data, derive analytical insights to operate their organization, and produce measurable clinical, financial, and operational improvements.

Basis of presentation

Our accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) and the applicable regulations of the U.S. Securities and Exchange Commission (SEC) regarding interim financial reporting. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2019 included in our Annual Report on Form 10-K.

Interim Unaudited Condensed Consolidated Financial Statements

Our accompanying interim condensed consolidated balance sheet as of March 31, 2020, the interim condensed consolidated statements of operations for the three months ended March 31, 2020 and 2019, our interim condensed consolidated statements of redeemable convertible preferred stock and stockholders' equity (deficit) for the three months ended March 31, 2020 and 2019, and our interim condensed consolidated statements of cash flows for the three months ended March 31, 2020 and 2019 are unaudited. Our condensed consolidated balance sheet as of December 31, 2019 was derived from audited financial statements, but does not include all disclosures required by GAAP. Our interim unaudited condensed consolidated financial statements have been prepared on a basis consistent with our annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the Company's financial position, its operations and cash flows for the periods presented. The historical results are not necessarily indicative of future results, and the results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results to be expected for the full year or any other period.

Initial Public Offering

On July 29, 2019, we closed our initial public offering of common stock (IPO) in which we issued and sold 8,050,000 shares (inclusive of the underwriters’ over-allotment option to purchase 1,050,000 shares, which was exercised on July 25, 2019) of common stock at $26.00 per share. We received net proceeds of $194.6 million after deducting underwriting discounts and commissions and before deducting offering costs of $4.6 million. Upon the closing of our IPO, all shares of our outstanding redeemable convertible preferred stock converted into 23,151,481 shares of common stock on a one-for-one basis.

Stock Split

On July 10, 2019, we effected a 1-for-2 reverse stock split of our capital stock. We have adjusted all references to share and per share amounts in the accompanying condensed consolidated financial statements and notes to reflect the reverse stock split.

Principles of consolidation

Our condensed consolidated financial statements include the accounts of Health Catalyst and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, provisions for expected credit losses, useful lives of property and equipment, capitalization and estimated useful life of internal-use software and other intangible assets, fair value of financial instruments, deferred tax assets, stock-based compensation, contingent consideration, and tax uncertainties. Actual results could differ from those estimates.

Segment reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is evaluated by the chief operating decision maker (the CODM) in assessing performance and making decisions regarding resource allocation. We operate our business in two operating segments that also represent our reportable segments. Our segments are (1) technology and (2) professional services. The CODM uses Adjusted Gross Profit (defined as revenue less cost of revenue that excludes depreciation, amortization, stock-based compensation expense, and certain other operating expenses) as the measure of our profit.

Net loss per share

Basic net loss per share is calculated by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding. Net loss attributable to common stockholders is computed as net loss less accretion of redeemable convertible preferred stock. Diluted net loss per share attributable to common stockholders is calculated by giving effect to all potentially dilutive common stock equivalents outstanding for the period. For purposes of this calculation, stock options, restricted stock units (RSUs), and purchase rights committed under the employee stock purchase plan are considered to be common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as the effect is antidilutive.

Prior to our IPO, we computed basic and diluted net loss per share in conformity with the two-class method required for participating securities. The two-class method is an earnings allocation formula that treats a participating security as having rights to earnings that otherwise would have been available to holders of common stock. Redeemable convertible preferred stock and common stock were considered participating securities for purposes of this calculation. However, the two-class method did not impact the net loss per common share attributable to common stockholders as we were in a loss position for each of the periods presented and the redeemable convertible preferred stockholders did not have a contractual obligation to participate in losses.

Revenue recognition

We recognize revenue in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers (Topic 606)*. We derive our revenues primarily from technology subscriptions and professional services. We determine revenue recognition by applying the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;

- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, we satisfy the performance obligation.

We recognize revenue net of any taxes collected from customers and subsequently remitted to governmental authorities.

Technology revenue

Technology revenue primarily consists of subscription fees charged to customers for access to use our technology. We provide customers access to our technology through either an all-access or limited-access, modular subscription. The majority of our subscription arrangements are cloud-based and do not provide customers the right to take possession of the technology or contain a significant penalty if the customer were to take possession of the technology. Revenue from cloud-based subscriptions is recognized ratably over the contract term beginning on the date that the service is made available to the customer. Most of our subscription contracts have up to a three-year term, of which the vast majority are terminable after one year upon 90 days' notice.

Subscriptions that allow the customer to take software on-premise without significant penalty are treated as time-based licenses. These arrangements generally include access to technology, access to unspecified future products, and maintenance and support. Revenue for upfront access to our technology library is recognized at a point in time when the technology is made available to the customer. Revenue for access to unspecified future products included in time-based license subscriptions is recognized ratably over the contract term beginning on the date that the access is made available to the customer.

We also have certain perpetual license arrangements. Revenue from these arrangements is recognized at a point in time upon delivery of the software.

Technology revenue also includes maintenance and support revenue which generally includes bug fixes, updates, and support services. Revenue related to maintenance and support is recognized over the contract term beginning on the date that the service is made available to the customer.

Professional services revenue

Professional services revenue primarily includes data and analytics services, domain expertise services, outsourcing services, and implementation services. Professional services arrangements typically include a fee for making full-time equivalent (FTE) services available to our customers on a monthly basis. FTE services generally consist of a blend of analytic engineers, analysts, and data scientists based on the domain expertise needed to best serve our customer. Professional services are typically considered distinct from the technology offerings and revenue is generally recognized as the service is provided using the "right to invoice" practical expedient.

Contracts with multiple performance obligations

Many of our contracts include multiple performance obligations. We account for performance obligations separately if they are capable of being distinct within the context of the contract. In these circumstances, the transaction price is allocated to separate performance obligations on a relative standalone selling price basis.

We determine standalone selling prices based on the observable price a good or service is sold for separately when available. In cases where standalone selling prices are not directly observable, based on information available, we utilize the expected cost plus a margin, adjusted market assessment, or residual estimation method. We consider all information available including our overall pricing objectives, market conditions, and other factors, which may include customer demographics and the types of users.

Standalone selling prices are not directly observable for our all-access and limited-access technology arrangements, which are composed of cloud-based subscriptions, time-based licenses, and perpetual licenses. For these technology arrangements, we use the residual estimation method due to a limited number of standalone transactions and/or prices that are highly variable.

Variable consideration

We have also entered into at-risk and shared savings arrangements with certain customers whereby we receive variable consideration based on the achievement of measurable improvements which may include cost savings or performance against metrics. For these arrangements, we estimate revenue using the most likely amount that we will receive. Estimates are based on our historical experience and best judgment at the time to the extent it is probable that a significant reversal of revenue recognized will not occur. Due to the nature of our arrangements, certain estimates may be constrained until the uncertainty is further resolved.

Contract balances

Contract assets resulting from services performed prior to invoicing customers are recorded as unbilled accounts receivable and are presented on our condensed consolidated balance sheets in aggregate with accounts receivable. Unbilled accounts receivable generally become billable at contractually specified dates or upon the attainment of contractually defined milestones. As of March 31, 2020 and December 31, 2019, the unbilled accounts receivable included in accounts receivable on our condensed consolidated balance sheets was $2.3 million and $2.9 million, respectively.

We record contract liabilities as deferred revenue when cash payments are received or due in advance of performance. Deferred revenue primarily relates to the advance consideration received from the customer. As of March 31, 2020 and December 31, 2019, the total of current and non-current deferred revenue on our condensed consolidated balance sheets was $36.8 million and $32.1 million, respectively.

Cost of revenue, excluding depreciation and amortization

Cost of technology revenue primarily consists of costs associated with hosting and supporting our technology, including third-party cloud computing and hosting costs, contractor costs, and salary and related personnel costs for our cloud services and support teams. Cost of professional services revenue primarily consists of salary and related personnel costs, travel-related costs, and independent contractor costs. Cost of revenue excludes costs related to depreciation and amortization.

We defer certain costs to fulfill a contract when the costs are expected to be recovered, are directly related to in-process contracts and enhance resources that will be used in satisfying performance obligations in the future. These deferred fulfillment costs primarily consist of employee compensation incurred as part of the implementation of new contracts. As of March 31, 2020 and December 31, 2019, we had deferred contract fulfillment costs of $0.5 million and $0.9 million, respectively.

Cash and cash equivalents

We consider all highly liquid investments purchased with a remaining maturity of three months or less at the time of acquisition to be cash equivalents.

Short-term investments

Our investment policy limits investments to highly-rated instruments that mature in less than 12 months. We classify our short-term investments as available for sale.

Accounts receivable

Accounts receivable are non-interest bearing and are recorded at the original invoiced amount less an allowance for doubtful accounts based on the probability of future collections. We adopted ASU 2016-13 effective January 1, 2020. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model which requires the use of forward-looking information to calculate credit loss estimates, which results in earlier recognition of credit losses. The allowance for doubtful accounts is based on our estimate of expected credit losses for outstanding trade accounts receivables. We determine expected credit losses based on historical write-off experience, an analysis of the aging of outstanding receivables, customer payment patterns, the establishment of specific reserves for customers in an adverse financial condition, and our expectations of changes in macro-economic conditions, including the current COVID-19 pandemic, that may impact the collectability of outstanding receivables. We reassess the adequacy of the allowance for doubtful accounts each reporting period. As of March 31, 2020 and December 31, 2019, we had an allowance for doubtful accounts of $0.6 million and $0.4 million, respectively.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Repairs and maintenance costs that do not extend the useful life or improve the related assets are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful life of each asset category is as follows:

Computer equipment	2-3 years
Furniture and fixtures	3 years
Leasehold improvements	Lesser of lease term or estimated useful life
Computer software	2-3 years
Capitalized internal-use software costs	3 years

When there are indicators of potential impairment, we evaluate the recoverability of the carrying values by comparing the carrying amount of the applicable asset group to the estimated undiscounted future cash flows expected to be generated by the asset group over the remaining life of the primary long-lived asset in that group plus any residual value. If the carrying amount of the asset group exceeds its estimated undiscounted future net cash flows, an impairment charge is recognized based on the amount by which the carrying value of the long-lived assets exceeds the fair value of those assets. We did not incur any long-lived impairment charges for the three months ended March 31, 2020 and 2019.

Intangible assets

Intangible assets include developed technologies, customer relationships, customer contracts, and trademarks that were acquired in business combinations and asset acquisitions. Intangible assets also include the purchase of third-party computer software. The intangible assets are amortized using the straight-line method over the assets' estimated useful lives. The estimated useful life of each asset category is as follows:

Developed technologies	2-10 years
Customer relationships and contracts	6 years
Computer software licenses	2-5 years
Trademarks	2 years

Goodwill

We record goodwill as the difference between the aggregate consideration paid for a business combination and the fair value of the identifiable net tangible and intangible assets acquired. Goodwill is assessed for impairment annually or more frequently if indicators of impairment are present or circumstances suggest that impairment may exist. As of January 1, 2020, we adopted ASU 2017-04, which simplifies the goodwill impairment test by eliminating the second step from the goodwill impairment test. The first step of the goodwill impairment test compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not considered impaired. If the carrying amount of the reporting unit exceeds its fair value, we would recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. There was no impairment of goodwill for the three months ended March 31, 2020 and 2019.

Business combinations

We account for an acquisition as a business combination if we obtain control of a business. Assets and liabilities acquired in a business combination generally are recorded at fair value and any associated acquisition costs are expensed as incurred in general and administrative expenses.

Advertising costs

All advertising costs are expensed as incurred. We recorded advertising costs of $0.6 million and $0.6 million for the three months ended March 31, 2020 and 2019, respectively.

Development costs and internal-use software

For technology products that are developed to be sold externally, we determined that technological feasibility is reached shortly before the products are ready for general release. Any costs associated with software development between the time technological feasibility is reached and general release are inconsequential. We capitalize certain development costs incurred in connection with our internal-use software. These capitalized costs are primarily related to the software platforms that are hosted by us and accessed by our customers on a subscription basis. Costs incurred in the preliminary stages of development are expensed as incurred as research and development costs. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use.

We also capitalize costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Capitalized costs are recorded as part of property and equipment. Maintenance and training costs are expensed as incurred. Internal-use software is amortized on a straight-line basis over its estimated useful life.

Stock-based compensation

Stock-based awards, including stock options and RSUs, are measured and recognized in our condensed consolidated financial statements based on the fair value of the award on the grant date. For awards subject to performance conditions, we record expense when the performance condition becomes probable. We record forfeitures of stock-based awards as the actual forfeitures occur.

We estimate the fair value of stock option awards on the grant date using the Black-Scholes option pricing model. We have issued two types of employee stock-based awards, standard and two-tier. Our standard stock-based awards vest solely on a service-based condition. For these awards, we recognize stock-based compensation expense on a straight-line basis over the vesting period. Two-tier employee stock-based awards, contain both a service-based condition and performance condition, defined as the earlier of (i) an acquisition or change in control of the company or (ii) upon the occurrence of an initial public offering by the Company. A change in control event and effective registration event are not deemed probable until consummated; accordingly, no expense is recorded related to two-tier stock-based awards until the performance condition becomes probable of occurring. Awards that contain both service-based and performance conditions are recognized using the accelerated attribution method once the performance condition is probable of occurring. The service-based condition is generally a service period of four years.

Stock-based compensation expense related to purchase rights issued under the 2019 Health Catalyst Employee Stock Purchase Plan (ESPP) is based on the Black-Scholes option-pricing model fair value of the estimated number of awards as of the beginning of the offering period. Stock-based compensation expense is recognized using the straight-line method over the offering period.

The compensation expense for non-employees is recognized, without changes in the fair value of the award, in the same period and in the same manner as though we had paid cash for the services, which is typically the vesting period of the respective award.

Income taxes

Deferred income tax balances are accounted for using the asset and liability method and reflect the effects of temporary differences between the financial reporting and tax bases of our assets and liabilities using enacted tax rates expected to apply when taxes are actually paid or recovered. In addition, deferred tax assets and liabilities are recorded for net operating loss (NOL) and credit carryforwards.

A valuation allowance is provided against deferred tax assets unless it is more likely than not that they will be realized based on all available positive and negative evidence. Such evidence includes, but is not limited to, recent cumulative earnings or losses, expectations of future taxable income by taxing jurisdiction, and the carry-forward periods available for the utilization of deferred tax assets.

We use a two-step approach to recognize and measure uncertain income tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained upon audit. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. We do not accrue interest and penalties related to unrecognized tax benefits within the provision for income taxes because we have NOLs. Significant judgment is required to evaluate uncertain tax positions.

Although we believe that we have adequately reserved for our uncertain tax positions, we can provide no assurance that the final tax outcome of these matters will not be materially different. We evaluate our uncertain tax positions on a regular basis and evaluations are based on a number of factors, including changes in facts and circumstances, changes in tax law, such as the Tax Cuts and Jobs Act of 2017, correspondence with tax authorities during the course of an audit, and effective settlement of audit issues.

To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and results of operations.

Fair value of financial instruments

The carrying amounts reported in our condensed consolidated balance sheets for cash, receivables, accounts payable, and current accrued expenses approximate fair values because of the immediate or short-term maturity of these financial instruments. The carrying value of acquisition-related consideration payable, operating lease liabilities, and long-term debt approximate fair value based on interest rates available for debt with similar terms at March 31, 2020 and December 31, 2019. Money market funds and short-term investments are measured at fair value on a recurring basis. Our contingent consideration liability is measured at fair value on a recurring basis based primarily on significant inputs not observable in the market.

Fair value is estimated by applying the following 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 value measurement:

- Level 1- Quoted prices in active markets for identical assets or liabilities.
- Level 2- Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3- Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.

All of our financial instruments are valued using quoted prices in active markets or based on other observable inputs. For Level 2 securities, we use a third-party pricing service which provides documentation on an ongoing basis that includes, among other things, pricing information with respect to reference data, methodology, inputs summarized by asset class, pricing application, and corroborative information. Our contingent consideration liability is categorized as a Level 3 fair value measurement because we estimate projections during the earn out period utilizing various potential pay-out scenarios.

Leases

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, operating lease liabilities, and operating lease liabilities, net of current portion in our condensed consolidated balance sheets. We have adopted the short-term lease recognition exemption policy. All of our leasing commitments are classified either as operating leases or otherwise qualify as short-term leases with lease terms of 12 months or less.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As our lease contracts do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date to determine the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease executory costs. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the applicable option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

We do not have lease agreements that contain non-lease components, which generally would be accounted for separately.

Accounting pronouncements adopted

Goodwill impairment

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-04, *Intangibles-Goodwill and Other - Simplifying the Test for Goodwill Impairment (Topic 350)*, that simplifies how an entity is required to test goodwill for impairment by eliminating the second step of the impairment test. The first step measures a goodwill impairment loss by comparing the fair value of a reporting unit to the carrying amount. If the carrying amount of the reporting unit exceeds its fair value, the carrying amount of goodwill is reduced by the excess reporting unit carrying amount up to the carrying amount of the goodwill. We adopted ASU 2017-04 as of January 1, 2020. The guidance applies to our reporting requirements in performing goodwill impairment testing; however, the adoption of this guidance did not have an impact on our condensed consolidated financial statements and related disclosures.

Fair value measurements

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which eliminates certain disclosure requirements for fair value measurements for all entities, requires public entities to disclose certain new information prospectively, including the ranges used to develop significant unobservable inputs for Level 3 fair value measurements, and modifies some disclosure requirements. We adopted ASU 2018-13 as of January 1, 2020. The adoption of this standard did not have a material impact on our condensed consolidated financial statements and related disclosures.

Credit losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, which required the measurement and recognition of expected credit losses for certain financial instruments, which includes our accounts receivable and available-for-sale debt securities. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model which requires the use of forward-looking information to calculate credit loss estimates, which results in earlier recognition of credit losses. We adopted ASU 2016-13 effective January 1, 2020. The adoption of the standard did not have a material impact on our condensed consolidated financial statements. The adoption adjustment was recorded to accumulated deficit, as seen in our condensed consolidated statements of redeemable convertible preferred stock and stockholders' equity.

Implementation Costs Incurred in a Cloud Computing Arrangement

In August 2018, the FASB issued ASU 2018-15, *Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs in a cloud computing arrangement service contract with the requirements for capitalizing implementation costs incurred for an internal-use software license. We prospectively adopted ASU 2018-15 effective January 1, 2020. The adoption of this standard did not have a material impact on our condensed consolidated financial statements and related disclosures.

Recent accounting pronouncements not yet adopted

Accounting for income taxes

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes, eliminates certain exceptions within Topic 740, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. The new standard is effective for fiscal years beginning after December 15, 2021. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. We are currently evaluating the impacts of the provisions of this standard on our condensed consolidated financial statements and related disclosures.

Reference rate reform

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The update provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) contract modifications on financial reporting, caused by reference rate reform. ASU 2020-04 is effective for all entities as of March 12, 2020 through December 31, 2022. We are still evaluating the impact, but do not expect the adoption of the standard to have a material impact on our condensed consolidated financial statements and related disclosures.

2. Business Combinations

On February 21, 2020, we acquired Able Health, Inc. (Able Health), a leading software-as-a-service provider of quality and regulatory measurement tracking and reporting to healthcare providers and risk-bearing entities, in a transaction accounted for as a business combination. The acquisition consideration transferred was $21.5 million and was comprised of net cash consideration of $15.2 million, Health Catalyst common shares with a fair value of $3.3 million, and contingent consideration based on achievement of Able Health specified incremental customer billings for the year ending December 31, 2020, with an initial fair value of $3.0 million. The acquisition consideration is subject to certain working capital escrow adjustments. The purchase resulted in Health Catalyst acquiring 100% ownership in Able Health. We believe this acquisition will strengthen Health Catalyst's Quality and Regulatory Measures capabilities.

An additional 179,392 shares of our common stock subject to restriction agreements, or restricted shares, were issued pursuant to the terms of the acquisition agreement and 60,000 restricted stock units were issued in connection with the acquisition agreement. The value of these restricted shares and restricted stock units will be recognized as post-combination stock-based compensation expense over their respective vesting terms. The vesting of the restricted shares is subject to one year of continuous service by the applicable team members and shall vest on the one-year anniversary of the acquisition closing date and the service-based condition for the restricted stock units issued pursuant to the terms of the acquisition agreement is satisfied over two years with a 50% cliff vesting period of one year and ratable quarterly vesting thereafter. Refer to Note 12 for additional details related to our stock-based compensation.

The fair value measurement of contingent consideration that may be payable to Able Health's former stockholders and the measurement of the acquired Able Health assets and assumed liabilities are determined based on estimates and assumptions that are judgmental in nature, including the timing and amount of projected future cash flows and market-participant discount rates reflecting risks inherent in the future cash flows. Given the recent nature of the Able Health acquisition closing date and the March 31, 2020 reporting date, such measurements are preliminary and subject to measurement period adjustments under GAAP, as we complete our analysis of information that is available or obtainable as of the acquisition date that impacts the fair value and other acquisition date recognition and measurement purchase price allocation amounts.

The following table summarizes the acquisition-date fair value of consideration transferred and the identifiable assets purchased and liabilities assumed as part of our acquisition of Able Health (in thousands):

Assets acquired:	
Accounts receivable	$ 633
Prepaid expenses and other assets	57
Developed technologies	7,500
Customer relationships	600
Trademarks	100
Total assets acquired	8,890
Less liabilities assumed:	
Accounts payable and other current liabilities	91
Deferred revenue	762
Net deferred tax liabilities	1,280
Total liabilities assumed	2,133
Total assets acquired, net	6,757
Goodwill	14,725
Total consideration transferred, net of cash acquired	$ 21,482

The acquired intangible assets were valued utilizing either an income approach or a cost approach as deemed most applicable, and include customer relationships, developed technology, and trademarks that will be amortized on a straight-line basis over their estimated useful lives of six years, three years, and two years, respectively. The resulting goodwill from the Able Health acquisition was fully allocated to the technology reporting unit and is not deductible for income tax purposes. We expensed $0.9 million of acquisition transaction costs as incurred that are included in general and administrative expense in our condensed consolidated statements of operations.

Pro forma financial information has not been presented for this acquisition as the impact to our condensed consolidated financial statements was not material.

The amount of revenue attributable to the acquired business of Able Health that has been included in our condensed consolidated statement of operations subsequent to the February 21, 2020 acquisition date through March 31, 2020 is $0.4 million. Income (loss) information for Able Health after the acquisition date through March 31, 2020 is not presented as the Able Health business was integrated into our operations immediately following the acquisition and is impracticable to quantify.

3. Revenue

Disaggregation of revenue

The following table represents Health Catalyst's revenue disaggregated by type of arrangement (in thousands):

	Three Months Ended March 31,	
	2020	2019
Recurring technology	$ 24,699	$ 20,148
Professional services	20,417	15,065
Total revenue	$ 45,116	$ 35,213

For the three months ended March 31, 2020 and 2019, 99.9% and 100%, respectively, of revenue was related to contracts with customers located in the United States.

4. Goodwill and Intangible Assets

We operate our business in two operating segments that also represent our reporting units. Our reporting units are organized based on our technology and professional services. We have not incurred any goodwill impairment charges.

Goodwill by reporting unit is as follows (in thousands):

	As of March 31, 2020	As of December 31, 2019
Technology	$ 17,637	$ 2,912
Professional services	782	782
Total goodwill	$ 18,419	$ 3,694

As of March 31, 2020, intangible assets consisted of the following (in thousands):

	Gross	Accumulated Amortization	Net
Developed technologies	$ 43,629	$ (17,922)	$ 25,707
Customer relationships and contracts	4,764	(2,964)	1,800
Computer software licenses	7,283	(3,141)	4,142
Trademarks	200	(96)	104
Total intangible assets	$ 55,876	$ (24,123)	$ 31,753

As of December 31, 2019, intangible assets consisted of the following (in thousands):

	Gross	Accumulated Amortization	Net
Developed technologies	$ 36,129	$ (16,548)	$ 19,581
Customer relationships and contracts	4,164	(2,773)	1,391
Computer software licenses	7,114	(2,576)	4,538
Trademarks	100	(75)	25
Total intangible assets	$ 47,507	$ (21,972)	$ 25,535

The increase in goodwill and intangible assets is primarily due to our acquisition of Able Health. Intangible assets are amortized using the straight-line method over the estimated useful lives. Amortization expense of acquired intangible assets was $2.2 million and $1.5 million for the three months ended March 31, 2020, and 2019, respectively. Amortization expense for intangible assets is included in depreciation and amortization in our condensed consolidated statements of operations.

5. Property and Equipment

Property and equipment consisted of the following (in thousands):

	As of March 31, 2020	As of December 31, 2019
Computer equipment	$ 8,108	$ 7,951
Leasehold improvements	2,309	2,234
Furniture and fixtures	1,031	1,030
Capitalized internal-use software costs	1,944	1,866
Computer software	972	972
Capital lease equipment	37	37
Total property and equipment	14,401	14,090
Less: accumulated depreciation	(10,458)	(9,795)
Property and equipment, net	$ 3,943	$ 4,295

Our long-lived assets are located in the United States. Depreciation expense totaled $0.7 million and $0.8 million for the three months ended March 31, 2020 and 2019, respectively. Depreciation expense includes amortization of assets recorded under a capital lease and the amortization of capitalized internal-use software costs.

6. Short-term Investments

Our investment policy limits investments to highly-rated instruments that mature in less than 12 months. We classify our short-term investments as available for sale. Available-for-sale securities are recorded on our condensed consolidated balance sheets at fair market value and any unrealized gains or losses are reported as part of other comprehensive loss on our condensed consolidated statements of comprehensive loss. We determine realized gains or losses on the sales of investments through the specific identification method and record such gains or losses as part of interest and other expense, net on our condensed consolidated statements of operations. We did not have realized gains or losses on investments during the three months ended March 31, 2020 and 2019. We measure the fair value of investments on a recurring basis.

Accrued interest receivables related to our available-for-sale securities of $0.6 million and $0.9 million as of March 31, 2020 and December 31, 2019 were included within prepaid expenses and other assets on our condensed consolidated balance sheets.

The following table summarizes, by major security type, our cash equivalents and short-term investments that are measured at fair value on a recurring basis (in thousands) as of March 31, 2020:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash equivalents	Short-term Investments
Money market funds	$ 58,487	$ —	$ —	$ 58,487	$ 58,487	$ —
U.S. Treasury notes	34,098	232	—	34,330	—	34,330
Commercial paper	11,727	—	—	11,727	—	11,727
Corporate bonds	57,605	—	(140)	57,465	—	57,465
Asset-backed securities	40,094	—	(21)	40,073	—	40,073
Total	$ 202,011	$ 232	$ (161)	$ 202,082	$ 58,487	$ 143,595

The following table summarizes, by major security type, our cash equivalents and short-term investments that are measured at fair value on a recurring basis (in thousands) as of December 31, 2019:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash equivalents	Short-term Investments
Money market funds	$ 17,175	$ —	$ —	$ 17,175	$ 17,175	$ —
US treasury notes	58,130	34	—	58,164	—	58,164
Commercial paper	46,973	—	—	46,973	—	46,973
Corporate bonds	64,978	27	(5)	65,000	—	65,000
Asset-backed securities	40,090	18	—	40,108	—	40,108
Total	$ 227,346	$ 79	$ (5)	$ 227,420	$ 17,175	$ 210,245

On a quarterly basis we evaluate unrealized losses on our available-for-sale debt securities and the related accrued interest receivables to determine whether a decline in the fair value below the amortized cost basis is due to credit-related factors or noncredit-related factors. We do not intend to sell investments that are in an unrealized loss position and it is not likely that we will be required to sell any investments before recovery of their amortized cost basis. As of March 31, 2020 and December 31, 2019, there were no material unrealized losses due to credit-related factors.

7. Fair Value of Financial Instruments

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2020 were as follows (in thousands):

	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 58,487	$ —	$ —	$ 58,487
U.S. Treasury notes	34,330	—	—	34,330
Commercial paper	—	11,727	—	11,727
Corporate bonds	—	57,465	—	57,465
Asset-backed securities	—	40,073	—	40,073
Contingent consideration	—	—	(2,666)	(2,666)
Total	$ 92,817	$ 109,265	$ (2,666)	$ 199,416

Assets measured at fair value on a recurring basis as of December 31, 2019 were as follows (in thousands):

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 17,175	$ —	$ —	$ 17,175
U.S. Treasury notes	58,164	—	—	58,164
Commercial paper	—	46,973	—	46,973
Corporate bonds	—	65,000	—	65,000
Asset-backed securities	$ —	$ 40,108	$ —	$ 40,108
Total	$ 75,339	$ 152,081	$ —	$ 227,420

As of December 31, 2019, there were no liabilities measured at fair value on a recurring basis. There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2020 and 2019.

The Able Health acquisition consideration includes an estimate for contingent consideration of up to 145,036 shares of our common stock that will be issued if certain incremental billing targets for Able Health are met during an earn-out period that ends on December 31, 2020. The resulting contingent consideration liability is categorized as a Level 3 fair value measurement because we estimate projections during the earn-out period utilizing various potential pay-out scenarios. For the contingent consideration liability, we value the expected contingent consideration and the corresponding liability using the Monte Carlo method based on estimates of potential pay-out scenarios. Probabilities were applied to each potential scenario and the resulting values were discounted using a rate that considers weighted average cost of capital as well as a specific risk premium associated with the riskiness of the earn-out itself, the related projections, and volatility in the fair value of our common stock. The contingent consideration liability is classified as a component of non-current liabilities in our consolidated balance sheets as the contingent consideration will be settled in shares of our common stock. Changes to the contingent consideration liability are reflected as part of general and administrative expense in our consolidated statements of operations. Changes to the unobservable inputs could have a material impact on our condensed consolidated financial statements.

The following table sets forth a summary of the changes in the estimated fair value of the contingent consideration liability, which is measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Balance at December 31, 2019	$ —
Contingent consideration liability from Able Health acquisition (see note 2)	3,025
Change in fair value of contingent consideration liability	(359)
Balance at March 31, 2020	$ 2,666

8. Accrued liabilities

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

	As of March 31, 2020	As of December 31, 2019
Accrued compensation and benefit expenses	$ 3,806	$ 4,278
Other accrued expenses	3,024	4,666
Total accrued liabilities	$ 6,830	$ 8,944

9. Credit Facilities

As of March 31, 2020, our term credit facilities consisted of the following, excluding unamortized debt discount and issue costs of $1.5 million (in thousands):

	Balance	Remaining Capacity	Interest Rate	Basis Rate
OrbiMed term loan	$ 50,000	$ 30,000	10.00%	Higher of LIBOR plus 7.5% and 10.0%
SVB revolving line of credit	—	5,000	3.75%	Prime plus 0.50%
Total credit facilities	50,000	$ 35,000		
Less: Current portion of credit facilities	—			
Credit facilities, less current portion	$ 50,000			

As of December 31, 2019, our term credit facilities consisted of the following, excluding unamortized debt discount and issue costs of $1.8 million (in thousands):

	Balance	Remaining Capacity	Interest Rate	Basis Rate
OrbiMed term loan	$ 50,000	$ 30,000	10.00%	Higher of LIBOR plus 7.5% and 10.0%
SVB revolving line of credit	—	5,000	5.25%	Prime plus 0.50%
Total credit facilities	50,000	$ 35,000		
Less: Current portion of credit facilities	—			
Credit facilities, less current portion	$ 50,000			

OrbiMed term loan

On February 6, 2019, we entered into a debt financing agreement with OrbiMed Royalty Opportunities II, LP (OrbiMed) where we obtained an $80.0 million senior term loan commitment, with $50.0 million available and up to an additional $30.0 million contingently available on or prior to March 31, 2020 (the Delayed Draw Commitment). We paid $2.4 million in fees related to the establishment of the OrbiMed term loan and incurred $0.3 million in debt issuance costs. The Delayed Draw Commitment is contingent upon our achievement of minimum levels of technology revenues ranging from technology revenues for the latest 12 months of at least $60.0 million to borrow up to $10.0 million, to a minimum of $80.0 million in technology revenues to borrow between $25.0 million and $30.0 million.

The contractual interest rate of the OrbiMed term loan is the higher of LIBOR plus 7.5% and 10.0%. Interest payments are required at the end of each month and monthly installment payments on principal begin in February 2023 and will be based on the then outstanding principal balance divided by 12. The maturity date of the OrbiMed term loan is February 6, 2024. Upon the payment of all or any portion of the principal amount on the OrbiMed term loan, we are required to pay an exit fee of 5% of the principal amount paid. This exit fee is being accreted as interest expense over the contractual term of the loan. If we elect to prepay portions of the principal balance prior to the 48-month anniversary of the closing date we would be required to pay a repayment premium ranging from 1% to 12% of the principal balance prepaid depending on the period in which the prepayment is made.

Amounts borrowed under the OrbiMed term loan are secured by a first priority security interest in substantially all of our assets other than intellectual property. In the event of default, OrbiMed may accelerate amounts outstanding, terminate the credit facility, and foreclose on the collateral. The agreement also includes a financial covenant requiring the achievement of minimum trailing twelve-month revenue amounts as well as certain other financial and non-financial covenants. We were in compliance with these covenants under the terms of the OrbiMed term loan as of March 31, 2020.

SVB revolving line of credit

In June 2016, we signed a Loan and Security Agreement with Silicon Valley Bank (SVB) which established a revolving line of credit based on a formula amount. On February 6, 2019, we amended the Loan and Security Agreement with SVB which reduced the revolving line of credit to a current maximum of $5.0 million with an obligation to maintain a minimum of $5.0 million cash or cash equivalents on deposit with SVB to maintain the assurance of future credit availability. The line may be increased to $10.0 million upon request and approval by SVB. The maturity date of the revolving line of credit was amended to be February 6, 2021.

10. Stockholders' Equity (Deficit)

Amendment and Restatement of Certificate of Incorporation

In connection with the IPO, the certificate of incorporation of Health Catalyst was amended and restated to, among other things, provide for the (i) authorization of 500,000,000 shares of common stock with a par value of $0.001 per share; (ii) authorization of 25,000,000 shares of undesignated preferred stock that may be issued from time to time; and (iii) establishment of a classified board of directors, divided into three classes, each of whose members will serve for staggered three-year terms.

Preferred Stock

Our board of directors has the authority, without further action by our stockholders, to issue up to 25,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, and privileges thereof, including voting rights. As of March 31, 2020 and December 31, 2019, no shares of this preferred stock were issued and outstanding.

Common stock

We had 500,000,000 shares of $0.001 par value common stock authorized, of which 37,838,276 and 36,731,632 shares were legally issued and outstanding as of March 31, 2020 and December 31, 2019, respectively. The shares legally issued and outstanding as of December 31, 2019 included 52,778 shares issued to former employees with notes determined to be substantively nonrecourse and, as such, for accounting purposes were not considered to be outstanding shares of common stock. These notes were repaid in full by the former employees during the three months ended March 31, 2020, and the shares issued are included in the outstanding shares of common stock for accounting purposes as of March 31, 2020. Each share of common stock has the right to one vote on all matters submitted to a vote of stockholders. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the board of directors, subject to prior rights of holders of all classes of stock outstanding having priority rights as to dividends. No dividends have been declared or paid on our common stock through March 31, 2020.

11. Net Loss Per Share

The following table presents the calculation of basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share amounts):

	Three Months Ended March 31,	
	2020	2019
Numerator:		
Net loss attributable to common stockholders	$ (17,490)	$ (77,735)
Denominator:		
Weighted-average number of shares used in calculating net loss per share attributable to common stockholders, basic and diluted	37,108,998	4,795,195
Net loss per share attributable to common stockholders, basic and diluted	$ (0.47)	$ (16.21)

During the three months ended March 31, 2020 and 2019, we incurred net losses and, therefore, the effect of our stock options, restricted stock units, purchase rights committed or shares issued under our employee stock purchase plan, restricted shares, common stock warrants, and redeemable convertible preferred stock (as converted) were not included in the calculation of diluted net loss per share attributable to common stockholders as the effect would be anti-dilutive. The following table contains share totals with a potentially dilutive impact:

	As of March 31,	
	2020	2019
Redeemable convertible preferred stock	—	23,151,481
Common stock options	6,640,662	8,185,942
Restricted stock units	2,145,968	—
Employee stock purchase plan	87,107	—
Restricted shares	179,392	—
Common stock warrants	—	255,336
Total potentially dilutive securities	9,053,129	31,592,759

12. Stock-Based Compensation

In 2011, our board of directors adopted the Health Catalyst, Inc. 2011 Stock Incentive Plan (2011 Plan), which provided for the direct award, sale of shares, and granting of RSUs and options for our common stock to our directors, team members, or consultants. In connection with our IPO, our board of directors adopted the 2019 Stock Option and Incentive Plan (2019 Plan). The 2019 Plan provides flexibility to our compensation committee to use various equity-based incentive awards as compensation tools to motivate our workforce, including the grant of incentive and nonstatutory stock options, restricted and unrestricted stock, RSUs, and stock appreciation rights to our directors, team members, or consultants.

We have initially reserved 2,756,607 shares of our common stock (2,500,000 under the 2019 Plan and 256,607 shares under the 2011 Plan that were available immediately prior to the IPO registration date). The 2019 Plan provides that the number of shares reserved available for issuance under the plan will automatically increase each January 1, beginning on January 1, 2020, by 5% of the outstanding number of shares of our common stock on the immediately preceding December 31, or such lesser number of shares as determined by our compensation committee. As of January 1, 2020, there were an additional 1,836,581 shares reserved for issuance under the 2019 Plan.

As of March 31, 2020 and December 31, 2019, there were 13,109,459 and 11,272,878 shares authorized for grant, respectively, and 2,662,138 and 2,309,370 shares available for grant, respectively, under the 2019 Plan and 2011 Plan (collectively the 'Stock Incentive Plan').

All options were granted with an exercise price determined by the board of directors that was equal to the estimated fair value of our common stock at the date of grant, based on the information known on the date of grant. Subject to certain exceptions defined in the Stock Incentive Plan related to an employee's termination, options generally expire on the tenth anniversary of the applicable grant date.

We have issued two types of employee stock-based awards, standard and two-tier. Our standard stock-based awards vest solely on a service-based condition. For these awards, we recognize stock-based compensation based on the grant date fair value of the awards and recognize that cost using the straight-line method over the requisite service period of the award. Two-tier employee stock-based awards contain both a service-based condition and performance condition, defined as the earlier of (i) an acquisition or change in control of the company or (ii) upon the occurrence of our initial public offering. A change in control event and effective registration event are not deemed probable until consummated; accordingly, no expense is recorded related to two-tier stock-based awards until the performance condition becomes probable of occurring. Awards which contain both service-based and performance conditions are recognized using the accelerated attribution method once the performance condition is probable of occurring. The service-based condition is generally a service period of four years. Upon closing our IPO, we recorded cumulative share-based compensation expense using the accumulated attribution method for two-tier employee stock-based awards for which the service condition had been satisfied at that date.

The fair value of options, which vest in accordance with service schedules, is estimated on the date of grant using the Black-Scholes option pricing model. Prior to our IPO, the absence of an active market for our common stock required us to estimate the fair value of our common stock for purposes of granting stock-based awards, including stock options and RSUs, and for determining stock-based compensation expense for the periods presented. We obtained contemporaneous third-party valuations to assist in determining the estimated fair value of our common stock. These contemporaneous third-party valuations used the methodologies, approaches, and assumptions consistent with the American Institute of Certified Public Accountants Practice Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. Expected volatilities are based on historical volatilities of comparable companies when our own historical volatility is not available for a sufficient time period. The expected term of the options is based on the simplified method outlined in the SEC Staff accounting guidance, under which we estimate the term as the average of the option's contractual term and the option's weighted average vesting period. The risk-free rate represents the yield on U.S. Treasury bonds with maturity equal to the expected term of the granted option. We account for forfeitures as they occur. All standard stock-based awards outstanding at March 31, 2020 and December 31, 2019 are expected to vest according to their specific schedules.

The measurement date for non-employee awards is the date of grant. The compensation expense for non-employees is recognized, without changes in the fair value of the award, in the same period and in the same manner as though we had paid cash for the services, which is typically the vesting period of the respective award.

The following two tables summarize our total stock-based compensation expense by award type and where the stock-based compensation expense was recorded in our consolidated statements of operations (in thousands):

	Three Months Ended March 31,	
	2020	2019
Options	$ 2,542	$ 1,656
Restricted stock units	5,117	—
Employee stock purchase plan	492	—
Restricted shares	590	—
Total stock-based compensation	$ 8,741	$ 1,656

	Three Months Ended March 31,	
	2020	2019
Cost of revenue	$ 992	$ 181
Sales and marketing	3,182	783
Research and development	1,882	222
General and administrative	2,685	470
Total stock-based compensation	$ 8,741	$ 1,656

Stock Options

There were no stock options granted during the three months ended March 31, 2020. The fair value of our prior year option grants was estimated at the grant date using the Black-Scholes option-pricing model based on the following weighted average assumptions:

	Three Months Ended March 31,
	2019
Expected volatility	44.5%
Expected term (in years)	6.3
Risk-free interest rate	2.5%
Expected dividends	—

A summary of the share option activity under the 2019 Plan for the three months ended March 31, 2020, is as follows:

	Time-Based Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
Outstanding at January 1, 2020	7,847,716	$ 10.67		
Options exercised	(1,048,760)	8.63		
Options cancelled/forfeited	(158,294)	11.40		
Outstanding at March 31, 2020	6,640,662	$ 10.98	7.3	$ 107,935,288
Vested and expected to vest as of March 31, 2020	6,640,662	$ 10.98	7.3	$ 107,935,288
Vested and exercisable as of March 31, 2020	3,762,413	$ 9.91	6.4	$ 65,160,129

The aggregate intrinsic value of stock options exercised was $35.2 million for the three months ended March 31, 2020. The total grant-date fair value of stock options vested during the three months ended March 31, 2020 was $4.2 million. As of March 31, 2020, approximately $13.3 million of unrecognized compensation expense related to our stock options is expected to be recognized over a remaining weighted-average period of 2.2 years.

The options exercised for accounting purposes during the three months ended March 31, 2020 include 52,778 of shares issued to former employees with notes determined to be substantively nonrecourse, which were repaid in full during the period.

Restricted Stock Units

The service-based condition for RSUs is generally satisfied over four years with a 25% cliff vesting period of one year and ratable quarterly vesting thereafter. The following table sets forth the outstanding RSUs and related activity for the three months ended March 31, 2020:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested and outstanding at January 1, 2020	503,861	$ 37.57
RSUs granted	1,655,232	33.61
RSUs forfeited	(13,125)	36.12
Unvested and outstanding at March 31, 2020	2,145,968	$ 34.52

As of March 31, 2020, we had $66.9 million of unrecognized stock-based compensation expense related to outstanding RSUs expected to be recognized over a remaining weighted-average period of 3.5 years.

Employee Stock Purchase Plan

In connection with our IPO in July 2019, our board of directors adopted the ESPP and a total of 750,000 shares of common stock were initially reserved for issuance under the ESPP. The number of shares of common stock available for issuance under the ESPP will be increased on the first day of each calendar year beginning January 1, 2020 and each year thereafter until the ESPP terminates. The number of shares of common stock reserved and available for issuance under the ESPP shall be cumulatively increased by the least of (i) 750,000 shares, (ii) one percent of the number of shares of common stock issued and outstanding on the immediately preceding December 31, and (iii) such lesser number of shares of common stock as determined by the ESPP Administrator. As of January 1, 2020, there were an additional 367,316 shares reserved for issuance under the ESPP.

The ESPP generally provides for six-month offering periods, the exception being the first offering period. The offering periods generally start on the first trading day after June 30 and December 31 of each year.

The ESPP permits participants to elect to purchase shares of common stock through fixed percentage contributions from eligible compensation during each offering period, not to exceed 15% of the eligible compensation a participant receives during an offering period or accrue at a rate which exceeds $25,000 of the fair value of the stock (determined on the option grant date(s)) for each calendar year. A participant may purchase the lowest of (a) a number of shares of common stock determined by dividing such participant's accumulated payroll deductions on the exercise date by the option price, (b) 2,500 shares; or (c) such other lesser maximum number of shares as shall have been established by the Administrator in advance of the offering period. Amounts deducted and accumulated by the participant will be used to purchase shares of common stock at the end of each offering period. The purchase price of the shares will be 85% of the lower of the fair value of common stock on the first trading day of each offering period or on the purchase date, except for the first offering period, for which the purchase price will be 85% of the lower of (i) the IPO price or (ii) the fair value of common stock on the purchase date.

Participants may end their participation at any time during an offering period and will be paid their accumulated contributions that have not been used to purchase shares of common stock. Participation ends automatically upon termination of employment.

The fair value of the purchase right for the ESPP option is estimated on the date of grant using the Black-Scholes model with the following assumptions for the current offering period:

	Three Months Ended March 31, 2020
Expected volatility	54.9%
Expected term (in months)	6
Risk-free interest rate	1.6%
Expected dividends	—

As of March 31, 2020, a total of 87,107 shares were issuable to employees based on ESPP contribution elections and unrecognized ESPP compensation cost was $0.4 million, which is expected to be recognized over the remaining portion of the current offering period during the three months ending June 30, 2020. As of March 31, 2020, 982,550 shares are available for future issuance under the ESPP.

Restricted Shares

As part of the Able Health acquisition that closed on February 21, 2020, 179,392 shares of our common stock were issued pursuant to the terms of the acquisition agreement and are a stock-based compensation arrangement subject to a restriction agreement. The vesting of those shares is subject to one year of continuous service by the applicable team members and shall vest on the one-year anniversary of the acquisition closing date.

As of March 31, 2020, we had $4.8 million of unrecognized stock-based compensation expense related to outstanding restricted shares expected to be recognized over a weighted average period of 0.8 years.

13. Income Taxes

The tax provision for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that arise during the period. Each quarter, we update our estimate of the annual effective tax rate, and if the estimated annual effective tax rate changes, we make a cumulative adjustment in such period. The quarterly tax provision and the estimate of our annual effective tax rate are subject to variation due to several factors, including variability in our loss before income taxes, the mix of jurisdictions to which such income or loss relates, changes in how we conduct business, and tax law developments.

For the three months ended March 31, 2020 and 2019, our estimated effective tax rate was 6.6% and (0.1)%, respectively. The variations between our estimated effective tax rate and the U.S. statutory rate are primarily due to our full valuation allowance.

We consider all available evidence to evaluate the recovery of deferred tax assets, including historical levels of income, legislative developments, and risks associated with estimates of future taxable income. We have provided a full valuation allowance for our net deferred tax assets as of March 31, 2020 and December 31, 2019, due to the uncertainty surrounding the future realization of such assets and the cumulative losses we have generated.

The income tax benefit of $1.2 million recorded for the three months ended March 31, 2020, is primarily related to the discrete deferred tax benefit attributable to the release of a portion of the valuation allowance during the quarter. The release of valuation allowance is attributable to the acquisition of Able Health, which resulted in deferred tax liabilities that, upon acquisition, allowed us to recognize certain deferred tax assets of $1.3 million that had previously been offset by a valuation allowance.

We recognize tax benefits from uncertain tax positions when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. We believe that we have provided adequate reserves for income tax uncertainties in all open tax years. We do not anticipate material changes in the total amount of our unrecognized tax benefits within 12 months of the reporting date.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted and signed into U.S. law to provide economic relief to individuals and businesses facing economic hardship as a result of the COVID-19 pandemic. Changes in tax laws or rates are accounted for in the period of enactment. We are continuing to analyze these legislative developments and believe that the income tax provisions of the CARES Act do not have a significant impact on our current taxes, deferred taxes, or uncertain tax positions.

14. Commitments and Contingencies

Lease commitments

We lease office space and certain equipment under operating leases that expire between 2020 and 2031. The terms of the leases provide for rental payments on a graduated scale, options to renew the leases (one to five years), landlord incentives or allowances, and periods of free rent.

During the three months ended March 31, 2020, we entered into a lease for office space in South Jordan, Utah, that will become our new company headquarters. This new lease for office space is intended to replace our current headquarters in Salt Lake City, Utah, the lease for which expires December 31, 2020. This new lease has not yet commenced, but will require future lease payments of approximately $31.7 million with a non-cancelable lease term of 11 years, excluding renewal options, that are not yet recorded on our condensed consolidated balance sheets. Lease payments will be required beginning January 1, 2021, however, we expect the accounting lease commencement date for this initial portion of the lease financial reporting purposes to begin in the second or third quarter of 2020. According to the terms of this new lease agreement, our leased square footage will expand between 2022 and 2023 resulting in approximately $2.8 million of additional required future lease payments. We shall have the right to sublease all, or a portion, of this leased office space provided that certain terms and conditions are met.

Litigation

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

We are involved in legal proceedings from time to time that arise in the normal course of business. As of March 31, 2020 and December 31, 2019, there were no significant outstanding claims against us.

15. Deferred Revenue and Performance Obligations

Deferred revenue includes advance customer payments and billings in excess of revenue recognized. For the three months ended March 31, 2020 and 2019, 33% and 36%, respectively, of the revenue recognized was included in deferred revenue at the beginning of the period.

Transaction price allocated to the remaining performance obligations

Most of our technology and professional services contracts have up to a three-year term, of which the vast majority are terminable after one year upon 90 days’ notice. For arrangements that do not allow the customer to cancel within one year or less, we expect to recognize $49.9 million of revenue on unsatisfied performance obligations as of March 31, 2020. We expect to recognize approximately 85% of the remaining performance obligations over the next 24 months, with the balance recognized thereafter.

16. Related Parties

We have entered into arrangements with a customer where a member of the customer’s management is currently a member of our board of directors. An executive of a Partners HealthCare affiliate has served on our board of directors since January 2018.

We recognized revenue from this related party of $0.7 million and $0.7 million for the three months ended March 31, 2020 and 2019, respectively.

As of March 31, 2020 and December 31, 2019, we had receivables from this related party of $0.4 million and $0.6 million, respectively, and deferred revenue with this related party of $0.3 million and $0.5 million, respectively. As of March 31, 2020 and December 31, 2019, we also had acquisition-related consideration payable to this related party for a prior year asset acquisition. This asset acquisition occurred prior to this entity becoming a related party. The acquisition-related consideration payable to this related party was $1.2 million and $1.2 million as of March 31, 2020 and December 31, 2019, respectively.

We have also entered into revenue arrangements with customers that are also our investors. None of these customers hold a significant amount of ownership in our equity interests.

17. Segments

We operate our business in two operating segments that also represent our reportable segments. Our business is organized based on our technology offerings and professional services. Accordingly, our segments are:

- Technology - Our technology segment (Technology) includes our data platform, analytics applications and support services. Technology generates revenues primarily from contracts that are cloud-based subscription arrangements, time-based license arrangements, and maintenance and support fees; and

- Professional Services - Our professional services segment (Professional Services) is generally the combination of data and analytics, domain expertise, outsourcing, and implementation services to deliver expertise to our customers to more fully configure and utilize the benefits of our Technology offerings.

Revenues and cost of revenues generally are directly attributed to our segments. All segment revenues are from our external customers. Asset and other balance sheet information at the segment level is not reported to our Chief Operating Decision Maker.

Segment revenue and Adjusted Gross Profit for the three months ended March 31, 2020 and 2019 were as follows (in thousands):

	Three Months Ended March 31,	
	2020	2019
Revenue		
Technology	$ 24,699	$ 20,148
Professional Services	20,417	15,065
Total	$ 45,116	$ 35,213

	Three Months Ended March 31,	
	2020	2019
Adjusted Gross Profit		
Technology	$ 16,969	$ 13,429
Professional Services	5,071	4,747
Total reportable segments Adjusted Gross Profit	22,040	18,176
Less Adjusted Gross Profit reconciling items:		
Stock-based compensation	(992)	(181)
Post-acquisition restructuring costs[(1)]	—	(108)
Less other reconciling items:		
Sales and marketing	(13,487)	(10,473)
Research and development	(13,088)	(10,022)
General and administrative	(9,701)	(6,174)
Depreciation and amortization	(2,877)	(2,312)
Debt extinguishment costs	—	(1,670)
Interest and other expense, net	(621)	(945)
Net loss before income taxes	$ (18,726)	$ (13,709)

(1) Post-acquisition restructuring costs included in the Adjusted Gross Profit reconciliation above relate to severance charges following the acquisition of Medicity.

18. Subsequent Events

Convertible Senior Notes

On April 14, 2020, we issued $230.0 million in aggregate principal amount of 2.50% Convertible Senior Notes due 2025 (the Notes), in a private placement to qualified institutional buyers exempt from registration under the Securities Act (the Note Offering). The net proceeds from the issuance of the Notes were approximately $222.5 million, after deducting the initial purchasers' discounts and estimated issuance costs.

The Notes are governed by an indenture (the Indenture) between us, as the issuer, and U.S. Bank National Association, as trustee. The Notes are our senior, unsecured obligations and will accrue interest payable semiannually in arrears on April 15 and October 15 of each year, beginning on October 15, 2020, at a rate of 2.50% per year. The Notes will mature on April 15, 2025, unless earlier converted, redeemed, or repurchased. The Indenture does not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness, or the issuance or repurchase of securities by us or any of our subsidiaries.

We may not redeem the notes prior to April 20, 2023. On or after April 20, 2023, we may redeem, for cash, all or portion of the notes, at our option, if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the notes.

A holder may convert all or any portion of its Notes at its option, subject to certain conditions and during certain periods, into cash, shares of our common stock or a combination of cash and shares of our common stock, with the form of consideration determined at our election. Note holders will have the right to require us to repurchase all or a portion of their notes at 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date, upon the occurrence of certain events. The conversion rate is initially 32.6797 shares of our common stock per $1,000 principal amount of Notes (which is equivalent to an initial conversion price of approximately $30.60 per share of our common stock).

Given the recent timing of the closing of the Notes, we have not yet finalized the accounting, including the estimated fair value of the separate liability and equity components.

Capped Calls

On April 8, 2020, concurrently with the pricing of the Notes, we entered into privately negotiated capped call transactions (Base Capped Calls) with certain option counterparties. In addition, in connection with the initial purchasers' exercise in full of their option to purchase additional Notes, on April 9, 2020, we entered into additional capped call transactions (the Additional Capped Calls, and, together with the Base Capped Calls, the Capped Calls) with each of the option counterparties. We used approximately $21.6 million of the net proceeds from the Note Offering to pay the cost of the Capped Calls. The Capped Calls have initial cap prices of $42.00 per share, subject to certain adjustments. The Capped Calls are expected generally to reduce the potential dilution to our common stock upon any conversion of Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to the cap price. The Capped Calls are separate transactions that we entered into with the option counterparties, and are not part of the terms of the Notes. As the Capped Call transactions are considered indexed to our own stock and are considered equity classified, they will be recorded in stockholders' equity and will not be accounted for as derivatives. The cost incurred in connection with the Capped Calls will be recorded as a reduction to additional paid-in capital on our condensed consolidated balance sheets.

Extinguishment of OrbiMed term loan

In addition, on April 14, 2020, we used $57.0 million of proceeds from the Note Offering to prepay in full all outstanding indebtedness, including prepayment penalties, under our Credit Agreement (the Credit Agreement) with OrbiMed, dated February 6, 2019, as amended, and terminate the Credit Agreement, which had provided us with a term loan of up to $80.0 million due on February 6, 2024, at an interest rate of the higher of LIBOR plus 7.5% and 10.0%. We currently estimate that there will be a loss on debt extinguishment of approximately $8.5 million recorded during the three months ended June 30, 2020, including approximately $1.5 unamortized debt discounts and issuance costs related to the OrbiMed term loan and $7.0 million of repayment fees.

Extinguishment of SVB revolving line of credit

On April 8, 2020, we entered into a Pay-Off Letter Agreement with SVB, pursuant to which we paid to SVB immaterial termination costs, representing all amounts due and owing under the Amended and Restated Loan and Security Agreement (the Loan Agreement), dated as of October 6, 2017, with SVB, in exchange for, among other things, (i) full discharge of all of our obligations under the Loan Agreement; and (ii) release of security interests and other liens granted to or held by SVB as a security for our obligations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements, the accompanying notes, and other financial information included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results could differ materially from those forward-looking statements below. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed in "Risk Factors" and "Special Note Regarding Forward-looking Statements."

Overview

We are a leading provider of data and analytics technology and services to healthcare organizations and we currently employ more than 900 team members. Our Solution comprises a cloud-based data platform, analytics software, and professional services expertise. Our customers, which are primarily healthcare providers, use our Solution to manage their data, derive analytical insights to operate their organization, and produce measurable clinical, financial, and operational improvements. We envision a future where all healthcare decisions are data informed.

Highlights from the three months ended March 31, 2020:

- We recognized total revenue of $45.1 million and $35.2 million for the three months ended March 31, 2020 and 2019, respectively. The growth in revenue was primarily due to revenue from new customers and existing customers paying higher technology access fees from contractual, annual escalators.

- We incurred net losses of $(17.5) million and $(13.7) million for the three months ended March 31, 2020 and 2019, respectively.

- Our Adjusted EBITDA was $(6.0) million and $(6.7) million for the three months ended March 31, 2020 and 2019, respectively. See "Key Financial Metrics—Reconciliation of Non-GAAP Financial Measures" for more information about this financial measure, including the limitations of such measure and a reconciliation to the most directly comparable measure calculated in accordance with GAAP.

See "Key Factors Affecting Our Performance" for more information about important opportunities and challenges related to our business.

COVID-19 Impact

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This pandemic, which has continued to spread, and the related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, governments, customers, economies, and financial markets globally, leading to an economic downturn and increased market volatility. It has also disrupted the normal operations of many businesses, including ours. COVID-19 has disrupted and we believe will continue to disrupt the normal operations of our customers, which are primarily healthcare providers.

Given the unknown timeline and the near-term uncertainty of COVID-19 on our business, we are unable to predict the extent to which the global COVID-19 pandemic may adversely impact our business operations, financial performance, and results of operations at this time. While greater than 90% of our revenue is recurring in nature, we anticipate COVID-19 will likely negatively affect our new DOS Subscription Customer additions and Dollar-based Retention Rate over the coming months.

We have observed that the COVID-19 crisis has led the majority of U.S. healthcare providers to prioritize their response to this healthcare pandemic as their number one priority. In many instances, we anticipate this will lead to these organizations realizing a high level of distraction from beginning new vendor relationships. We also anticipate that many healthcare providers may be challenged financially as a result of the COVID-19 pandemic, as their higher margin elective procedures are delayed. We believe these factors may impact the rate at which we add new customers. On the other hand, we have rapidly developed a number of technology and services solutions designed specifically to support healthcare providers during the COVID-19 pandemic. We believe this may enable us to acquire some level of new customers during the COVID-19 pandemic.

We benefit from a high level of technology revenue predictability, especially our all-access DOS subscription customers that have built-in, contractual technology revenue escalators. We also have developed a number of technology and services solutions designed specifically to support healthcare providers during the COVID-19 pandemic. We believe these solutions, coupled with our open data platform, should help us continue to drive high levels of customer retention. We do, however, anticipate that many of our healthcare provider customers will likely be challenged financially as a result of the COVID-19 pandemic, as their higher margin elective procedures are delayed. In light of this, we anticipate we could see lower levels of Professional Services net retention relative to historical performance. Importantly, we intend to support our customers through the near-term financial strain they may experience. As such, there may be situations where we provide our Professional Services at a discounted rate, potentially resulting in lower Professional Services revenue and Adjusted Gross Margin.

Any negative impact to 2020 total revenue caused by the COVID-19 pandemic will result in a negative impact to our 2020 Adjusted EBITDA. We plan to partially offset any negative total revenue impact through cost containment efforts, resulting in less of a negative Adjusted EBITDA impact compared to the negative total revenue impact. Importantly, in our response to the COVID-19 pandemic, we remain centrally committed to our team members, ensuring they stay at the center of the Health Catalyst Flywheel. As such, any cost containment efforts implemented will have a bias towards non-headcount related items.

Over the long run, we believe that this global pandemic highlights the need for data and analytics, both at the healthcare provider level and the state and national healthcare infrastructure level.

Key Financial Metrics

We regularly review a number of metrics, including the following key financial metrics, to manage our business and evaluate our operating performance compared to that of other companies in our industry:

	Three Months Ended March 31,	
	2020	2019
	(in thousands, except percentages)	
Total revenue	$ 45,116	$ 35,213
Adjusted Technology Gross Profit	$ 16,969	$ 13,429
Adjusted Technology Gross Margin	69 %	67 %
Adjusted Professional Services Gross Profit	$ 5,071	$ 4,747
Adjusted Professional Services Gross Margin	25 %	32 %
Total Adjusted Gross Profit	$ 22,040	$ 18,176
Total Adjusted Gross Margin	49 %	52 %
Adjusted EBITDA	$ (5,971)	$ (6,680)

We monitor the key metrics set forth in the preceding table to help us evaluate trends, establish budgets, measure the effectiveness and efficiency of our operations, and determine employee incentives. Adjusted Gross Profit, Adjusted Gross Margin, and Adjusted EBITDA are non-GAAP financial measures, which we discuss in more detail below.

Reconciliation of Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe certain non-GAAP measures, including Adjusted Gross Profit, Adjusted Gross Margin, and Adjusted EBITDA, are useful in evaluating our operating performance. We use this non-GAAP financial information to evaluate our ongoing operations, as a component in determining employee bonus compensation, and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance. However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. In addition, other companies, including companies in our industry, may calculate similarly-titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures, and not to rely on any single financial measure to evaluate our business.

Adjusted Gross Profit and Adjusted Gross Margin

Adjusted Gross Profit is a non-GAAP financial measure that we define as revenue less cost of revenue, excluding depreciation and amortization and excluding stock-based compensation, and post-acquisition restructuring costs, as applicable. We define Adjusted Gross Margin as our Adjusted Gross Profit divided by our revenue. We believe Adjusted Gross Profit and Adjusted Gross Margin are useful to investors as they eliminate the impact of certain non-cash expenses and allow a direct comparison of these measures between periods without the impact of non-cash expenses and certain other non-recurring operating expenses. We believe these non-GAAP measures are useful in evaluating our operating performance compared to that of other companies in our industry, as these metrics generally eliminate the effects of certain items that may vary from company to company for reasons unrelated to overall profitability.

See above for information regarding the limitations of using our Adjusted Gross Profit and Adjusted Gross Margin as financial measures. The following is a reconciliation of our Adjusted Gross Profit to revenue, the most directly comparable financial measure calculated in accordance with GAAP, for the three months ended March 31, 2020 and 2019.

	Three Months Ended March 31, 2020 (in thousands, except percentages)		
	Technology	**Professional Services**	**Total**
Revenue	$ 24,699	$ 20,417	$ 45,116
Cost of revenue, excluding depreciation and amortization	(7,906)	(16,162)	(24,068)
Gross profit, excluding depreciation and amortization	16,793	4,255	21,048
Add:			
Stock-based compensation	176	816	992
Adjusted Gross Profit	$ 16,969	$ 5,071	$ 22,040
Gross margin, excluding depreciation and amortization	68 %	21 %	47 %
Adjusted Gross Margin	69 %	25 %	49 %

	Three Months Ended March 31, 2019		
	(in thousands, except percentages)		
	Technology	Professional Services	Total
Revenue	$ 20,148	$ 15,065	$ 35,213
Cost of revenue, excluding depreciation and amortization	(6,752)	(10,574)	(17,326)
Gross profit, excluding depreciation and amortization	13,396	4,491	17,887
Add:			
Stock-based compensation	33	148	181
Post-acquisition restructuring costs[1]	—	108	108
Adjusted Gross Profit	$ 13,429	$ 4,747	$ 18,176
Gross margin, excluding depreciation and amortization	66 %	30 %	51 %
Adjusted Gross Margin	67 %	32 %	52 %

(1) Post-acquisition restructuring costs included in the Adjusted Gross Profit reconciliation above relate to severance charges following the 2018 acquisition of Medicity.

Adjusted Technology Gross Margin increased from 67% for the three months ended March 31, 2019 to 69% for the three months ended March 31, 2020. We expect Adjusted Technology Gross Margin to fluctuate and potentially decline in the near term, primarily due to additional costs associated with transitioning customers from on-premise and our managed data centers to third-party hosted data centers with Microsoft Azure.

Adjusted Professional Services Gross Margin decreased from 32% for the three months ended March 31, 2019 to 25% for the three months ended March 31, 2020, due primarily to a change in the mix of professional services we provided. Our professional services are comprised of data and analytics services, domain expertise services, outsourcing services, and implementation services. While the majority of our professional services revenue is generated from data and analytic services and domain expertise services, the delivery mix between these services in a given quarter can lead to fluctuations in our Adjusted Professional Services Gross Margin. Adjusted Professional Services Gross Margin may fluctuate and potentially decline in the near term due to changes in the mix of services we provide and additional compensation costs related to an increase in headcount. Furthermore, Adjusted Professional Services Gross Margin may decline in the near term as we support our customers through the near-term financial strain caused by COVID-19 through discounted services in certain situations.

We anticipate Adjusted Gross Margin will generally increase over the long term though it may fluctuate period to period.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that we define as net loss adjusted for interest and other expense, net, loss on debt extinguishment, income tax provision (benefit), depreciation and amortization, stock-based compensation, acquisition transaction costs, change in fair value of contingent consideration liability, and post-acquisition restructuring costs, as applicable. We believe Adjusted EBITDA provides investors with useful information on period-to-period performance as evaluated by management and comparison with our past financial performance. We believe Adjusted EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry, as this metric generally eliminates the effects of certain items that may vary from company to company for reasons unrelated to overall operating performance.

See above for information regarding the limitations of using our Adjusted EBITDA as a financial measure. The following is a reconciliation of our Adjusted EBITDA to net loss, the most directly comparable financial measure calculated in accordance with GAAP, for the three months ended March 31, 2020 and 2019.

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Net loss	$ (17,490)	$ (13,720)
Add:		
Interest and other expense, net	621	945
Loss on extinguishment of debt	—	1,670
Income tax provision (benefit)	(1,236)	11
Depreciation and amortization	2,877	2,312
Stock-based compensation	8,741	1,656
Acquisition transaction costs[1]	875	—
Change in fair value of contingent consideration liability[2]	(359)	—
Post-acquisition restructuring costs[3]	—	446
Adjusted EBITDA	$ (5,971)	$ (6,680)

(1) Acquisition transaction costs relate to legal, diligence, valuation, and other third-party fees incurred as part of the acquisition of Able Health. For additional details refer to Note 2 in our condensed consolidated financial statements.
(2) The change in fair value of contingent consideration liability relates to changes in the estimated fair value of shares of our common stock that will be issued if certain incremental billing targets for Able Health are met during an earn-out period that ends on December 31, 2020. For additional details refer to Note 7 in our condensed consolidated financial statements.
(3) Post-acquisition restructuring costs relate to severance charges following the 2018 acquisition of Medicity.

Key Factors Affecting Our Performance

We believe that our future growth, success, and performance are dependent on many factors, including those set forth below. While these factors present significant opportunities for us, they also represent the challenges that we must successfully address in order to grow our business and improve our results of operations.

- ***Impact of COVID-19 pandemic.*** The COVID-19 pandemic has adversely affected workforces, organizations, governments, customers, economies, and financial markets globally, leading to an economic downturn and increased market volatility. It has also disrupted the normal operations of many businesses, including ours. This outbreak, as well as intensified measures undertaken to contain the spread of COVID-19, could decrease healthcare industry spending, adversely affect demand for our technology and services, cause one or more of our customers to file for bankruptcy protection or go out of business, cause one or more of our customers to fail to renew, terminate, or renegotiate their contracts, affect the ability of our sales team to travel to potential customers and the ability of our professional services teams to conduct in-person services and trainings, impact expected spending from new customers, negatively impact collections of accounts receivable, and harm our business, results of operations, and financial condition. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business, results of operations, or financial condition at this time.

- ***Add new customers.*** While we anticipate that the COVID-19 pandemic may impact the rate at which we add new customers for the rest of the fiscal year, we have rapidly developed a number of technology and services solutions designed specifically to support healthcare providers during the COVID-19 pandemic, and we believe this may enable us to acquire some level of new customers during the COVID-19 pandemic. Our potential customer base is generally in the early stages of data and analytics adoption and maturity. We expect to further penetrate the market over time as potential customers invest in commercial data and analytics solutions. As one of the first data platform and analytics vendors focused specifically on healthcare organizations, we have an early-mover advantage and strong brand awareness. Our customers are large, complex organizations who typically have long procurement cycles which may lead to declines in the pace of our new customer additions.

- ***Leverage recent product and services offerings to drive expansion.*** We believe that our ability to expand within our customer base will enable us to drive growth. Over the last three years, we have developed and deployed several new analytics applications including CORUS, Touchstone, Patient Safety Monitor, Population Builder, and others. Because we are in the early stages of certain of our applications' lifecycles and maturity, we do not have enough information to know the impact on revenue growth by upselling these applications and associated services to current and new customers.

- ***Changing revenue mix***. Our technology and professional services offerings have materially different gross margin profiles. While our professional services offerings help our customers achieve measurable improvements and make them stickier, they have lower gross margins than our technology revenue. For the three months ended March 31, 2020, our technology revenue and professional services revenue represented 55% and 45% of total revenue, respectively. Changes in our revenue mix between the two offerings would impact future Total Adjusted Gross Margin. Furthermore, changes within the types of professional services we offer over time can have a material impact on our Adjusted Professional Services Gross Margin, impacting our future Total Adjusted Gross Margin. See "Key Financial Metrics—Reconciliation of Non-GAAP Financial Measures" for more information.

- ***Transitions to Microsoft Azure as DOS hosting provider.*** We incur hosting fees related to providing DOS through a cloud-based environment hosted by Microsoft Azure. We also operate a private data center where we host DOS for certain customers and we maintain a small number of customers that have deployed DOS on-premise. We are in the process of transitioning customers we host in our private data center and who deployed DOS on-premise to Azure-hosted environments. The Azure cloud provides customers with more advanced DOS product functionality and a more seamless customer experience; however, hosting customers in Azure is more costly than our private data center on a per-customer basis. This transition will result in higher cost of technology revenue and provide a headwind against increases in Adjusted Technology Gross Margin.

- ***Impact of Medicity acquisition on growth.*** Our customer base includes over 50 health systems and regional healthcare information exchanges added in the Medicity acquisition. Historically, Medicity customers have generated a lower Dollar-based Retention Rate than DOS Subscription Customers and we expect flat to declining revenue from Medicity customers in the foreseeable future. If our cross-sell efforts and technology integration strategies are successful, this could offset revenue declines from Medicity customers. Overall, the impact of the Medicity acquisition could negatively impact our revenue growth rates over time.

Components of Our Results of Operations

Revenue

We derive our revenue from sales of technology and professional services. For the three months ended March 31, 2020 and 2019, technology represented 55% and 57% of total revenue, respectively, and professional services represented 45% and 43%, of total revenue, respectively.

Technology revenue. Technology revenue primarily consists of subscription fees charged to customers for access to use our data platform and analytics applications. We provide customers access to our technology through either an all-access or limited-access, modular subscription. Most of our subscription contracts are cloud-based and have up to a three-year term, of which the vast majority are terminable after one year upon 90 days' notice. A majority of our DOS Subscription Customers access our technology through all-access subscriptions, which in the vast majority of cases have built-in annual escalators for technology access fees. Also included in technology revenue is the maintenance and support we provide, which generally includes updates and support services.

Professional services revenue. Professional services revenue primarily includes analytics services, domain expertise services, outsourcing services, and implementation services. Professional services arrangements typically include a fee for making full-time equivalent (FTE) services available to our customers on a monthly basis. FTE services generally consist of a blend of analytic engineers, analysts, and data scientists based on the domain expertise needed to best serve our customers.

Deferred revenue

Deferred revenue consists of customer billings in advance of revenue being recognized from our technology and professional services arrangements. We primarily invoice our customers for technology arrangements annually or quarterly in advance. Amounts anticipated to be recognized within one year of the balance sheet date are recorded as deferred revenue and the remaining portion is recorded as deferred revenue, net of current portion on our condensed consolidated balance sheets.

Cost of revenue, excluding depreciation and amortization

Cost of technology revenue. Cost of technology revenue primarily consists of costs associated with hosting and supporting our technology, including third-party cloud computing and hosting costs, contractor costs, and salary and related personnel costs for our cloud services and support teams.

Although we expect cost of technology revenue to increase in absolute dollars as we transition customers to third-party hosted data centers with Microsoft Azure and increase headcount to accommodate growth, we anticipate cost of technology revenue as a percentage of technology revenue will generally decrease over the long term. We expect cost of technology revenue as a percentage of technology revenue to fluctuate and potentially increase in the near term, primarily due to additional costs associated with transitioning customers from on-premise and our managed data centers to Microsoft Azure.

Cost of professional services revenue. Cost of professional services revenue consists primarily of costs related to delivering our team's expertise in analytics, strategic advisory, improvement, and implementation services. These costs primarily include salary and related personnel costs, travel-related costs, and outside contractor costs. We expect cost of professional services revenue to increase in absolute dollars as we increase headcount to accommodate growth.

Operating expense

Sales and marketing. Sales and marketing expenses primarily include salary and related personnel costs for our sales, marketing, and account management teams, lead generation, marketing events, including our Healthcare Analytics Summit (HAS), marketing programs, and outside contractor costs associated with the sale and marketing of our offerings.

We plan to continue to invest in sales and marketing to grow our customer base, expand in new markets, and increase our brand awareness. The trend and timing of sales and marketing expenses will depend in part on the timing of our expansion into new markets and marketing campaigns. We expect that sales and marketing expenses will increase in absolute dollars in future periods, but decrease as a percentage of our revenue over the long term. Our sales and marketing expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

Research and development. Research and development expenses primarily include salary and related personnel costs for our data platform and analytics applications teams, subscriptions, and outside contractor costs associated with the development of products.

We have developed an open, flexible, and scalable data platform. We plan to continue to invest in research and development to develop new solutions and enhance our applications library. We expect that research and development expenses will increase in absolute dollars in future periods, but decrease as a percentage of our revenue over the long term. Our research and development expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

General and administrative. General and administrative expenses primarily include salary and related personnel costs for our legal, finance, people operations, IT, and other administrative teams, including certain executives. General and administrative expenses also include facilities, subscriptions, corporate insurance, outside legal, accounting, directors' fees, and the change in fair value of contingent consideration liability.

Due to the closing of our IPO on July 29, 2019, we expect to incur additional costs as a result of operating as a public company, including costs related to compliance and reporting obligations of public companies, and increased costs for insurance, investor relations, and corporate governance. As a result, we expect our general and administrative expenses to increase in absolute dollars for the foreseeable future, but decrease as a percentage of our revenue over the long term. Our general and administrative expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

Depreciation and amortization. Depreciation and amortization expenses are primarily attributable to our capital investment and consist of fixed asset depreciation, amortization of intangibles considered to have definite lives, and amortization of capitalized internal-use software costs.

Interest and other expense, net

Interest and other expense, net primarily consists of interest income from our investment holdings and interest expense. Interest expense is primarily attributable to our term loan and imputed interest on acquisition-related consideration payable. It also includes the amortization of discounts on debt and amortization of deferred financing costs related to our various debt arrangements.

Income tax provision (benefit)

Income tax provision (benefit) consists of U.S. federal, state, and foreign income taxes. Because of the uncertainty of the realization of the deferred tax assets, we have a full valuation allowance for our net deferred tax assets, including net operating loss carryforwards (NOLs) and tax credits related primarily to research and development.

As of December 31, 2019, we had federal and state NOLs of $269.1 million and $215.2 million, respectively, which will begin to expire for federal and state tax purposes in 2032 and 2024, respectively. Our existing NOLs may be subject to limitations arising from ownership changes and, if we undergo an ownership change in the future, our ability to utilize our NOLs and tax credits could be further limited by Sections 382 and 383 of the Code. Future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Sections 382 and 383 of the Code. Our NOLs and tax credits may also be limited under similar provisions of state law.

Results of Operations

The following tables set forth our consolidated results of operations data and such data as a percentage of total revenue for each of the periods indicated:

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Revenue:		
Technology	$ 24,699	$ 20,148
Professional services	20,417	15,065
Total revenue	45,116	35,213
Cost of revenue, excluding depreciation and amortization shown below:		
Technology[(1)]	7,906	6,752
Professional services[(1)(3)]	16,162	10,574
Total cost of revenue, excluding depreciation and amortization	24,068	17,326
Operating expenses:		
Sales and marketing[(1)(3)]	13,487	10,473
Research and development[(1)(3)]	13,088	10,022
General and administrative[(1)(2)(4)]	9,701	6,174
Depreciation and amortization	2,877	2,312
Total operating expenses	39,153	28,981
Loss from operations	(18,105)	(11,094)
Loss on extinguishment of debt	—	(1,670)
Interest and other expense, net	(621)	(945)
Loss before income taxes	(18,726)	(13,709)
Income tax (benefit) provision	(1,236)	11
Net loss	$ (17,490)	$ (13,720)

(1) Includes stock-based compensation expense, as follows:

	Three Months Ended March 31,	
	2020	2019
Stock-Based Compensation Expense:	(in thousands)	
Cost of revenue, excluding depreciation and amortization:		
Technology	$ 176	$ 33
Professional services	816	148
Sales and marketing	3,182	783
Research and development	1,882	222
General and administrative	2,685	470
Total	$ 8,741	$ 1,656

(2) Includes acquisition transaction costs, as follows:

	Three Months Ended March 31,	
	2020	2019
Acquisition transaction costs:	(in thousands)	
Cost of revenue, excluding depreciation and amortization:		
Technology	$ —	$ —
Professional services	—	—
Sales and marketing	—	—
Research and development	—	—
General and administrative	875	—
Total	$ 875	$ —

(3) Includes post-acquisition restructuring costs, as follows:

	Three Months Ended March 31,	
	2020	2019
Post-Acquisition Restructuring Costs:	(in thousands)	
Cost of revenue, excluding depreciation and amortization:		
Technology	$ —	$ —
Professional services	—	108
Sales and marketing	—	306
Research and development	—	32
General and administrative	—	—
Total	$ —	$ 446

(4) Includes the change in fair value of contingent consideration liability, as follows:

	Three Months Ended March 31,	
	2020	2019
Change in fair value of contingent consideration liability:	(in thousands)	
Cost of revenue, excluding depreciation and amortization:		
Technology	$ —	$ —
Professional services	—	—
Sales and marketing	—	—
Research and development	—	—
General and administrative	(359)	—
Total	$ (359)	$ —

	Three Months Ended March 31,	
	2020	2019
Revenue:		
Technology	55 %	57 %
Professional services	45	43
Total revenue	100	100
Cost of revenue, excluding depreciation and amortization shown below:		
Technology	18	19
Professional service	36	30
Total cost of revenue, excluding depreciation and amortization	54	49
Operating expenses		
Sales and marketing	30	30
Research and development	29	28
General and administrative	22	18
Depreciation and amortization	6	7
Total operating expenses	87	83
Loss from operations	(41)	(32)
Loss on extinguishment of debt	—	(5)
Interest and other expense, net	(1)	(3)
Loss before income taxes	(42)	(40)
Income tax (benefit) provision	(3)	—
Net loss	(39)%	(40)%

Discussion of the Three Months Ended March 31, 2020 and 2019

Revenue

	Three Months Ended March 31,			
	2020	2019	$ Change	% Change
	(in thousands, except percentages)			
Revenue:				
Technology	$ 24,699	$ 20,148	$ 4,551	23 %
Professional services	20,417	15,065	5,352	36 %
Total revenue	$ 45,116	$ 35,213	$ 9,903	28 %
Percentage of revenue:				
Technology	55 %	57 %		
Professional services	45	43		
Total	100 %	100 %		

Total revenue was $45.1 million for the three months ended March 31, 2020, compared to $35.2 million for the three months ended March 31, 2019, an increase of $9.9 million, or 28%.

Technology revenue was $24.7 million, or 55% of total revenue, for the three months ended March 31, 2020, compared to $20.1 million, or 57% of total revenue, for the three months ended March 31, 2019. The revenue growth was primarily from new DOS Subscription Customers and additional revenue from existing customers paying higher technology access fees from contractual, annual escalators, and new offerings of expanded support services.

Professional services revenue was $20.4 million, or 45% of total revenue, for the three months ended March 31, 2020, compared to $15.1 million, or 43% of total revenue, for the three months ended March 31, 2019. The professional services revenue growth is primarily due to implementation, analytics, outsourcing, and other improvement services being provided to new DOS Subscription Customers and expanded deployment of services with existing customers.

Cost of revenue, excluding depreciation and amortization

	Three Months Ended March 31,			
	2020	2019	$ Change	% Change
	(in thousands, except percentages)			
Cost of revenue, excluding depreciation and amortization:				
Technology	$ 7,906	$ 6,752	$ 1,154	17 %
Professional services	16,162	10,574	5,588	53 %
Total cost of revenue, excluding depreciation and amortization	$ 24,068	$ 17,326	$ 6,742	39 %
Percentage of total revenue	54 %	49 %		

Cost of technology revenue, excluding depreciation and amortization, was $7.9 million for the three months ended March 31, 2020, compared to $6.8 million for the three months ended March 31, 2019, an increase of $1.2 million, or 17%. The increase in cost of technology revenue was primarily due to $0.8 million in increased cloud computing and hosting costs largely from the expanded use of Microsoft Azure to serve existing and new customers and an increase of $0.3 million in salary and related personnel costs from an increase in cloud services and support headcount.

Cost of professional services revenue was $16.2 million for the three months ended March 31, 2020, compared to $10.6 million for the three months ended March 31, 2019, an increase of $5.6 million, or 53%. This increase was primarily due to a $4.3 million increase in salary and related personnel costs from additional professional services headcount and additional stock-based compensation of $0.7 million.

Operating Expenses

Sales and marketing

	Three Months Ended March 31,			
	2020	2019	$ Change	% Change
	(in thousands, except percentages)			
Sales and marketing	$ 13,487	$ 10,473	$ 3,014	29 %
Percentage of total revenue	30 %	30 %		

Sales and marketing expenses were $13.5 million for the three months ended March 31, 2020, compared to $10.5 million for the three months ended March 31, 2019, an increase of $3.0 million, or 29%. The increase was primarily due to a $2.4 million increase in stock-based compensation and an increase of $0.3 million in contractor and outside services fees.

Sales and marketing expense as a percentage of total revenue stayed consistent at approximately 30% for both the three months ended March 31, 2019 and 2020.

Research and development

	Three Months Ended March 31,			
	2020	2019	$ Change	% Change
	(in thousands, except percentages)			
Research and development	$ 13,088	$ 10,022	$ 3,066	31 %
Percentage of total revenue	29 %	28 %		

Research and development expenses were $13.1 million for the three months ended March 31, 2020, compared to $10.0 million for the three months ended March 31, 2019, an increase of $3.1 million, or 31%. The increase was primarily due to an increase of $1.7 million in stock-based compensation and an increase of $1.1 million in salary and related personnel costs from additional development team headcount.

Research and development expense as a percentage of revenue increased from 28% in the three months ended March 31, 2019 to 29% in the three months ended March 31, 2020.

General and administrative

	Three Months Ended March 31,			
	2020	2019	$ Change	% Change
	(in thousands, except percentages)			
General and administrative	$ 9,701	$ 6,174	$ 3,527	57 %
Percentage of total revenue	22 %	18 %		

General and administrative expenses were $9.7 million for the three months ended March 31, 2020, compared to $6.2 million for the three months ended March 31, 2019, an increase of $3.5 million, or 57%. The increase was primarily due to an increase of $2.2 million in stock-based compensation and $0.9 million in transaction costs related to the acquisition of Able Health. Other increases included increased insurance costs of $0.4 million, which were offset by the decrease in the fair value of contingent consideration liability of $0.4 million.

General and administrative expense as a percentage of revenue increased from 18% in the three months ended March 31, 2019 to 22% in the three months ended March 31, 2020.

Depreciation and amortization

	Three Months Ended March 31,			
	2020	2019	$ Change	% Change
	(in thousands, except percentages)			
Depreciation and amortization	$ 2,877	$ 2,312	$ 565	24 %
Percentage of total revenue	6 %	7 %		

Depreciation and amortization expenses were $2.9 million for the three months ended March 31, 2020, compared to $2.3 million for the three months ended March 31, 2019, an increase of $0.6 million, or 24%. This increase was primarily due to the amortization of capitalized internal-use software costs and additional depreciation on property and equipment.

Depreciation and amortization expense as a percentage of revenue decreased from 7% in the three months ended March 31, 2019 to 6% in the three months ended March 31, 2020.

Loss on extinguishment of debt

	Three Months Ended March 31,			
	2020	2019	$ Change	% Change
	(in thousands, except percentages)			
Loss on extinguishment of debt	$ —	$ (1,670)	$ 1,670	(100)%

On February 6, 2019, we entered into the OrbiMed Credit Facility that established a senior term loan facility of up to $80.0 million under certain conditions and we simultaneously borrowed $50.0 million. The use of proceeds from the OrbiMed senior term loan included an immediate repayment of our $20.0 million term loan from SVB that required a prepayment premium of $0.5 million and the write-off of deferred debt issuance costs of $1.2 million, resulting in a $1.7 million loss on extinguishment of debt.

Interest and other expense, net

	Three Months Ended March 31,			
	2020	2019	$ Change	% Change
	(in thousands, except percentages)			
Interest income	$ 988	93	$ 895	962 %
Interest expense	(1,604)	(1,247)	(357)	29 %
Other (expense) income	(5)	9	(14)	(156)%
Total interest and other expense, net	$ (621)	$ (945)	$ 324	(34)%

Interest and other expense, net decreased $0.3 million, or 34%, for the three months ended March 31, 2020, compared to the three months ended March 31, 2019. This decrease is primarily due to an increase in interest income of $0.9 million due to the increase in cash equivalents and short-term investments from the IPO proceeds received in July 2019, which was partially offset by an increase in interest expense of $0.4 million due to the increase in net borrowings under the OrbiMed Credit Facility that occurred in February 2019.

Income tax provision

	Three Months Ended March 31,			
	2020	2019	$ Change	% Change
	(in thousands, except percentages)			
Income tax (benefit) provision	$ (1,236)	$ 11	$ (1,247)	n/m(1)

(1) Not meaningful.

Income tax provision consists of current and deferred taxes for U.S. federal, state, and foreign income taxes. As we have a full valuation allowance on deferred tax assets, our income tax provision typically consists primarily of minimal state and foreign income taxes.

The income tax benefit of $1.2 million recorded for the three months ended March 31, 2020, is primarily related to the discrete deferred tax benefit attributable to the release of a portion of the valuation allowance during the quarter. The release of valuation allowance is attributable to the acquisition of Able Health, which resulted in deferred tax liabilities that, upon acquisition, allowed us to recognize certain deferred tax assets of approximately $1.3 million that had previously been offset by a valuation allowance.

Liquidity and Capital Resources

As of March 31, 2020, we had cash, cash equivalents, and short-term investments of $204.6 million, which were held for working capital and other general corporate purposes, which may include potential acquisitions and strategic transactions. Our cash equivalents and short-term investments are comprised primarily of money market funds, U.S. treasury notes, commercial paper, corporate bonds, and asset-backed securities.

Since inception, we have financed our operations primarily from the proceeds we received through private sales of equity securities, payments received from customers under technology and professional services arrangements, borrowings under our loan and security agreements, and our recent IPO. Our future capital requirements will depend on many factors, including our pace of new customer growth and expanded customer relationships, technology and professional services renewal activity, and the timing and extent of spend to support the expansion of sales, marketing, and development activities. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us, or at all. If we are unable to raise additional capital when desired, our business, results of operations, and financial condition would be adversely affected.

Convertible Senior Notes

On April 14, 2020, we issued $230.0 million in aggregate principal amount of 2.50% Convertible Senior Notes due 2025 (the Notes), pursuant to an Indenture dated April 14, 2020, with U.S. Bank National Association, as trustee, in a private offering to qualified institutional buyers. We received net proceeds from the Notes of $222.5 million, after deducting the initial purchasers' discounts and offering expenses payable by us.

The Notes are senior, unsecured obligations and will accrue interest payable semiannually in arrears on April 15 and October 15 of each year, beginning on October 15, 2020, at a rate of 2.50% per year. The Notes will mature on April 15, 2025, unless earlier converted, redeemed, or repurchased. The Notes are convertible into cash, shares of our common stock, or a combination of cash and shares of our common stock, with the form of consideration determined at our election. The conversion rate is initially 32.6797 shares of our common stock per $1,000 principal amount of Notes (which is equivalent to an initial conversion price of approximately $30.60 per share of our common stock).

Capped Calls

On April 8, 2020, concurrently with the pricing of the Notes, we entered into privately negotiated capped call transactions (the Base Capped Calls) with certain financial institutions, or option counterparties. In addition, in connection with the initial purchasers' exercise in full of their option to purchase additional Notes, on April 9, 2020, we entered into additional capped call transactions (the Additional Capped Calls, and, together with the Base Capped Calls, the Capped Calls) with each of the option counterparties. We used approximately $21.6 million of the net proceeds from the Note Offering to pay the option premium cost of the Capped Calls. The Capped Calls have innitial cap prices of $42.00 per share, subject to certain adjustments. The Capped Calls are expected generally to reduce the potential dilution to our common stock upon any conversion of Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to the cap price.

Refer to Note 18 of our condensed consolidated financial statements for additional details regarding the subsequent private offering of the Notes and the Capped Calls.

Initial public offering

On July 29, 2019, we closed our IPO in which we issued and sold 8,050,000 shares (inclusive of the underwriters' over-allotment option to purchase 1,050,000 shares, which was exercised on July 25, 2019) of common stock at $26.00 per share. We received net proceeds of $194.6 million after deducting underwriting discounts and commissions and before deducting offering costs of $4.6 million.

OrbiMed financings

On February 6, 2019, we entered into the Credit Agreement with OrbiMed that established a senior term loan facility of up to $80.0 million under certain conditions. The contractual interest rate is the higher of LIBOR plus 7.5% and 10.0%. On February 6, 2019, we borrowed $50.0 million under the Credit Agreement with principal payments due beginning in 2023, and we simultaneously repaid our $20.0 million term loan from SVB in full. In addition, we repaid in full the outstanding balance of $1.3 million under the SVB revolving line of credit.

Additionally, on February 6, 2019, we sold 437,787 shares of our Series F redeemable convertible preferred stock for a purchase price of $12.2 million. The effect of the OrbiMed debt proceeds, the Series F stock issuance, and the repayment of the SVB term loan resulted in a net increase in cash, cash equivalents, and short-term investments of $38.7 million, net of fees and debt prepayment premiums.

On April 14, 2020, we used $57.0 million of proceeds from the Note Offering to prepay in full all outstanding indebtedness, including prepayment penalities, under the Credit Agreement with OrbiMed, dated February 6, 2019, as amended, and terminate the Credit Agreement.

SVB revolving line of credit

In June 2016, we signed a Loan and Security Agreement with SVB which established a revolving line of credit based on a formula amount. On February 6, 2019, we amended the Loan and Security Agreement with SVB which reduced the revolving line of credit to a current maximum of $5.0 million with an obligation to maintain a minimum of $5.0 million cash or cash equivalents on deposit with SVB to maintain the assurance of future credit availability. The line may be increased to $10.0 million upon request and approval by SVB. The maturity date of the revolving line of credit was amended to be February 6, 2021.

On April 8, 2020, we entered into a Pay-Off Letter Agreement with SVB, pursuant to which we paid to SVB immaterial termination costs, representing all amounts due and owing under the Loan Agreement, dated as of October 6, 2017, with SVB, in exchange for, among other things, (i) full discharge of all of our obligations under the Loan Agreement; and (ii) release of security interests and other liens granted to or held by SVB as a security for our obligations.

We believe our existing cash, cash equivalents and marketable securities and amounts available under our revolving credit facility will be sufficient to meet our working capital and capital expenditure needs over at least the next 12 months, though we may require additional capital resources in the future.

Cash Flows

The following table summarizes our cash flows for the three months ended March 31, 2020 and 2019:

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Net cash used in operating activities	$ (16,769)	$ (5,224)
Net cash provided by (used in) investing activities	50,146	(28,656)
Net cash provided by financing activities	9,587	37,657
Effect of exchange rate changes	(31)	—
Net increase in cash and cash equivalents	$ 42,933	$ 3,777

Operating Activities

Our largest source of operating cash flows is cash collections from our customers for technology and professional services arrangements. Our primary uses of cash from operating activities are for employee-related expenses, marketing expenses, and technology costs.

For the three months ended March 31, 2020, net cash used in operating activities was $16.8 million, which included a net loss of $17.5 million. Non-cash adjustments primarily consisted of $2.9 million in depreciation and amortization of property, equipment, and intangible assets, $8.7 million in stock-based compensation, the $0.4 million change in fair value of contingent consideration liability, and the $1.3 million deferred tax benefit.

For the three months ended March 31, 2019, net cash used in operating activities was $5.2 million, which included a net loss of $13.7 million. Non-cash charges primarily consisted of $2.3 million in depreciation and amortization of property, equipment, and intangible assets, $1.7 million in stock-based compensation, and the $1.7 million loss on extinguishment of debt.

Investing Activities

Net cash provided by investing activities for the three months ended March 31, 2020 of $50.1 million was primarily due to $66.7 million provided from the sale and maturity of short-term investments, reduced by the net cash consideration used to acquire Able Health of $15.2 million, and $1.3 million in purchases of property, equipment, and intangible assets.

Net cash used in investing activities for the three months ended March 31, 2019 of $28.7 million primarily was due to $30.7 million used to purchase short-term investments and $1.1 million in purchases of property, equipment, and intangible assets, reduced by $3.1 million provided from the sale and maturity of short-term investments.

Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2020 of $9.6 million was primarily the result of $9.0 million in stock option exercise proceeds and $1.3 million in proceeds from our ESPP, reduced by the $0.7 million in payments of acquisition-related obligations.

Net cash provided by financing activities for the three months ended March 31, 2019 of $37.7 million was primarily the result of $47.2 million in net proceeds drawn under the OrbiMed Credit Facility, $12.1 million in proceeds from the sale and issuance of Series F redeemable convertible preferred stock, and $0.8 million in stock option exercise proceeds, reduced by the $21.8 million payoff of the SVB debt, and $0.4 million in payments of acquisition-related obligations.

Contractual Obligations and Commitments

Lease agreement for new headquarters

During the three months ended March 31, 2020, we entered into a lease for office space in South Jordan, Utah, that will become our new company headquarters. This new lease has not yet commenced, but will require future lease payments of approximately $31.7 million with a non-cancelable lease term of 11 years, excluding renewal options. Lease payments will commence beginning January 1, 2021. According to the terms of this new lease agreement our leased square footage will expand between 2022 and 2023 resulting in approximately $2.8 million of additional required future lease payments. We shall have the right to sublease all, or a portion, of this leased office space provided that certain terms and conditions are met. We also anticipate greater than $10.0 million of capital expenditure for leasehold improvements, computer equipment, and furniture and fixtures for the new headquarters.

Refer to Note 14 of our condensed consolidated financial statements for additional details regarding this new lease commitment.

The following table presents a summary of our payments due under contractual arrangements as of March 31, 2020, including the new operating lease described above:

	Payments Due by Period				
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
			(in thousands)		
Long-term debt[1]	$ 70,170	$ 5,109	$ 18,933	$ 46,128	$ —
Operating lease obligations[2]	38,420	3,177	6,986	6,802	21,455
Acquisition-related consideration	3,250	3,250	—	—	—
Total	$ 111,840	$ 11,536	$ 25,919	$ 52,930	$ 21,455

(1) On February 6, 2019, we borrowed $50.0 million under the OrbiMed term loan. The contractual commitment amounts above include interest payments of $17.7 million and a 5% exit fee related to the OrbiMed term loan. This table presents the remaining contractual commitment amounts as of March 31, 2020 and is not updated to reflect the Note offering and extinguishment of the OrbiMed term loan on April 14, 2020 that are described below and in Note 18 of our condensed consolidated financial statements.

(2) We lease our facilities under long-term operating leases, which expire at various dates through 2031.

The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions and the approximate timing of the transaction.

Subsequent events related to private offering of convertible senior notes

On April 14, 2020, we issued $230.0 million in aggregate principal amount of 2.50% Convertible Senior Notes due 2025, pursuant to an Indenture dated April 14, 2020, with U.S. Bank National Association, as trustee, in a private offering to qualified institutional buyers. We received net proceeds from the Notes of $222.5 million, after deducting the initial purchasers' discounts and offering expenses payable by us.

We used $57.0 million of proceeds from the Note Offering to prepay in full all outstanding indebtedness, including prepayment penalties, under the Credit Agreement with OrbiMed, dated February 6, 2019, as amended, and terminate the Credit Agreement, which had provided us with a term loan of up to $80.0 million due on February 6, 2024, at an interest rate of the higher of LIBOR plus 7.5% and 10.0%.

Refer to Note 18 of our condensed consolidated financial statements for additional details regarding the subsequent private offering of Notes and related events.

There have been no other material changes to our contractual obligations since December 31, 2019.

Off-Balance Sheet Arrangements

As of March 31, 2020, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. Critical accounting policies and estimates are those that we consider critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Due to the COVID-19 pandemic, there has been uncertainty and disruption in the global economy and financial markets. We are not aware of any specific event or circumstance that would require updates to our estimates or judgments or require us to revise the carrying value of our assets or liabilities as of the date of issuance of this Quarterly Report on Form 10-Q. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions. We will continue to actively monitor the impact of the COVID-19 pandemic and other factors on expected credit losses.

There have been no material changes to our critical accounting policies and estimates as previously disclosed in our Annual Report on Form 10-K, filed with the SEC on February 28, 2020. See "Note 1—Description of Business and Summary of Significant Accounting Policies" of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information regarding the Company's significant accounting policies.

JOBS Act Accounting Election

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act (JOBS Act). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards, and therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Recent Accounting Pronouncements

See "Note 1—Description of Business and Summary of Significant Accounting Policies" to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information regarding recently issued accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in interest rates but may include foreign currency exchange risk and inflation in the future.

Interest Rate Risk

We had cash, cash equivalents, and short-term investments of $204.6 million as of March 31, 2020, which are held for working capital purposes. We do not make investments for trading or speculative purposes.

Our cash equivalents and short-term investments are subject to market risk due to changes in factors such as interest rates, market liquidity, and credit ratings. Fixed rate securities may have their market value adversely affected due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fluctuate due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates or other factors. However, because we classify our investments as "available for sale," no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to result in a loss from deterioration in credit quality.

Under our debt agreements, we pay interest on any outstanding balances based on variable market rates. A significant increase in these market rates may adversely affect our results of operations.

As of March 31, 2020, a hypothetical 100 basis point change in interest rates would not have had a material impact on the value of our cash equivalents or investment portfolio. Fluctuations in the value of our cash equivalents and investment portfolio caused by a change in interest rates (gains or losses on the carrying value) are recorded in other comprehensive income and are realized only if we sell the underlying securities prior to maturity, or otherwise recognized in our condensed consolidated statement of operations, if an investment in an available-for-sale debt security is in a loss position and the loss is attributable to a decline in credit quality.

Foreign Currency Exchange Risk

Our reporting currency is the U.S. dollar, and the functional currency of our subsidiaries is typically their local currency. Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Singapore Dollar. Due to the relatively small size of our international operations to date, our foreign currency exposure has been fairly limited and thus we have not instituted a hedging program. We are considering the costs and benefits of initiating such a program and may in the future hedge balances and transactions denominated in currencies other than the U.S. dollar as we expand international operations.

Today, our international sales contracts are generally denominated in U.S. dollars, while our international operating expenses are often denominated in local currencies. In the future, an increasing portion of our international sales contracts may be denominated in local currencies. Additionally, as we expand our international operations a larger portion of our operating expenses will be denominated in local currencies. Therefore, fluctuations in the value of the U.S. dollar and foreign currencies may affect our results of operations when translated into U.S. dollars.

Inflation Risk

We do not believe that inflation has had a material effect on our business, results of operations, or financial condition. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs. Our inability or failure to do so could harm our business, results of operations, or financial condition.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rule 13a–15(e) and Rule 15d–15(e) under the Exchange Act that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2020. Based on the evaluation of our disclosure controls and procedures as of March 31, 2020, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are currently working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the effects that the COVID-19 pandemic may have on our internal controls to minimize the impact on their design and operating effectiveness.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect 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, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of a 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 controls. 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; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Part II. Other Information

Item 1. Legal Proceedings

We are, from time to time, subject to legal proceedings and claims arising from the normal course of business activities, and an unfavorable resolution of any of these matters could materially affect our future business, results of operations, financial condition, and cash flows.

Future litigation may be necessary, among other things, to defend ourselves or our users by determining the scope, enforceability, and validity of third-party proprietary rights or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 1A. Risk Factors

You should carefully consider the following risk factors, in addition to the other information contained in this Quarterly Report on Form 10-Q, including the section of this report titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes. If any of the events described in the following risk factors and the risks described elsewhere in this report occurs, our business, operating results and financial condition could be seriously harmed. This Quarterly Report on Form 10-Q also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of factors that are described below and elsewhere in this report.

Risks Related to Our Business

We operate in a highly competitive industry, and if we are not able to compete effectively, our business and results of operations will be harmed.

The market for healthcare solutions is intensely competitive. We compete across various segments within the healthcare market, including with respect to data analytics and technology platforms, healthcare consulting, care management and coordination, population health management, and health information exchange. Competition in our market involves rapidly changing technologies, evolving regulatory requirements and industry expectations, frequent new product introductions, and changes in customer requirements. If we are unable to keep pace with the evolving needs of our customers and continue to develop and introduce new applications and services in a timely and efficient manner, demand for our Solution may be reduced and our business and results of operations will be adversely affected.

We face competition from industry-agnostic analytics companies and EHR companies, such as Epic Systems and Cerner. We also compete with other large, well-financed, and technologically sophisticated entities. Some of our current large competitors, such as Optum Analytics and IBM, have greater name recognition, longer operating histories, significantly greater resources than we do, and/or more established distribution networks and relationships with healthcare providers. As a result, our current and potential competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or customer requirements. In addition, current and potential competitors have established, and may in the future establish, cooperative relationships with vendors of complementary products, or services to increase the availability of their products or services to the marketplace. Current or future competitors may consolidate to improve the breadth of their products, directly competing with our Solution. Accordingly, new competitors may emerge that have greater market share, larger customer bases, greater breadth and volume of data, more widely adopted proprietary technologies, broader offerings, greater marketing expertise, greater financial resources, and larger sales forces than we have, which could put us at a competitive disadvantage.

Further, in light of these advantages, even if our Solution is more effective than the product or service offerings of our competitors, current or potential customers might select competitive products and services in lieu of purchasing our Solution. We face competition from niche vendors, who offer stand-alone products and services, and from existing enterprise vendors, including those currently focused on software products, which have information systems in place with customers in our target markets. These existing enterprise vendors may now, or in the future, offer or promise products or services with less functionality than our Solution, but offer ease of integration with existing systems and that leverage existing vendor relationships. Increased competition is likely to result in pricing pressures, which could negatively impact our sales, profitability, or market share.

Our patient engagement, population health, and care coordination services face competition from a wide variety of market participants. For example, certain health systems have developed their own population health and care coordination systems. If we fail to distinguish our offerings from the other options available to healthcare providers, the demand for and market share of those offerings may decrease.

We may be unable to successfully execute on our growth initiatives, business strategies, or operating plans.

We are continually executing a number of growth initiatives, strategies, and operating plans designed to enhance our business. For example, we recently expanded our data analytics services into the payor and life sciences markets. We may not be able to successfully complete these growth initiatives, strategies, and operating plans and realize all of the benefits, including growth targets and cost savings, that we expect to achieve or it may be more costly to do so than we anticipate. A variety of factors could cause us not to realize some or all of the expected benefits. These factors include, among others, delays in the anticipated timing of activities related to such growth initiatives, strategies, and operating plans, increased difficulty and cost in implementing these efforts, including difficulties in complying with new regulatory requirements and the incurrence of other unexpected costs associated with operating the business. Moreover, our continued implementation of these programs may disrupt our operations and performance. As a result, we cannot assure you that we will realize these benefits. If, for any reason, the benefits we realize are less than our estimates or the implementation of these growth initiatives, strategies, and operating plans adversely affect our operations or cost more or take longer to effectuate than we expect, or if our assumptions prove inaccurate, our business, financial condition, and results of operations may be materially adversely affected.

If we fail to effectively manage our growth and organizational change, our business and results of operations could be harmed.

We have experienced, and may continue to experience, rapid growth and organizational change, which has placed, and may continue to place, significant demands on our management, operational, and financial resources. In addition, if we fail to successfully integrate new team members, it could harm our culture. We must continue to maintain, and may need to enhance, our information technology infrastructure and financial and accounting systems and controls, as well as manage expanded operations in geographically distributed locations, which will place additional demands on our resources and operations. We also must attract, train, and retain a significant number of qualified sales and marketing personnel, professional services personnel, software engineers, technical personnel, service offering personnel, and management personnel. This will require us to invest in and commit significant financial, operational, and management resources to grow and change in these areas without undermining the corporate culture that has been critical to our growth so far. If we do not achieve the benefits anticipated from these investments, or if the realization of these benefits is delayed, our results of operations may be adversely affected. If we fail to provide effective customer training on our Solution and high-quality customer support, our business and reputation could suffer. Failure to manage our growth effectively could lead us to over-invest or under-invest in technology and operations; result in weaknesses in our infrastructure, systems, or controls; give rise to operational mistakes, losses, or loss of productivity or business opportunities; reduce customer or user satisfaction; limit our ability to respond to competitive pressures; and result in loss of team members and reduced productivity of remaining team members. Our growth could require significant capital expenditures and may divert financial resources and management attention from other projects, such as the development of new or enhanced services or the acquisition of suitable businesses or technologies. If our management is unable to effectively manage our growth, our expenses may increase more than expected, our revenue could decline or may grow more slowly than expected, and we may be unable to implement our business strategy.

The recent global coronavirus (COVID-19) outbreak could harm our business, results of operations, and financial condition.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This pandemic, which has continued to spread, and the related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, governments, customers, economies, and financial markets globally, leading to an economic downturn and increased market volatility. It has also disrupted the normal operations of many businesses, including ours. This outbreak, as well as intensified measures undertaken to contain the spread of COVID-19, could decrease healthcare industry spending, adversely affect demand for our technology and services, cause one or more of our customers to file for bankruptcy protection or go out of business, cause one or more of our customers to fail to renew, terminate, or renegotiate their contracts, affect the ability of our sales team to travel to potential customers and the ability of our professional services teams to conduct in-person services and trainings, impact expected spending from new customers, negatively impact collections of accounts receivable, and harm our business, results of operations, and financial condition. Further, the sales cycle for a new customer of our technology and services, which has averaged 11 months, could lengthen, resulting in a potentially longer delay between increasing operating expenses and the generation of corresponding revenue, if any. We cannot predict with any certainty whether and to what degree the disruption caused by the COVID-19 pandemic and reactions thereto will continue and expect to face difficulty accurately predicting our internal financial forecasts. The outbreak also presents challenges as our entire workforce is currently working remotely and shifting to assisting new and existing customers who are also generally working remotely. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business, results of operations, or financial condition at this time.

If we do not continue to innovate and provide services that are useful to customers and users, we may not remain competitive, and our revenue and results of operations could suffer.

The market for healthcare in the United States is in the early stages of structural change and is rapidly evolving toward a more value-based care model. Our success depends on our ability to keep pace with technological developments, satisfy increasingly sophisticated customer and user requirements, and sustain market acceptance. Our future financial performance will depend in part on growth in this market and on our ability to adapt to emerging demands of this market, including adapting to the ways our customers or users access and use our Solution. Although we have built eight new software analytics applications in the last three years, we may not be able to sustain this rate of innovation. Our competitors are constantly developing products and services that may become more efficient or appealing to our customers or users. As a result, we must continue to invest significant resources in research and development in order to enhance our existing services and introduce new high-quality services and applications that customers will want, while offering our Solution at competitive prices. If we are unable to predict user preferences or industry changes, or if we are unable to modify our Solution on a timely or cost-effective basis, we may lose customers and users. Our results of operations would also suffer if our innovations are not responsive to the needs of our customers, are not appropriately timed with market opportunity, or are not effectively brought to market, including as the result of delayed releases or releases that are ineffective or have errors or defects. As technology continues to develop, our competitors may be able to offer results that are, or that are perceived to be, substantially similar to, or better than, those generated by our Solution. This may force us to compete on additional service attributes and to expend significant resources in order to remain competitive.

Our business could be adversely affected if our customers are not satisfied with our Solution.

We depend on customer satisfaction to succeed with respect to our cloud-based solutions. Our sales organization is dependent on the quality of our offerings, our business reputation, and the strong recommendations from existing customers. If our cloud-based software does not function reliably or fails to meet customer expectations in terms of performance and availability, customers could assert claims against us or terminate their contracts with us or publish negative feedback. This could damage our reputation and impair our ability to attract or retain customers. Furthermore, we provide professional services to customers to support their use of our applications and to achieve measurable clinical, financial, and operational improvements.

Any failure to maintain high-quality professional services, or a market perception that we do not maintain high-quality professional services, could harm our reputation, adversely affect our ability to sell our Solution to existing and prospective customers, and harm our business, results of operations and financial condition.

If our existing customers do not continue or renew their contracts with us, renew at lower fee levels or decline to purchase additional technology and services from us, it could have a material adverse effect on our business, financial condition, and results of operations.

We expect to derive a significant portion of our revenue from the renewal of existing customer contracts and sales of additional technology and services to existing customers. As part of our growth strategy, for instance, we have recently focused on expanding our Solution among current customers. As a result, selling additional technology and services is critical to our future business, revenue growth, and results of operations.

Factors that may affect our ability to sell additional technology and services include, but are not limited to, the following:

- the price, performance, and functionality of our Solution;
- the availability, price, performance, and functionality of competing solutions;
- our ability to develop and sell complementary technology and services;
- the stability, performance, and security of our hosting infrastructure and hosting services;
- our ability to continuously deliver measurable improvements;
- health systems' demand for professional services to augment their internal data analytics function;
- changes in healthcare laws, regulations, or trends;
- the business environment of our customers and, in particular, headcount reductions by our customers; and
- the impact of any natural disasters or public health emergencies, such as the COVID-19 pandemic.

We enter into subscription contracts with our customers for access to our Solution. Many of these contracts have initial terms of one to three years. Most of our customers have no obligation to renew their subscriptions for our Solution after the initial term expires. Although we have long-term contracts with many customers, these contracts may be terminated by the customer before their term expires for various reasons, such as changes in the regulatory landscape and poor performance by us, subject to certain conditions. For example, after a specified period, certain of these contracts are terminable for convenience by our customers, subject to providing us with prior notice. Certain of our contracts may be terminated by the customer immediately following repeated failures by us to provide specified levels of service over periods ranging from six months to more than a year. Certain of our contracts may be terminated immediately by the customer if we lose applicable third-party licenses, go bankrupt, or lose our liability insurance. If any of our contracts with our customers are terminated, we may not be able to recover all fees due under the terminated contract and we will lose future revenue from that customer, which may adversely affect our results of operations. We expect that future contracts will contain similar provisions.

In addition, our customers may negotiate terms less advantageous to us upon renewal, which may reduce our revenue from these customers. Our future results of operations also depend, in part, on our ability to upgrade and enhance our Solution. If our customers fail to renew their contracts, renew their contracts upon less favorable terms, or at lower fee levels or fail to purchase new technology and services from us, our revenue may decline or our future revenue growth may be constrained.

Our Solution is dependent on our ability to source data from third parties, and such third parties could take steps to block our access to data, which could impair our ability to provide our Solution or limit the effectiveness of our Solution.

Our data platform requires us to source data from multiple clinical, financial, and operational data sources, which sources are also typically third-party vendors of our customers. The functioning of our analytics applications and our ability to perform analytics services is predicated on our ability to establish interfaces that download the relevant data from these source systems on a repeated basis and in a reliable manner. We may encounter vendors that engage in information blocking practices that may inhibit our ability to access the relevant data on behalf of customers. A final rule that was published on May 1, 2020 (the Final Rule), pursuant to the 21st Century Cures Act, finalizes anti-information blocking provisions that prohibit practices that are likely to interfere with access, exchange, or use of electronic health information. The Final Rule allows for certain exceptions such as allowing vendors to charge a reasonable cost for access to interoperability elements of its technology to enable data access. These rules will not go into effective until November 2, 2020, with an additional period of enforcement discretion of three months, pursuant to an announcement by the Office of the National Coordinator as a result of resources being focused on the COVID-19 pandemic. After the Final Rule is being enforced, it will initially apply to subsets of data for the first 18 months of implementation prior to applying to all EHI. While the Final Rule is intended to limit information blocking practices, it is unclear whether the exceptions and safe harbors to the Final Rule will be interpreted broadly and/or in other ways that limit the practical effectiveness of the Final Rule. Since this rule has not yet been enforced and may not be enforced until February 2021, healthcare organizations and vendors may adapt interpretations of the 21st Century Cures Act, or the Final Rule that justify the continuation of various information blocking practices. If we face limitations on the development of data interfaces and other information blocking practices, our data access and ability to download relevant data may be limited, which could adversely affect our ability to provide our Solution as effectively as possible. Any steps we take to enforce the anti-information blocking provisions of the 21st Century Cures Act could be costly, could distract management attention from the business, and could have uncertain results.

Failure by our customers to obtain proper permissions and waivers may result in claims against us or may limit or prevent our use of data, which could harm our business.

We require our customers to provide necessary notices and to obtain necessary permissions and waivers for use and disclosure of the information that we receive, and we require contractual assurances from them that they have done so and will do so. If they do not obtain necessary permissions and waivers, then our use and disclosure of information that we receive from them or on their behalf may be restricted or prohibited by state, federal or international privacy or data protection laws, or other related privacy and data protection laws. This could impair our functions, processes, and databases that reflect, contain, or are based upon such data and may prevent the use of such data, including our ability to provide such data to third parties that are incorporated into our service offerings. Furthermore, this may cause us to breach obligations to third parties to whom we may provide such data, such as third-party service or technology providers that are incorporated into our service offerings. In addition, this could interfere with or prevent data sourcing, data analyses, or limit other data-driven activities that benefit us. Moreover, we may be subject to claims, civil and/or criminal liability or government or state attorneys general investigations for use or disclosure of information by reason of lack of valid notice, permission, or waiver. These claims, liabilities or government or state attorneys general investigations could subject us to unexpected costs and adversely affect our financial condition and results of operations.

If our security measures are breached or unauthorized access to customer data is otherwise obtained, our Solution may be perceived as not being secure, customers may reduce the use of or stop using our Solution, and we may incur significant liabilities.

Our Solution involves the storage and transmission of our customers' proprietary information, including personal or identifying information regarding patients and their protected health information (PHI). As a result, unauthorized access or security breaches as a result of third-party action, employee error, malfeasance, or otherwise could result in the loss or inappropriate use of information, litigation, indemnity obligations, damage to our reputation, and other liability such as government or state Attorney General investigations.

Because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Moreover, the detection, prevention, and remediation of known or unknown security vulnerabilities, including those arising from third-party hardware or software, may result in additional direct or indirect costs and management time.

Any or all of these issues could adversely affect our ability to attract new customers, cause existing customers to elect to not renew their subscriptions, result in reputational damage, or subject us to third-party lawsuits, regulatory fines, mandatory disclosures, or other action or liability, which could adversely affect our results of operations. Our general liability insurance may not be adequate to cover all potential claims to which we are exposed and may not be adequate to indemnify us for liability that may be imposed or the losses associated with such events, and in any case, such insurance may not cover all of the specific costs, expenses, and losses we could incur in responding to and remediating a security breach. A security breach of another significant provider of cloud-based solutions may also negatively impact the demand for our Solution.

Our results of operations have in the past fluctuated and may continue to fluctuate significantly, and if we fail to meet the expectations of analysts or investors, our stock price and the value of an investment in our common stock could decline substantially.

Our results of operations are likely to fluctuate, and if we fail to meet or exceed the expectations of securities analysts or investors, the trading price of our common stock could decline. Moreover, our stock price may be based on expectations of our future performance that may be unrealistic or that may not be met. Some of the factors that could cause our revenue and results of operations to fluctuate from quarter to quarter include:

- the extent to which our Solution achieves or maintains market acceptance;
- our ability to introduce new applications, updates, and enhancements to our existing applications on a timely basis;
- new competitors and the introduction of enhanced products and services from new or existing competitors;
- the length of our contracting and implementation cycles and our fulfillment periods for our Solution;
- the mix of revenue generated from professional services as compared to technology subscriptions;
- the financial condition of our current and future customers;
- changes in customer budgets and procurement policies;
- changes in regulations or marketing strategies;
- the amount and timing of our investment in research and development activities;
- the amount and timing of our investment in sales and marketing activities;
- technical difficulties or interruptions to our DOS platform or analytics applications;
- our ability to hire and retain qualified personnel;
- changes in the regulatory environment related to healthcare;
- regulatory compliance costs;
- the timing, size, and integration success of potential future acquisitions;

- unforeseen legal expenses, including litigation and settlement costs; and
- buying patterns of our customers and the related seasonality impacts on our business.

Many of these factors are not within our control, and the occurrence of one or more of them might cause our results of operations to vary widely. As such, we believe that quarter-to-quarter comparisons of our revenue and results of operations may not be meaningful and should not be relied upon as an indication of future performance.

A significant portion of our operating expense is relatively fixed in nature in the short term, and planned expenditures are based in part on expectations regarding future revenue and profitability. Accordingly, unexpected revenue shortfalls, lower-than-expected revenue increases as a result of planned expenditures, and longer-than-expected impact on profitability and margins as a result of planned expenditures may decrease our gross margins and profitability and could cause significant changes in our results of operations from quarter to quarter. In addition, our future quarterly results of operations may fluctuate and may not meet the expectations of securities analysts or investors. If this occurs, the trading price of our common stock could fall substantially, either suddenly or over time.

Our pricing may change over time and our ability to efficiently price our Solution will affect our results of operations and our ability to attract or retain customers.

In the past, we have adjusted our prices as a result of offering new applications and services and customer demand. In the fourth quarter of 2018, we began to introduce new pricing for our Solution to new customers, the full effect of which we expect would be realized in future years. While we determined these prices based on prior experience and feedback from customers, our assessments may not be accurate and we could be underpricing or overpricing our Solution, which may require us to continue to adjust our pricing model. Furthermore, as our applications and services change, then we may need to, or choose to, revise our pricing as our prior experience in those areas will be limited. For example, we introduced our subscription model in 2015, and we may need to continually refine our pricing model. Such changes to our pricing model or our inability to efficiently price our Solution could harm our business, results of operations, and financial condition and impact our ability to predict our future performance.

If our Solution fails to provide accurate and timely information, or if our content or any other element of our Solution is associated with faulty clinical decisions or treatment, we could have liability to customers, members, clinicians, or patients, which could adversely affect our results of operations.

Our applications, content, and services may be used by customers to support clinical decision-making by providers and interpret information about patient medical histories, treatment plans, medical conditions, and the use of particular medications. If our applications, content, or services are associated with faulty clinical decisions or treatment, then customers or their patients could assert claims against us that could result in substantial costs to us, harm our reputation in the industry, and cause demand for our Solution to decline.

Our analytics services may be used by our customers to inform clinical decision-making, provide access to patient medical histories, and assist in creating patient treatment plans. Therefore, if data analyses are presented incorrectly in our applications or they are incomplete, or if we make mistakes in the capture or input of these data, adverse consequences, including death, may occur and give rise to product liability, medical malpractice liability, and other claims against us by customers, clinicians, patients, or others. We often have little control over data accuracy, yet a court or government agency may take the position that our storage and display of health information exposes us to personal injury liability or other liability for wrongful delivery or handling of healthcare services or erroneous health information.

Our clinical guidelines, algorithms, and protocols may be viewed as providing healthcare professionals with guidance on care management, care coordination, or treatment decisions. If our content, or content we obtain from third parties, contains inaccuracies, or we introduce inaccuracies in the process of implementing third-party content, it is possible that patients, physicians, consumers, the providers of the third-party content, or others may sue us if they are harmed as a result of such inaccuracies. We cannot assure you that our software development, editorial, and other quality control procedures will be sufficient to ensure that there are no errors or omissions in any particular content or our software or algorithms.

The assertion of such claims and ensuing litigation, regardless of its outcome, could result in substantial cost to us, divert management's attention from operations, damage our reputation, and decrease market acceptance of our Solution. We attempt to limit by contract our liability for damages, have our customers assume responsibility for clinical treatment, diagnoses, medical oversight, and dosing decisions, and require that our customers assume responsibility for medical care and approve key algorithms, clinical guidelines, clinical protocols, and data. Despite these precautions, the allocations of responsibility and limitations of liability set forth in our contracts may not be enforceable, be binding upon patients, or otherwise protect us from liability for damages. Furthermore, general liability and errors and omissions insurance coverage and medical malpractice liability coverage may not continue to be available on acceptable terms or may not be available in sufficient amounts to cover one or more large claims against us. In addition, the insurer might disclaim coverage as to any future claim. One or more large claims could exceed our available insurance coverage.

If any of these events occur, they could materially adversely affect our business, financial condition, or results of operations.

Although we carry insurance covering medical malpractice claims in amounts that we believe are appropriate in light of the risks attendant to our business, successful medical liability claims could result in substantial damage awards that exceed the limits of our insurance coverage. In addition, professional liability insurance is expensive and insurance premiums may increase significantly in the future, particularly as we expand our Solution. As a result, adequate professional liability insurance may not be available to our providers or to us in the future at acceptable costs or at all.

Any claims made against us that are not fully covered by insurance could be costly to defend against, result in substantial damage awards against us and divert the attention of our management and our providers from our operations, which could have a material adverse effect on our business, financial condition, and results of operations. In addition, any claims may adversely affect our business or reputation.

We rely on third-party providers, including Microsoft Azure, for computing infrastructure, network connectivity, and other technology-related services needed to deliver our Solution. Any disruption in the services provided by such third-party providers could adversely affect our business and subject us to liability.

Our DOS platform and analytics applications are hosted from and use computing infrastructure provided by third parties, including Microsoft Azure and Flexential, and other computing infrastructure service providers. We have migrated and expect to continue to migrate a significant portion of our computing infrastructure needs to Microsoft Azure. We have made and expect to continue to make substantial investments in transitioning customers from our own managed data center to Microsoft Azure. We anticipate that this transition will increase the cost of hosting our technology and negatively impact our technology gross margin. We currently expect our planned transitions to be substantially complete by the end of 2020. Such migrations are risky and may cause disruptions to our Solution, service outages, downtime, or other problems and may increase our costs. Despite precautions taken during such transitions, any unsuccessful transition of technology may impair customers' use of our technology which may cause greater costs or downtime and which may lead to, among other things, customer dissatisfaction and non-renewals.

Our computing infrastructure service providers have no obligation to renew their agreements with us on commercially reasonable terms or at all. If we are unable to renew these agreements on commercially reasonable terms, or if one of our computing infrastructure service providers is acquired, we may be required to transition to a new provider and we may incur significant costs and possible service interruption in connection with doing so.

Problems faced by our computing infrastructure service providers, including those operated by Microsoft, could adversely affect the experience of our customers. Microsoft Azure has also had and may in the future experience significant service outages. Additionally, if our computing infrastructure service providers are unable to keep up with our growing needs for capacity, this could have an adverse effect on our business. For example, a rapid expansion of our business could affect our service levels or cause our third-party hosted systems to fail. Our agreements with third-party computing infrastructure service providers may not entitle us to service level credits that correspond with those we offer to our customers.

Any changes in third-party service levels at our computing infrastructure service providers, or any related disruptions or performance problems with our Solution, could adversely affect our reputation and may damage our customers' stored files, result in lengthy interruptions in our services, or result in potential losses of customer data. Interruptions in our services might reduce our revenue, cause us to issue refunds to customers for prepaid and unused subscriptions, subject us to service level credit claims and potential liability, allow our customers to terminate their contracts with us, or adversely affect our renewal rates.

We rely on Internet infrastructure, bandwidth providers, data center providers, other third parties, and our own systems for providing services to our users, and any failure or interruption in the services provided by these third parties or our own systems could expose us to litigation, potentially require us to issue credits to our customers, and negatively impact our relationships with users or customers, adversely affecting our brand and our business.

In addition to the services we provide from our offices, we serve our customers primarily from third-party data-hosting facilities. These facilities are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures, and similar events. They are also subject to break-ins, sabotage, intentional acts of vandalism, and similar misconduct. Their systems and servers could also be subject to hacking, spamming, ransomware, computer viruses or other malicious software, denial of service attacks, service disruptions, including the inability to process certain transactions, phishing attacks and unauthorized access attempts, including third parties gaining access to users' accounts using stolen or inferred credentials or other means, and may use such access to prevent use of users' accounts. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice, or other unanticipated problems at two or more of the facilities could result in lengthy interruptions in our services. Even with our disaster recovery arrangements, our services could be interrupted.

Our ability to deliver our Internet- and telecommunications-based services is dependent on the development and maintenance of the infrastructure of the Internet and other telecommunications services by third parties. This includes maintenance of a reliable network backbone with the necessary speed, data capacity, and security for providing reliable Internet access and services and reliable mobile device, telephone, facsimile, and pager systems, all at a predictable and reasonable cost. We have experienced and expect that we will experience interruptions and delays in services and availability from time to time.

We rely on internal systems as well as third-party vendors, including data center, bandwidth, and telecommunications equipment or service providers, to provide our services. We do not maintain redundant systems or facilities for some of these services. In the event of a catastrophic event with respect to one or more of these systems or facilities, we may experience an extended period of system unavailability, which could negatively impact our relationship with users or customers. To operate without interruption, both we and our service providers must guard against:

- damage from fire, power loss, and other natural disasters;
- communications failures;

- software and hardware errors, failures, and crashes;
- security breaches, computer viruses, ransomware, and similar disruptive problems; and
- other potential interruptions.

Any disruption in the network access, telecommunications, or co-location services provided by these third-party providers or any failure of or by these third-party providers or our own systems to handle the current or higher volume of use could significantly harm our business. We exercise limited control over these third-party vendors, which increases our vulnerability to problems with the services they provide.

Any errors, failures, interruptions, or delays experienced in connection with these third-party technologies and information services or our own systems could negatively impact our relationships with users and customers, adversely affect our brands and business, and expose us to third-party liabilities. The insurance coverage under our policies may not be adequate to compensate us for all losses that may occur. In addition, we cannot provide assurance that we will continue to be able to obtain adequate insurance coverage at an acceptable cost.

The reliability and performance of the Internet may be harmed by increased usage or by denial-of-service attacks. The Internet has experienced a variety of outages and other delays as a result of damages to portions of its infrastructure, and it could face outages and delays in the future. These outages and delays could reduce the level of Internet usage as well as the availability of the Internet to us for delivery of our Internet-based services.

We typically provide service level commitments under our customer contracts. If we fail to meet these contractual commitments, we could be obligated to provide credits or refunds for prepaid amounts related to unused subscription services or face contract terminations, which could adversely affect our results of operations.

Finally, recent changes in law could impact the cost and availability of necessary Internet infrastructure. Increased costs and/or decreased availability would negatively affect our results of operations.

If we fail to provide effective professional services and high-quality customer support, our business and reputation would suffer.

Our professional services and high-quality, ongoing customer support are important to the successful marketing and sale of our products and services and for the renewal of existing customer agreements. Providing these services and support requires that our professional services and support personnel have healthcare, technical, and other knowledge and expertise, making it difficult for us to hire qualified personnel and scale our professional services and support operations. The demand on our customer support organization will increase as we expand our business and pursue new customers, and such increased support could require us to devote significant development services and support personnel, which could strain our team and infrastructure and reduce our profit margins. If we do not help our customers quickly resolve any post-implementation issues and provide effective ongoing customer support, our ability to sell additional products and services to existing and future customers could suffer and our reputation would be harmed.

Our sales cycles can be long and unpredictable, and our sales efforts require a considerable investment of time and expense. If our sales cycle lengthens or we invest substantial resources pursuing unsuccessful sales opportunities, our results of operations and growth would be harmed.

Our sales process entails planning discussions with prospective customers, analyzing their existing solutions and identifying how these potential customers can use and benefit from our Solution. The sales cycle for a new customer, from the time of prospect qualification to the completion of the first sale, has averaged 11 months and in some cases has exceeded 24 months. We spend substantial time, effort and money in our sales efforts without any assurance that our efforts will result in the sale of our Solution.

In addition, our sales cycle and timing of sales can vary substantially from customer to customer because of various factors, including the discretionary nature of potential customers' purchasing and budget decisions, the announcement or planned introduction of new analytics applications or services by us or our competitors, and the purchasing approval processes of potential customers. If our sales cycle lengthens or we invest substantial resources pursuing unsuccessful sales opportunities, our results of operations and growth would be harmed.

Our DOS platform or our analytics applications may not operate properly, which could damage our reputation, give rise to claims against us, or divert application of our resources from other purposes, any of which could harm our business and results of operations.

Proprietary software development is time-consuming, expensive, and complex. Unforeseen difficulties can arise. We may encounter technical obstacles, and it is possible that we will discover additional problems that prevent our applications from operating properly.

If our systems do not function reliably or fail to meet user or customer expectations in terms of performance, customers could assert liability claims against us or attempt to cancel their contracts with us, and members could choose to terminate their use of our Solution. This could damage our reputation and impair our ability to attract or retain customers and members.

Information services as complex as those we offer have, in the past, contained, and may in the future develop or contain, undetected defects, vulnerabilities, or errors. We cannot be assured that material performance problems or defects in our software will not arise in the future. Errors may result from sources beyond our control, including the receipt, entry, or interpretation of patient information; the interface of our software with legacy systems that we did not develop; or errors in data provided by third parties. Despite testing, defects or errors may arise in our existing or new software or service processes following introduction to the market.

Customers rely on our Solution to collect, manage, and report clinical, financial, and operational data, and to provide timely and accurate information regarding medical treatment and care delivery patterns. They may have a greater sensitivity to service errors and security vulnerabilities than customers of software products in general. Clinicians may also rely on our predictive models for care delivery prioritization, and to inform treatment protocols. Limitations of liability and disclaimers that purport to limit our liability for damages related to defects in our software or content which we may include in our subscription and services agreements may not be enforced by a court or other tribunal or otherwise effectively protect us from related claims. In most cases, we maintain liability insurance coverage, including coverage for errors and omissions. However, it is possible that claims could exceed the amount of our applicable insurance coverage or that this coverage may not continue to be available on acceptable terms or insufficient amounts.

In light of this, defects, vulnerabilities, and errors and any failure by us to identify and address them could result in loss of revenue or market share; liability to customers, members, their patients, or others; failure to achieve market acceptance or expansion; diversion of development and management resources; delays in the introduction of new services; injury to our reputation; and increased service and maintenance costs. Defects, vulnerabilities, or errors in our software and service processes might discourage existing or potential customers or members from purchasing services from us. Correction of defects, vulnerabilities, or errors could prove to be impossible or impracticable. The costs incurred in correcting any defects, vulnerabilities, or errors or in responding to resulting claims or liability may be substantial and could adversely affect our results of operations.

If we are not able to maintain and enhance our reputation and brand recognition, our business and results of operations will be harmed.

We believe that maintaining and enhancing our reputation and brand recognition is critical to our relationships with existing customers and to our ability to attract new customers. The promotion of our brands may require us to make substantial investments and we anticipate that, as our market becomes increasingly competitive, these marketing initiatives may become increasingly difficult and expensive. Our marketing activities may not be

successful or yield increased revenue, and to the extent that these activities yield increased revenue, the increased revenue may not offset the expenses we incur and our results of operations could be harmed.

In addition, any factor that diminishes our reputation or that of our management, including failing to meet the expectations of our customers, or any adverse publicity surrounding one of our investors or customers, could make it substantially more difficult for us to attract new customers. If we do not successfully maintain and enhance our reputation and brand recognition, our business may not grow and we could lose our relationships with customers, which would harm our business, results of operations, and financial condition.

We employ third-party licensed software and software components for use in or with our Solution, and the inability to maintain these licenses or the presence of errors in the software we license could limit the functionality of our Solution and result in increased costs or reduced service levels, which would adversely affect our business.

Our software applications might incorporate or interact with certain third-party software and software components (other than open-source software), such as data visualization software, obtained under licenses from other companies. We pay these third parties a license fee or royalty payment. We anticipate that we will continue to use such third-party software in the future.

Although we believe that there are commercially reasonable alternatives to the third-party software we currently make available, this may not always be the case, or it may be difficult or costly to replace. Furthermore, these third parties may increase the price for licensing their software, which could negatively impact our results of operations. Our use of additional or alternative third-party software could require customers to enter into license agreements with third parties. In addition, if the third-party software we make available has errors or otherwise malfunctions, or if the third-party terminates its agreement with us, the functionality of our Solution may be negatively impacted and our business may suffer.

We derive a significant portion of our revenue from our largest customers. The loss, termination, or renegotiation of any contract could negatively impact our results.

Historically, we have relied on a limited number of customers for a significant portion of our total revenue and accounts receivable. Our three largest customers during 2019 comprised 4.6%, 3.6%, and 3.6% of our revenue, or 11.8% in the aggregate. Our three largest customers during 2018 comprised 7.6%, 5.4%, and 4.5% of our revenue, or 17.5% in the aggregate. The sudden loss of any of our largest customers or the renegotiation of any of our largest customer contracts could adversely affect our results of operations. In the ordinary course of business, we engage in active discussions and renegotiations with our customers in respect of the solutions we provide and the terms of our customer agreements, including our fees. As our customers' businesses respond to market dynamics and financial pressures, and as our customers make strategic business decisions in respect of the lines of business they pursue and programs in which they participate, we expect that certain of our customers will, from time to time, seek to restructure their agreements with us. In the ordinary course, we renegotiate the terms of our agreements with our customers in connection with renewals or extensions of these agreements. These discussions and future discussions could result in reductions to the fees and changes to the scope of services contemplated by our original customer contracts and consequently could negatively impact our revenue, business, and prospects.

Because we rely on a limited number of customers for a significant portion of our revenue, we depend on the creditworthiness of these customers. Our customers are subject to a number of risks including reductions in payment rates from governmental payors, higher than expected health care costs, and lack of predictability of financial results when entering new lines of business. If the financial condition of our customers declines, our credit risk could increase. Should one or more of our significant customers declare bankruptcy, be declared insolvent, or otherwise be restricted by state or federal laws or regulation from continuing in some or all of their operations, this could adversely affect our ongoing revenue, the collectability of our accounts receivable, and affect our bad debt reserves and net income.

We may not grow at the rates we historically have achieved or at all, even if our key metrics may indicate growth.

We have experienced significant growth in the last five years. Future revenue may not grow at these same rates or may decline. Our future growth will depend, in part, on our ability to grow our revenue from existing customers, to complete sales to potential future customers, to expand our customer and member bases, to develop new solutions, and to expand internationally. We can provide no assurances that we will be successful in executing on these growth strategies or that we will continue to grow our revenue or to generate net income. Our historical results may not be indicative of future performance. Our ability to execute on our existing sales pipeline, create additional sales pipelines, and expand our customer base depends on, among other things, the attractiveness of our Solution relative to those offered by our competitors, our ability to demonstrate the value of our existing and future services, and our ability to attract and retain a sufficient number of qualified sales and marketing leadership and support personnel. In addition, our existing customers may be slower to adopt our Solution than we currently anticipate, which could adversely affect our results of operations and growth prospects.

Changes in the healthcare industry could affect the demand for our Solution, cause our existing contracts to be terminated, and negatively impact the process of negotiating future contracts.

As the healthcare industry evolves, changes in our customer and vendor bases may reduce the demand for our Solution, result in the termination of existing contracts or certain services provided under existing contracts, and make it more difficult to negotiate new contracts on terms that are acceptable to us.

For example, the increasing market share of EHR companies in data analytic services at hospital systems may cause our existing customers to terminate contracts with us in order to engage EHR companies to provide these services. Similarly, customer and vendor consolidation results in fewer, larger entities with increased bargaining power and the ability to demand terms that are unfavorable to us. If these trends continue, we cannot assure you that we will be able to continue to maintain or expand our customer base, negotiate contracts with acceptable terms, or maintain our current pricing structure, and our revenue may decrease.

General reductions in expenditures by healthcare organizations, or reductions in such expenditures within market segments that we serve, could have similar impacts with regard to our Solution. Such reductions may result from, among other things, reduced governmental funding for healthcare; a decrease in the number of, or the market exclusivity available to, new drugs coming to market; or adverse changes in business or economic conditions affecting healthcare payors or providers, the pharmaceutical industry, or other healthcare companies that purchase our services (e.g., changes in the design of health plans). In addition, changes in government regulation of the healthcare industry could potentially negatively impact our existing and future contracts. Any of these changes could reduce the purchase of our Solution by such customers, reducing our revenue and possibly requiring us to materially revise our offerings. In addition, our customers' expectations regarding pending or potential industry developments may also affect their budgeting processes and spending plans with respect to our Solution.

Because we generally recognize technology and professional services revenue ratably over the term of the contract for our services, a significant downturn in our business may not be reflected immediately in our results of operations, which increases the difficulty of evaluating our future financial performance.

We generally recognize technology and professional services revenue ratably over the term of a contract. As a result, a substantial portion of our revenue is generated from contracts entered into during prior periods. Consequently, a decline in new contracts in any quarter may not affect our results of operations in that quarter but could reduce our revenue in future quarters. Additionally, the timing of renewals or non-renewals of a contract during any quarter may only affect our financial performance in future quarters. For example, the non-renewal of a subscription agreement late in a quarter will have minimal impact on revenue for that quarter but will reduce our revenue in future quarters.

Accordingly, the effect of significant declines in sales may not be reflected in our short-term results of operations, which would make these reported results less indicative of our future financial results. By contrast, a non-renewal occurring early in a quarter may have a significant negative impact on revenue for that quarter and we may not be able to offset a decline in revenue due to non-renewal with revenue from new contracts entered into in the same quarter. In addition, we may be unable to quickly adjust our costs in response to reduced revenue.

The estimates of market opportunity and forecasts of market growth included herein may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth, our business may not grow at similar rates, or at all.

Market opportunity estimates and growth forecasts included herein are subject to significant uncertainty and are based on assumptions and estimates which may not prove to be accurate. The estimates and forecasts included herein relating to the size and expected growth of our target market may prove to be inaccurate. Even if the markets in which we compete meet the size estimates and growth forecasts included herein, our business may not grow at similar rates, or at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties.

We have experienced significant net losses since inception, we expect to incur losses in the future, and we may not be able to generate sufficient revenue to achieve and maintain profitability.

We have incurred significant net losses in the past, including net losses of $60.1 million and $62.0 million in the years ended December 31, 2019 and 2018, respectively. We had an accumulated deficit of $610.5 million as of December 31, 2019. We expect our costs will increase over time as we continue to invest to grow our business and build relationships with customers, develop our platform, develop new solutions, and operate as a public company. These efforts may prove to be more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses.

As a result, we may need to raise additional capital through equity and debt financings in order to fund our operations. To date, we have financed our operations principally from the sale of redeemable convertible preferred stock, revenue from sales of our Solution and the incurrence of indebtedness. We may also fail to improve the gross margins of our business. If we are unable to effectively manage these risks and difficulties as we encounter them, our business, financial condition, and results of operations would be adversely affected. Our failure to achieve or maintain profitability could negatively impact the value of our common stock.

Because competition for our target employees is intense, we may not be able to attract and retain the highly skilled employees we need to support our continued growth.

To continue to execute on our growth plan, we must attract and retain highly qualified personnel. Competition for such personnel is intense, especially for senior sales executives and software engineers with high levels of experience in designing and developing applications and consulting and analytics services. We may not be successful in attracting and retaining qualified personnel. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. In addition, our search for replacements for departed employees may cause uncertainty regarding the future of our business, impact employee hiring and retention, and adversely impact our revenue, results of operations, and financial condition.

Many of the companies with which we compete for experienced personnel have greater resources than we have. In addition, in making employment decisions, particularly in the Internet and high-technology industries, job candidates often consider the value of the equity awards they may receive in connection with their employment. Volatility in the price of our stock or failure to obtain stockholder approval for increases in the number of shares available for grant under our equity plans may, therefore, adversely affect our ability to attract or retain key employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be severely harmed.

We depend on our senior management team, and the loss of one or more of our executive officers or key employees or an inability to attract and retain highly skilled employees could adversely affect our business.

Our success depends largely upon the continued services of our key executive officers and recruitment of additional highly skilled employees. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives, which could disrupt our business. Several of our senior leaders are active members of the Church of Jesus Christ of Latter-Day Saints. There is a risk that in the future, one or more of these individuals could receive a call to serve in a full-time capacity for the church. This has already occurred with one of the two co-founders of our company, Steven Barlow, who in November 2016 was called to serve from June 2017 to June 2020 in a full-time capacity. At the time of his call, he was serving as the President of our professional services organization and was one of the most senior leaders of our company. In connection with this call to serve, Mr. Barlow took a leave-of-absence from his company responsibilities starting in March 2017, and his leave of absence will likely extend until August 2020. Hiring executives with needed skills or the replacement of one or more of our executive officers or other key employees would likely involve significant time and costs and may significantly delay or prevent the achievement of our business objectives.

In addition, competition for qualified management in our industry is intense. Many of the companies with which we compete for management personnel have greater financial and other resources than we do. We have not entered into term-based employment agreements with our executive officers. All of our employees are "at-will" employees, and their employment can be terminated by us or them at any time, for any reason. The departure of key personnel could adversely affect the conduct of our business. In such event, we would be required to hire other personnel to manage and operate our business, and there can be no assurance that we would be able to employ a suitable replacement for the departing individual, or that a replacement could be hired on terms that are favorable to us. In addition, volatility or lack of performance in our stock price may affect our ability to attract replacements should key personnel depart. If we are not able to retain any of our key management personnel, our business could be harmed.

Our corporate culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity, and teamwork fostered by our culture, which could harm our business.

We believe that our corporate culture has been an important contributor to our success, which we believe fosters innovation, teamwork, and passion for providing high levels of customer satisfaction. Most of our employees have been with us for fewer than three years as a result of our rapid growth. As we continue to grow, we must effectively integrate, develop, and motivate a growing number of new employees. As a result, we may find it difficult to maintain our corporate culture, which could limit our ability to innovate and operate effectively. Any failure to preserve our culture could also negatively affect our ability to retain and recruit personnel, maintain our performance, or execute on our business strategy.

Servicing our Notes may require a significant amount of cash, and we may not have sufficient cash or the ability to raise the funds necessary to settle conversions of the Notes in cash, repay the Notes at maturity, or repurchase the Notes as required.

On April 14, 2020, we issued $230.0 million in aggregate principal amount of 2.50% Convertible Senior Notes (the Notes) due 2025, pursuant to an Indenture dated April 14, 2020, with U.S. Bank National Association, as trustee, in a private offering to qualified institutional buyers. We received net proceeds from the Notes of $222.5 million, after deducting the initial purchasers' discounts and offering expenses payable by us.

The Notes are governed by an indenture (the Indenture) between us, as the issuer, and U.S. Bank National Association, as trustee. The Notes are our are our senior, unsecured obligations and will accrue interest payable semiannually in arrears on April 15 and October 15 of each year, beginning on October 15, 2020, at a rate of 2.50% per year. The Notes will mature on April 15, 2025, unless earlier converted, redeemed, or repurchased. The Indenture does not contain any financial covenants or restrictions on the payments of dividends, the incurrence of indebtedness, or the issuance or repurchase of securities by us or any of our subsidiaries.

A holder may convert all or any portion of its Notes, at its option, subject to certain conditions and during certain periods, into cash, shares of our common stock or a combination of cash and shares of our common stock, with the form of consideration determined at our election. Note holders will have the right to require us to repurchase all or a portion of their notes at 100% of the principal amount of Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date, upon the occurrence of certain events. The conversion rate is initially 32.6797 shares of our common stock per $1,000 principal amount of Notes (which is equivalent to an initial conversion price of approximately $30.60 per share of our common stock). If the Notes have not previously been converted, redeemed or repurchased, we will be required to repay the Notes in cash at maturity.

Our ability to make required cash payments in connection with redemptions or conversions of the Notes, repurchase the Notes upon the occurrence of certain events, or to repay or refinance the Notes at maturity will depend on market conditions and our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. We also may not use the cash proceeds we raised through the issuance of the Notes in an optimally productive and profitable manner. Since inception, our business has generated net losses, and we may continue to incur significant losses. As a result, we may not have enough available cash or be able to obtain financing at the time we are required to repurchase or repay the Notes or pay cash with respect to Notes being converted.

In addition, our ability to repurchase or to pay cash upon conversion or at maturity of the Notes may be limited by law or regulatory authority or by other agreements governing our future indebtedness. Our failure to repurchase Notes upon the occurrence of certain events or to pay cash upon conversion or at maturity of the Notes as required by the Indenture would constitute a default under the Indenture. A default under the Indenture or the occurrence of certain events that allow Note holders to require repurchase could also lead to a default under agreements governing our future indebtedness and could have a material adverse effect on our business, results of operations, and financial condition. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or to pay cash upon conversion or at maturity of the Notes.

We are subject to counterparty risk with respect to the convertible note hedge transactions.

In connection with the issuance of the Notes, we entered into the Capped Calls with certain option counterparties. We used approximately $21.6 million of the net proceeds from the Note Offering to pay the cost of the Capped Calls. The Capped Calls have initial cap prices of $42.00 per share, subject to certain adjustments. The Capped Calls are expected generally to reduce the potential dilution to our common stock upon any conversion of Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to the cap price. The Capped Calls are separate transactions that we entered into with the option counterparties, and are not part of the terms of the Notes. The option counterparties are financial institutions or affiliates of financial institutions, and we will be subject to the risk that one or more of such option counterparties may default under the Capped Calls. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. If any option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the Capped Calls. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in our common stock market price and in the volatility of the market price of our common stock. In addition, upon a default by any option counterparty, we may suffer adverse tax consequences and dilution with respect to our common stock. We can provide no assurance as to the financial stability or viability of any option counterparty.

The convertible note hedge and warrant transactions may affect the value of our common stock.

In connection with the issuance of the Notes, we entered into the Capped Calls with the option counterparties. The Capped Calls are expected generally to reduce the potential dilution to our common stock upon any conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be.

From time to time, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivative transactions with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the Notes. This activity could cause or avoid an increase or a decrease in the market price of our common stock.

If we raise additional capital through debt financing, the terms of any new debt could further restrict our ability to operate our business.

If we raise any additional debt financing, the terms of such additional debt could further restrict our operating and financial flexibility by subjecting us to customary affirmative and negative covenants, indemnification provisions, and events of default. Further, if we are liquidated, the lender's rights to repayment would be senior to the rights of the holders of our common stock to receive any proceeds from the liquidation. Any declaration by a lender of an event of default could significantly harm our business and prospects and could cause the price of our common shares to decline.

We may acquire other companies or technologies, which could divert our management's attention, result in dilution to our stockholders, and otherwise disrupt our operations and we may have difficulty integrating any such acquisitions successfully or realizing the anticipated benefits therefrom, any of which could have an adverse effect on our business, financial condition, and results of operations.

We may seek to acquire or invest in businesses, applications, and services, or technologies that we believe could complement or expand our Solution, 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 they are consummated. We have in the past and may in the future have difficulty integrating acquired businesses. For example, in June 2018 we acquired the interoperability services of the Medicity business and in February 2020 we acquired Able Health, both of which we are in the process of integrating with our other services. We may have difficulty cross-selling our Solution to acquired customers, and we may have difficulty integrating newly acquired team members.

We have limited experience in acquiring other businesses. If we acquire additional businesses, we may not be able to integrate the acquired personnel, operations, and technologies successfully, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including, but not limited to:

- inability to integrate or benefit from acquired technologies or services in a profitable manner;
- unanticipated costs or liabilities associated with the acquisition;
- difficulty integrating the accounting systems, operations, and personnel of the acquired business;
- difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- difficulty converting the customers of the acquired business onto our platform and contract terms, including disparities in the revenue, licensing, support, or professional services model of the acquired company;
- diversion of management's attention from other business concerns;
- adverse effects on our existing business relationships with business partners and customers as a result of the acquisition;
- the potential loss of key employees;
- use of resources that are needed in other parts of our business; and

- use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our results of operations based on this impairment assessment process, which could adversely affect our results of operations.

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 suffer.

Also, the anticipated benefit of any acquisition may not materialize or may be prohibited by contractual obligations we may enter into in the future with lenders or other third parties. Additionally, future acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, or amortization expenses or write-offs of goodwill, any of which could harm our financial condition. We cannot predict the number, timing or size of future acquisitions, or the effect that any such transactions might have on our results of operations.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depend in part upon our intellectual property. As of December 31, 2019, we had filed applications for a number of patents, and we have nine issued U.S., three issued Canadian patents, one issued Great Britain patent, and one issued European patent. We also had twenty-six registered trademarks in the United States, Canada, and China. We also rely on copyright and trademark laws, trade secret protection, and confidentiality or license agreements with our employees, customers, partners, and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. For example, other parties, including our competitors, may independently develop similar technology, duplicate our services, or design around our intellectual property and, in such cases, we may not be able to assert our intellectual property rights against such parties. Further, our contractual arrangements may not effectively prevent disclosure of our confidential information or provide an adequate remedy in the event of unauthorized disclosure of our confidential information, and we may be unable to detect the unauthorized use of, or take appropriate steps to enforce, our intellectual property rights.

We make business decisions about when to seek patent protection for a particular technology and when to rely upon trade secret protection, and the approach we select may ultimately prove to be inadequate. Even in cases where we seek patent protection, there is no assurance that the resulting patents will effectively protect every significant feature of our Solution, technology, or proprietary information, or provide us with any competitive advantages. Moreover, we cannot guarantee that any of our pending patent applications will issue or be approved. The United States Patent and Trademark Office and various foreign governmental patent agencies also require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process and after a patent has issued. There are situations in which noncompliance can result in abandonment or lapse of the patent, or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If this occurs, our competitors might be able to enter the market, which would have a material adverse effect on our business. Effective trademark, copyright, patent, and trade secret protection may not be available in every country in which we conduct business. Further, intellectual property law, including statutory and case law, particularly in the United States, is constantly developing, and any changes in the law could make it harder for us to enforce our rights.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. 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.

An adverse determination of any litigation proceedings could put our intellectual property at risk of being invalidated or interpreted narrowly and could put our related pending patent applications at risk of not issuing. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential or sensitive information could be compromised by disclosure in the event of litigation. In addition, during the course of litigation, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Negative publicity related to a decision by us to initiate such enforcement actions against a customer or former customer, regardless of its accuracy, may adversely impact our other customer relationships or prospective customer relationships, harm our brand and business, and could cause the market price of our common stock to decline. Our failure to secure, protect, and enforce our intellectual property rights could adversely affect our brand and our business.

We may be sued by third parties for alleged infringement of their proprietary rights or misappropriation of intellectual property.

There is considerable patent and other intellectual property development activity in our industry. Our future success depends in part on not infringing upon the intellectual property rights of others. Our competitors, as well as a number of other entities and individuals, including so-called non-practicing entities (NPEs), may own or claim to own intellectual property relating to our Solution. From time to time, third parties may claim that we are infringing upon their intellectual property rights or that we have misappropriated their intellectual property. For example, in some cases, very broad patents are granted that may be interpreted as covering a wide field of healthcare data storage and analytics solutions or machine learning and predictive modeling methods in healthcare. As competition in our market grows, the possibility of patent infringement, trademark infringement, and other intellectual property claims against us increases. In the future, we expect others to claim that our Solution and underlying technology infringe or violate their intellectual property rights. In a patent infringement claim against us, we may assert, as a defense, that we do not infringe the relevant patent claims, that the patent is invalid or both. The strength of our defenses will depend on the patents asserted, the interpretation of these patents, and our ability to invalidate the asserted patents. However, we could be unsuccessful in advancing non-infringement and/or invalidity arguments in our defense. In the United States, issued patents enjoy a presumption of validity, and the party challenging the validity of a patent claim must present clear and convincing evidence of invalidity, which is a high burden of proof. Conversely, the patent owner need only prove infringement by a preponderance of the evidence, which is a lower burden of proof. We may be unaware of the intellectual property rights that others may claim cover some or all of our technology or services. Because patent applications can take years to issue and are often afforded confidentiality for some period of time there may currently be pending applications, unknown to us, that later result in issued patents that could cover one or more aspects of our technology and services. Any claims or litigation could cause us to incur significant expenses and, whether or not successfully asserted against us, could require that we pay substantial damages, ongoing royalty or license payments, or settlement fees, prevent us from offering our Solution or using certain technologies, require us to re-engineer all or a portion of our platform, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers or business partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify applications, or refund fees, which could be costly. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and key personnel from our business operations.

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

General worldwide economic conditions have experienced significant downturns during the last ten or more years, and market volatility and uncertainty remain widespread, making it potentially very difficult for our customers and us to accurately forecast and plan future business activities. During challenging economic times, our customers may have difficulty gaining timely access to sufficient credit or obtaining credit on reasonable terms, which could impair their ability to make timely payments to us and adversely affect our revenue.

If that were to occur, our financial results could be harmed. Further, challenging economic conditions may impair the ability of our customers to pay for the applications and services they already have purchased from us and, as a result, our write-offs of accounts receivable could increase. We cannot predict the timing, strength, or duration of any economic slowdown or recovery. If the condition of the general economy or markets in which we operate worsens, our business could be harmed.

Our Solution utilizes open-source software, and any failure to comply with the terms of one or more of these open-source licenses could adversely affect our business.

We use software modules licensed to us by third-party authors under "open-source" licenses in our Solution. Some open-source licenses contain affirmative obligations or restrictive terms that could adversely impact our business, such as restrictions on commercialization or obligations to make available modified or derivative works of certain open-source code. If we were to combine our proprietary software with certain open-source software subject to these licenses in a certain manner, we could, under certain open-source licenses, be required to release or otherwise make available the source code to our proprietary software to the public. This would allow our competitors to create similar products with lower development effort and time and ultimately could result in a loss of product sales for us.

Although we employ practices designed to manage our compliance with open-source licenses and protect our proprietary source code, we may inadvertently use open-source software in a manner we do not intend and that could expose us to claims for breach of contract and intellectual property infringement. If we are held to have breached the terms of an open-source software license, we could be required to, among other things, seek licenses from third parties to continue offering our products on terms that are not economically feasible, pay damages to third parties, to re-engineer our products, to discontinue the sale of our products if re-engineering cannot be accomplished on a timely basis, or to make generally available, in source code form, a portion of our proprietary code, any of which could adversely affect our business, results of operations, and financial condition. The terms of many open-source licenses have not been interpreted by U.S. courts, and, as a result, there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to commercialize our Solution.

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, value-added or similar transactional taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our results of operations.

We do not collect sales and use, value-added, and similar transactional taxes in all jurisdictions in which we have sales, based on our belief that such taxes are not applicable or that we are not required to collect such taxes with respect to the jurisdiction. Sales and use, value-added, and similar tax laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties, and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties, interest or future requirements, increase in tax rates, or a combination of the foregoing may result in an increase in our sales and similar transactional taxes, increase administrative burdens or costs, or otherwise adversely affect our business, results of operations, or financial condition.

Unanticipated changes in our effective tax rate and additional tax liabilities, including as a result of our international operations or implementation of new tax rules, could harm our future results.

We are subject to income taxes in the United States and are expanding into various foreign jurisdictions that are subject to income tax. Our domestic and international tax liabilities are subject to the allocation of expenses in differing jurisdictions and complex transfer pricing regulations administered by taxing authorities in various jurisdictions. Tax rates in the jurisdictions in which we operate may change as a result of factors outside of our control or relevant taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. In addition, changes in tax and trade laws, treaties or regulations, or their interpretation or enforcement, have become more unpredictable and may become more stringent, which could materially adversely affect our tax position.

Forecasting our estimated annual effective tax rate is complex and subject to uncertainty, and there may be material differences between our forecasted and actual effective tax rate. Our effective tax rate could be adversely affected by changes in the mix of earnings and losses in countries with differing statutory tax rates, certain non-deductible expenses, the valuation of deferred tax assets and liabilities, adjustments to income taxes upon finalization of tax returns, changes in available tax attributes, decision to repatriate non-U.S. earnings for which we have not previously provided for U.S. taxes, and changes in federal, state, or international tax laws and accounting principles.

Finally, we may be subject to income tax audits throughout the world. An adverse resolution of one or more uncertain tax positions in any period could have a material impact on our results of operations or financial condition for that period.

If we are unable to implement and maintain effective internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be adversely affected.

As a public company, we are required to maintain internal controls over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal controls over financial reporting. However, we are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose.

As a public company, we are required to provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second annual report on Form 10-K. Many of the internal controls we have implemented pursuant to the Sarbanes-Oxley Act are process controls with respect to which a material weakness may be found whether or not any error has been identified in our reported financial statements. This may be confusing to investors and result in damage to our reputation, which may harm our business. Additionally, the proper design and assessment of internal controls over financial reporting are subject to varying interpretations, and, as a result, application in practice may evolve over time as new guidance is provided by regulatory and governing bodies and as common practices evolve. This could result in continuing uncertainty regarding the proper design and assessment of internal controls over financial reporting and higher costs necessitated by ongoing revisions to internal controls.

We must continue to monitor and assess our internal control over financial reporting. If in the future we have any material weaknesses, we may not detect errors on a timely basis and our financial statements may be materially misstated. Additionally, if in the future we are unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, are unable to assert that our internal controls over financial reporting are effective, identify material weaknesses in our internal controls over financial reporting, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, and the market price of our common stock could be adversely affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.

As of December 31, 2019, we had net operating loss (NOL) carryforwards for federal and state income tax purposes of approximately $269.1 million and $215.2 million, respectively, which may be available to offset taxable income in the future, and which expire in various years beginning in 2032 for federal purposes if not utilized. The state NOLs will expire depending upon the various rules in the states in which we operate. A lack of future taxable income would adversely affect our ability to utilize these NOLs before they expire. In general, under Section 382 of the Internal Revenue Code of 1986, as amended (the Code) a corporation that undergoes an “ownership change” (as defined under Section 382 of the Code and applicable Treasury Regulations) is subject to limitations on its ability to utilize its pre-change NOLs to offset its future taxable income.

We may experience a future ownership change under Section 382 of the Code that could affect our ability to utilize the NOLs to offset our income. Furthermore, our ability to utilize NOLs of companies that we have acquired or may acquire in the future may be subject to limitations. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to reduce future income tax liabilities, including for state income tax purposes. For these reasons, we may not be able to utilize a material portion of our NOLs, even if we attain profitability, which could potentially result in increased future tax liability to us and could adversely affect our results of operations and financial condition.

Comprehensive tax reform legislation could adversely affect our business and financial condition.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the Tax Act) was signed into law. The Tax Act contains, among other things, significant changes to corporate taxation, including (i) a reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%, (ii) a limitation of the tax deduction for interest expense to 30% of adjusted earnings (except for certain small businesses), (iii) a limitation of the deduction for NOLs to 80% of current year taxable income in respect of NOLs generated during or after 2018 and elimination of net operating loss carrybacks, (iv) a one-time tax on offshore earnings at reduced rates regardless of whether they are repatriated, (v) immediate deductions for certain new investments instead of deductions for depreciation expense over time, and (vi) a modification or repeal of many business deductions and credits. For federal NOLs arising in tax years beginning after December 31, 2017, the Tax Act limits a taxpayer's ability to utilize federal NOL carryforwards to 80% of taxable income. In addition, federal NOLs arising in tax years ending after December 31, 2017 can be carried forward indefinitely, but carryback is generally prohibited. It is uncertain if and to what extent various states will conform to the newly enacted federal tax law. We will continue to examine the impact the Tax Act may have on our results of operations and financial condition.

Future litigation against us could be costly and time-consuming to defend and could result in additional liabilities.

We may from time to time be subject to legal proceedings and claims that arise in the ordinary course of business, such as claims brought by our customers in connection with commercial disputes and employment claims made by our current or former employees. Claims may also be asserted by or on behalf of a variety of other parties, including government agencies, patients or vendors of our customers, or stockholders. Any litigation involving us may result in substantial costs, operationally restrict our business, and may divert management's attention and resources, which may seriously harm our business, overall financial condition, and results of operations. Insurance may not cover existing or future claims, be sufficient to fully compensate us for one or more of such claims, or continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, thereby reducing our results of operations and resulting in a reduction in the trading price of our stock.

Changes in accounting principles may cause previously unanticipated fluctuations in our financial results, and the implementation of such changes may impact our ability to meet our financial reporting obligations.

We prepare our financial statements in accordance with U.S. GAAP which are subject to interpretation or changes by the Financial Accounting Standards Board (FASB), the SEC, and other various bodies formed to promulgate and interpret appropriate accounting principles. New accounting pronouncements and changes in accounting principles have occurred in the past and are expected to occur in the future which may have a significant effect on our financial results. Furthermore, any difficulties in implementation of changes in accounting principles, including the ability to modify our accounting systems, could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us.

Risks Related to Governmental Regulation

Government regulation of healthcare creates risks and challenges with respect to our compliance efforts and our business strategies.

The healthcare industry is highly regulated and is subject to changing political, legislative, regulatory, and other influences. Existing and new laws and regulations affecting the healthcare industry, or changes to existing laws and regulations, including the potential amendment or repeal of all or parts of the Affordable Care Act (ACA), could create unexpected liabilities for us, cause us to incur additional costs, and restrict our operations. Reforming the healthcare industry has been a priority for U.S. politicians, and key members of the legislative and executive branches have proposed a wide variety of potential changes and policy goals. Certain changes to laws impacting our industry, or perceived intentions to do so, could affect our business and results of operations.

Many healthcare laws are complex, and their application to specific services and relationships may not be clear. In particular, many existing healthcare laws and regulations, when enacted, did not anticipate the data analytics and improvement services that we provide, and these laws and regulations may be applied to our Solution in ways that we do not anticipate, particularly as we develop and release new and more sophisticated solutions. Our failure to accurately anticipate the application of these laws and regulations, or our other failure to comply with them, could create significant liability for us, result in adverse publicity, and negatively affect our business. Some of the risks we face from healthcare regulation are described below:

- *False Claims Laws*. There are numerous federal and state laws that prohibit submission of false information, or the failure to disclose information, in connection with submission and payment of physician claims for reimbursement. For example, the federal civil False Claims Act prohibits, among other things, individuals or entities from knowingly presenting, or causing to be presented, to the U.S. federal government, claims for payment or approval that are false or fraudulent, or knowingly making, using or causing to be made or used, a false record or statement material to a false or fraudulent claim. In addition, the government may assert that a claim including items and services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act. If our advisory services to customers are associated with action by customers that is determined or alleged to be in violation of these laws and regulations, it is possible that an enforcement agency would also try to hold us accountable. Any determination by a court or regulatory agency that we have violated these laws could subject us to significant civil or criminal penalties, invalidate all or portions of some of our customer contracts, require us to change or terminate some portions of our business, require us to refund portions of our services fees, subject us to additional reporting requirements and oversight under a corporate integrity agreement or similar agreement to resolve allegations of noncompliance with these laws, cause us to be disqualified from serving customers doing business with government payors, and have an adverse effect on our business. Our customers' failure to comply with these laws and regulations in connection with our services could result in substantial liability (including, but not limited to, criminal liability), adversely affect demand for our Solution, and force us to expend significant capital, research and development, and other resources to address the failure.

- *Health Data Privacy Laws*. There are numerous federal and state laws related to health information privacy. In particular, the federal Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act (HITECH) and their implementing regulations, which we collectively refer to as HIPAA, include privacy standards that protect individual privacy by limiting the uses and disclosures of PHI and implementing data security standards that require covered entities to implement administrative, physical, and technological safeguards to ensure the confidentiality, integrity, availability, and security of PHI in electronic form. HIPAA also specifies formats that must be used in certain electronic transactions, such as admission and discharge messages. By processing and maintaining PHI on behalf of our covered entity customers, we are a HIPAA business associate and mandated by HIPAA to enter into written agreements with our covered entity clients – known as BAAs – that require us to safeguard PHI. BAAs typically include:

- a description of our permitted uses of PHI;
- a covenant not to disclose that information except as permitted under the BAA and to require that our subcontractors, if any, are subject to the substantially similar restrictions;
- assurances that reasonable and appropriate administrative, physical, and technical safeguards are in place to prevent misuse of PHI;
- an obligation to report to our customer any use or disclosure of PHI other than as provided for in the BAA;
- a prohibition against our use or disclosure of PHI if a similar use or disclosure by our customer would violate the HIPAA standards;
- the ability of our customers to terminate the underlying support agreement if we breach a material term of the BAA and are unable to cure the breach;
- the requirement to return or destroy all PHI at the end of our services agreement; and
- access by the Department of Health and Human Services (HHS) to our internal practices, books, and records to validate that we are safeguarding PHI.

In addition, we are also required to maintain BAAs, which contain similar provisions, with our subcontractors that access or otherwise process PHI on our behalf.

We may not be able to adequately address the business risks created by HIPAA implementation. Furthermore, we are unable to predict what changes to HIPAA or other laws or regulations might be made in the future or how those changes could affect our business or the costs of compliance. For example, in 2018, the HHS Office for Civil Rights published a Request for Information in the Federal Register seeking comments on a number of areas in which HHS is considering making both minor and significant modifications to the HIPAA privacy and security standards to, among other things, improve care coordination. We are unable to predict what, if any, impact the changes in such standards will have on our compliance costs or our Solution.

Finally, some of our analytics applications, for example one of our benchmarking applications, require that we obtain permissions consistent with HIPAA to provide “data aggregation services” and the right to create de-identified information and to use and disclose such de-identified information. We will also require large sets of de-identified information to enable us to continue to develop machine learning algorithms that enhance our Solution. If we are unable to secure these rights in customer BAAs or as a result of any future changes to HIPAA or other applicable laws, we may face limitations on the use of PHI and our ability to use de-identified information that could negatively affect the scope of our Solution as well as impair our ability to provide upgrades and enhancements to our Solution.

We outsource important aspects of the storage and transmission of customer and member information, and thus rely on third parties to manage functions that have material cyber-security risks. We attempt to address these risks by requiring outsourcing subcontractors who handle customer information to sign BAAs contractually requiring those subcontractors to adequately safeguard PHI in a similar manner that applies to us and in some cases by requiring such outsourcing subcontractors to undergo third-party security examinations as well as to protect the confidentiality of other sensitive customer information. In addition, we periodically hire third-party security experts to assess and test our security measures. However, we cannot be assured that these contractual measures and other safeguards will adequately protect us from the risks associated with the storage and transmission of customer proprietary information and PHI.

In addition to the HIPAA privacy and security standards, most states have enacted patient confidentiality laws that protect against the disclosure of confidential medical and other personally identifiable information (PII) and many states have adopted or are considering new privacy laws, including legislation that would mandate new privacy safeguards, security standards, and data security breach notification requirements. Such state laws, if more stringent than HIPAA requirements, are not preempted by the federal requirements, and we are required to comply with them.

Failure by us to comply with any of the federal and state standards regarding patient privacy and/or privacy more generally may subject us to penalties, including significant civil monetary penalties and, in some circumstances, criminal penalties. In addition, such failure may injure our reputation and adversely affect our ability to retain customers and attract new customers.

Even an unsuccessful challenge by regulatory authorities of our activities could result in adverse publicity and could require a costly response from us.

- *Anti-Kickback and Anti-Bribery Laws*. There are federal and state laws that prohibit payment for patient referrals, patient brokering, remuneration of patients, or billing based on referrals between individuals or entities that have various financial, ownership, or other business relationships with healthcare providers. In particular, the federal Anti-Kickback Statute prohibits offering, paying, soliciting, or receiving anything of value, directly or indirectly, for the referral of patients covered by Medicare, Medicaid, and other federal healthcare programs or the leasing, purchasing, ordering, or arranging for or recommending the lease, purchase, or order of any item, good, facility, or service covered by these programs. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. Some enforcement activities focus on below or above market payments for federally reimbursable health care items or services as evidence of the intent to provide a kickback. Many states also have similar anti-kickback laws that are not necessarily limited to items or services for which payment is made by a federal healthcare program. In addition, the federal anti-referral law—the Stark Law—is very complex in its application, and prohibits physicians (and certain other healthcare professionals) from making a referral for a designated health service to a provider in which the referring healthcare professional (or spouse or any immediate family member) has a financial or ownership interest, unless an enumerated exception applies. The Stark Law also prohibits the billing for services rendered resulting from an impermissible referral. Many states also have similar anti-referral laws that are not necessarily limited to items or services for which payment is made by a federal healthcare program and may include patient disclosure requirements. Moreover, both federal and state laws prohibit bribery and similar behavior. Any determination by a state or federal regulatory agency that we or any of our customers, vendors, or partners violate or have violated any of these laws could subject us to significant civil or criminal penalties, require us to change or terminate some portions of our business, require us to refund portions of our services fees, subject us to additional reporting requirements and oversight under a corporate integrity agreement or similar agreement to resolve allegations of noncompliance with these laws, cause us to be disqualified from serving customers doing business with government payors, and have an adverse effect on our business. Even an unsuccessful challenge by regulatory authorities of our activities could result in adverse publicity and could require a costly response from us.

- *Corporate Practice of Medicine Laws and Fee-Splitting Laws*. Many states have laws prohibiting physicians from practicing medicine in partnership with non-physicians, such as business corporations. In some states, including New York, these take the form of laws or regulations prohibiting splitting of physician fees with non-physicians or others. Any determination by a state court or regulatory agency that our service contracts with our clients violate these laws could subject us to civil or criminal penalties, invalidate all or portions of some of those contracts, require us to change or terminate some portions of our business, require us to refund portions of our services fees, and have an adverse effect on our business. Even an unsuccessful challenge by regulatory authorities of our activities could result in adverse publicity and could require a costly response from us.

- *Medical Professional Regulation*. The practice of most healthcare professions requires licensing under applicable state law. In addition, the laws in some states prohibit business entities from practicing medicine. We employ and contract with physicians who assist our customers with the customers' care coordination, care management, population health management, and patient safety activities. We do not intend to provide medical care, treatment, or advice. However, any determination that we are acting in the capacity of a healthcare provider and acted improperly as a healthcare provider may result in additional compliance requirements, expense, and liability to us, and require us to change or terminate some portions of our business.

- *Medical Device Laws*. The FDA may regulate medical or health-related software, including machine learning functionality and predictive algorithms, if such software falls within the definition of a "device" under the federal Food, Drug, and Cosmetic Act (FDCA). However, the FDA exercises enforcement discretion for certain low-risk software, as described in its guidance documents for Mobile Medical Applications, General Wellness: Policy for Low Risk Devices, and Medical Device Data Systems, Medical Image Storage Devices, and Medical Image Communications Devices. In addition, in December of 2016, President Obama signed into law the 21st Century Cures Act, which included exemptions for certain medical-related software, including software used for administrative support functions at a healthcare facility, software intended for maintaining or encouraging a healthy lifestyle, EHR software, software for transferring, storing, or displaying medical device data or in vitro diagnostic data, and certain clinical decision support software. The FDA has also issued draft guidance documents to clarify how it intends to interpret and apply the new exemptions under the 21st Century Cures Act. Although we believe that our software products are currently not subject to active FDA regulation, we continue to follow the FDA's developments in this area. There is a risk that the FDA could disagree with our determination or that the FDA could develop new final guidance documents that would subject our Solution to active FDA oversight. If the FDA determines that any of our current or future analytics applications are regulated as medical devices, we would become subject to various requirements under the FDCA and the FDA's implementing regulations. Depending on the functionality and FDA classification of our analytics applications, we may be required to:

    - register and list our analytics applications with the FDA;

    - notify the FDA and demonstrate substantial equivalence to other products on the market before marketing our analytics applications;

    - submit a de novo request to the FDA to down-classify our analytics applications prior to marketing; or

    - obtain FDA approval by demonstrating safety and effectiveness before marketing our analytics applications.

The FDA can impose extensive requirements governing pre- and post-market conditions, such as service investigation and others relating to approval, labeling, and manufacturing. In addition, the FDA can impose extensive requirements governing software development controls and quality assurance processes.

These laws and regulations may change rapidly, and it is frequently unclear how they apply to our business. Any failure of our products or services to comply with these laws and regulations could result in substantial civil or criminal liability and could, among other things, adversely affect demand for our services, force us to expend significant capital, research and development, and other resources to address the failure, invalidate all or portions of some of our contracts with our customers, require us to change or terminate some portions of our business, require us to refund portions of our revenue, cause us to be disqualified from serving customers doing business with government payors, and give our customers the right to terminate our contracts with them, any one of which could have an adverse effect on our business. Additionally, the introduction of new services may require us to comply with additional, yet undetermined, laws and regulations.

The security measures that we and our third-party vendors and subcontractors have in place to ensure compliance with privacy and data protection laws may not protect our facilities and systems from security breaches, acts of vandalism or theft, computer viruses, misplaced or lost data, programming and human errors, or other similar events. Under the HITECH Act, as a business associate, we may also be liable for privacy and security breaches and failures of our subcontractors. Even though we provide for appropriate protections through our agreements with our subcontractors, we still have limited control over their actions and practices. A breach of privacy or security of individually identifiable health information by a subcontractor may result in an enforcement action, including criminal and civil liability, against us. We are not able to predict the extent of the impact such incidents may have on our business.

Our failure to comply may result in criminal and civil liability because the potential for enforcement action against business associates is now greater. Enforcement actions against us could be costly and could interrupt regular operations, which may adversely affect our business. While we have not received any notices of violation of the applicable privacy and data protection laws and believe we are in compliance with such laws, there can be no assurance that we will not receive such notices in the future.

There is ongoing concern from privacy advocates, regulators, and others regarding data protection and privacy issues, and the number of jurisdictions with data protection and privacy laws has been increasing. Also, there are ongoing public policy discussions regarding whether the standards for deidentified, anonymous, or pseudonymized health information are sufficient, and the risk of re-identification sufficiently small, to adequately protect patient privacy. We expect that there will continue to be new proposed laws, regulations, and industry standards concerning privacy, data protection, and information security in the United States, including the California Consumer Privacy Act, which went into effect January 1, 2020, and we cannot yet determine the impact such laws, regulations, and standards may have on our business. Future laws, regulations, standards, and other obligations, and changes in the interpretation of existing laws, regulations, standards, and other obligations could impair our or our customers' ability to collect, use, or disclose information relating to consumers, which could decrease demand for our platform, increase our costs, and impair our ability to maintain and grow our customer base and increase our revenue. New laws, amendments to or re-interpretations of existing laws and regulations, industry standards, contractual obligations, and other obligations may require us to incur additional costs and restrict our business operations. In view of new or modified federal, state, or foreign laws and regulations, industry standards, contractual obligations, and other legal obligations, or any changes in their interpretation, we may find it necessary or desirable to fundamentally change our business activities and practices or to expend significant resources to modify our software or platform and otherwise adapt to these changes.

Any failure or perceived failure by us to comply with federal or state laws or regulations, industry standards, or other legal obligations, or any actual or suspected security incident, whether or not resulting in unauthorized access to, or acquisition, release, or transfer of personally identifiable information or other data, may result in governmental enforcement actions and prosecutions, private litigation, fines, and penalties or adverse publicity and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business. We may be unable to make such changes and modifications in a commercially reasonable manner or at all, and our ability to develop new products and features could be limited. Any of these developments could harm our business, financial condition, and results of operations. Privacy and data security concerns, whether valid or not valid, may inhibit market adoption of our platform.

Further, on May 1, 2020, ONC and CMS finalized and published complementary new rules to support access, exchange, and use of EHI, referred to as the Final Rule. The Final Rule is intended to clarify provisions of the 21st Century Cures Act regarding interoperability and information blocking, and, subject to the interpretations of the Final Rule and exceptions to what constitutes information blocking, may create significant new requirements for health care industry participants. The Final Rule requires certain electronic health record technology to incorporate standardized application programming interfaces (APIs) to allow individuals to securely and easily access structured EHI using smartphone applications. The Final Rule also implements provisions of the 21st Century Cures Act requiring that patients be provided with electronic access to all of their EHI (structured and/or unstructured) at no cost.

Finally, the Final Rule also implements the information blocking provisions of the 21st Century Cures Act, subject to eight exceptions that will not be considered information blocking as long as specific conditions are met. The impact of the Final Rule on our business is unclear at this time, due to, among other things, uncertainty regarding the interpretation of safe harbors and exceptions to the Final Rule by industry participants and regulators.

The Final Rule focuses on health plans, payors, and health care providers and proposes measures to enable patients to move from health plan to health plan, provider to provider, and have both their clinical and administrative information travel with them.

It is unclear whether the Final Rule may benefit us in that certain EHR vendors will no longer be permitted to interfere with our attempts at integration, but the rules may also make it easier for other similar companies to enter the market, creating increased competition, and reducing our market share. It is unclear at this time what the costs of compliance with the proposed rules, if adopted, would be, and what additional risks there may be to our business.

Due to the particular nature of certain services we provide or the manner in which we provide them, we may be subject to additional government regulation and foreign government regulation.

While our Solution is primarily subject to government regulations pertaining to healthcare, certain aspects of our Solution may require us to comply with regulatory schema from other areas. Examples of such regulatory schema include:

- *Antitrust Laws*. Our national cloud-based network allows us access to cost and pricing data for a large number of providers in most regional markets, as well as to the contracted rates for third-party payors. To the extent that our Solution enables providers to compare their cost and pricing data with those of their competitors, those providers could collude to increase the pricing for their services, to reduce the compensation they pay their employees, or to collectively negotiate agreements with third parties. Similarly, if payors are able to compare their contracted rates of payment to providers, those payors may seek to reduce the amounts they might otherwise pay. Such actions may be deemed to be anti-competitive and a violation of federal antitrust laws. To the extent that we are deemed to have enabled such activities, we could be subject to fines and penalties imposed by the U.S. Department of Justice or the FTC and be required to curtail or terminate the services that permitted such collusion.

- *Consumer Protection Regulation*. Federal and state government bodies and agencies have adopted or are considering adopting laws and regulations regarding the collection, use, and dissemination of data, and the presentation of website or other electronic content, which may require compliance with certain standards for notice, choice, security, and access. California adopted the California Consumer Privacy Act (CCPA), which went into effect on January 1, 2020. The CCPA has been characterized as the first “GDPR-like” privacy statute to be enacted in the United States because it mirrors a number of the key provisions of the GDPR (discussed below). The CCPA establishes a new privacy framework for covered businesses by creating an expanded definition of personal information, establishing new data privacy rights for consumers in the state of California, imposing special rules on the collection of consumer data from minors, and creating a new and potentially severe statutory damages framework for violations of the CCPA and for businesses that fail to implement reasonable security procedures and practices to prevent data breaches. If we fail to comply with any of these privacy laws that apply to us, and are subject to the aforementioned penalties, our business and financial results could be adversely affected.

- *Foreign Corrupt Practices Act (FCPA) and Foreign Anti-Bribery Laws*. The FCPA makes it illegal for U.S. persons, including U.S. companies, and their subsidiaries, directors, officers, employees, and agents, to promise, authorize or make any corrupt payment, or otherwise provide anything of value, directly or indirectly, to any foreign official, any foreign political party or party official, or candidate for foreign political office to obtain or retain business. Violations of the FCPA can also result in violations of other U.S. laws, including anti-money laundering, mail and wire fraud, and conspiracy laws. There are severe penalties for violating the FCPA. In addition, the Company may also be subject to other non-U.S. anti-corruption or anti-bribery laws, such as the U.K. Bribery Act 2010. If our employees, contractors, vendors,

or partners fail to comply with the FCPA and/or foreign anti-bribery laws, we may be subject to penalties or sanctions, and our ability to develop new prospects and retain existing customers could be adversely affected.

- *Economic Sanctions and Export Controls*. Economic and trade sanctions programs that are administered by the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) prohibit or restrict transactions to or from, and dealings with specified countries and territories, their governments, and in certain circumstances, with individuals and entities that are specially designated nationals of those countries, and other sanctioned persons, including narcotics traffickers and terrorists or terrorist organizations. As federal, state and foreign legislative regulatory scrutiny and enforcement actions in these areas increase, we expect our costs to comply with these requirements will increase as well. Failure to comply with any of these requirements could result in the limitation, suspension or termination of our services, imposition of significant civil and criminal penalties, including fines, and/or the seizure and/or forfeiture of our assets. Further, our Solution incorporates encryption technology. This encryption technology may be exported from the United States only with the required export authorizations, including by a license, a license exception or other appropriate government authorizations. Such solutions may also be subject to certain regulatory reporting requirements. Various countries also regulate the import of certain encryption technology, including through import permitting and licensing requirements, and have enacted laws that could limit our customers' ability to import our Solution into those countries. Governmental regulation of encryption technology and of exports and imports of encryption products, or our failure to obtain required approval for our Solution, when applicable, could harm our international sales and adversely affect our revenue. Compliance with applicable regulatory requirements regarding the provision of our Solution, including with respect to new applications, may delay the introduction of our Solution in various markets or, in some cases, prevent the provision of our Solution to some countries altogether.

- *GDPR and Foreign Data Privacy Protection Laws*. In addition, several foreign governments have regulations dealing with the collection and use of personal information obtained from their residents. For example, in the European Union, (EU), the General Data Protection Regulation (GDPR) went into effect on May 25, 2018. If we or our vendors fail to comply with the applicable EU privacy laws, we could be subject to government enforcement actions and significant penalties against us. GDPR introduced new data protection requirements in the EU relating to the consent of the individuals to whom the personal data relates, the information provided to the individuals, the documentation we must retain, the security and confidentiality of the personal data, data breach notification and the use of third-party processors in connection with the processing of personal data. GDPR has increased our responsibility and potential liability in relation to personal data that we process, and we may be required to put in place mechanisms to ensure compliance with GDPR. Data protection authorities of the different EU Member States may interpret GDPR differently, and guidance on implementation and compliance practices are often updated or otherwise revised, which adds to the complexity of processing personal data in the EU. Any failure by us to comply with GDPR could result in proceedings or actions against us by governmental entities or others, which may subject us to significant penalties and negative publicity, require us to change our business practices, and increase our costs and severely disrupt our business. Similarly, Canada's Personal Information and Protection of Electronic Documents Act provides Canadian residents with privacy protections in regard to transactions with businesses and organizations in the private sector and sets out ground rules for how private-sector organizations may collect, use, and disclose personal information in the course of commercial activities. Foreign governments may attempt to apply such laws extraterritorially or through treaties or other arrangements with U.S. governmental entities. Other jurisdictions besides the EU and Canada are similarly introducing or enhancing laws and regulations relating to privacy and data security, which enhances risks relating to compliance with such laws. Furthermore, as we enter into business arrangements in countries outside of the United States, we will need to be prepared to comply with applicable local privacy laws. The GDPR and other changes in laws or regulations associated with the enhanced protection of certain types of personal data, such as healthcare data or other sensitive information, could greatly increase our cost of providing our products and services or even prevent us from offering certain services in jurisdictions that we operate.

- *Regulatory Certification*. We must obtain certification from governmental agencies, such as the Agency for Healthcare Research and Quality (AHRQ) to sell certain of our analytics applications and services in the United States. We cannot be certain that our Solution will continue to meet these standards. The failure to comply with these certification requirements could result in the loss of certification, which could restrict our Solution offerings and cause us to lose customers.

We cannot be certain that the privacy policies and other statements regarding our practices will be found sufficient to protect us from liability or adverse publicity relating to the privacy and security of personal information. Whether and how existing local and international privacy and data protection laws in various jurisdictions apply to the Internet and other online technologies is still uncertain and may take years to resolve. Current and future privacy laws and regulations, if drafted or interpreted broadly, could be deemed to apply to the technology we use and could restrict our information collection methods or decrease the amount and utility of the information that we would be permitted to collect. The costs of compliance with, and the other burdens imposed by, these and other laws or regulatory actions may prevent us from selling our Solution, or increase the costs of doing so, and may affect our ability to invest in or jointly develop our analytics applications. In addition, a determination by a court or government agency that any of our practices, or those of our agents, do not meet these standards could result in civil and/or criminal liability, result in adverse publicity, and adversely affect our business.

The healthcare regulatory and political framework is uncertain and evolving.

Healthcare laws and regulations are rapidly evolving and may change significantly in the future, which could adversely affect our financial condition and results of operations. For example, in March 2010, the Patient Protection and ACA was adopted, which is a healthcare reform measure that provides healthcare insurance for approximately 30 million more Americans. The ACA includes a variety of healthcare reform provisions and requirements that substantially changed the way healthcare is financed by both governmental and private insurers, which may significantly impact our industry and our business. Many of the provisions of the ACA phase in over the course of the next several years, and we may be unable to predict accurately what effect the ACA or other healthcare reform measures that may be adopted in the future, including amendments to the ACA, will have on our business. On December 14, 2018, a U.S. District Court Judge in the Northern District of Texas, ruled that the individual mandate is a critical and inseverable feature of the ACA, and therefore, because it was repealed as part of the Tax Act, the remaining provisions of the ACA are invalid as well. On December 18, 2019, the Fifth Circuit U.S. Court of Appeals held that the individual mandate is unconstitutional, and remanded the case to the lower court to reconsider its earlier invalidation of the full ACA. Pending review, the ACA remains in effect, but it is unclear at this time what effect the latest ruling will have on the status of the ACA.

Our business could be adversely impacted by changes in laws and regulations related to the Internet or changes in access to the Internet generally.

The future success of our business depends upon the continued use of the Internet as a primary medium for communication, business applications, and commerce. Federal or state government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the Internet as a commercial medium. Legislators, regulators, or government bodies or agencies may also make legal or regulatory changes or interpret or apply existing laws or regulations that relate to the use of the Internet in new and materially different ways. Changes in these laws, regulations or interpretations could require us to modify our platform in order to comply with these changes, to incur substantial additional costs or divert resources that could otherwise be deployed to grow our business, or expose us to unanticipated civil or criminal liability, among other things.

In addition, government agencies and private organizations have imposed, and may in the future impose, additional taxes, fees or other charges for accessing the Internet or commerce conducted via the Internet. Internet access is frequently provided by companies that have significant market power and could take actions that degrade, disrupt or increase the cost of our customers' use of our platform, which could negatively impact our business. Net neutrality rules, which were designed to ensure that all online content is treated the same by Internet service providers and other companies that provide broadband services were repealed by the Federal Communications Commission effective June 2018. The repeal of the net neutrality rules could force us to incur greater operating

expenses or our customers' use of our platform could be adversely affected, either of which could harm our business and results of operations.

These developments could limit the growth of Internet-related commerce or communications generally or result in reductions in the demand for Internet-based platforms and services such as ours, increased costs to us or the disruption of our business. In addition, as the Internet continues to experience growth in the numbers of users, frequency of use and amount of data transmitted, the use of the Internet as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of Internet activity, security, reliability, cost, ease-of-use, accessibility, and quality of service. The performance of the Internet and its acceptance as a business tool has been adversely affected by "viruses," "worms," and similar malicious programs and the Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If the use of the Internet generally, or our platform specifically, is adversely affected by these or other issues, we could be forced to incur substantial costs, demand for our platform could decline, and our results of operations and financial condition could be harmed.

Risks Related to Ownership of Our Common Stock

We have a limited operating history in an evolving industry which makes it difficult to evaluate our current business future prospects and increases the risk of your investment.

We launched operations in 2008 and we acquired Medicity in June 2018. Our limited operating history, in particular with respect to the Medicity business, makes it difficult to effectively assess or forecast our future prospects. You should consider our business and prospects in light of the risks and difficulties we encounter or may encounter. These risks and difficulties include our ability to cost-effectively acquire new customers and retain existing customers, maintain the quality of our technology infrastructure that can efficiently and reliably handle the requirements of our customers and the deployment of new features and solutions and successfully compete with other companies that are currently in, or may enter, the healthcare solution space. Additional risks include our ability to effectively manage growth, responsibly use the data that customers share with us, process, store, protect, and use personal data in compliance with governmental regulation, contractual obligations, and other legal obligations related to privacy and security and avoid interruptions or disruptions in our service or slower than expected load times for our platform. If we fail to address the risks and difficulties that we face, including those associated with the challenges listed above, our business and our results of operations will be adversely affected.

The market price of our common stock may be volatile and may decline regardless of our operating performance, and you may lose all or part of your investments.

The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets and/or publicly-listed technology companies;
- actual or anticipated fluctuations in our net revenue or other operating metrics;
- changes in the financial projections we provide to the public or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet the estimates or the expectations of investors;
- the economy as a whole and market conditions in our industry;
- rumors and market speculation involving us or other companies in our industry;

- announcements by us or our competitors of significant innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- lawsuits threatened or filed against us;
- recruitment or departure of key personnel;
- other events or factors, including those resulting from war, incidents of terrorism, or responses to these events; and
- the expiration of contractual lock-up or market standoff agreements.

In addition, extreme price and volume fluctuations in the stock markets have affected and continue to affect many technology companies' stock prices. Often, their stock prices have fluctuated in ways unrelated or disproportionate to the companies' operating performance. In the past, stockholders have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and harm our business.

Moreover, because of these fluctuations, comparing our results of operations on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance. This variability and unpredictability could also result in our failing to meet the expectations of industry or financial analysts or investors for any period. If our net revenue or results of operations fall below the expectations of analysts or investors or below any forecasts we may provide to the market, or if the forecasts we provide to the market are below the expectations of analysts or investors, the price of our common stock could decline substantially. Such a stock price decline could occur even when we have met any previously publicly stated net revenue or earnings forecasts that we may provide.

We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an emerging growth company, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including:

- not being required to have our independent registered public accounting firm attest to our internal control over financial reporting under Section 404 of the Sarbanes Oxley Act;
- reduced disclosure obligations regarding executive compensation in our periodic reports and annual report on Form 10-K; and
- exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We could be an emerging growth company for up to five years following the completion of our IPO. Our status as an emerging growth company will end as soon as any of the following takes place:

- the last day of the fiscal year in which we have more than $1.07 billion in annual revenue;
- the date we qualify as a "large accelerated filer," with at least $700 million of equity securities held by non-affiliates;

- the date on which we have issued, in any three-year period, more than $1.0 billion in non-convertible debt securities; or

- the last day of the fiscal year ending after the fifth anniversary of the completion of our IPO.

We cannot predict if investors will find our common stock less attractive if we choose to rely on the exemptions afforded emerging growth companies. If some investors find our common stock less attractive because we rely on any of these exemptions, there may be a less active trading market for our common stock and the market price of our common stock may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this accommodation allowing for delayed adoption of new or revised accounting standards, and therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, the price of our common stock and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts do not currently, and may never, publish research on our company. If few securities analysts commence coverage of us, or if industry analysts cease coverage of us, the trading price for our common stock could be negatively affected. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us on a regular basis, demand for our common stock could decrease, which might cause our common stock price and trading volume to decline.

Our management has broad discretion in the use of proceeds from our IPO and the Note Offering and our use may not produce a positive rate of return.

The principal purposes of our IPO were to increase our capitalization and financial flexibility, create a public market for our stock and thereby enable access to the public equity markets by our employees and stockholders, obtain additional capital, and strengthen our position in the healthcare data analytics applications and services market. We used a portion of the Note Offering proceeds to pay the cost of the capped call transactions related thereto and to prepay in full all outstanding indebtedness under our credit agreement with OrbiMed. We cannot specify with certainty our plans for the use of the net proceeds we received from these offerings. However, we intend to use the net proceeds we received from our IPO for working capital and other general corporate purposes. We may also use a portion of the net proceeds from these offerings for the acquisition of, or investment in, technologies, solutions or businesses that complement our business. Our management has broad discretion over the specific use of the net proceeds we received in these offerings and might not be able to obtain a significant return, if any, on investment of these net proceeds. Investors will need to rely upon the judgment of our management with respect to the use of proceeds. If we do not use the net proceeds that we received in our IPO and the Note Offering effectively, our business, results of operations, and financial condition could be harmed.

Our issuance of additional capital stock in connection with financings, acquisitions, investments, our stock incentive plans or otherwise will dilute all other stockholders.

We expect to issue additional capital stock in the future that will result in dilution to all other stockholders. We expect to grant equity awards to employees, directors, and consultants under our stock incentive plans. We may also raise capital through equity financings in the future. As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies and issue equity securities to pay for any such acquisition or investment, such as our issuance of equity securities in connection with our acquisition of Able Health in February 2020. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per-share value of our common stock to decline.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain executive management and qualified board members.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934 (the Exchange Act), the listing standards of Nasdaq and other applicable securities rules and regulations. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources. For example, the Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and results of operations. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, which could harm our business, results of operations, and financial condition.

Although we have already hired additional employees to assist us in complying with these requirements, we may need to hire more employees in the future or engage outside consultants, which will increase our operating expenses.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time-consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest substantial resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from business operations to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

As a result of disclosure of information in filings required of a public company, our business and financial condition is more visible, which may result in an increased risk of threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and results of operations could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business, results of operations, and financial condition.

The individuals who now constitute our senior management team have limited experience managing a publicly-traded company and limited experience complying with the increasingly complex laws pertaining to public companies. Our senior management team may not successfully or efficiently manage our transition to a public company that is subject to significant regulatory oversight and reporting obligations.

We do not intend to pay dividends on our common stock and, consequently, the ability of common stockholders to achieve a return on investment will depend on appreciation, if any, in the price of our common stock.

You should not rely on an investment in our common stock to provide dividend income. We have never declared or paid any dividends on our capital stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. In addition, the terms of any future credit facility or financing we obtain may contain, terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock. As a result, common stockholders may only receive a return on investment if the market price of our common stock increases.

Provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current board of directors, and limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws, include provisions that:

- provide that our board of directors is classified into three classes of directors with staggered three-year terms;
- permit the board of directors to establish the number of directors and fill any vacancies and newly-created directorships;
- require super-majority voting to amend some provisions in our amended and restated certificate of incorporation and amended and restated bylaws;
- authorize the issuance of “blank check” preferred stock that our board of directors could use to implement a stockholder rights plan;
- provide that only a majority of our board of directors will be authorized to call a special meeting of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter, or repeal our bylaws; and
- advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

Moreover, Section 203 of the Delaware General Corporation Law may discourage, delay, or prevent a change in control of our company.

Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15% or more of our common stock.

Our amended and restated bylaws designate a state or federal court located within the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit stockholders' ability to obtain a favorable judicial forum for disputes with us.

Our amended and restated bylaws provide, to the fullest extent permitted by law, that a state or federal court located within the State of Delaware will be the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law:

- any derivative action or proceeding brought on our behalf;
- any action asserting a breach of fiduciary duty;
- any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation, or our amended and restated bylaws; or
- any action asserting a claim against us that is governed by the internal affairs doctrine.

This exclusive forum provision will not apply to any causes of action arising under the Securities Act or the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Nothing in our amended and restated bylaws precludes stockholders that assert claims under the Securities Act or the Exchange Act from bringing such claims in state or federal court, subject to applicable law. 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 which will be contained in our amended and restated bylaws 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.

We could be subject to securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because technology and healthcare technology companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Use of Proceeds from Convertible Senior Notes

In April 2020, we completed our private placement of $230.0 million aggregate principal of Notes, including the exercise in full by the initial purchasers of the Notes of their option to purchase up to an additional $30.0 million principal amount of Notes. The Notes are our senior unsecured obligations. The Notes were issued pursuant to an Indenture, dated April 14, 2020, between us and U.S. Bank National Association as trustee.

We received net proceeds of $222.5 million, after deducting the initial purchasers' discounts and commissions and the offering expenses payable by us. We used approximately $21.6 million of the net proceeds to pay the cost of the capped call transactions related thereto and $57.0 million of the net proceeds to prepay in full all outstanding indebtedness, including prepayment penalties, under our credit agreement with OrbiMed. We intend to use the remainder of the net proceeds for working capital and other general corporate purposes. We may also use a portion of the net proceeds for the acquisition of, or investment in, technologies, solutions or businesses that complement our business.

Item 6. Exhibits

Exhibit Number	Description of Document	Incorporated by Reference from Form	Incorporated by Reference from Exhibit Number	Date Filed
4.1	Indenture, dated as of April 14, 2020, by and between Health Catalyst, Inc. and U.S. Bank National Association, as Trustee.	8-K	4.1	April 14, 2020
4.2	Form of Global Note, representing Health Catalyst, Inc.'s 2.50% Convertible Senior Notes due 2025 (included as Exhibit A to the Indenture filed as Exhibit 4.1).	8-K	4.2	April 14, 2020
4.3	Form of common stock certificate.	S-1/A	4.1	July 12, 2019
10.1	Lease agreement, dated as of March 25, 2020, between Riverpark Six, LLC and Health Catalyst, Inc.	Filed herewith		
10.2	Form of Confirmation for Capped Call Transactions.	8-K	10.1	April 14, 2020
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith		
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith		
32.1^	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith		
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith		
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith		
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith		
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith		
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith		
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)	Filed herewith		

^ The certifications attached as Exhibit 32.1 accompanying this Quarterly Report on Form 10-Q, are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Health Catalyst, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

Signature	Title	Date
/s/ J. Patrick Nelli J. Patrick Nelli	Chief Financial Officer *(Principal Financial Officer and Principal Accounting Officer)*	May 12, 2020

LEASE

RiverPark Corporate Center—Building Six between

RIVERPARK SIX, LLC,
a Utah limited liability company, as Landlord,

and

HEALTH CATALYST, INC.,
a Delaware corporation, as Tenant

Dated March 25, 2020

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LEASE

RiverPark Corporate Center—Building Six

THIS LEASE (this "***Lease***") is entered into as of the 25th day of March, 2020, between **RIVERPARK SIX, LLC**, a Utah limited liability company ("***Landlord***"), and **HEALTH CATALYST, INC.**, a Delaware corporation ("***Tenant***"). (Landlord and Tenant are referred to in this Lease collectively as the "***Parties***" and individually as a "***Party***.")

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are acknowledged, the Parties agree as follows:

1. Definitions. As used in this Lease, each of the following terms shall have the meaning indicated:

"***ADA***" means the Americans with Disabilities Act of 1990, as amended and with its associated regulations.

"***affiliate***" means an entity that directly or indirectly controls (including a direct or indirect parent), is controlled by (including a direct or indirect subsidiary), or is under common control with, the entity concerned, where "***control***" is the holding of fifty percent (50%) or more of the outstanding voting interests, or the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting securities, by contract or otherwise.

"***Alteration***" means any alteration, change, addition, improvement or repair to the Premises made by or at the direction of Tenant, including, without limitation, the attachment of any fixture (including any so-called "trade fixture"), equipment or signage, or the addition of any pipe, line, wire, cable, conduit or related facility for water, electricity, natural gas, telecommunication (including Tenant's voice and data lines, wiring, cabling and facilities), sewer or other utility, but excluding (i) the moving of Tenant's furniture (including cubicles), phones, computers and other personal property, provided that each of the foregoing is readily movable and unattached to the Premises, and (ii) the hanging of typical pictures / artwork, diplomas and similar items.

"***applicable municipality***" means the City of South Jordan, Utah. "***Base Year***" means calendar year 2021.

"***Base Year Operating Expenses***" means Operating Expenses that are actually incurred in the Base Year, as adjusted in accordance with this Lease.

"***Basic Monthly Rent***" means the following amount per calendar month for the period indicated based on 118,207 rentable square feet, which amount is subject to adjustment as set forth in the definition of "Premises"; *provided, however*, that if the Commencement Date occurs on a date other than the Projected Commencement Date, then the periods set forth below shall begin on such other date that is the Commencement Date (as memorialized in a certificate entered into between the Parties) and shall shift accordingly in a manner consistent with the definition of "Expiration Date" (with the Expiration Date being on the last day of the relevant month):

Periods	Basic Monthly Rent	Annual Cost Per Rentable Square Foot
January 1, 2021 through December 31, 2031, inclusive	$240,058.72 per month	$24.37

"***best efforts***" means commercially reasonable efforts, exercised in good faith and with due diligence.

"***Building***" means the building with the street address of 10897 South River Front Parkway, in South Jordan, Utah, which contains approximately 111,448 usable square feet and approximately 130,425 rentable square feet, subject to final measurement and verification as set forth in the definition of "Premises".

"***Building Hours***" means Monday through Friday (excluding any legal holiday on which banks in Utah are authorized by Laws to close) from 7:00 a.m. to 6:00 p.m., and Saturday from 8:00 a.m. to 1:00 p.m.

"***business day***" means any day other than a Saturday, Sunday or legal holiday on which banks in Utah are authorized by Laws to close.

"***Commencement Date***" means the earlier of the following:

(i) the later of (a) January 1, 2021, or (b) the date that is six (6) months after the Initial Delivery Date; or

(ii) the date on which Tenant commences business operations from the Premises (as opposed to performing Tenant's Work); *provided, however*, that Tenant shall not commence business operations from the Premises unless and until a certificate of occupancy for Tenant's Work issued by the applicable municipality has been received by Tenant, with a legible photocopy thereof provided to Landlord.

"***Common Areas***" means all areas and facilities on the Property that are provided for the general, nonexclusive use and convenience of more than one tenant of the Building, including, without limitation, driveways, parking areas, walkways, delivery areas, trash removal areas, landscaped areas, entryways, lobbies, hallways, stairways, elevators and restrooms, subject to Paragraph 9.4.

"***Comparable Buildings***" means other comparable Class "A" suburban office buildings in the Salt Lake City, Utah metropolitan area.

"***Condemnation Proceeding***" means any action or proceeding in which any interest in the Property is taken for any public or quasi-public purpose by any lawful authority through the exercise of the power of eminent domain or by purchase or other means in lieu of such exercise.

"***Default Rate***" means twelve percent (12%) per annum, but in no event greater than the maximum rate allowed by Laws.

"***Environmental Laws***" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Hazardous Materials Transportation Act and the Resource Conservation and Recovery Act, each as amended and with its associated regulations, and all other Laws relating to Hazardous Materials existing on or after the date of this Lease.

"***Estimated Operating Expenses***" means the projected amount of Operating Expenses for any given Operating Year as reasonably estimated by Landlord in a manner consistent with Comparable Buildings.

"***Expiration Date***" means the date that is the last day of the month, eleven (11) years after the later of the following, as applicable:

(i) the Commencement Date, if the Commencement Date occurs on the first day of a calendar month; or

(ii) the first day of the first full calendar month following the Commencement Date, if the Commencement Date does not occur on the first day of a calendar month, as such date may be extended or sooner terminated in accordance with this Lease. "***force majeure***" has the meaning set forth in Paragraph 22.2.

"***GAAP***" means generally accepted accounting principles consistently applied.

"***Hazardous Materials***" means substances defined as "hazardous materials," "hazardous wastes", "hazardous substances" or "toxic substances" or similarly defined in any Environmental Laws, as well as so-called industrial and biomedical wastes, asbestos and mold, whether or not specifically classified as "hazardous materials" under Environmental Laws.

"***HVAC***" means heating, ventilating and air conditioning.

"***Improvements***" means the Building, any parking structure and the related improvements owned by Landlord.

"***Initial Delivery Date***" means the date on which Landlord gives Tenant access to the Initial Space to perform Tenant's Work, which date is projected to be on or before June 1, 2020 and is subject to the vacation of the Premises by the current tenant occupying the Premises; *provided, however*, that if the Initial Delivery Date has not occurred on or before October 1, 2020, then Tenant may terminate this Lease by written notice given to Landlord on or before October 15, 2020, in which event this Lease shall terminate, Landlord shall promptly refund to Tenant any Basic Monthly Rent paid in advance under Paragraph 4(c), and the Parties shall thereafter have no further obligation under this Lease. Landlord anticipates that Landlord will be able to give Tenant access to Suite 200 and Suite 300 to perform Tenant's Work on or before July 31, 2020.

"***Interest Rate***" means the Prime Rate plus two percent (2%) per annum. "***Landlord Default***" has the meaning set forth in Paragraph 16.4.

"***Laws***" means any or all applicable federal, state and local laws, statutes, codes, ordinances, rules, regulations, requirements, judgments, decrees, writs, orders, licenses, guidelines and policies, including, without limitation, the ADA and Environmental Laws, together with future enactments and amendments, insurance regulations and requirements, utility company requirements, administrative promulgations and governmental orders, and any requirements or conditions on or with respect to the issuance, maintenance or renewal of any legally required permits, consents, decisions, qualifications, licenses, certifications or exemptions of or from, and all filings with, and any notice to, any government or quasi-governmental authority.

"***Lease end***" means the expiration of the Term or the sooner termination of this Lease.

"***Non-Consent Transfer***" means any assignment or sublease permitted to be made without Landlord's consent and made in accordance with Paragraph 10.2.

"***Operating Expenses***" means, without duplication, all reasonable, customary and actual costs, expenses, fees and other charges incurred or payable by Landlord in connection with this Lease (including, without limitation, those incurred or payable under Paragraphs 8.1, 9.1 and 12.2) and the ownership, operation, management, maintenance and repair of the Property (which operation, management, maintenance and repair shall be performed by Landlord in a first-class manner consistent

with Comparable Buildings), determined in accordance with GAAP, including, without limitation, the reasonable, customary and actual costs, expenses, fees and other charges of the following, subject to the OpEx Adjustments and excluding the OpEx Exclusions:

(i) real property taxes and assessments and, if applicable (e.g., lobby furniture, movable generators and other personal property directly and reasonably related to the operation of the Property), personal property taxes and assessments (and any tax levied in whole or in part in lieu of or in addition to such taxes and assessments);

(ii) rent and gross receipts taxes, except to the extent imposed in lieu of income taxes;

(iii) assessments for the Project levied under a common maintenance regime and allocated to the Building; ***provided***, that such assessments shall not exceed assessments generally charged under common maintenance regimes for projects comparable to the Project, and the cost of common area maintenance allocated to the Building shall be determined by reference to the floor area of the Building compared to the floor area of all buildings included within such common maintenance regime;

(iv) removal of snow, ice, trash and other refuse;

(v) landscaping, cleaning, sweeping, janitorial, parking and security services;

(vi) resurfacing, re-striping and resealing of parking areas, and replacing damaged or worn-out Improvements (including lighting) located in the Common Areas;

(vii) fire protection, including alarm and sprinkler systems;

(viii) utilities (including, without limitation, the utilities used in the Premises, but excluding the cost of separately metered utilities provided to the Premises and paid directly by Tenant or provided to other premises and paid directly by other tenants);

(ix) supplies and materials used in connection with the operation, management, maintenance and repair of the Property;

(x) premiums for insurance carried by Landlord pursuant to Paragraph 12.2 (except for any increase in insurance premiums caused by the acts or omissions of other tenants of the Building);

(xi) licenses, permits and inspections directly and reasonably related to the operation of the Property;

(xii) administrative services, including, without limitation, clerical and accounting services, directly and reasonably related to the operation, management, maintenance and repair of the Property;

(xiii) labor and personnel directly and reasonably related to the operation, management, maintenance and repair of the Property (but excluding costs, expenses, fees, salaries, benefits, compensation and other charges for employees of Landlord when acting in capacities above the senior building manager level);

(xiv) rental or a reasonable allowance for depreciation of personal property used for normal maintenance, repair and janitorial services in connection with the Property;

(xv) improvements to and maintenance and repair of the Building and all equipment used in the Building, so long as such equipment is maintained as required by the manufacturer's specifications;

(xvi) management services attributable to the Property; *provided*, that:

(a) the cost of such management services shall not exceed management fees generally charged by property management companies for Comparable Buildings; and

(b) the cost of such management services comprising a part of Base Year Operating Expenses shall not be at a discounted cost;

(xvii) that part of office rent or the rental value of space in the Building or another building used by Landlord to operate, manage, maintain and repair the Property; *provided, however*, that the office rent or the rental value of such space shall not exceed the fair market rent for such space and the amount of such space shall be reasonable under the circumstances; and

(xviii) compliance with Laws.

"***Operating Year***" means each calendar year, all or a portion of which falls within the Term. "***OpEx Adjustments***" means the following adjustments to Operating Expenses:

(i) All Operating Expenses shall be computed on an annual basis, and shall be reduced by all cash, trade or quantity discounts, reductions, reimbursements, refunds or credits received by Landlord (net of reasonable expenses incurred in obtaining the same, if any) in the purchase of any goods, utilities, insurance or services in connection with the operation, management, maintenance and repair of the Property.

(ii) When Landlord, acting reasonably, deems it reasonable to do so, Landlord shall contest any real property taxes or assessments applicable to the Property, and any reduction in, or refund of, such taxes or assessments, less any reasonable expenses incurred by Landlord in achieving such reduction, shall inure to the benefit of Tenant and the other tenants of the Building.

(iii) If any Operating Expenses relate to the Building as well as other buildings, Landlord shall equitably and in good faith allocate the same among the buildings concerned based on the floor area of the Building as compared with the floor area of the other buildings involved in the Operating Expense concerned.

(iv) If the Building is in operation for less than all of the Base Year, Base Year Operating Expenses shall reasonably be adjusted by Landlord to the amount that Operating Expenses would have been if the Building had been in operation for all of the Base Year.

(v) If all or any portion of the Property is subject to any tax abatement program or otherwise not fully assessed for the purpose of real property taxes for the Base Year, Base Year Operating Expenses shall be grossed up to reflect what the real property taxes would have been for the Base Year if the Property had been fully assessed. After the retirement of any special assessments included in Base Year Operating Expenses, Base Year Operating Expenses shall be reduced to eliminate such special assessments to the extent that such special assessments are included in Base Year Operating Expenses but not included in Operating Expenses in the Operating Year concerned. Operating Expenses in any Operating Year following the Base Year shall not include the portion of any increases in real property taxes resulting solely from a new

addition to the Building or other portions of the Property, such as the new addition of a Building floor or a parking structure.

(vi) Operating Expenses (including, without limitation, Base Year Operating Expenses) that vary with occupancy (including, without limitation, utilities, janitorial expenses, trash removal costs, management fees and, to the extent assessed based on occupancy, real property taxes) and are attributable to any part of the Term in which less than ninety-five percent (95%) of the rentable area of the Building is occupied by tenants shall be adjusted by Landlord to the amount that such Operating Expenses that were actually incurred or payable would have been if ninety-five percent (95%) of the rentable area of the Building had been occupied by tenants for the period concerned.

(vii) If Landlord furnishes a service to tenants in the Building, the cost of which constitutes an Operating Expense that varies with occupancy, and a tenant other than Tenant has undertaken to perform such service itself, Operating Expenses shall be increased by the amount that Landlord would have incurred if Landlord had furnished such service to such tenant. For example, if Landlord does not furnish premises janitorial services to a tenant other than Tenant who has undertaken to perform such janitorial services itself, Operating Expenses shall be increased by the amount that Landlord would have incurred if Landlord had furnished such janitorial services to such tenant, so that when Tenant's Share of Operating Expenses is calculated, Tenant will continue to pay its fair share of the cost of its janitorial services.

(viii) Base Year Operating Expenses shall not include any atypical, non-repetitive costs, expenses, fees or other charges incurred or payable by Landlord in the Base Year that would artificially inflate Base Year Operating Expenses, such as (without limiting the generality of the foregoing) costs comprising Landlord's reasonable insurance deductible related to a casualty occurring in the Base Year or a one-time governmental or quasi-governmental assessment made in the Base Year.

(ix) To the extent that Landlord receives so-called tax increment financing (as described in Utah Code Annotated, §§17C-3-101 to 17C-3-404) or other tax incentives related to infrastructure or other capital improvements, whether through the rebate of real property taxes or by some other method, such financing or incentives will not serve to reduce Operating Expenses or produce any refund, reimbursement, credit or benefit of any kind to Tenant under this Lease, and in all cases Operating Expenses shall be calculated without reference to such financing or incentives. The costs of any such infrastructure or other capital improvements to which such tax increment financing or other tax incentives relate will not be included in Operating Expenses. The foregoing shall not be construed to affect or concern any monies received by Tenant directly from the Utah Governor's Office of Economic Development (GOED) or other direct funding source.

"***OpEx Commencement Date***" means January 1st of the Operating Year following the Base Year.

"***OpEx Exclusions***" means the following, which shall be excluded from Operating Expenses:

(i) costs incurred in connection with the initial development and improvement of the Property, including, without limitation, impact fees;

(ii) any expenditure required to be capitalized for federal income tax purposes;

(iii) non-cash items, such as but not limited to depreciation and amortization (except as expressly set forth in subparagraph (xv) in the definition of "Operating Expenses" with respect to certain personal property);

(iv) debt service (including, without limitation, payments of principal and interest) on indebtedness secured by any mortgage, deed of trust or similar instrument encumbering the Property, and points, prepayment penalties and financing and refinancing costs for such indebtedness, including, without limitation, the cost of appraisals, title insurance and environmental, geotechnical, zoning and other reports;

(v) expenses of procuring tenants and marketing, negotiating and enforcing Building leases, including, without limitation, brokerage commissions, attorneys' fees, advertising and promotional expenses, rent concessions and costs incurred in removing and storing the property of former tenants and other occupants of the Building;

(vi) expenses of (a) any tenant improvement work that Landlord performs for any tenant or prospective tenant of the Building, including, without limitation, (1) tenant improvement work to the Premises that Landlord performs for Tenant, and (2) alteration or renovation of vacant or vacated space in the Building, and (b) relocating and moving any tenant in the Building;

(vii) items for which Landlord is otherwise reimbursed or entitled to be reimbursed, including, without limitation, by insurance or condemnation proceeds or under any warranties;

(viii) expenses (including, without limitation, penalties and interest) resulting from the violation of Laws or any contract by Landlord, Landlord's employees, agents or contractors or other tenants of the Building;

(ix) penalties, charges and interest for late payment by Landlord;

(x) (a) Landlord's income, franchise, capital stock, inheritance, estate, succession, gift, sales, capital levy, excess profits, transfer, mortgage recording and revenue taxes; (b) other taxes, assessments and charges imposed on or measured by gross income; (c) Landlord's general corporate overhead; (d) leasehold taxes on other tenants' personal property; (e) stadium, sports complex or arena tax (including, without limitation, any ballpark/stadium tax); and (f) any tax, assessment, fee, levy or charge that is absolutely discretionary, non-payment of which will not result in any economic or other consequence to Landlord, and which is not required by the applicable taxing authority or by applicable Laws;

(xi) to the extent of such excess, any expense paid to Landlord or an affiliate of Landlord for goods and services that is in excess of the amount that would be paid in the absence of such relationship for comparable goods and services delivered or rendered by unaffiliated third parties on a competitive basis;

(xii) expenses for repairs and other work caused by (a) construction or design defects, (b) subsurface or soil conditions, (c) the failure of the Improvements to comply as of the Commencement Date with any then- existing Laws, (d) the exercise of the right of eminent domain, or (e) fire, windstorm and other insured casualty (excluding costs comprising Landlord's reasonable insurance deductible), and any uninsured or under-insured casualty; ***provided, however***, that with respect to payment by Tenant of any costs comprising Landlord's reasonable insurance deductible, if the insured item to which such deductible relates is an improvement with a useful life greater than one year and costing in excess of $5,000, such deductible shall be amortized without interest on a straight-line basis by Landlord over a period equal to the useful life of the improvement concerned (such useful life to be determined in accordance with federal income tax law), such amortized cost shall only be included in Operating Expenses for that portion of the useful life of such improvement that falls within the Term, and only the amortized portion of such cost applicable to a given Operating Year shall be included in the Operating Expenses for such Operating Year;

(xiii) expenses as a result of the presence of Hazardous Materials in the Building or on the Property;

(xiv) expenses in connection with services or other benefits provided on an ongoing basis to other Building tenants that are not available to Tenant;

(xv) costs as a result of (a) the negligence or willful misconduct of Landlord or Landlord's employees, agents or contractors, (b) the breach by Landlord of any lease in the Building, and (c) the negligence or willful misconduct of other identified tenants of the Building;

(xvi) costs for which Landlord is entitled to bill other tenants directly (other than as a part of Operating Expenses) under the provisions of such tenants' leases, including, without limitation, any increased insurance costs reimbursed directly to Landlord by a tenant, including Tenant, and the cost of any item or service for which Tenant separately reimburses Landlord or pays third parties;

(xvii) rental under any ground or underlying lease and under any lease or sublease assumed, directly or indirectly, by Landlord (e.g., a take-back sublease);

(xviii) charitable, civic and political contributions and professional dues;

(xix) costs for the acquisition, leasing, maintenance and insurance of paintings, sculptures and other objects of art located in the Building;

(xx) costs arising from actual and potential claims, litigation and arbitration pertaining to Landlord and the Property (including in connection therewith all attorneys' fees and costs of settlement and judgments and payments in lieu thereof);

(xxi) expenses for the use of the Building to accommodate events including, without limitation, shows, promotions, kiosks, displays, filming, photography, temporary exhibits, private events and parties and ceremonies;

(xxii) entertainment, dining and travel expenses;

(xxiii) costs of flowers (excluding flowers used to decorate the lobbies and other common areas in the Building), gifts, balloons, etc. provided to any person, including, without limitation, Tenant, other tenants, employees, vendors, contractors, prospective tenants and agents;

(xxiv) costs of selling, syndicating and otherwise transferring the Property and Landlord's interest in the Property, including, without limitation, brokerage commissions, attorneys' and accountants' fees, closing costs, title insurance premiums and transfer and other similar taxes and charges;

(xxv) costs of installing, operating, repairing and maintaining any specialty service such as an observatory, broadcast facility, luncheon, athletic or recreational club, child care, restaurant, cafeteria, delicatessen or other dining facility, hair salon or other retail use or commercial concession operated by Landlord, but Operating Expenses may include the costs of operating and maintaining any gym or fitness center for the general use of tenants in the Building (including Tenant), so long as Tenant and its employees are not charged a separate fee for the use of such gym or fitness center;

(xxvi) costs of magazine, newspaper, trade and other subscriptions;

(xxvii) costs of "tenant relations" parties, events and promotions inconsistent with other Comparable Buildings;

(xxviii) costs of "tap fees" and sewer and water connection fees for the benefit of any particular tenant in the Building;

(xxix) costs of traffic studies, environmental impact reports, transportation system management plans and reports, traffic mitigation measures and other similar matters;

(xxx) auditing fees other than those incurred by Landlord in connection with the performance of its obligations under this Lease and other leases in the Building;

(xxxi) bad debt, rent loss and other reserves; and

(xxxii) costs to comply with Landlord's obligations under Paragraph 20.

"Permitted Use" means only the following, and no other purpose: general office purposes, including normal and reasonable uses customarily incidental thereto, such as executive, administrative, technical support, customer service and data functions. In no event may the Premises be used as a call center or as an executive office suite operation without Landlord's prior consent; *provided, however,* that:

(i) the prohibition of a call center shall not prohibit or limit any typical business or customer service telephone communication of the type currently conducted by Health Catalyst, Inc.; and

(ii) Tenant may use up to twenty-five percent (25%) of the Premises for call center or customer support purposes, so long as Tenant does not violate (a) the density limitations set forth in Paragraph 7.1(f), (b) the parking limitations set forth in Paragraph 19.1, or (c) any other provision of this Lease.

"***person***" means any individual (male or female), corporation, limited liability company, partnership, joint venture, estate, trust, association or other entity.

"***Premises***" means:

(i) Suite 100 ("***Suite 100***") on the first floor of the Building, consisting of approximately 10,771 usable square feet and approximately 12,602 rentable square feet;

(ii) Suite 200 ("***Suite 200***") on the second floor of the Building, consisting of approximately 22,238 usable square feet and approximately 26,026 rentable square feet;

(iii) Suite 300 ("***Suite 300***") on the third floor of the Building, consisting of approximately 23,302 usable square feet and approximately 27,271 rentable square feet;

(iv) Suite 400 ("***Suite 400***") on the fourth floor of the Building, consisting of approximately 23,444 usable square feet and approximately 27,438 rentable square feet; and

(v) Suite 500 ("***Suite 500***") on the fifth floor of the Building, consisting of approximately 21,250 usable square feet and approximately 24,870 rentable square feet (Suite 100, Suite 400 and Suite 500 are referred to in this Lease collectively as the "***Initial Space***"), comprising in the aggregate a total of approximately 101,005 usable square feet and approximately 118,207 rentable square feet, shown on the attached Exhibit A, subject to final measurement and verification as set forth below in this definition.

The Premises do not include, and Landlord reserves, the land and other area beneath the floor of the Premises, the pipes, ducts, conduits, wires, fixtures and equipment above the suspended ceiling of the

Premises and the structural elements that serve the Premises or comprise the Building; *provided, however*, that, subject to Paragraphs 9.2 and 17.1, Tenant may, at Tenant's sole cost and expense, install Tenant's voice and data lines, wiring, cabling and facilities above the suspended ceiling of the Premises and in the walls of the Premises for the conduct by Tenant of business in the Premises for the Permitted Use. Landlord's reservation includes the right to install, use, inspect, maintain, repair, alter and replace those areas and items and to enter the Premises in order to do so in accordance with and subject to Paragraph 9.3. For all purposes of this Lease, the calculation of usable square feet and rentable square feet contained within the Premises and the Building shall be subject to final measurement and verification by Landlord's licensed architect, at Landlord's sole cost and expense, according to ANSI/BOMA Standard Z65.1-2017 (or any successor standard), which measurement and verification may, at Tenant's option and at Tenant's sole cost and expense, be confirmed by Tenant's licensed architect. (The preceding sentence shall be the sole and exclusive method used for the measurement and calculation of usable and rentable square feet under this Lease for the Premises and the Building.) On request of Tenant, Landlord shall provide Tenant with a copy of Landlord's architect's verification and certification as to the actual usable and rentable square feet of the Premises prior to the Commencement Date. In the event of a variation between the square footage set forth above in this definition and the square footage set forth in such verification and certification, the Parties shall amend this Lease accordingly to conform to the square footage set forth in such verification and certification, amending each provision that is based on usable or rentable square feet, including, without limitation, Basic Monthly Rent, Tenant's Parking Stall Allocation and Tenant's Percentage of Operating Expenses, and shall appropriately reconcile any payments already made pursuant to those provisions; *provided*, that if Landlord's architect and Tenant's architect disagree on the amount of usable or rentable square feet within the Premises and the Building, and such disagreement is not resolved within ten (10) business days after such measurement and verification is completed by Landlord's architect, such disagreement shall be resolved by an independent, licensed architect mutually selected by the Parties, acting reasonably, the cost of which architect shall be shared equally by the Parties.

"***Prime Rate***" means a variable interest rate per annum equal to the highest rate quoted in the "Money Rates" section (or replacement section) of the *Wall Street Journal* as the "Prime Rate" for such day (or the previous day of publication for days on which the *Wall Street Journal* is not published). The Prime Rate shall be adjusted on and as of the effective date of any change in the Prime Rate. If the *Wall Street Journal* ceases to publish the Prime Rate, the Prime Rate shall be the highest prevailing base or reference rate on corporate loans at U.S. money center commercial banks.

"***Project***" means RiverPark Corporate Center, located in South Jordan, Utah, as it may exist from time to time.

"***Projected Commencement Date***" means the date on which the Commencement Date is projected to occur, which is January 1, 2021.

"***Property***" means the Improvements and the related land owned by Landlord.

"***reasonable***" means "good faith and commercially reasonable" and "***reasonably***" means "in good faith and in a commercially reasonable manner."

"***Rent***" means Basic Monthly Rent and Tenant's Share of Operating Expenses.

"***Security Deposit***" means $-0-.

"***structural***" means footings, foundations, floor slabs, load-bearing walls, structural columns and beams, exterior walls, roofs (including roof deck and membrane) and beams that support the roof joists.

"***Tenant Default***" has the meaning set forth in Paragraph 16.1, and includes any applicable notice and cure period given therein to Tenant.

"***Tenant's Estimated Share of Operating Expenses***" means the result obtained by subtracting Base Year Operating Expenses from the Estimated Operating Expenses for any given Operating Year, and then multiplying the difference by Tenant's Percentage of Operating Expenses. Tenant's Estimated Share of Operating Expenses for any fractional Operating Year shall be calculated by determining Tenant's Estimated Share of Operating Expenses for the relevant Operating Year and then prorating such amount over such fractional Operating Year.

"***Tenant's Occupants***" means any assignee, subtenant, employee, agent, contractor, licensee, franchisee or invitee of Tenant.

"***Tenant's Parking Stall Allocation***" means four hundred twenty-nine (429) parking stalls, based on 4.25 parking stalls per 1,000 usable square feet of the Premises having 101,005 usable square feet, which number of parking stalls is subject to adjustment as set forth in the definition of "Premises".

"***Tenant's Percentage of Operating Expenses***" means 90.632 percent, which is the percentage determined by dividing the rentable square feet of the Premises (118,207 rentable square feet) by the rentable square feet of the Building (130,425 rentable square feet) (whether or not leased), multiplying the quotient by 100 and rounding to the third (3rd) decimal place, which percentage is subject to adjustment as set forth in the definition of "Premises".

"***Tenant's Property***" means only the following if, but only if, installed in or made to the Premises by Tenant at Tenant's sole cost and expense, and not paid for in whole or in part, directly or indirectly, by Landlord (which shall remain the property of Tenant, subject to Paragraph 17.1):

(i) Tenant's furniture, phones, computers, equipment and other personal property, provided that each of the foregoing is readily movable and unattached to the Premises; *provided, however,* that typical pictures, diplomas and other similar items, and movable cubicles with electrical connections, shall not be considered to be "attached" to the Premises for purposes of this definition;

(ii) Tenant's signage;

(iii) Tenant's voice and data lines, wiring, cabling and facilities, security systems and telecommunication equipment; and

(iv) any Alteration made by Tenant with Landlord's prior consent if such consent is conditioned on such Alteration being owned by Tenant and removed by Tenant at Lease end.

"***Tenant's Share of Operating Expenses***" means the result obtained by subtracting Base Year Operating Expenses from Operating Expenses actually incurred in any given Operating Year, and then multiplying the difference by Tenant's Percentage of Operating Expenses. Tenant's Share of Operating Expenses for any fractional Operating Year shall be calculated by determining Tenant's Share of Operating Expenses for the relevant Operating Year and then prorating such amount over such fractional Operating Year. By way of explanation only, Tenant's Share of Operating Expenses in any given calendar year is, in essence, Tenant's pro rata share of the increase (only) of Operating Expenses for such calendar year over Operating Expenses for the Base Year. And, since Tenant's Share of Operating Expenses is calculated in reference to an increase of Operating Expenses over Base Year Operating Expenses, Tenant's Share of Operating Expenses during the Base Year shall be zero, and Tenant will not commence paying Tenant's Share of Operating Expenses until the OpEx Commencement Date.

"***Tenant's Work***" means the work of improvement to the Premises to prepare the Premises for Tenant's use and occupancy, including the installation of Tenant's Property, to be completed by Tenant pursuant to Paragraph 2.2.

"***Term***" means the period commencing at 12:01 a.m. on the Commencement Date and expiring at midnight on the Expiration Date, as such period may be extended or sooner terminated in accordance with this Lease.

"***untenantable***" means that the Premises or a material portion of the Premises is not reasonably capable of use and occupancy, and is not, in fact, used or occupied, by Tenant for the Permitted Use.

2. Agreement of Lease; Work of Improvement; Certain References.

2.1. Agreement of Lease. Subject to and in accordance with the provisions set forth in this Lease, Landlord leases to Tenant, and Tenant leases from Landlord, the Premises for the Term, together with the nonexclusive right to use the Common Areas in common with other tenants of the Building (subject to Paragraph 9.4), subject to any recorded covenants, conditions and restrictions affecting the Property, provided that any such covenants, conditions and restrictions entered into after the date of this Lease do not materially and adversely affect Tenant's rights or obligations under this Lease. Landlord shall not have the right to relocate Tenant to premises other than the Premises during the Term. The Premises shall be delivered by Landlord and accepted by Tenant in their "as-is" condition.

2.2. Work of Improvement.

(a) (i) Promptly following the full execution and delivery of this Lease, Landlord shall supply Tenant and Tenant's representatives, including Tenant's architect (RAPT) and contractor (Okland Construction), with a complete set of base building working drawings and any descriptive narrative of the base building work, building standard materials, systems and specifications and other relevant items reasonably requested by Tenant and in Landlord's possession or control. Tenant shall, at Tenant's sole cost and expense and as soon as reasonably practicable, complete Tenant's Work in a good and workmanlike manner in accordance with (A) the plans and specifications approved by the Parties pursuant to Paragraph 9.2(iv), (B) the other provisions of Paragraph 9.2, and (C) Laws.

(ii) Landlord shall, on the Initial Delivery Date, permit Tenant and its employees, agents and contractors, at Tenant's sole cost and expense, to enter the Initial Space to prepare the Initial Space for Tenant's use and occupancy, including the installation of Tenant's Property, which may be done during or after Building Hours; provided, however, that if Landlord does not permit Tenant and its employees, agents and contractors so to enter the Initial Space on or before September 1, 2020, then for each day during the period commencing on September 1, 2020 and expiring on (but excluding) the date on which Landlord permits such entry, Tenant shall be entitled to a credit of $8,504.61 (Calculated as follows: 64,910 rentable square feet x $24.37 ÷ 12 months ÷ 31 days x 2 days) towards Basic Monthly Rent first payable under this Lease on and after the Commencement Date.

(iii) Landlord shall, as soon after the Initial Delivery Date as is reasonably practicable – anticipated by Landlord to be on or before July 31, 2020, permit Tenant and its employees, agents and contractors, at Tenant's sole cost and expense, to enter Suite 200 and Suite 300 to prepare Suite 200 and Suite 300 for Tenant's use and occupancy, including the installation of Tenant's Property, which may be done during or after Building Hours; provided, however, that if Landlord does not permit Tenant and its employees, agents and contractors so to enter Suite 200 and Suite 300 on or before September 30, 2020, then for each day during the period commencing on September 30, 2020 and expiring on (but excluding) the date on which Landlord permits such entry, Tenant shall be entitled to a credit of $6,983.05 (Calculated as follows: 53,297 rentable square feet x $24.37 ÷ 12 months ÷ 31 days x 2 days) towards Basic Monthly Rent first payable under this Lease on and after the Commencement Date.

(b) Any entry to the Premises by Tenant and its employees, agents and contractors under the foregoing subparagraph (a) shall constitute a license only, conditioned on Tenant's:

(i) working in harmony with Landlord, Landlord's employees, agents and contractors and other tenants and occupants of the Building;

(ii) obtaining in advance Landlord's approval of the contractors proposed to be used by Tenant and, if requested by Landlord, depositing with Landlord in advance of any work the contractor's affidavit for the proposed work and the waivers of lien from the contractor and all subcontractors and suppliers of materials; and

(iii) furnishing Landlord with such insurance as Landlord may reasonably require against liabilities that may arise out of such entry.

(c) All activities undertaken by Tenant under this Paragraph 2.2 shall be governed by Paragraph 9.2 and all other terms of this Lease, and, in connection therewith:

(i) Tenant shall have the right to use any architect, contractor or subcontractor for work within the Premises, subject to Paragraph 9.2(a)(v);

(ii) Tenant's Work may include a fitness center;

(iii) Tenant may, at Tenant's sole cost and expense, utilize the Premises for preparation, storage of furniture and other staging;

(iv) until the Commencement Date, Tenant shall not be required to pay Rent, utilities or Operating Expenses, or be allowed to conduct business operations in the Premises; and

(v) if requested by Tenant, Landlord shall provide Tenant with a test-fit allowance of up to $.15 per rentable square foot of the Premises in order to facilitate its selection process.

(d) In addition to the work of improvement to the Premises by Tenant contemplated by the foregoing portion of this Paragraph 2.2, but in all respects subject to and in accordance with Paragraph 9.2:

(i) Tenant may, at Tenant's sole cost and expense, brand the first-floor Building lobby, including utilizing such lobby as a reception area complete with a reception or security desk (or both), when and during the period (only) that Tenant leases the entire Building. Landlord has received Tenant's general concept plans for such lobby, and Landlord's initial, limited review of those general concept plans did not raise any red flags. Landlord anticipates that any future plans prepared by Tenant when it leases the entire Building, if consistent with such general concept plans, will be approved by Landlord after a full review, subject to the typical comments of Landlord and its construction review team.

(ii) When and during the period (only) that Tenant leases the entire Building, Tenant may, at Tenant's sole cost and expense, install a staircase from such lobby to the second floor of the Building, subject to Paragraph 9.2 and all other terms of this Lease, provided that such staircase is removed by Tenant, at Tenant's sole cost and expense, prior to the earlier of Lease end or any time at which Tenant does not lease the entire Building.

(iii) Prior to the period that Tenant leases the entire Building – at which such time the foregoing subparagraph (i) shall govern – (A) Tenant may propose to Landlord the branding and

utilization of such lobby, as described in the foregoing subparagraph (i), and Landlord shall, working cooperatively with Tenant in good faith, reasonably consider such proposals, which shall also be subject to the general consent of the other tenants in the Building, which consent Landlord shall reasonably seek to obtain, and (B) Tenant may, subject to Paragraph 9.2 and the other provisions of this Lease, utilize a portion of such lobby for reception and signage on Tenant's side of the lobby.

2.3. Certain References. Whenever in this Lease (including in the Exhibits attached to this Lease):

(a) the consent or approval of either Party is required, such consent or approval shall not be unreasonably withheld, conditioned or delayed, unless expressly provided to the contrary;

(b) there is a reference to costs, expenses, fees or other charges (including, without limitation, attorneys' fees and costs), such reference shall be deemed to be to reasonable, reasonably necessary and actual costs, expenses, fees and other charges, of which the Party incurring such costs, expenses, fees or other charges has some reasonable documentation, record or evidence, a copy of which shall be provided to the other Party, and when one Party is obligated to pay or reimburse the other Party under this Lease on presentation of an invoice, such invoice shall include reasonable supporting documentation for the amount to be paid or reimbursed;

(c) either Party is given the right to take action, exercise discretion, establish rules and regulations or make allocations or other determinations, such Party shall act reasonably;

(d) there is a reference to "days", such reference shall be deemed to be to "calendar days" unless the phrase "business days" is expressly set forth;

(e) payment or performance is required but a specific date or number of days within which payment or performance is to be made is not set forth, or the words "immediately", "promptly", "on demand" or the equivalent are used to specify when such payment or performance is due, then such payment or performance shall be due within ten (10) business days after receipt of notice by the paying or performing Party;

(f) the date on which any payment or performance is due under this Lease is not a business day, such payment or performance shall be due on the immediately following business day; and

(g) there is a reference to a consent, approval, description, designation, estimate, notice, request, response, statement, correspondence, agreement, schedule or other communication between the Parties, such reference shall be deemed to require the same to be in writing, unless otherwise expressly set forth.

3. Term; Commencement Date; Tenant Rights.

3.1 Term; Commencement Date. Tenant's obligation to pay Basic Monthly Rent and other amounts due under this Lease shall commence on the Commencement Date, and shall be for the Term, subject to the express terms and conditions of this Lease. Within ten (10) business days after the Commencement Date, the Parties shall execute an acknowledgement of the Commencement Date, the Expiration Date and the Basic Monthly Rent schedule, which acknowledgement shall be deemed to be a part of this Lease and, to the extent applicable, shall serve to amend this Lease.

3.2 Expansion of Premises.

(a) As used in this Paragraph 3.2:

"***Expansion Date***" means, (i) as to Suite 125, the earlier of July 1, 2023 or any sooner date on which Suite 125 becomes available for lease to Tenant, and (ii) as to Suite 150, the earlier of June 1, 2022 or any sooner date on which Suite 150 becomes available for lease to Tenant.

"***Expansion Space***" means Suite 125 and Suite 150.

"***Suite 125***" means Suite 125 on the first floor of the Building, consisting of approximately 2,041 usable square feet and approximately 2,388 rentable square feet.

"***Suite 150***" means Suite 150 on the first floor of the Building, consisting of approximately 8,402 usable square feet and approximately 9,830 rentable square feet.

(b) As of the relevant Expansion Date, each Expansion Space shall be added to the Lease by an amendment entered into between the Parties for a term that is coterminous with the Term, on the same terms and conditions (including, without limitation, Basic Monthly Rent per rentable square foot on an annual basis) as are applicable to the Premises under the Lease. As of the relevant Expansion Date, each Expansion Space shall be delivered by Landlord to Tenant vacant and "broom clean", but otherwise shall be delivered by Landlord and accepted by Tenant in its then-"as- is" condition.

(c) In addition to the foregoing, the Parties shall exercise their best efforts to communicate regularly regarding any additional space needs that Tenant may have. If Tenant indicates that Tenant needs to lease space in addition to the Premises and the Expansion Space, Landlord shall use its best efforts to provide or to cause to be provided to Tenant such additional leased space in another building in the Project, the terms and conditions of which, if available, shall be negotiated reasonably by the Parties; *provided, however*, that (i) if Landlord or one of its affiliates, despite such best efforts, fails to provide some or all of the additional space needed by Tenant, such failure shall in no event be a default by Landlord under this Lease or create any Tenant rights or remedies under or in connection with this Lease as a consequence of such failure, and (ii) although this subparagraph (c) applies and is binding with respect to RiverPark Six, LLC and its affiliates, this subparagraph (c) shall not apply or be binding with respect to any successor or assign of RiverPark Six, LLC, as the landlord under the Lease, that is not an affiliate of RiverPark Six, LLC, including, without limitation, any successor or assign as a result of foreclosure or a deed in lieu of foreclosure.

3.3 Extension.

(a) Tenant shall have the options to extend the initial period constituting the Term under this Lease for two (2) additional periods of five (5) years each (only), provided that Tenant gives Landlord notice of the exercise of each such option on or before the date that is nine (9) months prior to the expiration of the then-existing period constituting the Term, and that at the time each such notice is given and on the commencement of the extension term concerned:

(i) this Lease is in full force and effect;

(ii) no monetary or material non-monetary Tenant Default then exists; and

(iii) Tenant has not assigned this Lease or subleased all or any portion of the Premises under any then-existing sublease (excluding any Non-Consent Transfer), and such extension is not being made in connection with or for the purpose of facilitating any such assignment or sublease.

Each such extension term shall commence at 12:01 a.m. on the first day following the expiration of the preceding period constituting the Term.

(b) During each such extension term, all provisions of this Lease shall apply (but as to this Paragraph 3.3, only with respect to any remaining options to extend, if any), except for any provision relating to the improvement of the Premises by Landlord or at Landlord's expense, and except that (i) the Base Year for each such extension term shall be the calendar year in which such extension term commences, and (ii) the amount of Basic Monthly Rent for each such extension term shall be negotiated and determined by mutual agreement between the Parties, with each Party agreeing to use its best efforts to reach such mutual agreement, and shall be ninety-five percent (95%) of the then-market rent for premises in the Project, based on "***comparable lease transactions***" within the Project (meaning lease renewal transactions within the Project involving general office space of at least 25,000 rentable square feet, similar in location and quality to the Premises), of which comparable lease transactions Landlord shall provide to Tenant reasonable evidence. The term "***then-market rent***" as used in the preceding sentence shall mean the annual amount, projected during each such extension term, that a willing, comparable, non-equity tenant (excluding assignment and sublease transactions) would pay, and Landlord or its affiliates would accept, at arm's length (without compulsion to agree) for lease extensions or renewals (including what Landlord and its affiliates are accepting for current lease extension or renewal transactions for the Project), for comparable lease transactions, taking into taking into account all relevant factors and incentives, including, without limitation, any applicable tenant improvement allowances and other lease concessions then being given by Landlord and its affiliates in connection with lease extensions or renewals. The Basic Monthly Rent for each such extension term shall not exceed the average Basic Monthly Rent for the last three (3) most recent leases for the Project in comparable lease transactions, evidence of which shall be provided by Landlord to Tenant.

(c) If the Parties are able to agree on the amount of Basic Monthly Rent for either such extension term within thirty (30) days after receipt by Landlord of Tenant's notice of extension, the Parties shall promptly enter into an amendment to this Lease reflecting the new Basic Monthly Rent and the new Expiration Date. If the Parties, after using their best efforts, are unable to agree on the amount of Basic Monthly Rent for either such extension term within such thirty (30)-day period (as evidenced by the execution and delivery of an amendment to this Lease), then such option to extend (and any subsequent option to extend) shall automatically terminate and be of no further force or effect.

3.4 Crown Signage.

(a) Subject to the conditions set forth below in this Paragraph 3.4, if and so long as Tenant or an assignee pursuant to a Non-Consent Transfer leases at least a Full Floor (defined below) of the Building and a Qualified Occupant (as defined below) occupies at least seventy-five percent (75%) of a Full Floor of the Building (meaning that any rights of Tenant under this Paragraph 3.4 shall not exist (or if previously existing, shall automatically terminate) as of the date on which Tenant or an assignee pursuant to a Non-Consent Transfer does not lease at least a Full Floor of the Building or a Qualified Occupant does not occupy at least seventy-five percent (75%) of a Full Floor of the Building), Tenant may, at Tenant's sole cost and expense, but under Landlord's supervision, install, maintain, repair and from time to time replace, one (1) sign on the exterior crown of the Building with the name "Health Catalyst" or such other name to which Landlord consents in advance. (Such sign, together with any lines, wires, conduits or related improvements installed by Tenant in connection therewith, are referred to in this Paragraph 3.4 collectively as the "***Crown Signage***.") So long at no other tenant leases at least a Full Floor of the Building, Tenant's right to Crown Signage on the Building shall be an exclusive right. As used in this Paragraph 3.4, a "***Qualified Occupant***" means one or more of the following:

(i) Tenant; or

(ii) an assignee or subtenant of Tenant pursuant to a Non-Consent Transfer.

(b) As used in this Paragraph 3.4, a "***Full Floor***" of the Building means either:

(i) if the Premises are located on only one (1) floor of the Building, the entire usable area of such floor (including, unless such floor is the first floor of the Building, the common lobby on such floor); or

(ii) if the Premises do not qualify as a Full Floor under the foregoing subparagraph (i), and are located on more than one (1) floor of the Building, an amount of usable square footage in the Building that is equal to or greater than the average usable square footage for each floor of the Building, which average shall be calculated by dividing the total above-ground usable square footage of the Building by the number of above-ground floors of the Building, where the square footage concerned is either office space, or non-office space leased at full Building rental rates for office space. For example purposes only with respect to subparagraph (ii) above, if the average usable square footage for each floor of the Building is 25,000 usable square feet, to meet the Full Floor condition set forth in subparagraph (a) above using partial floors, Tenant must, on multiple floors of the Building, lease Premises in the aggregate equal to at least 25,000 usable square feet.

(c) As set forth in subparagraph (a) above, as a condition to having the Crown Signage, a Qualified Occupant must physically occupy at least seventy-five percent (75%) of the square footage used to meet the Full Floor condition. In addition, if a Tenant Default occurs, including, without limitation, Tenant's failure to properly maintain the Crown Signage in accordance with subparagraph (h) below, and, as a result of such Tenant Default, Landlord retakes possession of the Premises (with or without terminating this Lease), Tenant's rights to the Crown Signage under this Paragraph 3.4 shall automatically terminate and thereafter be of no further force or effect. Moreover, Tenant's rights to the Crown Signage under this Paragraph 3.4 shall automatically terminate ten (10) business days after:

(i) the assignment of this Lease by Tenant (excluding any Non-Consent Transfer); or

(ii) the sublease by Tenant as the sublandlord of more than twenty-five percent (25%) of the square footage used to meet the Full Floor condition (whether in one or more subleases) (excluding any Non-Consent Transfer),

and shall have no further force or effect. Tenant's rights to the Crown Signage under this Paragraph 3.4 shall be personal to Tenant and any person to which this Lease is assigned in a Non-Consent Transfer, and no other assignee or subtenant shall have any rights to the Crown Signage.

(d) Signage location is largely designated by the signage ordinances of the applicable municipality, but is allowed only on certain flat exterior wall surfaces of the crown of the Building. For purposes of the Project, the Building crown is defined as "the flat wall surface between the top of the window of the top floor of the Building to the bottom of the cornice of the parapet wall," and, unless otherwise directed by Landlord, the Crown Signage must be centered vertically between the two equally and left-justified horizontally. Any mechanical/storage penthouse is excluded from the Building crown, and the Crown Signage is not permitted on any curved surfaces of the Building.

(e) The Crown Signage shall be subject to the following design requirements:

(i) letters: reverse pan channel letters on 1" inch stand-offs with 3" returns;

(ii) dual lit: (A) type: rout out back up; (B) material: brushed aluminum; and (C) lighting: white LED (cabinet to be face lit or halo lit);

(iii) back up material: white polycarbonate;

(iv) stand-offs: (A) size: 1"; and (B) color: to match Building; and

(v) reverse pan: (A) materials: brushed aluminum; and (B) lighting: white LED.

Maximum letter height will vary depending on the Building, but cannot extend below the top of the window or above the cornice as specified in subparagraph (d) above. All Crown Signage letters must have clear Lexan backs to keep birds out (or other similar material subject to Landlord's approval), and an approved vapor barrier/sealer shall be installed on all Building penetrations.

(f) Tenant shall submit to Landlord for approval in advance of any work being done the name, address, proof of insurance, references and evidence of ability to perform of Tenant's proposed signage and installation companies for the Crown Signage. Landlord reserves the right to reject any signage or installation company that is not approved by Landlord. All necessary permits must be obtained prior to any work commencing. The installer shall work with Landlord's preferred electrical provider (who shall provide its services to Tenant at competitive market rates) for all electrical connections, time clocks and light sensors, and signage installation shall be coordinated and scheduled through Landlord.

(g) In connection with the Crown Signage, Tenant shall, at Tenant's sole cost and expense, comply with Laws, the conditions of any warranty or insurance maintained by Landlord on the Building and any applicable requirements of any covenants, conditions and restrictions affecting the Property. The size, location, design and all other aspects and specifications of the Crown Signage must be submitted to, and approved in advance by, Landlord and the applicable municipality prior to the manufacture and installation of the Crown Signage. All designs and specifications for the Crown Signage must be in full compliance with the signage ordinance of the applicable municipality. Tenant shall be solely responsible for any cleanup, damage or other mishaps that may occur during the installation or removal of the Crown Signage by Tenant, and shall fully indemnify Landlord for all injuries to persons or damage to property related thereto. Final, executed releases of lien by all signage and installation companies must be provided by Tenant to Landlord prior to Tenant making final payment to the signage and installation companies.

(h) Tenant shall maintain the Crown Signage at all times in a good, safe and clean condition. Tenant shall repair any damage to the Building caused by Tenant's installation, maintenance, repair, replacement, use or removal of the Crown Signage. The Crown Signage shall remain the property of Tenant, and Tenant may, at Tenant's sole cost and expense, remove the Crown Signage at any time during the Term. Tenant shall, at Tenant's sole cost and expense, remove the Crown Signage prior to Lease end or the sooner termination of Tenant's rights to the Crown Signage under this Paragraph 3.4, including, without limitation, if Tenant or an assignee pursuant to a Non-Consent Transfer ceases to lease at least a Full Floor of the Building or a Qualified Occupant ceases to occupy at least seventy-five percent (75%) of a Full Floor of the Building. On removal of the Crown Signage, Tenant shall repair and restore all areas of the Building concerned to their condition prior to the installation of the Crown Signage, including, without limitation, any discoloration of the exterior of the Building, and the replacement of any metal panels to which the Crown Signage was attached, but only on the portion of the exterior of the Building actually affected by the Crown Signage.

(i) If a Tenant Default occurs and, as a result of such Tenant Default, Landlord retakes possession of the Premises (with or without terminating this Lease), or if Tenant fails to remove the Crown Signage prior to Lease end or the sooner termination of Tenant's rights to the Crown Signage under this Paragraph 3.4, Landlord may, at Tenant's sole cost and expense, remove the Crown Signage and repair and restore all areas of the Building concerned to their condition prior to the installation of the Crown Signage, and Tenant shall promptly reimburse Landlord for all costs and expenses incurred by Landlord in connection with such removal, repair and restoration and any storage of the Crown Signage.

3.5 Telecom Equipment.

(a) Tenant may, at Tenant's sole cost and expense (but without payment of an additional roof rental fee) and under Landlord's supervision, install, maintain, repair, replace, use and operate, on a nonexclusive basis (meaning that there may be other telecommunication equipment on the roof of the

Building), telecommunication equipment and related lines, wires, conduits and improvements (collectively, the "***Telecom Equipment***"), solely for Tenant's own use, together with a connection to the Premises, with a non-penetrating base on the roof of the Building, in accordance with specifications reasonably approved in advance by Landlord, provided that:

(i) Tenant shall obtain Landlord's prior approval of the proposed design, screening and location of the Telecom Equipment (taking into consideration any existing telecommunications equipment on the roof of the Building) and the method for fastening the Telecom Equipment to the roof;

(ii) Tenant shall, at Tenant's sole cost and expense, comply with Laws, the conditions of any bond, warranty or insurance maintained by Landlord on the roof of which Landlord gives Tenant notice prior to installation and any applicable requirements of any covenants, conditions and restrictions affecting the Property of which Landlord gives Tenant notice prior to installation;

(iii) Tenant shall not interfere with any other satellite dish, antenna, communication facility or equipment present on the roof on or after the date of this Lease;

(iv) the Telecom Equipment shall be within the roof screen walls so as not to be visible from the exterior of the Building;

(v) Landlord may, on prior notice, require Tenant to relocate all or part of the Telecom Equipment at any time at Landlord's sole cost and expense, provided that such relocation does not materially, adversely affect Tenant's use of the Telecom Equipment; *provided, however*, that notwithstanding the foregoing, if such relocation is required in order to comply with any Laws, such relocation shall be at Tenant's sole cost and expense and shall be required regardless of the effect on Tenant's use of the Telecom Equipment; and

(vi) Landlord makes no representation that the Telecom Equipment will be able to receive or transmit communication signals without interference or disturbance (whether or not by reason of the installation or use by others of similar equipment on the roof of the Building), and Tenant agrees that Landlord will not be liable to Tenant for any such interference or disturbance.

(b) Landlord reserves the right to require that the installation and removal of the Telecom Equipment is done by Landlord's contractors at the sole cost of Tenant, provided that Landlord's contractors' fees shall be reasonable and shall be competitively bid if reasonably requested by Tenant. Notwithstanding anything to the contrary contained in this Paragraph 3.5, Landlord retains the right to install other satellite dishes, antennas and equipment on the roof of the Building and to use the roof of the Building for any purpose, provided that Landlord does not unduly interfere with Tenant's use of the Telecom Equipment.

(c) Tenant shall maintain the Telecom Equipment at all times in a good, safe and clean condition. Tenant shall repair any damage to the Building caused by Tenant's installation, maintenance, repair, replacement, use, operation or removal of the Telecom Equipment. The Telecom Equipment shall remain the property of Tenant, and Tenant may, at Tenant's sole cost and expense, remove the Telecom Equipment at any time during the Term. Tenant shall, at Tenant's sole cost and expense, remove the Telecom Equipment prior to Lease end. On removal of the Telecom Equipment, Tenant shall repair and restore the area(s) of the Building concerned to their condition prior to the installation of the Telecom Equipment. If as a result of a Tenant Default, Landlord retakes possession of the Premises (with or without terminating this Lease), or if Tenant fails to remove the Telecom Equipment prior to Lease end, Landlord may, at Tenant's sole cost and expense, remove the Telecom Equipment and repair and restore the area(s) of the Building concerned to their condition prior to the installation of the Telecom Equipment, and Tenant shall promptly reimburse Landlord for all costs and expenses incurred by

Landlord in connection with such removal, repair and restoration and any storage of the Telecom Equipment. Tenant shall be solely responsible for any cleanup, damage or other mishaps that may occur during the installation or removal of the Telecom Equipment and agrees to indemnify fully Landlord for any injuries to persons or damage to property related thereto.

3.6 Supplemental Cooling Equipment.

(a) Tenant may, at Tenant's sole cost and expense (but without payment of an additional roof rental fee) and under Landlord's supervision, install, maintain, repair, replace, use and operate, on a nonexclusive basis (meaning that there may be other equipment and facilities on the roof of the Building), supplemental cooling equipment for Tenant's personal use, together with a connection to the Premises (such cooling equipment, together with any lines, wires, conduits or related improvements installed by Tenant in connection therewith, are referred to collectively as the "***Cooling Equipment***"), with a non-penetrating base on the roof of the Building, in accordance with specifications reasonably approved in advance by Landlord, provided that:

(i) Tenant shall obtain Landlord's prior approval of the proposed design, screening and location of the Cooling Equipment (taking into consideration any existing equipment and facilities on the roof of the Building) and the method for fastening the Cooling Equipment to the roof;

(ii) Tenant shall, at Tenant's sole cost and expense, comply with Laws, the conditions of any bond, warranty or insurance maintained by Landlord on the roof of which Landlord gives Tenant notice prior to installation and any applicable requirements of any covenants, conditions and restrictions affecting the Property of which Landlord gives Tenant notice prior to installation;

(iii) Tenant shall not interfere with any other equipment or facilities present on the roof on or after the date of this Lease;

(iv) the Cooling Equipment shall be within the roof screen walls so as not to be visible from the exterior of the Building;

(v) Landlord may, on prior notice, require Tenant to relocate all or part of the Cooling Equipment at any time at Landlord's sole cost and expense, provided that such relocation does not materially, adversely affect Tenant's use of the Cooling Equipment; and

(iv) the electricity for the Cooling Equipment shall be included in Operating Expenses.

(b) Landlord reserves the right to require that the installation and removal of the Cooling Equipment is done by Landlord's contractors at the sole cost of Tenant, provided that Landlord's contractors' fees shall be reasonable. Notwithstanding anything to the contrary contained in this Paragraph 3.6, Landlord retains the right to install other equipment and facilities on the roof of the Building and to use the roof of the Building for any purpose, provided that Landlord does not unduly interfere with Tenant's use of the Cooling Equipment.

(c) Tenant shall maintain the Cooling Equipment at all times in a good, safe and clean condition. Tenant shall repair any damage to the Building caused by Tenant's installation, maintenance, repair, replacement, use, operation or removal of the Cooling Equipment. The Cooling Equipment shall remain the property of Tenant, and Tenant may, at Tenant's sole cost and expense, remove the Cooling Equipment at any time during the Term. Tenant shall, at Tenant's sole cost and expense, remove the Cooling Equipment prior to Lease end. On removal of the Cooling Equipment, Tenant shall repair and restore the area(s) of the Building concerned to their condition prior to the installation of the Cooling

Equipment. If as a result of a Tenant Default, Landlord retakes possession of the Premises (with or without terminating this Lease), or if Tenant fails to remove the Cooling Equipment prior to Lease end, Landlord may, at Tenant's sole cost and expense, remove the Cooling Equipment and repair and restore the area(s) of the Building concerned to their condition prior to the installation of the Cooling Equipment, and Tenant shall promptly reimburse Landlord for all costs and expenses incurred by Landlord in connection with such removal, repair and restoration and any storage of the Cooling Equipment. Tenant shall be solely responsible for any cleanup, damage or other mishaps that may occur during the installation or removal of the Cooling Equipment and agrees to indemnify fully Landlord for any injuries to persons or damage to property related thereto.

4. Basic Monthly Rent.

(a) Tenant covenants to pay to Landlord, without (except as expressly provided in this Lease) abatement, deduction, offset, prior notice or demand, Basic Monthly Rent in lawful money of the United States at the address for Landlord set forth in Paragraph 22.3, or at such other such place as Landlord may designate to Tenant not less than thirty (30) days prior to the next payment due date, in advance on or before the first day of each calendar month during the Term, commencing on the Commencement Date unless otherwise set forth in the definition of "Basic Monthly Rent". Tenant may make payments to Landlord under this Lease by electronic transfer, wire transfer or similar means, but each payment of Basic Monthly Rent shall be made pursuant to an automatic payment procedure set up by Tenant that ensures that each such payment will be received by Landlord on or before the first day of each calendar month.

(b) If the first day on which Basic Monthly Rent is due under this Lease is not the first day of a calendar month, on or before such due date Basic Monthly Rent shall be paid for the initial fractional calendar month prorated on a *per diem* basis. If the Term expires or this Lease terminates on a day other than the last day of a calendar month, Basic Monthly Rent for such fractional month shall be prorated on a *per diem* basis.

(c) In addition to the foregoing, concurrently with its execution and delivery of this Lease, Tenant shall pay to Landlord in advance Basic Monthly Rent for the first full calendar month following the Commencement Date in which full Basic Monthly Rent is payable (that is, $24.37 per rentable square foot on an annual basis), which shall be applied by Landlord to pay Basic Monthly Rent for such month on the date due.

5. Operating Expenses.

5.1 Payment of Operating Expenses.

(a) In addition to Basic Monthly Rent, Tenant covenants to pay to Landlord, without (except as expressly provided in this Lease) abatement, deduction, offset, prior notice or demand, Tenant's Share of Operating Expenses (to the extent that Operating Expenses in the Operating Year concerned are greater than Base Year Operating Expenses) in lawful money of the United States at the address for Landlord set forth in Paragraph 22.3, or at such other such place as Landlord may designate to Tenant not less than thirty (30) days prior to the next payment due date, in advance (as Tenant's Estimated Share of Operating Expenses) on or before the first day of each calendar month during the Term, commencing on the OpEx Commencement Date, in accordance with the provisions of this Paragraph 5; *provided, however*, that Tenant's Share of Operating Expenses for the Base Year and any prior year shall be zero.

(b) On or prior to the OpEx Commencement Date, and prior to each Operating Year after the Operating Year commencing on the OpEx Commencement Date, or as soon thereafter as is reasonably practicable (but not later than May 1st of the Operating Year concerned), Landlord shall furnish Tenant

with a statement (the "***Estimated OpEx Statement***") showing in reasonable detail, reasonably sufficient for Tenant verification, the component breakdown of the Estimated Operating Expenses for the Operating Year concerned and the computation of Tenant's Estimated Share of Operating Expenses for such Operating Year. Each such estimate of Operating Expenses shall be based on the actual Operating Expenses for the immediately prior year and Landlord's reasonable estimate of Operating Expenses for the coming year.

(c) Subject to the proviso in the last sentence of this subparagraph (c), on or prior to the OpEx Commencement Date, and on the first day of each month following the OpEx Commencement Date, Tenant shall pay to Landlord one-twelfth (1/12th) of Tenant's Estimated Share of Operating Expenses as specified in the Estimated OpEx Statement for such Operating Year. If Landlord fails to give Tenant an Estimated OpEx Statement prior to any applicable Operating Year, Tenant shall continue to pay on the basis of the Estimated OpEx Statement for the prior Operating Year until the Estimated OpEx Statement for the current Operating Year is received. If at any time it appears to Landlord that Operating Expenses for a particular Operating Year will vary from Landlord's original estimate, Landlord may (but if the variation is a material reduction in such Operating Expenses from Landlord's original estimate, Landlord shall) deliver to Tenant (but not more than once in any Operating Year) a revised Estimated OpEx Statement for such Operating Year, and subsequent payments by Tenant for such Operating Year shall be based on such revised Estimated OpEx Statement; *provided, however*, that in all events, Tenant shall be given at least thirty (30) days after the delivery of any original or revised Estimated OpEx Statement to make any payment required to be made pursuant to the statement concerned.

(d) As soon as reasonably practicable after the expiration of any applicable Operating Year (but not later than May 1st following the Operating Year concerned), Landlord shall furnish Tenant with a statement (the "***Actual OpEx Statement***") showing in reasonable detail, reasonably sufficient for Tenant verification, the component breakdown of Operating Expenses for the Operating Year concerned, the computation of Tenant's Share of Operating Expenses for such Operating Year and the amount by which Tenant's Share of Operating Expenses exceeds or is less than the amounts paid by Tenant during such Operating Year, which shall be deemed to be certified by Landlord to be true and accurate when furnished. If the Actual OpEx Statement indicates that the amount actually paid by Tenant for the relevant Operating Year is less than Tenant's Share of Operating Expenses for such Operating Year, Tenant shall pay to Landlord such deficit within thirty (30) days after delivery of the Actual OpEx Statement. Such payments by Tenant shall be made even though the Actual OpEx Statement is furnished to Tenant after Lease end, provided that Tenant receives the Actual OpEx Statement within ninety (90) days after Lease end. If the Actual OpEx Statement indicates that the amount actually paid by Tenant for the relevant Operating Year exceeds Tenant's Share of Operating Expenses for such Operating Year, such excess shall be credited against Rent thereafter coming due under this Lease or, if no Rent is thereafter coming due under this Lease, such excess shall be paid by Landlord to Tenant within thirty (30) days after the Actual OpEx Statement is furnished to Tenant. The Parties' obligations set forth in this subparagraph (d) shall survive Lease end.

(e) No failure by Landlord to require the payment of Tenant's Share of Operating Expenses for any period shall constitute a waiver of Landlord's right to collect Tenant's Share of Operating Expenses for such period or for any subsequent period; *provided, however*, that, except for Operating Expenses that are being amortized over a term of years in accordance with the terms of this Lease, Landlord shall not be entitled to collect from Tenant any Operating Expenses that are billed to Tenant for the first time more than eighteen (18) months after the Operating Year in which such Operating Expenses arise. If Base Year Operating Expenses exceed Operating Expenses that were actually incurred or payable for any full or (on a pro rata basis) partial Operating Year after the Base Year, Tenant shall not be entitled to any refund, credit or adjustment of Basic Monthly Rent. Tenant shall, however, be entitled to receive a refund of, or credit for, any Estimated Operating Expenses paid by Tenant during such full or partial Operating Year in accordance with the foregoing subparagraph (d).

(f) Landlord shall use its best efforts to control Operating Expenses to the extent reasonably practicable, and shall pay all Operating Expenses in a timely manner prior to delinquency, subject to payment of Rent by Tenant in a timely manner. For any particular Operating Year, Landlord may not collect Operating Expenses from tenants in the Building in an amount (as grossed up to account for any base year or expense stop provided to such tenants) that is in excess of one hundred percent (100%) of Operating Expenses actually paid or incurred by Landlord for such Operating Year.

(g) If the Term expires or this Lease terminates on a day other than the last day of a calendar month, Tenant's Share of Operating Expenses for such fractional month shall be prorated on a *per diem* basis.

(h) Notwithstanding the other provisions of this Paragraph 5, Tenant shall have sole responsibility for, and shall pay when due, all taxes, assessments, charges and fees levied by any governmental or quasi- governmental authority on Tenant's business operations in the Premises or Tenant's Property.

5.2 Resolution of Disagreement.

(a) Every statement given by Landlord to Tenant under Paragraph 5.1 at the address for notices to Tenant set forth in Paragraph 22.3 shall be conclusive and binding on Tenant unless within sixty (60) days after the receipt of such statement, Tenant:

(i) notifies Landlord that Tenant disputes the correctness of such statement, specifying the particular respects in which the statement is claimed to be incorrect;

(ii) requests reasonable clarification of Landlord's information and computations, including reasonable detail as to any questioned expense item; or

(iii) initiates an audit of such statement.

Pending the determination of such dispute by agreement between the Parties, Tenant shall, within thirty (30) days after receipt of such statement, pay the amounts set forth in such statement in accordance with such statement, and such payment shall be without prejudice to Tenant's position. Tenant shall have the right to audit Base Year Operating Expenses in connection with its first audit of Operating Expenses conducted under this subparagraph (a), but may not audit Base Year Operating Expenses following the first audit of Operating Expenses for any Operating Year after the Base Year, except with respect to material errors and subsequent adjustment to Base Year Operating Expenses under the terms of Paragraph 5.

(b) If such dispute exists and it is subsequently determined that Tenant has paid amounts in excess of those then due and payable under this Lease, Landlord shall credit such excess against Rent thereafter coming due under this Lease, or if this Lease has ended, shall pay such excess to Tenant within thirty (30) days after such determination. If such dispute is not resolved between the Parties within sixty (60) days, then at the request of either Party, such dispute shall be resolved by an independent certified public accountant, whose decision shall be binding. The Parties, acting reasonably, shall mutually select, and equally share the cost of, such accountant.

5.3 Tenant Audit Right.

(a) Landlord shall maintain its books and records relating to Operating Expenses for a period of at least three (3) years following the year in which such Operating Expenses were incurred, in a manner that is consistent with GAAP. Such books and records shall be available after at least ten (10) business days' request by Tenant at Landlord's office during normal business hours for audit, examination and copying by Tenant and Tenant's employees, agents or external auditors during such

period, at Tenant's sole cost and expense; *provided*, that the right to initiate such audit shall expire within ninety (90) days after receipt of an Actual OpEx Statement with respect to the Operating Expenses covered thereby, and that:

(i) neither Tenant nor Tenant's employees, agents or external auditors may divulge the contents of such books and records or the results of such examination to any third party, except to Tenant's attorneys, accountants or consultants or as may reasonably be necessary in Tenant's business operations (so long as the person to whom such contents or results are divulged also agrees to maintain their confidentiality) or as may otherwise be required by Laws or a court of competent jurisdiction;

(ii) Tenant has not previously examined or audited such books and records with respect to the same Operating Year; and

(iii) Tenant provides to Landlord, at no cost, a copy of the report of such examination within ten (10) business days after receipt by Tenant.

(b) Notwithstanding the foregoing to the contrary, if such verification reveals that Tenant's Share of Operating Expenses set forth in any Actual OpEx Statement exceeded by more than five percent (5%) the amount that actually was due, Landlord shall, in addition to the amounts owed to Tenant under Paragraphs 5.1(d) and 5.2(b), reimburse Tenant for any costs reimbursed to Landlord under the foregoing subparagraph (a), plus the lesser of the actual cost of such examination or the reasonable charges of such examination based on a reasonable hourly charge (even if such accountant is actually paid on some other basis), together with other reasonable expenses incurred by such accountant. Tenant may not hire an accountant or other person to perform such examination on a contingency, percentage, bonus or similar basis, unless such accountant or other person is nationally recognized, reputable and reasonable in its approach. Any overcharge or underpayment revealed thereby shall be reconciled between the Parties, acting reasonably and in good faith, within thirty (30) days after the completion of such verification and examination, and then promptly paid or credited.

6. [Intentionally Omitted].

7. Use and Operation.

7.1 Prohibitions. The Premises shall not be used or occupied for any purpose other than for the Permitted Use, and neither Tenant nor Tenant's Occupants shall do anything that will:

(a) increase the existing rate or violate the provisions of any insurance carried with respect to the Property (and Landlord represents that the Permitted Use, *per se*, does not do so);

(b) create a public or private nuisance, constitute a disreputable business or purpose, commit waste or unreasonably interfere with or disturb any other tenant or occupant of the Building or Landlord in the operation of the Building;

(c) overload the floors or otherwise damage the structure of the Building;

(d) increase the cost of any utility service beyond the level permitted by Paragraph 8 unless Tenant pays such increased cost in accordance therewith;

(e) in its use of, operations in, and improvements to, the Premises, violate Laws; or

(f) increase the number of occupants in the Premises beyond the number of parking stalls allocated to Tenant in Tenant's Parking Stall Allocation. On Landlord's request, made not more often than twice in any calendar year, Tenant shall provide to Landlord statistics and reports regarding shift times, employee counts and parking usage, and shall otherwise demonstrate to Landlord that Tenant is complying with the foregoing portion of this subparagraph (f) and Paragraph 19.1(a).

7.2 Covenants. Tenant shall, at Tenant's sole cost and expense:

(a) use the Premises in a careful and proper manner that is consistent with normal business practices for general office use;

(b) in its use of, operations in, and improvements to, the Premises, comply with Laws; ***provided***, that:

(i) subject to reimbursement as part of Operating Expenses to the extent permitted by Paragraph 5, Landlord shall be solely responsible for compliance with the ADA and other Laws in connection with the Common Areas (except to the extent of any additional costs incurred by Landlord solely as a result of Tenant's particular use (as distinguished from the Permitted Use) of the Premises, which additional costs shall be payable solely by Tenant within thirty (30) days after receipt of an invoice therefor) and any improvements made by Landlord to the Premises;

(ii) Tenant shall, at its sole cost and expense, be solely responsible for compliance with the ADA and other Laws in connection with Alterations made or caused to be made by Tenant, and Tenant's use or improvement of the Premises, except:

(A) to the extent that noncompliance with the ADA and other Laws in the Premises (1) is the responsibility of Landlord under subparagraph (b)(i) above, (2) is caused by Landlord, or (3) is caused by or relates to matters outside the Premises; and

(B) that such compliance obligation shall exclude the requirement of Tenant to make structural improvements or repairs, unless and to the extent that (1) such requirements are triggered by Tenant's making Alterations involving or affecting the structural elements of the Building, ***and*** (2) such structural improvements or repairs a) are not the responsibility of Landlord under subparagraph (b)(i) above, b) are not caused by Landlord, and c) are not caused by and do not relate to matters outside the Premises; and

(iii) Tenant shall have no obligation to Landlord with respect to:

(A) any Hazardous Materials on the Property not stored, used or disposed of by Tenant or Tenant's Occupants; or

(B) any failure of the Improvements to comply as of the Commencement Date with any then-existing Laws, except to the extent of improvements made by Tenant, but subject to subparagraph (b)(ii) above;

(c) keep the Premises free of reasonably objectionable noises and odors that emanate from the Premises and materially interfere with or disturb other tenants of the Building or Landlord in the operation of the Building; and

(d) not store, use or dispose of any Hazardous Materials on the Property, except for customary *de minimis* quantities of typical consumer, cleaning and office supplies, all of which shall be stored, used and disposed of in accordance with Laws.

7.3 Qualifications. Nothing contained in this Paragraph 7 shall be deemed to impose any obligation on Tenant to make any structural changes, repairs or improvements unless necessitated solely by reason of a particular use (as distinguished from the Permitted Use) by Tenant of the Premises or resulting from an Alteration made by or at the request or direction of Tenant (in which case, any such changes, repairs or improvements shall be performed by Landlord at Tenant's sole cost and expense, for which Tenant shall reimburse Landlord within thirty (30) days after receipt by Tenant of an invoice therefor), or shall be deemed to impose any obligation on Tenant with respect to actions or omissions of persons other than Tenant and Tenant's Occupants. Tenant's Occupants will be required to smoke outside the Building in compliance with the Utah Indoor Clean Air Act.

7.4 No Continuous Operation. Except as expressly provided this Lease, systematic and continuous occupancy or operation, such as regularly scheduled shifts, in all or any portion of the Premises before or after Building Hours is not permitted. This includes, but is not limited to, any systematic and continuous twenty-four (24) hour, seven (7) day a week operation or use of the Premises. However, the foregoing portion of this Paragraph 7.4 shall not:

(a) prohibit or limit the continuous operation of data servers or other similar equipment in the Premises; or

(b) (i) prevent late or early hour or all-night work that would be typical in the offices of a company similar to Health Catalyst, Inc., including, without limitation, a limited number of employees working all day and all night for a limited number of days when necessary to complete a particular project, and Tenant may have a limited number of technical and customer service employees regularly working after Building Hours in the Premises, or (ii) limit Tenant's rights with respect to the operation of a call center, as those rights are described in "Tenant's Permitted Use" in Paragraph 1. To the extent set forth in the preceding sentence, Landlord acknowledges that Tenant's employees may, from time to time, work in the Premises before and after Building Hours; ***however***, in all events Tenant shall pay to Landlord the cost of any increased security, maintenance, repair (including repair as a result of any after-hours damage), janitorial and similar items resulting from such work within thirty (30) days after receipt by Tenant of an invoice therefor, subject in all respects to Paragraph 2.3(b).

8. Utilities and Services.

8.1 Services Provided.

(a) Landlord shall, as part of Operating Expenses, cause to be furnished to the Premises and, where applicable, to the Common Areas:

(i) electricity for normal lighting and office computers, servers, copiers and other typical office equipment used by Tenant for the Permitted Use;

(ii) HVAC in sufficient quantities for the reasonably comfortable use and occupancy of the Premises and, where applicable, for the reasonably comfortable use of the Common Areas, which, if requested by Tenant for the Premises, will provide temperatures at 72° ± 3°;

(iii) janitorial services (five (5) days per week except holidays) and window washing, substantially as set forth on the attached Exhibit D, with the janitorial service provider being bonded, insured and licensed, and its employees having passed appropriate criminal background checks;

(iv) cleaning and stocking services for restrooms;

(v) replacement bulbs and ballasts for Building standard ceiling lighting;

(vi) hot and cold water in the restrooms and, if any, in Tenant's kitchen/break room area, and water for drinking in the water fountains;

(vii) functioning toilets;

(viii) snow removal, landscaping, grounds keeping and elevator service; and

(ix) security to the Building consistent with the security provided to other buildings in the Project,

all in a manner consistent with Comparable Buildings. Tenant shall, at Tenant's sole cost and expense, contract for its own telecommunication service to the Premises, and Tenant shall, subject to Landlord's approval, have the right to contract with a service provider not currently providing such service in the Building.

(b) Subject to the provisions of this Lease, Tenant shall have reasonable access over the Common Areas to the Premises at all times during the Term, twenty-four (24) hours a day, seven (7) days a week, including (if the Premises are located above the first floor) passenger elevators without operators serving the floor on which the Premises are located in common with other tenants of the Building.

(c) Tenant may not install its own backup generator. Tenant may connect to the Building backup generator to the extent of available capacity as elected by Tenant, provided that Tenant pays the Building standard one-time connection fee of $600 per kilowatt hour for each kilowatt hour made available to Tenant.

8.2 Excess Services.

(a) If Landlord provides:

(i) electric current to the Premises for Tenant load (that is, excluding HVAC and lighting) in excess of five (5) watts per usable square foot to enable Tenant to operate any office computers, servers, copiers or other equipment requiring extra electric current; or

(ii) electric current for non-Tenant load (HVAC and lighting) or any other utility or service (including, without limitation, any service listed in Paragraph 8.1(a)) that is in excess of that typically required for routine office purposes, including, without limitation, additional cooling necessitated by Tenant's equipment and additional services, such as increased security, maintenance, repair (including repair as a result of any after-hours damage), janitorial and similar items, reasonably related to such excess usage or after-hours usage of the Property as contemplated by Paragraph 7.4, all as determined by reference to general Building tenant usage and Comparable Buildings,

Landlord shall reasonably determine or calculate the actual, reasonable cost of such additional electric current, utility or service usage, and Tenant shall pay such cost, together with a reasonable charge for administrative costs related to such determination, calculation and billing, on a monthly basis to Landlord within thirty (30) days after receipt by Tenant of an invoice therefor; ***provided, however***, that prior to commencing regular, periodic billing for such additional electric current, utility or service, Landlord shall give Tenant notice and an opportunity to cease using such additional electric current, utility or service.

(b) If Landlord reasonably believes that Tenant is using excess electricity or water, Landlord may cause an electric or water meter to be installed in the Premises in order to measure the amount of electricity or water consumed for any excess use described in the foregoing subparagraph (a), and if such

meter actually evidences excess use, the reasonable cost of such meter and of any related wiring or plumbing and their installation, together with the cost of such excess electricity or water, shall be paid by Tenant within thirty (30) days after receipt by Tenant of an invoice therefor. (The Building will have one meter for electricity and one meter for water, with respect to each of which Landlord will receive a single bill; therefore, any meter installed in order to measure the amount of electricity or water consumed for any such excess use by Tenant will, in fact, be a sub-meter, and the actual cost of any excess electricity or water sub-metered to the Premises will be determined by Landlord by extrapolating from the Building cost concerned.) Any such excess utility expense that is separately billed to and paid for by Tenant pursuant to this Paragraph 8.2 shall not be part of Operating Expenses.

8.3 Certain After-Hours Services. Subject to the provisions of this Lease, and as part of Operating Expenses, Landlord shall furnish lighting and HVAC to the Premises during Building Hours. Tenant may require (and Landlord shall provide) such services after Building Hours on demand, and may be separately billed, and if billed shall pay within thirty (30) days after receipt by Tenant of an invoice therefor Landlord's standard charges (set forth below), for any lighting and HVAC used in the Premises during any period other than during Building Hours, provided that such after-hours services are requested or activated by Tenant or Tenant's Occupants. If Tenant fails to pay in full the amounts set forth on any such invoice within sixty (60) days after the date of such invoice, Landlord may, at its option, discontinue the availability of lighting and HVAC to the Premises after Building Hours until such amounts are paid in full. Currently, Landlord's standard charges (which approximate actual costs) for such after-hours services are approximately $11.00 per floor per hour for lighting and approximately $22.00 per floor per hour for HVAC. Landlord may, from time to time, increase the charge for providing such after-hours services to reflect any increase in Landlord's approximate actual costs, which increased charge shall be consistently applied to all Building tenants and shall be consistent with Comparable Buildings. Landlord shall use its best efforts to charge Tenant and other Building tenants for after-hours services in a consistent, non- discriminatory manner. Any such charges for after-hours services that are separately billed to and paid for by Tenant pursuant to this Paragraph 8.3 shall not be part of Operating Expenses.

8.4 Service Interruption. Tenant shall immediately notify Landlord of the interruption (a "***Service Interruption***") of any service furnished by Landlord under this Lease, and following the receipt of such notice (which notice may be via email to Landlord's property manager), Landlord shall use its best efforts to restore such service to the Premises as soon as reasonably practicable. Subject to force majeure, and except in cases covered by Paragraphs 13 or 14, with respect to any Service Interruption that renders all or any portion of the Premises untenantable and is not caused by Tenant or Tenant's Occupants:

(a) commencing on the sixth (6th) consecutive business day of such Service Interruption, Tenant shall be entitled to an equitable diminution of Rent to the extent that the Premises are untenantable as a result of such Service Interruption; and

(b) if the entire Premises will be or are untenantable (or at least fifty percent (50%) of the Premises is untenantable such that use by Tenant of the remaining usable portion of the Premises for Tenant's business operations is not reasonably practicable) for a period of more than ninety (90) consecutive days as a result of such Service Interruption, Tenant shall be entitled to terminate this Lease on notice given to Landlord within ten (10) business days after the later of:

(i) the date on which Landlord provides to Tenant an estimate of the time required to cure such Service Interruption (which notice shall be given by Landlord to Tenant as soon as reasonably practicable, but Landlord shall use its best efforts to provide such notice to Tenant no later than ten (10) days after the occurrence of such Service Interruption); or

(ii) the expiration of such ninety (90)-day period, and on such notice, Tenant shall vacate and surrender the Premises to Landlord in accordance with the applicable provisions of this Lease.

9. Maintenance and Repairs; Alterations; Access to Premises; Reserved Rights in Common Areas.

9.1 Maintenance and Repairs.

(a) Landlord shall, as part of Operating Expenses, maintain the Property (excepting the interior, non-structural portions of the Premises and other leased premises in the Building) in good order, condition and repair, in a clean and sanitary condition and in compliance with Laws, in a manner consistent with those procedures and practices generally employed by owners or managers of Comparable Buildings; *provided, however*, that, subject to reimbursement of Landlord to the extent provided by Paragraph 5, and, subject to Paragraph 12.3, excluding damage caused by Tenant or Tenant's Occupants, Landlord shall be solely responsible for maintenance, repair and replacement of the exterior doors and windows and structural components of the Building, the electrical, gas, plumbing, mechanical, fire, life safety, HVAC and other base systems and facilities of the Building (excepting any installed by Tenant) and the restrooms, elevators, lobbies and other Common Areas, in such manner. Any costs, expenses and fees incurred or payable by Landlord in connection with the maintenance, repair or replacement of any supplemental or other HVAC equipment (beyond the standard Building HVAC) for any data room of Tenant shall not be part of Operating Expenses and shall be directly reimbursed by Tenant to Landlord within thirty (30) days after receipt by Tenant of an invoice therefor. In addition, Tenant shall pay to Landlord the cost of any increased maintenance and repair (including repair as a result of any after-hours damage) resulting from Tenant's employees' work in the Premises before and after Building Hours, as set forth in Paragraph 7.4, all as determined by reference to general office usage and Comparable Buildings; *provided, however*, that prior to commencing regular, periodic billing for such increased maintenance and repair, Landlord shall give Tenant notice and an opportunity to cease the employees' work in the Premises before and after Building Hours giving rise thereto.

(b) Except as expressly set forth in the foregoing subparagraph (a) or elsewhere in this Lease, and excluding damage caused by Landlord or Landlord's employees, agents or contractors, Tenant shall, at Tenant's sole cost and expense, maintain the interior, nonstructural elements of the Premises (including, without limitation, all floor and wall coverings, doors and locks) and Tenant's Property in good order, condition and repair and in a clean and sanitary condition, subject to normal and reasonable wear and tear and the other provisions of this Lease regarding casualty, condemnation, insurance and indemnification.

(c) All work to be performed by either Party under this Paragraph 9.1 shall be completed promptly (and such work shall be performed by Landlord in a manner that is reasonably calculated to minimize disruption to Tenant's business to the extent reasonably practicable), but in any event each Party shall use its best efforts to complete such work within twenty-four (24) hours in any emergency and within ten (10) business days for all other repairs. If any work cannot reasonably be completed within twenty-four (24) hours or ten (10) business days, as the case may be, such work shall be commenced within the applicable period and thereafter prosecuted continuously and diligently until completed.

9.2 Alterations.

(a) Tenant shall not make or cause or permit to be made any Alteration, unless such Alteration:

(i) equals or exceeds the then-current standard for the Building, and utilizes only new and first-grade materials;

(ii) is in conformity with Laws, and is made after obtaining any required permits and licenses;

(iii) is made with the prior consent of Landlord, which consent, in the case of nonstructural, cosmetic Alterations such as carpeting or painting that have absolutely no impact or effect on the structure or the roof, exterior, mechanical, water, electrical, gas, plumbing, fire, life safety, HVAC, telephone, sewer or other systems or facilities of the Building, shall be given or denied within ten (10) business days after receipt by Landlord of Tenant's request therefor, accompanied by a reasonably detailed description of the change, addition or improvement to be made;

(iv) is made pursuant to plans and specifications approved in advance by Landlord or, if such Alteration does not require a building permit, is made pursuant to a description of such proposed work; *provided*, that Landlord may not charge Tenant a fee for the review of such plans and specifications or description;

(v) is carried out by persons approved by Landlord (which approval shall be given or denied within five (5) business days after written request from Tenant), who, if required by Landlord, deliver to Landlord before commencement of their work a certificate of insurance evidencing that they maintain commercial general liability insurance with limits of $1,000,000 per occurrence and $1,000,000 aggregate and workers' compensation and employer's liability insurance coverage consistent with Tenant's insurance coverage as described in Paragraph 12.1(c); and

(vi) is done only at such time and in such manner as Landlord may reasonably specify.

Notwithstanding the foregoing to the contrary, Paragraphs 9.2(a)(iii), (iv) and (v) (only) shall not apply if (1) the cost of such Alteration does not exceed, in the aggregate, $25,000 in any twelve (12)-month period, (2) such Alteration is purely cosmetic and nonstructural in nature and does not affect or involve the roof, exterior or electrical, gas, plumbing, fire, life safety, HVAC or other systems or facilities of the Building (that is, painting, wall covering and carpet only), and (3) Tenant gives Landlord at least five (5)-business days' notice prior to making such Alteration; *provided, however*, that such Alteration shall be subject to removal in accordance with Paragraph 17.1(c).

(b) Landlord shall use its best efforts to respond to any request for consent or approval as soon as reasonably practicable. On receipt of such request and all relevant information from Tenant, Landlord shall have five (5) business days either to grant or reject such request. If Landlord fails to respond within such five (5)-business day period, then Tenant may send a second request for a response, and if such second request contains, in **BOLD FACE** type, the statement "**PURSUANT TO PARAGRAPH 9.2(a) OF THE LEASE, LANDLORD'S FAILURE TO RESPOND HERETO WITHIN FIVE (5) BUSINESS DAYS AFTER RECEIPT SHALL BE DEEMED TO HAVE GRANTED THE REQUEST,**" then Landlord's failure to respond to such second request within five (5) business days after receipt thereof shall be deemed to have granted such request as to, but only as to, the specific matter for which consent or approval was requested in the original request received by Landlord from Tenant.

(c) Subject to Paragraph 17.1, any such Alteration (excluding only Tenant's Property) shall immediately become and remain the property of Landlord unless agreed by the Parties in writing prior to the installation of such Alteration that such Alteration will be owned by Tenant and removed by Tenant at Lease end. Tenant shall pay when due the entire cost of any such Alteration. Within thirty (30) days following the imposition of any lien resulting from any such Alteration, Tenant shall cause such lien to be released of record by payment of money or posting of a proper bond.

(d) Landlord shall not charge any construction management, oversight, supervisory or plan review fee in connection with Tenant's construction of any Alterations.

(e) In connection with Alterations or Tenant's operations in the Premises for the Permitted Use, Tenant shall, following coordination with Landlord, be provided by Landlord with reasonable access to all pipes, ducts, conduits, wires and telephone and electrical closets available for the common use of tenants in the Building.

(f) Tenant may, at its sole cost and expense, in accordance with this Paragraph 9.2 and as a part of Tenant's Parking Stall Allocation, construct covered parking for Tenant's employees in the existing parking area serving the Building consistent with a first-class office building; *provided, however*, that the number and location of such covered parking spaces, and the design, materials, color, other aesthetics and all other aspects of such covered parking, shall be subject to Landlord's prior written approval.

9.3 Access to Premises.

(a) Subject to Tenant's reasonable security procedures, Landlord and Landlord's employees, agents and contractors may enter the Premises at reasonable times (including during Building Hours) on at least twenty- four (24) hours' prior written or verbal notice to Tenant (except in the event of an emergency) for the purpose of:

(i) cleaning, inspecting, altering, improving and repairing the Premises or other parts of the Building;

(ii) at reasonable intervals, ascertaining compliance with the provisions of this Lease by Tenant; and

(iii) showing the Premises to prospective purchasers, tenants or mortgagees (but with respect to prospective tenants for the Premises, only during the last six (6) months of the Term, as the same may be extended, and at any time a Tenant Default exists under this Lease).

Landlord shall have free access to the Premises in an emergency, but Landlord shall use its best efforts to notify Tenant of such emergency as soon as possible. Landlord shall at all times have a key with which to unlock all of the doors in the Premises (excluding Tenant's vaults, safes and similar areas designated by Tenant in advance); *provided, however*, that Tenant may designate a limited number of specified rooms, offices or closets within the Premises as off-limits to janitorial service providers, and such providers shall not be permitted to enter therein.

(b) In any entry into the Premises and in any work done by Landlord in the Building, Landlord and Landlord's employees, agents and contractors shall:

(i) use their best efforts to avoid and minimize any damage or injury to, interference with, and disturbance of, Tenant and the operation of Tenant's business in the Premises;

(ii) comply with all reasonable security regulations and procedures as may then be in effect with respect to Tenant's operations in the Premises; and

(iii) use their best efforts to maintain the confidentiality of any materials within the Premises.

Tenant may secure the Premises at all times and may require that any individual entering the Premises be accompanied by an employee of Tenant at all times (except in the case of an emergency).

9.4 Reserved Rights in Common Areas. Subject to the rights given to Tenant in Paragraph 19.2, Landlord reserves the right, at any time or from time to time, to:

(a) establish and enforce reasonable, non-discriminatory rules and regulations for the use of the Common Areas (including, without limitation, the delivery of goods and the disposal of trash), in accordance with and subject to Paragraph 21;

(b) use or permit the use of the Common Areas by persons to whom Landlord may grant or may have granted such rights in such manner as Landlord may from time to time reasonably designate;

(c) temporarily close all or any portion of the Common Areas to make repairs or changes to, to prevent a dedication of, to prevent the accrual of any rights of any person or the public in, or to discourage non-Tenant Occupant use of or parking on, the Common Areas;

(d) construct additional buildings in, or expand existing buildings into, the Common Areas and change the layout of the Common Areas, including, without limitation, enlarging or reducing the shape and size of the Common Areas, whether by the addition of buildings or other improvements or in any other manner;

(e) enter into operating agreements relating to the Common Areas with persons selected by Landlord; and

(f) do such other acts in and to the Common Areas as in Landlord's reasonable judgment may be desirable;

provided, however, that Landlord, in exercising its reserved rights under the foregoing portion of this sentence, shall exercise reasonable efforts to minimize any adverse impact on the Premises and the operation of Tenant's business in the Premises, and except during non-Building Hours, shall not materially impair the access to and from the Premises, or reduce the amount of Tenant's Parking Stall Allocation. If the Common Areas are diminished in accordance with and subject to the foregoing proviso, Landlord shall not be subject to any liability, Tenant shall not be entitled to any compensation or diminution of Rent and such diminishment shall not be deemed to be an actual or constructive eviction.

10. Assignment and Subleasing.

10.1 Prohibition.

(a) Except as expressly provided in Paragraph 10.2, Tenant shall not do any of the following without the prior consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed:

(i) assign, transfer, mortgage, encumber, pledge or hypothecate this Lease or Tenant's interest in this Lease, in whole or in part, directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise;

(ii) sublease the Premises or any part of the Premises; or

(iii) permit the use and occupancy of the Premises or any part of the Premises by any persons other than (A) employees of Tenant, (B) employees of Tenant's affiliates, or (C) persons occupying a portion of the Premises for the purpose of transacting business with Tenant.

Any transfer of this Lease from Tenant by merger, consolidation, liquidation or transfer of assets shall constitute an assignment for the purposes of this Lease. If Tenant is a corporation, unincorporated association, limited liability company, partnership or other entity, the assignment, transfer, mortgage,

encumbrance, pledge or hypothecation of any stock or interest in such corporation, association, limited liability company, partnership or other entity in the aggregate in excess of forty-nine percent (49%) shall be deemed an assignment within the meaning of this Paragraph, but excluding a public offering or transfer of shares on a stock exchange. Consent to any assignment or sublease shall not operate as a waiver of the necessity for consent to any subsequent assignment or sublease and the terms of such consent shall be binding on any person holding by, through or under Tenant. At Landlord's option, any assignment or sublease without Landlord's prior consent, when such consent is required by the terms of this Lease, shall be void *ab initio* (from the beginning).

(b) Without limiting the other instances in which it may be reasonable for Landlord to withhold its consent, Landlord may withhold its consent under subparagraph (a) unless:

(i) Tenant provides to Landlord (A) the name and address of the proposed assignee or subtenant, (B) the terms and conditions of (including all consideration for) the proposed assignment or sublease, (C) any information reasonably required by Landlord with respect to the nature and character of the proposed assignee or subtenant and its business, business history, activities and intended use of the Premises, (D) any references and current financial information reasonably required by Landlord with respect to the net worth, cash flow, credit and financial responsibility of the proposed assignee or, if the subtenant concerned is leasing more than one floor for more than three (3) years, the proposed subtenant, and (E) a copy of the proposed assignment or sublease;

(ii) the nature, character and reputation of the proposed assignee or subtenant and its business, activities and intended use of the Premises are suitable to and in keeping with the standards of the Building, and in compliance with this Lease (including, without limitation, the Permitted Use) and Laws, and the proposed assignee or subtenant is a reputable party whose net worth, cash flow, credit and financial strength are, considering the responsibilities involved, reasonably adequate to meet such responsibilities;

(iii) the proposed assignee or subtenant (and any affiliate of such assignee or subtenant) is not (A) then an occupant of the Building or of any other building within the Project, or (B) where either an assignment of the Lease or a sublease of more than one floor for more than three (3) years is involved, a person who actively dealt with Landlord or any affiliate of Landlord or any employee, agent or representative of Landlord or any affiliate of Landlord (directly or through a broker) with respect to space in the Building or of any other building within the Project during the three (3) months preceding Tenant's request for Landlord's consent (with "***actively dealt with***" meaning, at least, correspondence and negotiation for the lease of space within the Project, but excluding, without more, the mere delivery of advertising, leasing or property information relating to the Project); *provided, however,* that Landlord shall not unreasonably withhold, condition or delay its consent to an assignment of this Lease or a sublease of the Premises to a proposed assignee or subtenant under the foregoing portion of this subparagraph (iii) if neither Landlord nor any affiliate of Landlord is willing and able to accommodate the space needs of such assignee or subtenant within the Project, and Tenant is able to do so by such assignment or sublease;

(iv) the proposed assignee or subtenant is not a governmental entity or instrumentality thereof, unless otherwise approved by Landlord, which approval may be withheld by Landlord if Landlord reasonably determines that the use to be made of the Premises by such governmental entity would be undesirable (such as, for example purposes only, and without limiting the generality of the foregoing, use as a welfare or other social services office for indigent individuals, as a court to which handcuffed defendants may be brought, or as an office to which uniformed or armed individuals may come and go);

(v) the proposed assignment or sublease will not violate any enforceable exclusive use or similar clause in another lease in the Project or give a tenant in the Project a right to cancel its lease; *provided, however*, that if Tenant is contemplating an assignment or sublease, then on Tenant's request, Landlord shall promptly provide to Tenant a list or schedule of enforceable exclusive use or similar clauses affecting the Premises;

(vi) neither Landlord nor its affiliates have experienced previous material defaults by, and are not in litigation with, the proposed assignee or subtenant or its affiliates;

(vii) (A) the proposed assignee's or subtenant's anticipated use of the Premises does not involve the generation, storage, use, treatment or disposal of Hazardous Material, except for customary *de minimis* quantities of typical consumer, cleaning and office supplies, all of which shall be stored, used and disposed of in accordance with Laws; (B) the proposed assignee or subtenant has not been required by any other landlord, lender or governmental authority to take remedial action in connection with Hazardous Material contaminating a property if the contamination resulted from such assignee's or subtenant's actions or use of the property in question; or (C) the proposed assignee or subtenant is not subject to an enforcement order issued by any governmental authority in connection with the use, disposal or storage of a Hazardous Material;

(viii) the use of the Premises by the proposed assignee or subtenant will not violate Law, and will not violate Paragraph 7 or any other provision of this Lease;

(ix) the assignment or sublease is not prohibited by Landlord's lender;

(x) the proposed assignment or sublease will not result in a number of occupants on a floor that exceeds the design capacity of the Building systems;

(xi) the proposed assignment or sublease will not trigger incremental ADA or other legal requirements in the Common Areas or by Landlord in the Premises, or result in a materially greater burden to the Common Areas or require increased services by Landlord; and

(xii) the proposed assignee or subtenant is not a controversial entity such as a terrorist organization, is not an entity traditionally thought or perceived to be sexist such as Playboy, Hustler and Penthouse magazines and the like, and is not an organization traditionally perceived to be racist such as the Ku Klux Klan, American Nazi Party and the like.

(c) (i) If Tenant requests Landlord's consent to an assignment of this Lease or to a subleasing of the whole or any part of the Premises where such consent is required, Tenant shall submit to Landlord the terms of such assignment or subleasing, the name and address of the proposed assignee or subtenant, such information relating to the nature of such assignee's or subtenant's business and finances as Landlord may reasonably require and the proposed effective date (the "***Effective Date***") of the proposed assignment or subleasing (which Effective Date shall be neither less than fifteen (15) days nor more than six (6) months following the date of Tenant's submission of such information). On receipt of such request and all such information from Tenant, Landlord shall have ten (10) business days either to accept or reject such request. If Landlord fails to respond within such ten (10)-business day period, then Tenant may send a second request for a response, and if such second request contains, in **BOLD FACE** type, the statement "**PURSUANT TO PARAGRAPH 10.1(c)(i) OF THE LEASE, LANDLORD'S FAILURE TO RESPOND HERETO WITHIN FIVE (5) BUSINESS DAYS AFTER RECEIPT SHALL BE DEEMED APPROVAL OF THE REQUEST,**"

then Landlord's failure to respond to such second request within five (5) business days after receipt thereof shall be deemed approval of such request (excluding any requested release). In addition, Landlord may, by notice within ten (10) business days after such receipt of either such request, terminate this Lease

if the request is to assign this Lease or to sublease all of the Premises or, if the request is to sublease more than fifty percent (50%) of the Premises for more than five (5) years, terminate this Lease with respect to such portion, in each case as of the Effective Date, ***unless*** within ten (10) business days after notice from Landlord to Tenant of such termination, Tenant withdraws such request. On such withdrawal by Tenant, Landlord's related prior termination of this Lease with respect to all or a portion of the Premises shall have no further force or effect (and Tenant shall not assign this Lease or sublease the Premises as proposed).

(ii) If Landlord exercises such termination right, Tenant shall surrender possession of the entire Premises or the portion that is the subject of the right, as the case may be, on the Effective Date in accordance with the provisions of Paragraph 17, and Tenant shall be released from all obligations arising under this Lease for the period on and after (but not prior to) the date of such termination if this Lease is terminated as to the entire Premises or, if this Lease is terminated as to only a portion of the Premises, Tenant shall be released from all obligations arising under this Lease for the period on and after (but not prior to) the date of such termination to the extent, but only to the extent, that such obligations relate to the portion of the Premises as to which this Lease is terminated, excepting (in each case) any obligation that expressly survives Lease end. If this Lease is terminated as to a portion of the Premises only, the Premises shall be redefined to exclude such portion and the Rent payable by Tenant under this Lease shall be reduced proportionately commencing as of the Effective Date, based on the percentage of the Premises as to which this Lease has been terminated.

(iii) Alternatively, Tenant may give Landlord earlier notice (a "***Notice of Intent***") that Tenant intends to assign this Lease or sublease the whole or any part of the Premises and the projected Effective Date of the intended assignment or subleasing (which projected Effective Date shall be not less than sixty (60) days nor more than six (6) months following the date of Landlord's receipt of such Notice of Intent). Landlord may, by notice given within ten (10) business days after such receipt, terminate this Lease if the request is to assign this Lease or to sublease all of the Premises or, if the request is to sublease a portion of the Premises only, terminate this Lease with respect to such portion, in each case as of the projected Effective Date set forth in such Notice of Intent, *unless* within ten (10) business days after notice from Landlord to Tenant of such termination, Tenant withdraws such request. If Landlord fails so to terminate this Lease in accordance with the preceding sentence, then Landlord's right of termination under this subparagraph (c) shall not apply to an assignment of this Lease or to the sublease of the Premises described in such Notice of Intent, so long as such assignment or sublease actually occurs within six (6) months after Landlord's receipt of such Notice of Intent. If such assignment or sublease does not actually occur within six (6) months after Landlord's receipt of such Notice of Intent, then Tenant shall once again be subject to, and Landlord shall once again have the rights set forth in, this subparagraph (c).

(iv) If Landlord exercises the termination right set forth in this subparagraph (c), the Parties shall promptly enter into a termination agreement for this Lease or, if the termination is as to only a portion of the Premises, an amendment to this Lease, on Landlord's standard form reasonably acceptable to the Parties, memorializing such termination.

(v) Notwithstanding the foregoing to the contrary, although all other provisions of this Paragraph 10 shall apply, the termination right set forth in this subparagraph (c) shall not be triggered by a sublease of not more than one-half (½) of the Premises made by Tenant to an unaffiliated third party for the purpose of creating a synergistic business relationship in the Premises.

10.2 Affiliate and Certain Other Transfers. Notwithstanding anything contained in Paragraph 10.1 to the contrary, Tenant may, without the consent of Landlord, assign this Lease or sublease all or any portion of the Premises to:

(a) an affiliate, franchisor or franchisee of Tenant;

(b) a person that acquires all or substantially all of the assets or stock of Tenant; or

(c) an entity resulting from a merger, consolidation or reorganization with Tenant or an affiliate of Tenant,

provided that (i) such assignee or subtenant assumes the relevant obligations of Tenant under this Lease, and (ii) Tenant gives Landlord notice of such assignment or sublease no later than ten (10) business days thereafter, accompanied by an executed counterpart of any assignment or sublease agreement concerned (from which any financial terms may be redacted) if, in the case of an assignment, such assignment agreement exists given the structure of such assignment. In addition, the sale of stock or other equity interests in Tenant on a public stock exchange (e.g., NYSE or NASDAQ), whether in connection with an initial public offering or thereafter, shall not be deemed an assignment of this Lease and shall not require Landlord's consent. Notwithstanding the foregoing or anything else contained in this Lease to the contrary, any person that acquires all or substantially all of the assets of Tenant may be required by Landlord, in its sole and absolute discretion, as a condition to such acquisition to enter into a guaranty of this Lease on Landlord's standard form reasonably acceptable to the Parties.

10.3 Landlord's Rights.

(a) If this Lease is assigned or if all or any portion of the Premises is subleased or occupied by any person without obtaining Landlord's prior consent when such consent is required, Landlord may collect Rent and other charges from such assignee or other person, and apply the amount collected to Rent and other charges payable under this Lease, but such collection and application shall not constitute consent or waiver of the necessity of consent to such assignment, sublease or occupancy, nor shall such collection and application constitute the recognition of such assignee, subtenant or occupant as Tenant under this Lease or a release of Tenant from the further payment and performance of all obligations of Tenant under this Lease.

(b) No consent by Landlord to any assignment or sublease by Tenant (and no assignment or sublease by Tenant, whether made with or without Landlord's consent) shall relieve Tenant of any obligation to be paid or performed by Tenant under this Lease, whether occurring before or after such consent, assignment or sublease, but rather Tenant and Tenant's assignee or (to the extent of its obligations under its sublease) subtenant, as the case may be, shall be jointly and severally primarily liable for such payment and performance (including, without limitation, the provisions of this Lease limiting the use of the Premises), which shall be confirmed to Landlord in writing on Landlord's standard form reasonably acceptable to the Parties and, as applicable, such assignee or subtenant.

(c) Tenant shall reimburse Landlord for Landlord's reasonable attorneys' and other fees and costs, not to exceed $2,000 per occurrence (assuming that Landlord is not asked to prepare the assignment or sublease agreement, or to negotiate or revise substantially Landlord's standard form consent documents) incurred in connection with both determining whether to give consent and giving consent when such consent is required.

(d) No assignment under this Lease requiring Landlord's consent shall be effective unless and until Tenant provides to Landlord an executed counterpart of the assignment agreement concerned in form and substance reasonably satisfactory to Landlord, in which the assignee has assumed and agreed to perform all of Tenant's obligations under this Lease on and after the effective date of such assignment, and Landlord has executed and delivered a consent thereto on Landlord's standard form reasonably acceptable to the Parties and such assignee. No subleasing under this Lease requiring Landlord's consent shall be effective unless and until Tenant provides to Landlord an executed counterpart of the sublease agreement concerned in form and substance reasonably satisfactory to Landlord and the Sublease Consent

Agreement attached as Exhibit C (with such modifications thereto as shall be reasonably requested by Tenant's subtenant and reasonably agreed to by Landlord), and Landlord has executed and delivered such Sublease Consent Agreement.

(e) Without affecting any of its other obligations under this Lease, if this Lease is assigned or all or any portion of the Premises is subleased (excluding any Non-Consent Transfer), and the rent, additional rent, compensation and other economic consideration applicable to Tenant's leasehold interest in the Premises received or to be received by Tenant in connection with such assignment or sublease, as reduced by any concessions (including, without limitation, any payment in excess of fair market value for (i) services rendered by Tenant to the assignee or subtenant, or (ii) assets, fixtures, inventory, equipment or furniture transferred by Tenant to the assignee or subtenant) exceeds Rent payable by Tenant under this Lease for the period concerned (calculated on a per rentable square foot basis if less than all of the Premises is subleased), then Tenant shall pay fifty percent (50%) of such excess to Landlord when received, after deducting reasonable expenses in connection therewith, including, without limitation, advertising expenses, brokerage commissions, tenant improvement costs and attorneys' fees actually incurred by Tenant and payable to non-affiliated third parties in connection with such assignment or subleasing, all of which must be amortized over the applicable assignment or sublease term. Prior to Landlord consenting to any such assignment or sublease, Tenant shall provide to Landlord a detailed schedule of all rent, additional rent, compensation and other economic consideration applicable to Tenant's leasehold interest in the Premises received or to be received by Tenant in connection with such assignment or sublease, and all reasonable advertising expenses, brokerage commissions, tenant improvement costs and attorneys' fees actually incurred or to be incurred by Tenant and payable to non-affiliated third parties in connection with such assignment or subleasing, which schedule shall be certified by Tenant to Landlord as true, correct and complete in all respects (subject to modification of any amounts that are estimates), with such certification executed by Tenant. As used in this subparagraph (e), the term "Tenant" refers to the assignor in the event of an assignment, and to the sublandlord in the event of a sublease.

11. Indemnity.

11.1 Indemnity by Tenant. Subject to Paragraph 12.3, Tenant shall indemnify, defend and hold harmless Landlord and its members, managers, employees, affiliates and property management company from and against all demands, claims, causes of action, judgments, losses, damages, liabilities, fines, penalties, costs and expenses, including attorneys' fees, to the extent arising from either of the following:

(a) the occupancy or use of, or entry onto, any portion of the Property by Tenant or Tenant's Occupants (including, without limitation, any slip and fall or other accident on the Property involving Tenant or Tenant's Occupants or the activities described in Paragraph 10 (Bicycles) of the rules set forth on the attached Exhibit B), except to the extent directly and proximately caused by Landlord or Landlord's employees, agents or contractors; or

(b) any Hazardous Materials deposited, released or stored by Tenant or Tenant's Occupants on the Property.

If any action or proceeding is brought against Landlord by reason of any of the matters set forth in the preceding sentence that creates an obligation under the preceding sentence for Tenant to defend, Tenant, on notice from Landlord, shall defend Landlord at Tenant's sole cost and expense with competent and licensed legal counsel reasonably satisfactory to Landlord, but selected by Tenant. The provisions of this Paragraph 11.1 shall survive Lease end.

11.2 Indemnity by Landlord. Subject to Paragraph 12.3, Landlord shall indemnify, defend and hold harmless Tenant and its officers, directors and employees from and against all demands, claims, causes of action, judgments, losses, damages, liabilities, fines, penalties, costs and expenses, including attorneys' fees, to the extent arising from either of the following:

(a) the occupancy or use of, or entry onto, any portion of the Property by Landlord or Landlord's employees, agents or contractors (including, without limitation, any slip and fall or other accident on the Property involving Landlord or Landlord's employees, agents or contractors), except to the extent directly and proximately caused by Tenant or Tenant's Occupants; or

(b) any Hazardous Materials deposited, released or stored by Landlord or Landlord's employees, agents or contractors on the Property.

If any action or proceeding is brought against Tenant by reason of any of the matters set forth in the preceding sentence that creates an obligation under the preceding sentence for Landlord to defend, Landlord, on notice from Tenant, shall defend Tenant at Landlord's sole cost and expense with competent and licensed legal counsel reasonably satisfactory to Tenant, but selected by Landlord. The provisions of this Paragraph 11.2 shall survive Lease end.

11.3 Exception. Notwithstanding anything contained in this Paragraph 11 to the contrary, the indemnities set forth in this Paragraph 11 shall not cover employees of Federal Express, United Parcel Service, the United States Postal Service or other mail/package courier companies who enter onto the Property to service multiple tenants of the Building or the Building generally.

12. Insurance.

12.1 Tenant's Insurance. On or before the date of this Lease, Tenant shall, at Tenant's sole cost and expense, procure and continue in force the following insurance coverage:

(a) commercial general liability insurance with limits of liability of not less than $1,000,000 per occurrence and $2,000,000 general aggregate, and an umbrella or excess liability policy above the commercial general liability policy with limits of liability of not less than $5,000,000 per occurrence and $5,000,000 annual aggregate;

(b) property insurance under a policy form with peril coverage at least equivalent to an ISO 10 30 Causes of Loss–Special Form, and including equipment breakdown perils, covering Tenant's Property on a replacement cost valuation basis; and

(c) any insurance required by Laws for the protection of employees of Tenant working in the Premises (including, without limitation, worker's compensation insurance), and including employers liability coverage with limits of liability of at least $500,000 each accident / disease–each employee / disease policy limit,

and furnish Landlord with certificates of coverage of such insurance. Such minimum limits shall in no event limit the liability of Tenant under this Lease. Such liability insurance shall name Landlord and Landlord's mortgage lender as additional insureds, and both such liability and property insurance shall be with companies authorized to do business in Utah and having a rating of not less than A-:VII in the most recent issue of Best's Key Rating Guide, Property-Casualty. All such policies shall be written as primary policies, not contributing with and not in excess of the coverage that Landlord may carry, and shall only be subject to reasonable deductibles. Tenant may maintain all or any part of the insurance required pursuant to this Lease in the form of a blanket policy covering other locations in addition to the Premises, and Tenant may satisfy its liability insurance obligations under this Lease with its umbrella policies. Tenant shall, at least ten (10) days prior to the expiration of such policies or as soon thereafter as the same

are received by Tenant, furnish Landlord with renewed certificates of insurance. Landlord shall use its best efforts to impose the foregoing insurance requirements on all tenants of the Building.

12.2 Landlord's Insurance. Landlord shall, as part of Operating Expenses, procure and continue in force:

(a) commercial general liability insurance with limits of liability of not less than $1,000,000 per occurrence and $2,000,000 general aggregate, and an umbrella or excess liability policy above the commercial general liability policy with limits of liability of not less than $5,000,000 per occurrence and $5,000,000 annual aggregate;

(b) property insurance under a policy form with peril coverage at least equivalent to an ISO 10 30 Causes of Loss–Special Form, and including equipment breakdown perils, covering the Building on a replacement cost valuation basis, subject to such deductibles as Landlord may reasonably select, together with rental income insurance in a reasonable amount;

(c) any insurance required by Laws for the protection of employees of Landlord working on or around the Property (including, without limitation, worker's compensation insurance), and including employers liability coverage with limits of liability of at least $500,000 each accident / disease–each employee / disease policy limit; and

(d) such other insurance as may reasonably be (i) deemed prudent by Landlord, or (ii) required by Landlord's mortgage lender.

Such minimum limits shall in no event limit the liability of Landlord under this Lease. All such insurance shall be with companies authorized to do business in Utah and having a rating of not less than A-:VII in the most recent issue of Best's Key Rating Guide, Property-Casualty.

12.3. Waiver of Subrogation. Tenant shall cause the property insurance policy required to be carried by Tenant pursuant to Paragraph 12.1(b), and Landlord shall cause the property insurance policy required to be carried by Landlord pursuant to Paragraph 12.2(b), to be written in a manner so as to provide that the insurance company waives all right of recovery by way of subrogation against the other Party in connection with any loss or damage covered by such policy. Regardless of whether such waivers are included in the applicable property insurance policies, and notwithstanding any other provision of this Lease to the contrary:

(a) Tenant waives (with the intent that the waiver be effective against Tenant itself and against any third party claiming by, through or under Tenant, including any insurance company claiming by way of subrogation) all rights that Tenant may have now or in the future against Landlord for compensation for any damage to or destruction of Tenant's Property caused by fire or other casualty to the extent that Tenant is or will be compensated by property insurance or would be but for a failure of Tenant to maintain property insurance for the full replacement cost of Tenant's Property (excluding a commercially reasonable deductible) that is required to be carried by Tenant pursuant to Paragraph 12.1(b); and

(b) Landlord waives (with the intent that the waiver be effective against Landlord itself and against any third party claiming by, through or under Landlord, including any insurance company claiming by way of subrogation) all rights that Landlord may have now or in the future against Tenant for compensation for any damage to or destruction of the Building caused by fire or other casualty to the extent that Landlord is or will be compensated by property insurance or would be but for a failure of Landlord to maintain property insurance for the full replacement cost of the Building (excluding a commercially reasonable deductible) that is required to be carried by Landlord pursuant to Paragraph 12.2(b).

The foregoing provisions of this Paragraph 12.3 shall survive Lease end.

12.4. Self-Insurance.

(a) So long as Tenant (or Tenant's parent, if Tenant's parent undertakes to be responsible for Tenant's insurance obligations under this Lease and acknowledges such obligation in writing and in a form reasonably acceptable to Landlord) has a tangible net worth (determined in accordance with GAAP) of not less than $500,000,000, Tenant shall have the right to satisfy its insurance obligations under this Lease by means of self-insurance, alternative risk financing solutions or a combination of those options to the extent of all or part of the insurance required under this Lease, provided that Tenant provides advance notice to Landlord of its election to provide self-insurance and complies with this Paragraph 12.4. The term "***self-insurance***" means that Tenant is itself acting as though it were the third-party insurer providing the insurance required under this Lease, and Tenant shall pay any amounts due in lieu of insurance proceeds because of self-insurance, which amounts shall be treated as insurance proceeds for all purposes under this Lease.

(b) To the extent Tenant chooses to provide any insurance required by this Lease by self- insurance, then Tenant shall have all of the obligations and liabilities of an insurer, and the protection afforded Landlord and the Property shall be the same as if provided by a third-party insurer under the coverages required under this Lease. Without limiting the generality of the foregoing, all amounts that Tenant pays or is required to pay and all losses or damages resulting from risks for which Tenant insures or has elected to self-insure shall be subject to the waiver of subrogation provisions set forth in Paragraph 12.3 (as if such self-insurance was, in fact, third-party insurance, and such waiver of subrogation provisions shall, to that extent, limit Landlord's obligations set forth in this Lease), and shall not limit Tenant's indemnification obligations pursuant to this Lease.

(c) If Tenant elects to self-insure and an event or claim occurs for which a defense or coverage would have been available from a third-party insurer, Tenant shall undertake the defense of such claim, including a defense of Landlord, at Tenant's sole cost and expense, and use Tenant's own funds to pay any claim, replace any property and otherwise provide the funding which would have been available from insurance proceeds but for such election by Tenant to self-insure. In no event shall Landlord be entitled to less coverage or benefits than Landlord would have been entitled had Tenant obtained the insurance required under this Lease from a third-party insurance carrier. Tenant shall respond promptly to all inquiries from Landlord with respect to any claim or loss, shall keep Landlord fully informed of the status of all claims and losses, shall work cooperatively with Landlord in addressing all claims and losses, and shall have the same duty to act in good faith towards Landlord as an insurer would have under Laws.

13. Damage and Destruction.

13.1. Repair. If the Premises are damaged or destroyed by any casualty, then unless this Lease is terminated in accordance with this Paragraph 13, Landlord shall, as soon as reasonably practicable, in a reasonable, good and workmanlike manner and in accordance with Laws, repair the Premises to the condition in which the Premises were immediately prior to such damage or destruction; *provided, however*, that Landlord shall not be required to repair any damage to, or to make any restoration or replacement of, Tenant's Property. If Tenant does not occupy the Premises during the period of such repairs, then during such period, Landlord shall regularly communicate with Tenant regarding the progress of such repairs so that Tenant can reasonably plan for the recommencement of Tenant's occupancy of the Premises. Landlord shall permit Tenant and its agents to enter the Premises during the thirty (30)-day period prior to the completion of such repairs to prepare the Premises for Tenant's use and occupancy, including the installation of Tenant's Property. Any such permission shall constitute a license only, conditioned on Tenant's:

(a) working in harmony with Landlord, Landlord's employees, agents and contractors and other tenants and occupants of the Building, and not interfering with, delaying or otherwise adversely affecting Landlord's work;

(b) obtaining in advance Landlord's approval of the contractors proposed to be used by Tenant and, if requested by Landlord, depositing with Landlord in advance of any work the contractor's affidavit for the proposed work and the waivers of lien from the contractor and all subcontractors and suppliers of materials; and

(c) furnishing Landlord with such insurance as Landlord may reasonably require against liabilities that may arise out of such entry.

Any such activities shall be governed by Paragraph 9.2 and all other terms of this Lease.

13.2. Abatement. Until such repair is complete or this Lease is terminated in accordance with this Paragraph 13, Rent shall be abated proportionately commencing on the date of such damage or destruction as to that portion of the Premises rendered untenantable by such damage or destruction, if any; ***provided***, that if only a portion of the Premises is damaged, but such damage causes the entire Premises to be untenantable, the entire Rent shall be abated. If Landlord elects to repair any such damage and Tenant has not elected to terminate this Lease as provided below, any abatement of Rent shall end on the date on which a factually correct notice is given by Landlord to Tenant that the Premises have been repaired, and exclusive possession of the Premises is delivered to Tenant.

13.3. Termination by Landlord. If:

(a) the Premises are damaged as a result of a risk not required to be covered by insurance;

(b) the Premises are damaged in whole or in part during the last twelve (12) months of the Term existing as of the date immediately prior to such damage or destruction and the estimated time required to complete such repairs is in excess of thirty (30) days;

(c) the Building (whether or not the Premises are damaged) is damaged to the extent of forty percent (40%) or more of its then-replacement value;

(d) the Premises are damaged to the extent that it would take, according to the reasonable estimate of Landlord's architect or contractor, in excess of nine (9) months after the date on which such damage occurs to complete the requisite repairs; or

(e) insurance proceeds adequate to repair the Property are not available to Landlord for any reason beyond Landlord's reasonable control (other than any applicable deductible amount) (excluding Landlord's failure to carry the insurance required under Paragraph 12.2),

then Landlord may either elect to repair the damage or terminate this Lease by notice of termination given to Tenant within thirty (30) days after such event, so long as Landlord terminates leases in the Building covering an aggregate of at least seventy-five percent (75%) of the rentable square footage of the Building.

13.4. Termination by Tenant. If the Premises are damaged, Landlord shall provide to Tenant as soon as reasonably practicable, but in no event later than thirty (30) days after the occurrence of such damage, a reasonable estimate of Landlord's architect or contractor, setting forth the estimated time required to complete the requisite repairs. If the Premises are damaged to the extent that it would take, according to such estimate, in excess of nine (9) months after the date on which such damage occurs, or two (2) months after the date on which such damage occurs if such damage occurs within the last twelve (12) months of the Term, to complete the requisite

repairs, and the Premises would be untenantable for such nine (9)-month or two (2)-month period, respectively, Tenant may elect to terminate this Lease by notice of termination given by Tenant to Landlord within ten (10) business days after Landlord provides to Tenant such estimate. If

Tenant has the right to, but does not, terminate this Lease pursuant to the preceding sentence, but, subject to force majeure, Landlord fails to repair or restore the Building and Premises within thirty (30) days after the later of (a) the date set forth in such estimate, or (b) the expiration of such nine (9)-month or two (2)-month period, respectively, then Tenant may terminate this Lease as of the date of such damage by giving notice of such termination to Landlord within ten (10) business days after the expiration of such thirty (30)-day period. For purposes of this Paragraph 13.4, "untenantable" includes damage of a portion of the Premises such that use by Tenant of the remaining undamaged portion of the Premises for Tenant's business operations is not reasonably practicable.

13.5. On Termination. If this Lease is terminated pursuant to Paragraphs 13.3 or 13.4, Tenant shall vacate and surrender the Premises to Landlord as soon as reasonably practicable in accordance with Paragraph 17.1, but in no event later than thirty (30) days after Tenant receives or gives a notice of termination.

14. Condemnation.

14.1. Termination. If the whole of the Premises is taken through a Condemnation Proceeding, this Lease shall automatically terminate as of the date of the taking. The phrase "***the date of the taking***" means the date of taking actual physical possession by the condemning authority, the entry of an order of occupancy or such earlier date as the condemning authority gives notice that it is deemed to have taken possession. If part, but not all, of the Premises is taken, either Party may terminate this Lease as set forth in this Paragraph 14.1. Landlord may terminate this Lease if any portion of the Property (whether or not including the Premises) is taken that, in Landlord's reasonable judgment, substantially interferes with Landlord's ability to operate or use the Property for the purposes for which the Property was intended, so long as Landlord terminates leases in the Building covering an aggregate of at least seventy-five percent (75%) of the rentable square footage of the Building. Tenant may terminate this Lease if any portion of the Property (not including the Premises) is taken that:

(a) terminates all reasonable physical access to and from the Premises and the public rights- of-way abutting the Property, and Landlord fails to provide reasonably acceptable substitute access; or

(b) reduces the parking available to Tenant and Tenant's Occupants on the Property below Tenant's Parking Stall Allocation, unless Landlord provides to Tenant replacement parking within reasonable proximity to the Building.

Any such termination must be accomplished through notice given no later than thirty (30) days after, and shall be effective as of, the date of the taking.

14.2. Restoration. In all other cases, or if neither Landlord nor Tenant exercises its right to terminate, this Lease shall remain in effect and Landlord shall restore the remaining portion of the Property and, to the extent affected thereby, the Building and the Premises to the extent of Building standard improvements, to its and their former condition as nearly as is reasonably practicable, and any condemnation award paid in connection with such taking shall be used to the extent necessary for such purpose. During such restoration, Rent shall be abated proportionately commencing on the date of such taking and continuing until the completion of such restoration as to that portion of the Premises rendered untenantable by such restoration, if any.

14.3. General. If a portion of the Premises is taken and this Lease is not terminated, Rent shall be reduced in the proportion that the floor area of the Premises taken bears to the total floor area of the Premises immediately prior to such taking. Whether or not this Lease is terminated as a consequence of a Condemnation Proceeding, all damages or compensation awarded for a partial or total taking, including any award for severance damage and any sums compensating for diminution in the value of or deprivation of the leasehold estate under this Lease, shall be the sole and exclusive property of Landlord; *provided*, that Tenant shall be entitled to any award for loss of, or damage to, Tenant's Property, loss of

business or goodwill and business interruption, moving and relocation expenses, if a separate award is actually made to Tenant.

15. Landlord's Financing. Within ten (10) business days after Landlord's request, Tenant shall execute a subordination, non-disturbance and attornment agreement or other similar document, subordinating this Lease to any mortgage, deed of trust or similar instrument covering the Property, and providing a non-disturbance agreement in favor of Tenant, all in reasonable form and substance reasonably satisfactory to Tenant and the lender concerned. If the holder of any mortgage or deed of trust elects to have this Lease superior to the lien of its mortgage or deed of trust and gives notice of such election to Tenant, this Lease shall be deemed prior to such mortgage or deed of trust, whether such notice is given before or after foreclosure. On any sale, assignment or transfer of Landlord's interest under this Lease or in the Premises, including any such disposition resulting from Landlord's default under a debt obligation, such sale, assignment or transfer shall be subject to this Lease, and Tenant shall attorn to Landlord's successors and assigns and shall recognize such successors or assigns as Landlord under this Lease, regardless of any absence of privity of contract, provided that such successors and assigns recognize this Lease and do not disturb Tenant's use and occupancy of the Premises so long as no Tenant Default exists under this Lease. Landlord shall use its best efforts to obtain a subordination, non-disturbance and attornment agreement in favor of Tenant from Landlord's current mortgage lender in form and substance reasonably satisfactory to the Parties and such lender, and Tenant shall be solely responsible for any costs, expenses or fees payable in connection therewith.

16. Default.

16.1. Tenant Default. The occurrence of any of the following events shall constitute a "***Tenant Default***" under this Lease:

(a) Tenant fails to pay any Rent or other sum on the date when due under this Lease, and such failure is not cured within five (5) business days after notice is given to Tenant that the same is past due;

(b) Tenant fails to observe or perform any other term, covenant or condition to be observed or performed by Tenant on the date when due under this Lease, and such failure is not cured within ten (10) business days after notice is given to Tenant of such failure; *provided*, *however*, that if more than ten (10) business days is reasonably required to cure such failure, no Tenant Default shall occur if Tenant commences such cure within such ten (10)-business day period and thereafter diligently prosecutes such cure to completion; or

(c) Tenant (i) files a petition in bankruptcy, (ii) becomes insolvent, (iii) has taken against it in any court, pursuant to state or federal statute, a petition in bankruptcy or insolvency or for reorganization or appointment of a receiver or trustee (and such petition is not dismissed within ninety (90) days), (iv) petitions for or enters into an arrangement for the benefit of creditors, or (v) suffers this Lease to become subject to a writ of execution.

16.2. Remedies.

(a) On any Tenant Default under this Lease, Landlord may at any time, without waiving or limiting any other right or remedy available to Landlord, in compliance with Utah Laws:

(i) perform in Tenant's stead any obligation that Tenant has failed to perform, and Landlord shall be reimbursed within thirty (30) days after demand for any reasonable cost incurred by Landlord, with interest thereon at the Default Rate from the date of such expenditure until paid in full, with interest;

(ii) terminate Tenant's rights under this Lease by an unlawful detainer or other judicial proceeding;

(iii) reenter and take possession of the Premises by any lawful means (with or without terminating this Lease); or

(iv) pursue any other remedy allowed by Law.

(b) Tenant shall pay to Landlord the reasonable cost of recovering possession of the Premises, all reasonable costs of reletting (including reasonable renovation, remodeling and alteration of the Premises in a manner that is typical and customary for Comparable Buildings), the reasonable amount of any commissions paid by Landlord in connection with such reletting, and all other reasonable costs and damages proximately caused by the Tenant Default, including attorneys' fees and costs actually incurred, and shall repay to Landlord all free rent and any other similar concession given to Tenant; ***provided, however***, that for purposes of Tenant's liability under the foregoing portion of this sentence, such costs of reletting and commissions (only) shall be amortized over the initial term of the new lease, with interest thereon at the Interest Rate, and Tenant shall be liable only for that portion so amortized falling within the remaining portion of the Term.

(c) Notwithstanding any termination or reentry, the liability of Tenant for Rent payable under this Lease shall not be extinguished for the balance of the Term, and Tenant agrees to compensate Landlord within thirty (30) days after demand for any deficiency (which deficiency shall be reduced by all amounts actually received by Landlord from reletting the Premises). In the event of a Tenant Default, Landlord shall use its best efforts to mitigate its damages in accordance with Utah law.

(d) No reentry or taking possession of the Premises or other action by Landlord or Landlord's employees, agents or contractors on or following the occurrence of any Tenant Default shall be construed as an election by Landlord to terminate this Lease or as an acceptance of any surrender of the Premises, unless Landlord provides Tenant notice of such termination or acceptance.

16.3 Past Due Amounts.

(a) If Tenant fails to pay when due any amount required to be paid by Tenant under this Lease, such unpaid amount shall bear interest at the Default Rate from the due date of such amount to the date of payment in full, with interest, and Landlord may also charge a sum of five percent (5%) of such unpaid amount as a service fee. This late payment charge is intended to compensate Landlord for Landlord's additional administrative costs resulting from Tenant's failure to perform Tenant's obligations under this Lease in a timely manner, and has been agreed on by the Parties after negotiation as a reasonable estimate of the additional administrative costs that will be incurred by Landlord as a result of such failure. The actual cost in each instance is extremely difficult, if not impossible, to determine. This late payment charge shall constitute liquidated damages and shall be paid to Landlord together with such unpaid amount.

(b) Notwithstanding the foregoing to the contrary, such interest and late payment charge shall not apply if the failure by Tenant to pay when due any amount required to be paid by Tenant under this Lease is cured within three (3) business days after the date on which Landlord gives Tenant written notice of such failure (which may be given by email); *provided*, that such three (3)-day notice and cure period shall not be applicable more than once in any twelve (12)-month period. Therefore, on the second time in any twelve (12)-month period that Tenant fails to pay when due any amount required to be paid by Tenant under this Lease, such interest and late payment charge will be due and payable by Tenant and such notice and cure period will be inapplicable. (Such notice and cure period applies only to such interest and late payment charge.)

(c) All amounts due under this Lease are and shall be deemed to be rent or additional rent, and shall be paid without (except as expressly provided in this Lease) abatement, deduction, offset, prior notice or demand. Landlord shall have the same remedies for a failure to pay any amount due under this Lease as Landlord has for the failure to pay Basic Monthly Rent.

16.4. Landlord Default. Landlord shall be in default under this Lease (a "***Landlord Default***") if Landlord fails to perform an obligation required of Landlord, or to correct a representation or warranty of Landlord made, under this Lease within thirty (30) days after notice by Tenant to Landlord and the holder of any mortgage or deed of trust covering the Property whose name and address have been furnished to Tenant, specifying the respects in which Landlord has failed to perform such obligation, and such holder fails to perform such obligation within a second thirty (30)-day period commencing on the expiration of such first thirty (30)-day period; *provided, however*, that if the nature of such obligation is such that more than thirty (30) days are reasonably required for performance or cure, no Landlord Default shall occur if Landlord or such holder commences performance or cure within its thirty (30)-day cure period and thereafter diligently prosecutes the same to completion. In no event may Tenant terminate this Lease or withhold the payment of Rent or other charges provided for in this Lease as a result of a Landlord Default, unless Tenant first obtains a judicial order expressly authorizing Tenant to do so pursuant to a judicial proceeding, notice of which has been given to Landlord by personal service as required by the Utah Rules of Civil Procedure for such proceeding. Subject to the foregoing provisions of this Paragraph 16.4 and to the provisions of Paragraph 22.8, in the event of a Landlord Default, Tenant shall have the right to pursue all rights and remedies (legal and equitable) available to Tenant under Utah law. Notwithstanding the foregoing portion of this Paragraph 16.4, on receipt of any notice of default from Tenant, Landlord shall promptly commence, and thereafter diligently prosecute to completion, the cure of such default, whether or not Tenant gives notice of such default to the holder of any mortgage or deed of trust covering the Property whose name and address have been furnished to Tenant.

17. Expiration and Termination.

17.1. Surrender of Premises.

(a) Prior to Lease end, Tenant shall, at Tenant's sole cost and expense:

(i) remove only Tenant's Property (excluding Tenant's voice and data lines, wiring, cabling and facilities), and all other property shall, unless otherwise directed by Landlord in accordance with this Paragraph 17.1, remain in the Premises as the property of Landlord without compensation; *provided, however*, that (A) Tenant shall not remove Tenant's Property from the Premises without Landlord's prior consent if such removal will impair or damage the structure of the Building, and (B) at Landlord's option, Landlord may, at Lease end, remove Tenant's voice and data lines, wiring, cabling and facilities in accordance with the National Electric Code, as amended, and Tenant shall reimburse Landlord for the reasonable cost of such removal within thirty (30) days after receipt of an invoice therefor;

(ii) repair any damage to the Property caused by or in connection with the removal of any property from the Premises by or at the direction of Tenant (including, without limitation, damaged wall areas exposed by the removal of pictures, video screens, white boards or other hangings); *provided, however*, that any painting in connection with such repair shall include only the damaged areas, and Tenant shall not be responsible to paint other areas to address discoloration; and

(iii) deliver all keys and access cards to the Premises to Landlord, and promptly and peaceably surrender the Premises to Landlord "broom clean," in good order and condition, subject to normal and reasonable wear and tear not required to be repaired by Tenant and the other provisions of this Lease regarding maintenance, repair, casualty, condemnation, insurance and indemnification.

Tenant covenants to continue to pay Rent, on a *per diem* basis in the same amount as is payable during the final month of the Term, during any period following Lease end in which Tenant has not physically vacated the Premises or removed Tenant's Property. Such Rent shall be due and payable to Landlord no later than thirty (30) days after the receipt by Tenant of an invoice therefor.

(b) Any of Tenant's Property not removed from the Premises on the abandonment of the Premises or on Lease end for any cause shall conclusively be deemed to have been abandoned and may be appropriated, removed, sold, stored, destroyed or otherwise disposed of by Landlord without notice to, and without any obligation to account to, Tenant or any other person unless required to do so by Laws. Tenant shall pay to Landlord all reasonable expenses incurred in connection with the removal and disposition of such Tenant's Property in excess of any amount received by Landlord from such removal and disposition.

(c) In addition, Landlord may require Tenant, at Tenant's sole cost and expense, to remove prior to Lease end any other Alteration made to the Premises by Tenant or by Landlord for Tenant and to restore the Premises to their condition prior to making such Alteration; *provided*, that, except as set forth in subparagraph (a)(i) above with respect to Tenant's Property, Tenant shall have no obligation to remove any Alteration made by Tenant with Landlord's prior consent, unless such consent was conditioned on such Alteration being removed at Lease end.

17.2. Holding Over.

(a) Tenant must obtain the prior consent of Landlord in order to remain in possession of the Premises after Lease end. If Tenant remains in possession of the Premises after Lease end *without* obtaining the prior consent of Landlord:

(i) such occupancy shall constitute an unlawful detainer of the Premises (and Tenant shall be subject to an unlawful detainer action therefor), for which period of occupancy Tenant shall pay to Landlord a rental (and not a penalty) in the amount of one hundred fifty percent (150%) of the last Rent payable by Tenant to Landlord, plus all other charges payable under this Lease; and

(ii) Tenant shall reimburse Landlord within thirty (30) days after the receipt of an invoice therefor, accompanied by such detail as may reasonably be requested by Tenant, for all reasonable out-of-pocket costs, expenses, fees, charges or penalties incurred or payable by Landlord in connection with any other tenant or lease for the Premises resulting from the delay by Tenant in physically vacating the Premises or removing Tenant's Property, including, without limitation, penalties or holdover rent paid or credit given to the next tenant for the Premises as a result of late delivery to such tenant of the Premises.

(b) If Tenant remains in possession of the Premises after Lease end ***with*** the prior consent of Landlord, such occupancy shall be a tenancy from month-to-month on all of the terms of this Lease and provisions of Utah law applicable to a month-to-month tenancy (which tenancy shall be terminable as of the end of any calendar month by notice given by either Party to the other at least fifteen (15) days prior to the end of the month concerned) at a rental (and not as a penalty) in the amount of (i) one hundred twenty-five percent (125%) of the last Rent payable by Tenant to Landlord for the first month of such occupancy, plus all other charges payable under this Lease, and (ii) one hundred fifty percent (150%) of the last Rent payable by Tenant to Landlord for each month of such occupancy thereafter, plus all other charges payable under this Lease.

(c) In lieu of any then-existing option to extend the then-existing period constituting the Term set forth in Paragraph 3.3 (or if all such options previously have been exercised), Tenant shall have one option to hold over beyond the then-existing period constituting the Term for any number of full calendar months up to six (6) full calendar months, provided that Tenant gives Landlord written notice of the exercise of such option, designating the number of full calendar months (up to six (6) full calendar months) selected by Tenant, on or before the date that is six (6) months prior to the expiration of the then-existing period constituting the Term, and that at the time such notice is given and on the commencement of the holdover term:

(i) this Lease is in full force and effect;

(ii) no Tenant Default then exists; and

(iii) Tenant has not assigned this Lease or subleased all or any portion of the Premises under any then-existing sublease (excluding any Non-Consent Transfer), and such holdover is not being made in connection with or for the purpose of facilitating any such assignment or sublease.

Such holdover term shall commence at 12:01 a.m. on the first day following the expiration of the then-existing period constituting the Term under this Lease. During such holdover term, all provisions of this Lease shall apply, except that the amount of the Basic Monthly Rent during such holdover term shall be one hundred twenty-five percent (125%) of the Basic Monthly Rent payable by Tenant under this Lease for the final calendar month of the period constituting the Term in which such option is exercised. If Tenant timely exercises such option, the Parties shall promptly enter into another amendment to this Lease reflecting the new Expiration Date of this Lease and the Basic Monthly Rent applicable during the holdover term, and any remaining options to extend under this Lease shall have no further force or effect. If Tenant fails to exercise such option in a timely manner, such option shall automatically terminate and cease to have any further force or effect.

(d) Notwithstanding anything contained in this Paragraph 17.2 to the contrary, on any termination of this Lease pursuant to Paragraphs 8.4(b), 13 or 14, Tenant shall have up to thirty (30) days to surrender the Premises after the effective date of such termination, and the provisions of this Paragraph 17.2 shall not be applicable until after the expiration of such thirty (30)-day period.

17.3. Survival. The provisions of this Paragraph 17 shall survive Lease end.

18. Estoppel Certificate; Financial Statements.

18.1. Estoppel Certificate. Either Party shall, within ten (10) business days after request by the other Party, without charge, execute and deliver to the requesting Party an estoppel certificate in commercially reasonable form in favor of the requesting Party and such other persons as the requesting Party may reasonably request setting forth the following:

(a) a ratification of this Lease;

(b) the Commencement Date and Expiration Date;

(c) that this Lease is in full force and effect and this Lease has not been assigned, subleased, modified, supplemented or amended (except by such writing as shall be stated) by the responding Party;

(d) that, to the current, actual knowledge of the responding Party, all conditions under this Lease to be performed by the requesting Party have been satisfied or, in the alternative, those claimed by the responding Party to be unsatisfied;

(e) that, to the current, actual knowledge of the responding Party, no defenses, claims or offsets exist against the enforcement of this Lease by the requesting Party or, in the alternative, those claimed by the responding Party to exist;

(f) that, to the current, actual knowledge of the responding Party, the responding Party is not in default under this Lease;

(g) that (if true) Tenant has accepted and occupied the Premises;

(h) the amount of advance Rent, if any (or none if such is the case), paid by Tenant;

(i) the date to which Rent has been paid;

(j) the amount of the Security Deposit; and

(k) such other factual information reasonably related to this Lease as the requesting Party may reasonably request.

The requesting party and third parties reasonably designated by the requesting Party shall be entitled to rely on any such estoppel certificate.

18.2. Financial Statements.

(a) Subject to subparagraph (b) below, Tenant shall, within ten (10) business days after Landlord's request, furnish to Landlord current financial statements for Tenant, prepared in accordance with GAAP or other reasonable accounting standards consistently applied and certified by Tenant to be true and correct. If such financial statements are available online, Tenant shall have complied with the requirements of this Paragraph 18.2 if Tenant provides to Landlord within such ten (10)-business day period the website where such financial statements may readily be obtained by Landlord. If Tenant is a public reporting company registered with the SEC, Tenant shall have complied with the requirements of this Paragraph 18.2 if Landlord can readily access Tenant's current financial statements online. After the date of this Lease, Landlord shall only request Tenant's financial statements if required or requested to do so by a current or prospective lender or purchaser. Tenant shall have no obligation to produce financial statements in addition to those, if any, then existing, and shall have no obligation to produce financial statements more often than once in any twelve (12)- month period.

(b) If such financial statements are not available publicly, any recipient of any financial statements furnished by Tenant under this Paragraph 18.2 shall:

(i) use such financial statements only for the express purpose requested, and handle such financial statements with the same diligent care used in handling such recipient's own financial statements;

(ii) not use or permit to be used such financial statements for any purpose that would be competitive with Tenant, or that would be an attempt to profit from the proprietary information contained therein; and

(iii) keep such financial statements confidential and not disclose them to any third party other than any current or prospective lender or purchaser, unless required to do so by Laws or court order, and otherwise use such financial statements in accordance with any non-disclosure and confidentiality agreement executed in connection therewith.

If requested by Tenant, prior to any required delivery or disclosure of such non-public financial statements, each intended recipient shall execute and deliver to Tenant a non-disclosure and confidentiality agreement pertaining to such financial statements in a form reasonably acceptable to the Parties.

19. Parking; Signage.

19.1 Parking.

(a) Parking on the Property is provided generally to tenants of the Building on a non-reserved, first-come-first-served basis. During the Term, Landlord shall provide at least the same number of visitor parking spaces as are currently provided for the Building. Tenant and Tenant's Occupants shall have the non-exclusive right (together with other tenants of the Building) without charge, other than as contemplated by Paragraph 5 with respect to Operating Expenses, to use a number of parking stalls located on the Property equal to Tenant's Parking Stall Allocation only, and shall not use a number of parking stalls greater than Tenant's Parking Stall Allocation (excluding *de minimis*, occasional excess use), unless prior consent has been given by Landlord.

(b) Subject to the foregoing subparagraph (a), automobiles of Tenant and Tenant's Occupants shall be parked only within parking areas not otherwise reserved by Landlord or specifically designated for use by any other tenant or occupants associated with any other tenant. Landlord and Landlord's employees, agents or contractors may cause to be removed any automobile of Tenant or Tenant's Occupants that may be parked wrongfully in a prohibited or reserved parking area, provided that such prohibited or reserved parking area is adequately marked with signs placed in reasonable locations. Each Building lease shall contain limitations on parking substantially similar to those contained in this Paragraph 19.1, and Landlord shall diligently enforce such limitations in a nondiscriminatory manner.

19.2. Signage.

(a) Tenant shall be entitled to Building standard signage on the Building interior directory, at the entrance to the Premises and on the top signage location on the exterior multi-tenant monument sign, as well as the Crown Signage described in Paragraph 3.4 (subject to the provisions of Paragraph 3.4), all at Tenant's sole cost and expense. Tenant shall not place or suffer to be placed (i) on any exterior door, wall or window of the Premises, (ii) on any part of the inside of the Premises that is visible from the outside of the Premises, or (iii) elsewhere on the Property, any sign, decoration, lettering, attachment, advertising matter or other thing of any kind, without first obtaining Landlord's approval. Unless expressly permitted by this Lease, neither Tenant nor Tenant's Occupants shall erect, install, hold or place by any method any signage of any type outside of the Premises and on or around the Property, including, without limitation, any banner or placard sign held by individuals on any public property adjacent to or near the Property. Landlord may, at Tenant's sole cost and expense, following at least ten (10) business days' prior notice, remove any item erected in violation of this Paragraph 19.2, and may enter the Premises to do so when necessary.

(b) All approved signs or letterings on doors shall be printed, painted and affixed at the sole cost and expense of Tenant by a person approved by Landlord, and shall comply with the requirements of

the applicable municipality. At Tenant's sole cost and expense, Tenant shall maintain all permitted signs and shall, on Lease end, remove all of its signs and repair any damage caused by such removal.

20. Landlord's Representations and Warranties.

20.1. Representations and Warranties. Landlord represents and warrants to Tenant that (unless otherwise expressly indicated) as of the date of this Lease:

(a) (i) Landlord has good and marketable fee simple title to the Premises and the Property, with full right and authority to lease the Premises to Tenant;

(ii) there are no liens, encumbrances or other matters affecting such title that would interfere with the Permitted Use;

(iii) the Property is zoned to permit the Permitted Use; and

(iv) to Landlord's current, actual knowledge, there are no covenants, restrictions or other agreements that would interfere with the Permitted Use;

(b) to Landlord's current, actual knowledge:

(i) the Property has not been used to treat, store, process or dispose of Hazardous Materials;

(ii) there are no releases nor have there ever been any releases of Hazardous Materials at, on or under the Property that would give rise to a cleanup or remediation obligation under any applicable Environmental Laws; and

(iii) the Property does not contain (A) any underground storage tanks, nor have there ever been any underground storage tanks on the Property, (B) asbestos in any form, including insulation or flooring, (C) PCB-containing equipment, including transformers or capacitors, or (D) any other Hazardous Materials that could affect or impair Tenant's use of or operations at the Property or the health or safety of Tenant's employees, and notwithstanding anything contained in this Lease to the contrary, Tenant shall have no liability of any kind to Landlord for any pre-existing Hazardous Materials located on the Property as of the date of this Lease, or for any Hazardous Materials that migrate onto or under the Property or otherwise become present at the Property as the result of the activities of anyone other than Tenant or Tenant's Occupants, and Landlord shall remediate any such Hazardous Materials for which Tenant has no liability to the extent required by Laws;

(c) to Landlord's current, actual knowledge, the Building (including the Premises) complies (and will, as of the Commencement Date, comply) with Laws and any covenants, conditions and restrictions affecting the Building;

(d) to Landlord's current, actual knowledge, as of the Commencement Date:

(i) the Building (including the Premises, but excluding issues related to any Tenant work) will be free from any material defect in materials or workmanship;

(ii) the Premises (excluding issues related to any Tenant work) will be in good, structurally sound condition and watertight;

(iii) the Building utilities and mechanical (including, without limitation, elevators), electrical and HVAC systems will be in good, working condition and repair and of sufficient capacity to serve the Premises for the Permitted Use, as well as other Building tenants; and

(iv) the fire sprinklers in the Building (including in the Premises) will have adequate flow and pressure in accordance with the regulations of the National Fire Protection Association;

(e) no pending Condemnation Proceeding relating to or affecting the Property exists, and Landlord has no current, actual knowledge that any such action is presently threatened or contemplated; and

(f) as of the Commencement Date, Tenant shall have exclusive possession of the Premises.

20.2. Remedy. If any representation or warranty set forth in Paragraph 20.1 is inaccurate or untrue as of the date when made, Landlord's sole and exclusive obligation and liability (and Tenant's sole and exclusive right and remedy) under this Paragraph 20 shall be to cause the condition causing such representation or warranty to be inaccurate or untrue to be corrected or remedied at Landlord's sole cost and expense, *subject, however*, to any provision of this Lease (such as, but without limitation, Paragraphs 7 and 9) expressly allocating responsibility to Tenant. Landlord shall so correct or remedy such condition as soon as reasonably practicable following notice of such condition.

21. Rules. Tenant and Tenant's Occupants shall faithfully observe and comply with all of the rules set forth on the attached Exhibit B, and Landlord may from time to time amend, modify or make additions to or deletions from such rules in a reasonable and nondiscriminatory manner, consistent with Comparable Buildings; *provided*, that no such amendments, modifications, additions or deletions (either individually or in the aggregate) shall, without Tenant's prior consent:

(a) adversely affect Tenant's business operations as permitted under this Lease, Tenant's compliance with Laws, or Tenant's use of, or access to and from, the Premises;

(b) materially increase any of Tenant's obligations, or materially decrease any of Tenant's rights, under this Lease, or require the payment of any monies to Landlord; or

(c) conflict with any of the express provisions of this Lease;

provided further, that Tenant shall have a reasonable time to bring its operations at the Premises into compliance with any such amendments, modifications, additions and deletions. Such amendments, modifications, additions and deletions shall be effective ten (10) business days after receipt by Tenant of notice, accompanied by a copy of such amendments, modifications, additions or deletions. Although Landlord shall use its best efforts to enforce such rules in a consistent and nondiscriminatory manner against all tenants of the Building (and shall promptly undertake to enforce such rules (without the obligation of bringing a lawsuit) on receipt of notice from Tenant of another tenant's or occupant's breach of the rules that is disturbing Tenant or Tenant's Occupants), Landlord shall not be responsible to Tenant for the failure of any other tenant or person to observe such rules. In the event of any conflict between such rules and the provisions of this Lease, the provisions of this Lease shall prevail.

22. General Provisions.

22.1. No Partnership. Neither Party, by this Lease, in any way or for any purpose, becomes a partner or joint venturer of the other Party in the conduct of the other Party's business or otherwise.

22.2. Force Majeure. If either Party is delayed or hindered in or prevented from the performance of any act required under this Lease by reason of acts of God, extraordinary weather conditions, strikes, boycotts, lockouts, other labor troubles (other than within such Party's organization), inability to procure labor or materials, fire or other casualty, accident, failure of power, governmental requirements, restrictive Laws of general applicability, riots, civil commotion, insurrection, terrorism, war or other reason not the fault of the Party delayed, hindered or prevented and beyond the control of such Party (financial inability excepted) (any of the foregoing, "***force majeure***"), performance of the action in question shall be excused for the period of delay and the period for the performance of such action shall be extended for a period equivalent to the period of such delay; *provided, however*, that the time period customarily associated with obtaining any approvals, permits, consents or waivers shall not be an event of force majeure. The provisions of this Paragraph 22.2 shall not, however, operate to excuse Tenant from the prompt payment of Rent or any other amount required to be paid by Tenant under this Lease, or excuse Landlord from the prompt payment of any amount required to be paid by Landlord under this Lease. The Party claiming the benefit of any force majeure delay shall use its best efforts to notify the other Party promptly following the occurrence of any event constituting a force majeure delay and, under the circumstances, to minimize such delay.

22.3. Notices. Unless otherwise expressly provided in this Lease, any communication to be given by either Party to the other shall be given in writing by personal service, express mail, Federal Express or any other similar form of courier or delivery service providing proof of delivery, or mailing in the United States mail, postage prepaid, certified, return receipt requested and addressed to such Party as follows:

If to Landlord:

RiverPark Six, LLC
10701 South River Front Parkway, Suite 135
South Jordan, Utah 84095

with a required copy to:

the holder of any mortgage or deed of trust covering the Property
whose name and address have been furnished to Tenant in writing

and a required copy via email to:

Victor A. Taylor, Esq.
Durham Jones & Pinegar, P.C.
111 South Main Street, Suite 2400
Salt Lake City, Utah 84111
Email: vtaylor@djplaw.com

If to Tenant:

Health Catalyst, Inc.
10897 South River Front Parkway, Suite 100
South Jordan, Utah 84095
Attention: Office Manager

Either Party may change the address at which such Party desires to receive notice on notice of such change to the other Party. Any such notice shall be deemed to have been given, and shall be effective, on delivery to the notice address then applicable for the Party to which the notice is directed; *provided, however*, that (i) refusal to accept delivery of a notice or the inability to deliver a notice because of an

address change that was not properly communicated shall not defeat or delay the giving of a notice, and (ii) any notice that is delivered on a weekend or holiday shall, for the purposes of this Paragraph 22.3, be deemed delivered as of the next-succeeding business day.

22.4. Severability. If any provision of this Lease or the application of any provision of this Lease to any person or circumstance shall to any extent be invalid, the remainder of this Lease or the application of such provision to persons or circumstances other than those as to which such provision is held invalid shall not be affected by such invalidity. Each provision of this Lease shall be valid and enforceable to the fullest extent permitted by Laws.

22.5. Brokerage Commissions. Except as may be set forth in one or more separate agreements between (i) Landlord and Landlord's broker, or (ii) Landlord or Landlord's broker and Tenant's broker:

(a) Landlord represents and warrants to Tenant that no claim exists for a brokerage commission, finder's fee or similar fee in connection with this Lease based on any agreement made by Landlord; and

(b) Tenant represents and warrants to Landlord that no claim exists for a brokerage commission, finder's fee or similar fee in connection with this Lease based on any agreement made by Tenant.

Landlord shall indemnify, defend and hold harmless Tenant from and against any claim for a brokerage commission, finder's fee or similar fee in connection with this Lease based on an actual or alleged agreement made by Landlord. Tenant shall indemnify, defend and hold harmless Landlord from and against any claim for a brokerage commission, finder's fee or similar fee in connection with this Lease based on an actual or alleged agreement made by Tenant.

22.6. Use of Pronouns. The use of the neuter singular pronoun to refer to either Party shall be deemed a proper reference even though either Party may be comprised of one or more persons. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where more than one Party exists and to two or more persons, shall in all instances be assumed as though in each case fully expressed. Unless the context clearly requires otherwise, the singular includes the plural, and vice versa, and the masculine, feminine and neuter adjectives include one another.

22.7. Successors. Subject to Paragraph 10, all provisions contained in this Lease shall be binding on, and shall inure to the benefit of, the Parties and their respective successors and assigns; *provided, however*, that on and after any sale of the Premises, assignment of this Lease by Landlord and assumption in writing of this Lease by the transferee, Landlord shall be relieved entirely of all of Landlord's obligations under this Lease to the extent first arising after such sale, assignment and assumption, and such obligations shall automatically pass to Landlord's successor in interest.

22.8. Recourse by Tenant. Notwithstanding anything in this Lease to the contrary, Tenant shall look solely to the right, title and interest of Landlord in the Property, together with the rents, issues and profits, the proceeds of any sale or insurance carried by Landlord, and the awards of any Condemnation Proceeding, with respect to the Property, subject to the prior rights of the holder of any superior mortgage or deed of trust (collectively, "***Landlord's Interest in the Property***"), for the collection of any judgment (or other judicial process) requiring the payment of money by Landlord on any Landlord Default, and no other asset of Landlord or any other person shall be subject to levy, execution or other procedure for the satisfaction of Tenant's remedies. Nothing contained in this Paragraph 22.8 shall limit or affect any right that Tenant may otherwise have to obtain injunctive relief or to exercise any other remedies or actions against Landlord that

do not expose to liability assets other than Landlord's Interest in the Property. The provisions of this Paragraph apply not only to claims under the express terms of this Lease, but also to claims of any kind whatsoever arising from the relationship between the Parties or any rights and obligations they may have relating to the Property or this Lease.

22.9. Exculpation of Non-Parties.

(a) Neither Party shall have recourse or the right to make any claim against, and each Party, for itself and any person claiming by, through or under such Party, waives and releases, any person (including any current or future officer, director, trustee, beneficiary, shareholder, member, manager, employee, partner, principal or affiliate of either Party (unless such person becomes a party Landlord or Tenant under or with respect to this Lease), each an "***Exculpated Party***", and collectively, the "***Exculpated Parties***") with respect to any obligation arising under this Lease or its attachments, other than (i) Landlord with respect to any claim of Tenant, and (ii) Tenant with respect to any claim of Landlord. Each Party's assets shall specifically exclude the assets of the Exculpated Parties applicable to such Party.

(b) The foregoing subparagraph (a): (i) is an essential and material term of this Lease, and each Exculpated Party shall be a third-party beneficiary thereof; and (ii) shall inure to the benefit of the Parties and the Exculpated Parties and their respective heirs, successors and assigns. The Parties would not have entered this Lease without the foregoing subparagraph (a). The Exculpated Parties shall not have any liability for any duties, responsibilities, liabilities or obligations of the Parties under, or in any way related to, this Lease. No past, present or future Exculpated Parties shall be named as a party in any suit or other judicial proceeding of any kind or nature whatsoever brought against either Party with respect to the duties, responsibilities, liabilities or obligations of such Party under this Lease, unless such person was, is or becomes a party Landlord or Tenant under or with respect to this Lease.

22.10. Quiet Enjoyment. On Tenant paying Rent and all other amounts payable by Tenant under this Lease and observing and performing all of the terms, covenants and conditions on Tenant's part to be observed and performed under this Lease, Tenant shall have quiet use and enjoyment of the Premises for the Term without interference, hindrance or interruption from Landlord, or anyone claiming by, through or under Landlord (including, without limitation, any transferee of Landlord's interest under this Lease, whether by voluntary act or foreclosure), subject to all of the provisions of this Lease.

22.11. No Waiver. No failure by either Party to insist on the strict performance of any covenant, duty or condition of this Lease or to exercise any right or remedy on a breach of this Lease by the other Party shall constitute a waiver of such covenant, duty, condition or breach. Either Party may, but shall not be obligated to, waive any covenant or duty of any other Party, or any of its rights, or any conditions to its obligations, under this Lease by notice to the other Party. No such waiver by either Party will imply or constitute its further waiver of the same or any other matter. No waiver shall affect or alter the remainder of this Lease, but each other covenant, duty and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequently-occurring breach. No act or thing done by Landlord or Landlord's agents during the Term will be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender will be valid unless in writing signed by Landlord. The delivery of Tenant's keys to any employee or agent of Landlord will not constitute a termination of this Lease unless Landlord has entered into an agreement to that effect. No payment by either Party, or receipt from either Party, of a lesser amount than the Rent or other amount due will be deemed to be anything other than a payment on account of the earliest Rent or other amount due. No endorsement or statement on any check, or any letter accompanying any check or payment as Rent or other amount, will be deemed an accord and satisfaction. The recipient will accept any check for payment without prejudice to its right to recover the balance of such Rent or other amount due or to pursue any other remedy available to such recipient.

22.12. Rights and Remedies. Except as expressly set forth in this Lease, the rights and remedies of the Parties shall not be mutually exclusive and the exercise of one or more of the provisions of this Lease shall not preclude the exercise of any other provision. The Parties confirm that damages at law may be an inadequate remedy for a breach or threatened breach by either Party of any of the provisions of this Lease. The Parties' respective rights and obligations under this Lease shall be enforceable by specific performance, injunction or any other equitable remedy. Neither Party shall be liable to the other for any consequential, indirect, special, exemplary, punitive or similar damages under Paragraphs 11, 16.2 or 16.4 or any other provision of this Lease.

22.13. Enforceability. Each Party represents and warrants that:

(a) such Party was duly formed and is validly existing and in good standing under the Laws of the state of its formation;

(b) such Party has the requisite power and authority under Laws and its governing documents to execute, deliver and perform its obligations under this Lease;

(c) the individual executing this Lease on behalf of such Party has full power and authority under such Party's governing documents to execute and deliver this Lease in the name of, and on behalf of, such Party and to cause such Party to perform its obligations under this Lease;

(d) this Lease has been duly authorized, executed and delivered by such Party; and

(e) this Lease is the legal, valid and binding obligation of such Party, and is enforceable against such Party in accordance with its terms.

22.14. Attorneys' Fees. If any action, lawsuit, mediation, arbitration or proceeding, including bankruptcy proceeding, is brought (a) to recover any Rent or other amount due under this Lease because of any Landlord Default or Tenant Default, (b) to enforce or interpret any provision of this Lease, (c) for recovery of possession of the Premises, or (d) with respect to this Lease or any other issue or matter relating to this Lease, the Party prevailing in such action shall be entitled to recover from the other Party reasonable attorneys' fees and costs (including those incurred in connection with any appeal), the amount of which shall be fixed by the court and made a part of any judgment rendered. Tenant shall be responsible for all expenses, including, without limitation, reasonable attorneys' fees and costs, incurred by Landlord in any case or proceeding involving Tenant or any assignee or subtenant of Tenant as the debtor under or related to any bankruptcy or insolvency law. Landlord shall be responsible for all expenses, including, without limitation, reasonable attorneys' fees and costs, incurred by Tenant in any case or proceeding involving Landlord as the debtor under or related to any bankruptcy or insolvency law. The foregoing provisions of this Paragraph 22.14 shall survive Lease end.

22.15. Merger. Neither the surrender of this Lease by Tenant nor the termination of this Lease by agreement of the Parties or as a result of a Tenant Default shall work a merger, and shall, at Landlord's option, either terminate any subleases of part or all of the Premises or operate as an assignment to Landlord of any of those subleases. Landlord's option under this Paragraph 22.15 may be exercised by notice to Tenant and all known subtenants in the Premises.

22.16. Anti-Terrorism.

(a) Each Party represents and warrants to the other that:

(i) such Party is (A) not currently identified on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control, Department of the

Treasury ("***OFAC***") or on any other similar list maintained by OFAC pursuant to any authorizing statute, executive order or regulation (collectively, the "***List***"), and (B) not a person with whom a citizen of the United States is prohibited to engage in transactions by any trade embargo, economic sanction or other prohibition of United States law, regulation or Executive Order of the President of the United States;

(ii) to such Party's actual knowledge, none of the funds of such Party has been derived from any unlawful activity with the result that the investment in such Party is prohibited by Laws or that this Lease is in violation of Laws; and

(iii) such Party has implemented such procedures as are required by Laws, and will consistently apply those procedures, to ensure the foregoing representations and warranties remain true at all times.

The term "***Embargoed Person***" means any person or government subject to trade restrictions under U.S. law, including, without limitation, the International Emergency Economic Powers Act, 50 U.S.C. §1701 *et seq.*, The Trading with the Enemy Act, 50 U.S.C.S. Appx. §1 *et seq.*, and any Executive Orders or regulations promulgated under it with the result that the investment in Tenant is prohibited by law or Tenant is in violation of law.

(b) Each Party agrees:

(i) to comply with all requirements of law applicable to such Party relating to money laundering, anti-terrorism, trade embargos and economic sanctions, in effect now or after the date of this Lease;

(ii) to notify the other Party promptly in writing if any of the representations, warranties or covenants set forth in this Paragraph 22.16 are no longer true or have been breached or if such Party has a reasonable basis to believe that they may no longer be true or have been breached; and

(iii) not knowingly to use funds from any "Prohibited Person" (as such term is defined in the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism) to make any payment due under this Lease.

(c) Either Party's inclusion on the List at any time during the Term shall be a default by such Party under this Lease. Tenant shall not knowingly permit all or any portion of the Premises to be used or occupied by any person on the List or by any Embargoed Person (on a permanent, temporary or transient basis).

22.17. Intellectual Property; Confidentiality.

(a) Landlord acknowledges that the names, logos, service marks, trademarks, trade dress, trade names, and patents, whether or not registered, of Tenant (collectively, "***Tenant Marks***"), are proprietary property of Tenant and its affiliates, and Landlord shall not use the Tenant Marks for any purpose except as expressly permitted in writing by Tenant. Tenant acknowledges that the names, logos, service marks, trademarks, trade dress, trade names, and patents, whether or not registered, of Landlord (collectively, "***Landlord Marks***"), are proprietary property of Landlord and its affiliates, and Tenant shall not use the Landlord Marks for any purpose except as expressly permitted in writing by Landlord.

(b) In the course of this Lease, the Parties may be exposed to trade secrets or other confidential or proprietary information and materials of the other Party, including, without limitation, financial information, signage, procedures, operating manuals and software, all of which shall be

identified as confidential ("***Confidential Information***"). The Parties agree to hold in confidence and not to disclose any Confidential Information, except that the Parties may use or disclose Confidential Information:

(i) to its employees and affiliates or others to the extent necessary to render any service hereunder, provided that the other Party is first notified of the information that will be provided to any person outside of this Lease, and provided further that such information is disclosed only after such person is required to maintain it in confidence as required hereunder;

(ii) to the extent expressly authorized by either Party;

(iii) to the extent that at the time of disclosure, such Confidential Information is in the public domain, or after disclosure, enters the public domain other than by breach of the terms of this Lease;

(iv) that is in the possession of either Party at the time of disclosure and is not acquired directly or indirectly from the other Party;

(v) that is subsequently received on a non-confidential basis from a third Party having a right to provide such information; or

(vi) as required by order during the course of a judicial or regulatory proceeding or as required by a governmental authority.

(c) The Parties agree not to photocopy or otherwise duplicate any Confidential Information without the express written consent of the other Party. Each Party's Confidential Information shall remain the exclusive property of such Party. On any breach of this Paragraph 22.18, the Parties shall be entitled to equitable relief, in addition to all other remedies otherwise available to it at law. This Paragraph 22.18 shall survive the termination or expiration of this Lease.

22.18. Entire Agreement. This Lease (including its attachments) exclusively encompasses the entire agreement of the Parties, and supersedes all previous negotiations, understandings and agreements between the Parties, whether oral or written, including, without limitation, any oral discussions, letters of intent and email correspondence. The Parties have not relied on any representation, understanding, information, discussion, assertion, guarantee, warranty, collateral contract or other assurance (including, without limitation, one relating to square footage), made by or on behalf of any other Party or any other person whatsoever (including, without limitation, any real estate broker or agent), that is not set forth in this Lease. The Parties hereby waive all rights and remedies, at law or in equity, arising or that may arise as the result of a Party's reliance on any such representation, understanding, information, discussion, assertion, guarantee, warranty, collateral contract or other assurance.

22.19. Construction. This Lease has been prepared by Landlord and its professional advisors and reviewed by Tenant and its professional advisors. Landlord, Tenant and their separate advisors believe that this Lease is the product of all their efforts, that it expresses their agreement, and that it should not be interpreted in favor of either Party or against either Party merely because of such Party's efforts in preparing it. The Table of Contents and captions to the Paragraphs of this Lease are for convenience of reference only, do not define, limit or describe the scope or intent of any provisions of this Lease and shall not be deemed relevant in resolving questions of construction or interpretation under this Lease. Unless otherwise set forth in this Lease, all references to Paragraphs are to Paragraphs in this Lease. Exhibits referred to in this Lease and any addendums, riders and schedules attached to this Lease shall be deemed to be incorporated in this Lease as though a part of this Lease.

22.20. Miscellaneous. Tenant shall not record this Lease or a memorandum or notice of this Lease, and any such recordation by or at the direction of Tenant shall be shall be void *ab initio* (from the beginning) and shall be a breach of this Lease. No amendment to this Lease shall be binding on either Party unless reduced to writing and signed by both Parties. This Lease shall be governed by and construed and interpreted in accordance with the laws (excluding the choice of laws rules) of the state of Utah. Venue on any action arising out of this Lease shall be proper only in the state or federal courts having jurisdiction over the county in which the Property is located. **THE PARTIES KNOWINGLY AND VOLUNTARILY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY AGAINST THE OTHER ON ALL MATTERS ARISING OUT OF THIS LEASE OR THE USE AND OCCUPANCY OF THE PREMISES OR RELATED IN ANY WAY TO THE PROPERTY OR THE PARTIES' LANDLORD/TENANT RELATIONSHIP.** Time is of the essence of each provision of this Lease. If there is more than one Tenant named in this Lease (or if more than one Tenant at any time assumes this Lease), the liability of each such Tenant under this Lease for payment and performance according to this Lease shall be joint and several. The submission of this Lease to Tenant is not an offer to lease the Premises or an agreement by Landlord to reserve the Premisesfor Tenant. Landlord shall not be bound to Tenant until Tenant has duly executed and delivered duplicate original copies of this Lease to Landlord, and Landlord has duly executed and delivered one of those duplicate original copies to Tenant. Transmission by email of a signed copy of this Lease, and the retransmission of any signed email, shall be the same as delivery of an original. The execution of this Lease or any amendment to this Lease may be accomplished by electronic signature utilizing DocuSign or any other technology, and any electronic signature (meaning any electronic symbol, designation or process), whether digital or encrypted, used by either Party shall authenticate this Lease and have the same force and effect as a manual signature.

[Remainder of page intentionally left blank; signatures on following page]

THE PARTIES have executed this Lease on the respective dates set forth below, to be effective as of the date first set forth above.

LANDLORD:

RIVERPARK SIX, LLC,
a Utah limited liability company,
by its Manager:

RIVERPARK HOLDINGS, LLC,
a Utah limited liability company

By: /s/ David S. Layton
David S. Layton
Manager

TENANT:

HEALTH CATALYST, INC.,
a Delaware corporation

By: /s/ J. Patrick Nelli
J. Patrick Nelli
Chief Financial Officer

[*Signature Page*]

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel Burton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Health Catalyst, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2020

/s/ Daniel Burton

Daniel Burton

Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, J. Patrick Nelli, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Health Catalyst, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2020

/s/ J. Patrick Nelli

J. Patrick Nelli

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Daniel Burton, Chief Executive Officer of Health Catalyst, Inc. (the "Company"), and J. Patrick Nelli, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1 The Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2 The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 12, 2020

/s/ Daniel Burton

Daniel Burton
Chief Executive Officer
(Principal Executive Officer)

/s/ J. Patrick Nelli

J. Patrick Nelli
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)