Annual Report

2021

Life360


Calm enough to be cool
We’re on a mission to simplify safety so families can live fully. Because when loved ones are OK, the best parts of life can begin. Life360 is the only family safety membership designed for modern life, trusted by more than 35 million users worldwide — and counting.
Life360

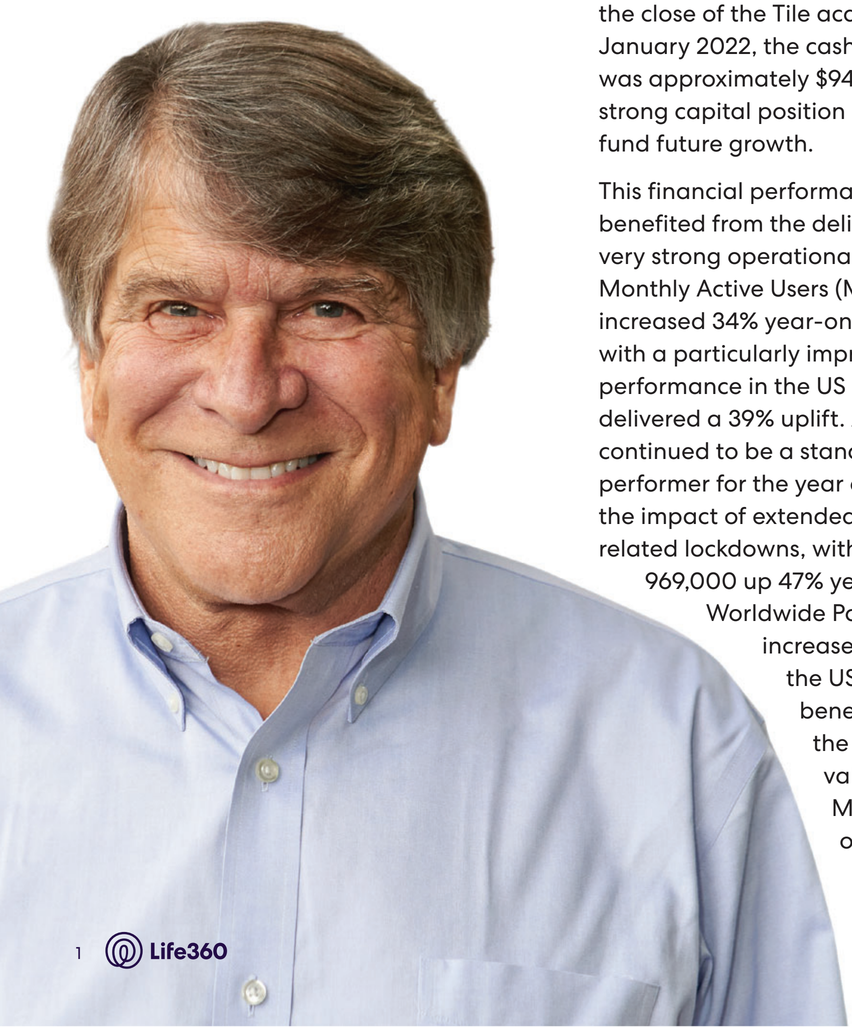
Contents

Life360 is listed on the Australian Securities Exchange (ASX:360) and is a constituent of the S&P/ASX 200 index. All references to $ are to US$.

Letter from the Chairman

John Philip Coghlan

2021 was a landmark year for Life360, with the delivery of accelerating operational metrics, and two transformational transactions with the acquisitions of Tile and Jiobit. Life360 has taken a fundamental step forward in our vision of being the dominant platform for a much broader suite of family safety services. We are strongly positioned to deliver on our vision of bringing people, pets and things together in one unified app.



2021 Performance

Life360 achieved 2021 revenue growth of 40% to $112.6 million, finishing the year with Annualised Monthly Revenue up 51%, a strong leading indicator of the growth opportunity ahead. The underlying EBITDA loss (excluding Stock Based Compensation and non-recurring items of $(13.1) million reflected investment to grow the business. The Statutory EBITDA loss was $(31.4) million and Statutory Net loss was $(33.6) million.

Life360 finished 2021 with a cash balance of $231.3 million. Following the close of the Tile acquisition in January 2022, the cash balance was approximately $94.0 million, a strong capital position sufficient to fund future growth.

This financial performance benefited from the delivery of very strong operational metrics. Monthly Active Users (MAU) increased 34% year-on-year, with a particularly impressive performance in the US which delivered a 39% uplift. Australia continued to be a stand-out performer for the year despite the impact of extended COVID-related lockdowns, with MAU of 969,000 up 47% year-on-year. Worldwide Paying Circles increased 39%, with the US up 41%, benefiting from the increasing value of our Membership offering.

Strategy

2021 was a tremendous year of progress against Life360's strategic objectives.

Our goal to build a large user base delivered more than 35 million Monthly Active Users. This achievement was supported by a back-to-school brand campaign and broader user acquisition channels, in concert with a range of new free user features including data breach alerts and map updates.

Our goal to grow Membership saw the achievement of more than 1.2 million Paying Circles, with three consecutive quarters of record Paying Circle additions. And we began the first stage of the international expansion of Membership with the Canada launch.

And finally our goal to expand reach and revenue saw the acquisition of Jiobit and Tile, marking a fundamental step forward in our vision of being the dominant platform for a much broader suite of family safety services. The acquisition of Tile concluded the Board's formal strategic review which I outlined in my 2020 report to shareholders.

Your Company

During the year Life360 progressed our Environmental, Social and Governance (ESG) initiatives, including the development of an ESG policy to reflect our commitments to the communities we serve. We advanced our

Life360 finished 2021 with a cash balance of $231.3 million. Following the close of the Tile acquisition in January 2022, the cash balance was approximately $94.0 million, a strong capital position sufficient to fund future growth.

Environmental commitments with the achievement of carbon neutrality across Scope 1, 2 and 3 emissions for 2020 and are working to achieve this for 2021. The ongoing development of our Membership features makes a significant contribution to the community by simplifying family safety, both physical and online. Life360 quite literally saves lives, dispatching almost 20,000 ambulances during the year.

I would like to thank my fellow Board members for all they contribute to Life360. Their guidance, experience and expertise benefit the Company and shareholders. I would like to welcome our newest Director, CJ Prober, CEO of Tile, who joined the Board in January 2022.

On behalf of the Board I would like to thank our talented colleagues for their commitment and hard work. I acknowledge Chris Hulls and his leadership team for their exceptional efforts, and the transformational progress they delivered in 2021.

Finally I would like to thank you, our shareholders, for your ongoing support. Life360 is strongly positioned to deliver on our mission to simplify safety so families can live fully.

John Philip Coghlan
Chairman

*Following close of Tile transaction in January 2022.

$112.6 million
+40% YoY revenue increase

35.5 million
+34% Monthly Active Users

1.2 million
+39% Paying Circles

~$94 million
Cash balance*

Letter from the CEO

Chris Hulls

Despite the continued disruption from COVID-19 in the US and other countries, Life360 delivered accelerating operational metrics across the business in 2021, with a particularly impressive performance from our core US Membership offering. At the same time, we made significant progress on our strategic roadmap with the acquisitions of Tile and Jiobit. Tile brings with it the opportunity to hypercharge Membership growth by dramatically expanding our use case and our Total Addressable Market.

Key Achievements

Life360's core focus on family safety and security is having a major impact in the real world as we connect families and save lives. Our Membership model is increasingly resonating with consumers as we have expanded beyond location and driving. Our broader range of online and physical safety features are delivered at a substantially lower cost than purchasing individual subscriptions, a key benefit of our mobile business economics.

Despite the continued disruption from COVID-19, new global registrations recovered, with a particularly strong performance in the key 'back-to-school' third quarter. During the year we experienced a viral surge in registrations primarily driven by memes on social media platform TikTok. This supported a Number 1 position in app store charts in more than eleven countries in May. This surge was particularly pronounced in Spanish, Portuguese and Italian territories, and while these subsequently reverted to more normalised rates of growth, MAU trends in high value Anglosphere markets remained consistently strong.

Global Monthly Active Users increased 34% year-on-year, with 39% growth in the US and 24% in international markets. Ongoing investment to enhance the user experience underpinned continued improvement in retention and engagement from our users, with the proportion of Returning Monthly Active Users reaching a new record.

2021 Performance

Direct revenue increased 48% year-on-year to $86.5 million, a significant acceleration from the previous year's growth rate. Life360 delivered three consecutive quarters of record subscriber additions, ending the year with 1.2 million Paying Circles, a year-on-year increase of 39%. Subscriber growth benefited from a recovery in US registrations to pre-COVID levels, combined with a significant uplift in conversion metrics which doubled year on year. It's exciting to see the impact of the work of our product teams in driving the acceleration in

Life360 delivered three consecutive quarters of record subscriber additions, ending the year with 1.2 million Paying Circles, a year-on-year increase of 39%. Subscriber growth benefited from a recovery in US registrations to pre-COVID levels, combined with a significant uplift in conversion metrics which doubled year on year.

net additions achieved in each quarter of 2021. US Paying Circle growth was particularly strong, with new Membership subscribers more than tripling year-on-year to 564,000. Retention of our grandfathered pre-Membership subscribers improved, reflecting the additional features of the offering. Membership now makes up 56% of US Paying Circles, and is the key driver of the continued uplift in our US Average Revenue Per Paying Circle (ARPPC). Overall US ARPPC increased 20% in the second half, while ARPPC for new cohort subscribers was 38% ahead of the first half of 2020, prior to the Membership launch.

Indirect revenue increased 13% year-on-year to $25.1 million. Indirect includes Data revenue and our Allstate lead generation partnership. Data revenue increased year-on-year, ahead of expectations that had been moderated in anticipation of changes to iOS Identifier for Advertisers (IDFA) usage guidelines. The contribution from lead gen was consistent with the prior year. We recently announced a new partnership with Placer.ai to transition Life360 to sales of solely aggregated data. We believe this partnership will enable us to spend less time navigating the rapidly evolving regulatory and platform environment, while preserving revenue in line with CY21 results for the duration of the three-year agreement.

We completed the acquisition of Jiobit in September, and we see an exciting opportunity to extend the market for our safety services to young children, pets and seniors. Jiobit's performance continued to bounce back strongly after the COVID impact in the first half of 2020. On a proforma basis, year end subscriptions increased 43%, and second half subscription revenue lifted 62%, with the benefit of higher price plans. While the hardware business still faces significant supply constraints, our strategic goal of adding low churn subscription is already being achieved and will be further enhanced as we integrate cross-marketing for Life360 subscriptions.

CY21 consolidated revenue of $112.6 million increased 40% and was at the top end of guidance of $109–113 million. For the month of December, Annualised Monthly Revenue (excluding Jiobit) was $135.7 million, a year-on-year increase of 51%, and above guidance of $125-130 million.

Total expenses excluding Stock Based Compensation increased 49%, with our ratio of expenses to revenue remaining broadly stable. This reflected growth investment, and increased variable costs resulting from higher revenue. Over the course of the year we scaled our spend in performance marketing and into a broader array of channels. This investment was supported by the improved unit economics flowing from strong conversion and improved subscription retention. As we see the benefits flow through from product improvements, we can scale spend profitably to accelerate growth.

The CY21 underlying EBITDA loss of $13.1 million was better than guidance of $14–18 million reflecting the strong year-end revenue performance.

By integrating Tile and Jiobit, our members will be able to find, connect and protect everything that matters to them most including people, pets and things. We expect the integration work to take place in the first half of 2022, ready to take advantage of the back-to-school peak seasonality launch.

Our strategy roadmap

The acquisitions of Tile and Jiobit dramatically expand the Total Addressable Market for Life360, and bring with them the potential to hypercharge our Membership model. While both businesses bring meaningful hardware revenue, what really excites us is our strengthened position in the ecosystem, and the ability to bundle something that people can touch and feel as part of what was previously a solely digital experience. By integrating Tile and Jiobit, our members will be able to find, connect and protect everything that matters to them most including people, pets and things. We expect the integration work to take place in the first half of 2022, ready to take advantage of the back-to-school peak seasonality launch.

We believe this integration will drive an uplift in key Membership metrics. We see the opportunity for higher conversion to paid, and increased ARPPC as customers are more willing to pay for something they can physically touch. Our new bundled offering should enable increased pricing as well as a shift to higher Membership tiers. In addition we expect reduced churn and improved overall Long Term Value as subscriptions tied to physical devices have high retention rates. Finally we see the opportunity for broader brand reach and expansion in our markets as the joint offering appeals to new demographics, with long-term opportunities in markets such as elder care.

Along with the integration of Tile and Jiobit, we plan to continue with our Membership 2.0 initiatives including bringing the broader Life360 feature set front and centre and providing a physical welcome kit with in-app branding to reinforce value.

Given the success of our US Membership model, our priority for 2022 is to expand into new geographies. We have established a dedicated international team which will focus on enhancing the free user experience, and accelerate the roll-out of Membership internationally. We plan to deliver feature parity in key markets with free crash detection, SOS and data breach alerts. Our Canada launch in late 2021 has achieved strong metrics with a greater than 100% ARPPC uplift for new Membership signups. Our plans for a UK launch build on the strong MAU performance in that market.

In my 2020 report I wrote about our investment in the free user experience and evolution from a "where are you" to a "how are you" approach to deliver a more emotional connection. We added some new features in 2021 and will significantly increase our focus on this initiative in 2022. We want to make the app more fun and engaging, and provide ways to use Life360 that are less utilitarian, and more about fostering a sense of togetherness. We like to say less "where are you" and more "I love you". We believe that features such as these will grow the size and engagement of our user base and translate into more paying customers.

Delivering our values

In the continued challenging circumstances of 2021, Life360 has delivered impressive operating and growth metrics. The Life360 team has embraced our core value that "users come first", and I thank them for their hard work and commitment to deliver the competitive differentiation that will drive our long term success.

My thanks also to the Life360 Board, led by John Coghlan, for its expertise and wise counsel as we position the Company for its exciting next stage. Finally I would like to express my appreciation to our shareholders for their ongoing support.

Life360 begins 2022 even more strongly positioned to be the platform of choice for an ever-broadening suite of family safety solutions, delivering value at every family life-stage. After a strong CY21 performance, we are confident in our ability to drive continued growth, in particular in our core Life360 subscription business.

Chris Hulls
Co-Founder and CEO

+39%
Paying Circles

564,000
Subscribers on the Membership tier

+20%
Increase in ARPPC*

+38%
ARPPC**uplift for new cohort Membership subscribers

*Average Revenue Per Paying Circle for 2H CY21 YoY.
**Average Revenue Per Paying Circle versus 1H CY20, prior to the Membership launch.

Environmental Social & Governance

ESG Report

At Life360 we recognise investor, customer and community expectations that partners deliver responsible business practices, both financial and non-financial, and that ESG issues and opportunities impact the success of organisations. Our core mission is the social good of simplifying safety for families, and pursuing ESG responsibility is the natural next step of our journey.

During 2021 Life360 developed a formal ESG policy, and identified four key areas of focus for our ESG program: Our People, Environment, Our Community and Governance.

Our People

Policies

At Life360 we believe that different ideas, perspectives and backgrounds create a stronger and more creative work environment that delivers better results. Together, we continue to build an inclusive culture that encourages, supports, and celebrates the diverse voices of our employees. This fuels our innovation, and connects us closer to our customers and the communities we serve.

We strive to create a workplace that reflects the community, and where everyone feels empowered to bring their authentic best selves to work.

Our workplace culture is supported by a range of policies. Our Diversity and Inclusion Policy reflects our commitment to diversity, and providing a workplace in which people can excel regardless of race, religion, age, disability, gender, sexual preference or marital status. As of 31st December 2021, 32% of Life360 employees were female, 41% were people of colour and 13% were an underrepresentated minority. Other policies adopted to support our workplace culture are Anti-Bribery and Corruption, Whistleblowing and our Modern Slavery Report.

Our Values

Life360's Core values are designed to create a culture that supports our vision of an ambitious, professionally driven organisation that can deliver our mission of simplifying safety so families can live more fully.

Make Things Happen

Think Long-term
We make strategic decisions that pay off in the long run.

Take Ownership
We focus on outcomes over output and look for high agency people that make things happen.

Deliver an Exceptional Experience

Users Come First
An amazing end-to-end customer experience is the key competitive differentiator that will make us win over time.

Quality & Craftsmanship
We do things the right way and with an extreme focus on quality. Lives depend on it.

Be a High Performing Team

Communicate Directly
We resist the urge to avoid discomfort and intentionally lean into tough conversations.

Be a Good Person
Everyone at Life360 respects each other and maintains a high sense of integrity.

Environmental
Understanding and managing how our organisation's operations impact, and are impacted by, the environment in which we operate.

Social
Identifying how our organisation affects and is impacted by our people, the community and other stakeholder groups.

Governance
Managing responsible decision-making, policymaking and the rights and responsibilities of different stakeholders including the board of directors, managers, shareholders, and others.

Photo by JACK REDGATE from Pexels

Our People

- Safety and wellbeing
- Development & Training
- Grievances and impact
- Diversity

Environment

- Product Sustainability
- Emissions (carbon neutral in 2020)
- Climate resilience

Governance

- Business ethics
- Anti-corruption
- IP protection
- ESG performance disclosure

Our Community

- User safety and wellbeing
- Privacy and data security
- Protection and rights of minors
- Community participation

Learning and Development

We view the quality of our products and services as our key long-term strategic differentiator, and as such we are committed to providing ongoing learning and development opportunities for our people.

- Peer training: our long-standing Thursday “deep-dives” provide training opportunities for our employees to benefit from the internal expertise of their colleagues. In addition, full day and full week courses in “best practice” have been provided.
- LinkedIn Learning: provides access to an extensive array of broad and specialist business training
- Leadership Development Training: provides leaders development on topics such as coaching, providing feedback and helping their team with career development.
- Unconscious Bias Training: provides managers with tools to help combat bias in the interview and performance review processes.

Employee benefits

As our employees are core to our success, we put them first. We strive to provide work-life balance, and so all our team members have access to the following perks and benefits:

- No-meetings on Wednesday afternoons
- Home office stipend
- Remote-first work environment
- In-person collaboration opportunities
- Competitive pay and benefits
- Health, dental and vision insurance
- 401(k) program with company match

Our Environment

Life360 recognises that climate change will have an increasingly significant impact on all aspects of society.

In 2021 we committed to quantifying the environmental footprint of our business operations by measuring our Scope 1,2 & 3 emissions. By quantifying our impact, we will be able to implement an emission reduction plan that targets the greatest contributors to our carbon footprint.

We achieved a carbon neutral status for the 2020 calendar year by purchasing EcoAustralia credits that blend InfraVest Guanyin Wind carbon credits with Mount Sandy Conservation biodiversity protection units. By purchasing EcoAustralia credits, we neutralise our emissions and promote conservation partnerships between Traditional landowners and non-indigenous Australians.

During 2021, Life360’s Scope 1 and 2 emissions increased due to growth in headcount. Scope 3 emissions increased as a result of the increased costs of professional services associated with the acquisitions. In 2021, the emissions per FTE have decreased from 25.60 in 2020 to 21.61.

Greenhouse Gas Emissions (t CO_2e)

YE December	2020	2021*
Scope 1	0.02	0.34
Scope 2	32.48	60.71
Scope 3	2,418.64	3,915.77
Total Emissions	2,451.13	3,976.82
Top 3 emission sources	Professional Services, Cloud Computing Services and Working from Home	Professional Services, ICT Services and Equipment and Cloud Computing Services

*Note: 2021 does not include the acquisition of Jiobit. Reporting including Jiobit will be available on our Sustainability website later in CY2022.

Our Community

Our products and services

Life360's mission is to simplify safety so families can live fully. Our products and services deliver peace of mind and safety in the online and physical worlds where we quite literally save lives.

Community outreach

Life360 Season of Giving

In recognition of the negative impact of COVID-19 on many communities, Life360 provided support, and matched employee contributions for a total of more than $27,000 to three non-profit organisations committed to supporting families.

Wine to Water

Wine to Water implements clean water projects around the world with the goal of helping the nearly one billion people worldwide who lack access to clean water. The projects financed include digging and repairing wells, supplying areas with filtration systems and storage systems, and educating local communities on how to maintain fresh water supplies.

ASPCA

The American Society for the Prevention of Cruelty to Animals® (ASPCA®) was the first humane society to be established in North America and is, today, one of the largest in the world. The organisation was founded on the belief that animals are entitled to kind and respectful treatment at the hands of humans and must be protected under the law.

Ronald McDonald House

There are 368 Ronald McDonald Houses in 64 countries accommodating families with children who are being treated at nearby hospitals and medical facilities. Ronald McDonald's Houses provide over 7,200 bedrooms to families around the world each night, with an estimated value of $700 million in lieu of hotel costs.

Volunteering

During the year Life360 worked in partnership with WeHero to hold events for our employees working together to create care packages for Wine to Water and Educational Access for the Kids in Need Foundation. During the Educational Access event, Life360 gave an estimated 49.5 volunteer hours and was able to support 99 students, supplying them with school supplies and notes of inspiration to the Kids in Need Foundation. During the Wine to Water event, Life360 gave an estimated 46.5 volunteer hours and was able to build 31 water filters providing clean water to families for 10 years.

winetowater™ ASPCA Ronald McDonald House Charities

Governance

Financial sustainability

Life360 is committed to robust governance frameworks and responsible business practices to ensure the financial sustainability of the company for all stakeholders - shareholders, employees, customers and suppliers. The company has established a disciplined process to identify, assess and analyse risk, and ensure appropriate risk monitoring and reporting. The Company does not consider that it has any material exposure to economic, environmental and social sustainability risks.

Data and Privacy

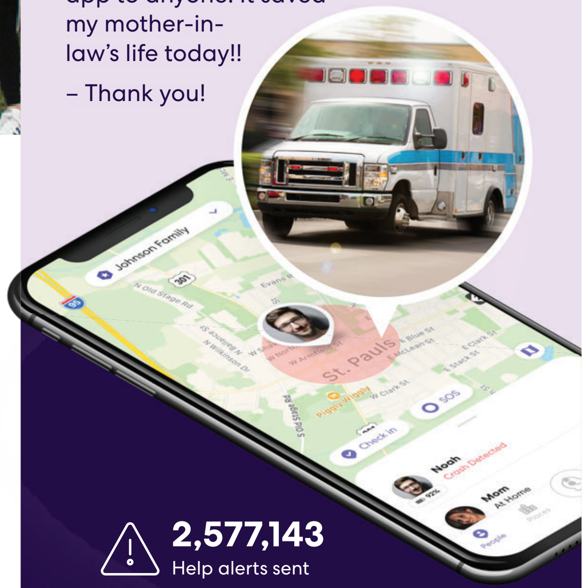
Life360's user centric approach underpins our focus on security, privacy, quality, reliability and usability in our products and services. We are committed to achieving a high level of digital trust with our users, and consistent with our long-standing principles of transparency and choice, our Privacy Centre provides users control over how their data is used. We have internal and external expertise continually evaluating privacy and security practices, supporting product development and aligning company practices with applicable data protection legislation, including the General Data Protection Regulation (GDPR) and California Consumer Privacy Act (CCPA). Life360's Privacy Policy can be found at https://www.life360.com/privacy_policy/

As Life360's business is subject to various laws, regulations and industry compliance requirements, including in relation to the privacy, data protection, marketing and servicing of consumer products and services, Life360 receives queries from regulators about its practices from time to time. Life360 has received requests for information about its data protection practices from US regulators, including following the publication of an article by a media outlet called The Markup in relation to Life360's data business in 4Q21, which Life360 is responding to in due course.

Life360's Sustainability website: https://investors.life360.com/Sustainability/

"**I just want to let someone at Life 360 know how grateful my family is to have access to this app.** Today, my 69 year old mother-in-law was involved in a pretty serious single car accident. Life 360 alerted her family circle and they were able to get to her at the same time the paramedics got there. This app is so amazing!! I have a new teen driver in my house and I am so thankful for this app. It really is an amazing resource to have and all families shouldn't think twice about buying it. It gives me such peace of mind. Especially after today knowing that the family circle and emergency contacts are alerted in real time... Highly recommend this app to anyone. It saved my mother-in-law's life today!!

– Thank you!



2,577,143
Help alerts sent

151,647,395,851
Miles driven with Life360 Crash Detection

19,953
Ambulances dispatched

17,558,144,800
Safe arrival notifications

17,969,328
Jiobit safe arrival notifications

Life360 Key Features:

- Real-time location sharing
- Smart notifications
- Roadside assistance
- Crash detection
- Ambulance dispatch
- SOS alerts
- ID theft protection
- Family safety assist

Directors' Report

Directors' Report

The directors present their report, together with the audited consolidated financial statements, on Life360, Inc (referred to hereafter as "the Company" or "Life360") for the financial year ended December 31, 2021. All amounts are stated in United States Dollars, unless otherwise stated.

Directors

The following persons were directors of Life360 during the whole of the financial year and up to the date of this report, unless otherwise stated:

John Philip Coghlan – Chairman
Chris Hulls
Alex Haro
Brit Morin
Mark Goines
James Synge
David Wiadrowski
Randi Zuckerberg (appointed on January 19, 2021)
Charles ("CJ") Prober (appointed on January 18, 2022)

Principal activities

During the year, the principal continuing activities of Life360 consisted of operating a platform for today's busy families bringing them closer together by helping them better know, communicate with and protect the people they care about most. In September 2021, the Company acquired all of Jio, Inc ("Jiobit") provider of wearable location devices for young children, pets and seniors.

Otherwise, no significant changes in the nature of these activities occurred during the financial year.

Review of operations and financial results

Revenue for the financial year ended December 31, 2021 increased 40% to $112.6 million as a result of growth in paying accounts, referred to as Paying Circles and growth in Data Revenue that had a lower than initially expected impact from the iOS Identifier for Advertisers (IDFA) changes. The Company's net loss for the year ended December 31, 2021 increased 105% to $33.6 million.

Total operating expenses for the year increased by 49% to $122.1 million. The increase is due to higher commissions to channel partners, brand and TV spend, legal spend, and headcount and COGS/R&D expenses as the Company scales.

	Year ended	
	December 31, 2021	December 31, 2020
Net loss	**$ (33,557)**	**$ (16,334)**
Convertible notes fair value adjustment	511	-
Derivative liability fair value adjustment	733	-
Income taxes	(127)	-
Depreciation and amortization	876	657
Other (income)/expense	178	(317)
EBITDA	**(31,386)**	**(15,994)**
Stock based compensation	11,938	8,091
Non-recurring adjustment to reflect the deferral of a portion of monthly subscription sales through a channel partner	-	862
Transaction costs incurred for acquisitions	2,744	-
Loss on revaluation of contingent consideration	3,600	-
Underlying EBITDA	**(13,104)**	**(7,041)**
Underlying Loss from ordinary activities after tax	**$ (15,275)**	**$ (7,381)**

A review of operations of Life360 is set out in a market release lodged with the Australian Securities Exchange (ASX) on February 24, 2022.

Directors' Report

Significant changes in the state of affairs

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spread globally beyond its point of origin. In 2021, as the administration of the vaccine program increased and cases declined, the Company continued to evaluate and refine our strategy. Despite the uncertainty of the impact of the COVID-19 pandemic on our operational and financial performance, the Company has experienced positive performance as conditions improved.

The Company resumed paid user acquisition spend which was deliberately scaled back in response to COVID-19 in prior period and expanded into new channels such as streaming TV. The Company considered the impact of COVID-19 on the assumptions and estimates used and determined there were no material adverse impacts on the consolidated financial statements for the year ended December 31, 2021. As events continue to evolve and additional information becomes available, the Company's assumptions and estimates may change materially in future periods.

In September 2021, the Company acquired Jiobit, provider of wearable location devices for young children, pets and seniors. Refer to Note 8, "Business Combinations" for further details.

In November 2021, the Company entered into a term sheet to acquire Tile, Inc ("Tile"), provider of Bluetooth enabled devices that allow its customers to locate Tiled objects. For further information, see Note 21, "Subsequent Events".

In December 2021, the Company undertook a fully underwritten capital raising of 7,779,014 shares which is equivalent to $198.7 million.

Other than the above matters, there were no significant changes in the state of affairs during year ended December 31, 2021.

Dividends

No dividends were paid during the year ended December 31, 2021.

Presentation currency

The functional and presentation currency of Life360 is United States Dollar (US Dollars). The financial report is presented in US Dollars with all references to dollars, cents or $ in these consolidated financial statements presented in US currency, unless otherwise stated.

Rounding of amounts

Unless otherwise stated, amounts in this report have been rounded to the nearest thousand United States Dollars.

Jurisdiction of incorporation

The Company is incorporated in the State of Delaware, United States of America and is a registered foreign entity in Australia. As a foreign Company registered in Australia, the Company is subject to different reporting and regulatory regimes than Australian companies.

Delaware Law, Certificate of Incorporation and Bylaws

As a foreign Company registered in Australia, the Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (including substantial shareholdings and takeovers).

Under the provisions of Delaware General Corporation Law ("DGCL"), shares are freely transferable and subject to restrictions imposed by US federal or state securities laws, by the Company's certificate of incorporation or bylaws, or by an agreement signed with the holders of the shares at issuance. The Company's amended and restated certificate of incorporation and bylaws do not impose any specific restrictions on transfer. However, provisions of the DGCL, the Company's Certificate of Incorporation and the Company's Bylaws could make it more difficult to acquire the Company by means of a tender offer (takeover), a proxy contest or otherwise, or to remove incumbent officers and Directors of the Company. These provisions could discourage certain types of coercive takeover practices and takeover bids that the Board may consider inadequate and encourage persons seeking to acquire control of the Company to first negotiate with the Board.

The Company believes that the benefits of increased protection of its ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure the Company outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

The Chess Depositary Interests ("CDIs") are issued in reliance on the exemption from registration contained in Regulation S of the U.S. Securities Act of 1933 (Securities Act) for offers of securities which are made outside the U.S. Accordingly, the CDIs have not been, and will not be, registered under the Securities Act or the laws of any state or other jurisdiction in the U.S. As a result of relying on the Regulation S exemption, the CDIs are 'restricted securities' under Rule 144 of the Securities Act. This means that the CDIs cannot be sold into the U.S. or to a U.S. person who is not a Qualified Institutional Buyer (as defined under Rule 144A under the Securities Act, a 'QIB') for the foreseeable future except in very limited circumstances until after the end of the restricted period, unless the re-sale of the CDIs is registered under the Securities Act or an exemption is available. To enforce the transfer restrictions, all CDIs issued bear a FOR Financial Product designation on the ASX. This designation restricts any CDIs from being sold on the ASX to U.S persons excluding QIBs. CDIs may be transferred on ASX to any person other than a U.S. person who is not a QIB. Hedging transactions with regard to the CDIs may only be conducted in accordance with the Securities Act.

Matters subsequent to the end of the financial year

In January 2022, the Company acquired Tile for a total consideration of up to $205 million. Refer to Note 21, "Subsequent Events" for further details.

No other matter or circumstance has arisen since December 31, 2021 that has significantly affected, or may significantly affect Life360 operations, the results of those operations, or Life360 state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

Corporate governance

The Company, as a US incorporated corporation, seeks to achieve substantive compliance with the governance recommendations set out in the 'Corporate Governance Principles and Recommendations 4th Edition', published by the ASX Corporate Governance Council (the ASX Principles). The Company's Corporate Governance Statement can be viewed at https://investors.life360.com/investor-relations/?page=corporate-governance. The Corporate Governance Statement sets out the extent to which Life360 has followed the ASX Corporate Governance Council's Recommendations during the year ended December 31, 2021.

Risk management

Risk management has always been critical to the Company's ability to execute strategic and operational priorities. For the year ended December 31, 2021, the Board and the Audit and Risk Management Committee has been closely monitoring the Company's risk management activities.

The Company has a risk management framework that is managed by the Chief Financial Officer and overseen by the Audit and Risk Management Committee. During the year ended December 31, 2021, the Audit and Risk Committee reviewed the Company's overall risk management framework for the year ended December 31, 2021 and considered that it is sound.

A key component of the Company's risk management framework is the regular review of key risks and opportunities by the Company's leadership team. An assessment of areas of potential risks to the business, estimated likelihoods and mitigation strategies are performed and the identified risks are included in a risk register according to the key risk categories which include cyber security, brand, business continuity, talent and financial risks.

During the year ended December 31, 2021, the annual risk register was reviewed with each member of the Company's leadership team and the Audit and Risk Management Committee to ensure oversight of status and key changes.

Directors' Report
Information on Directors

John Philip Coghlan
Independent Non-executive Chair

John is the Independent Non-executive Chair of Life360, having joined the Board in 2009.

John is the Founder and a board member at Rivet School (a non-profit start-up focused on providing debt-free college degree attainment) and previously, a board member at GLIDE (a non-profit organisation that aids the homeless).

John was previously the board Chair at KIPP Bay Area Schools, served as President and Chief Executive Officer of Visa USA, and as Vice Chairman of the Charles Schwab Corporation.

John holds a Bachelor of Arts in Psychology from Stanford, a Master of Arts in Economics and Public Policy from Princeton University and a Master of Business Administration from Harvard Business School.

Special responsibilities:
Chairman of the Board,
Member of the Audit and Risk Management Committee,
Member of the Remuneration and Nomination Committee

Other public company directorships:
None

Chris Hulls
Executive director, Co-founder and Chief Executive Officer

Chris is a Co-founder and the Chief Executive Officer of Life360.

Chris was previously an angel investor in, or an advisor to, a number of technology companies including Tile, Credible, Ring, Automatic, Honk and Zendrive. He is also an Air Force veteran and served in Afghanistan.

Chris holds a Bachelor of Science in Business Administration with Highest Honors from the University of California, Berkeley.

Special responsibilities:
None

Other public company directorships:
None

Alex Haro
Non-executive director, Co-founder and Ex-President[1]

Alex is a Co-founder and the Ex-President of Life360.

Alex previously worked on Orbited, a popular open source project that allows real-time communication in the browser.

Alex studied Computer Science at Pomona College/Harvey Mudd.

Alex was honored as one of the 2015 Forbes 30 Under 30 in the Consumer Technology category.

Special responsibilities:
None

Other public company directorships:
None

1 On January 1, 2021, Alex Haro transitioned from his executive responsibilities as President of the Company to a non-executive director.

Brit Morin
Independent
Non-executive director

Brit joined the Board in 2018.

Brit is the Founder and Chief Executive Officer of Brit + Co, a digital media and commerce brand, and a board member to the Girl Scouts. Brit has been awarded various accolades including Ad Age's 40 under 40, Forbes 30 Under 30 and Fortune's Most Promising Entrepreneurs.

Brit previously worked in product and marketing roles at Google and Apple.

Brit holds a Bachelor of Science from the University of Texas Austin.

Special responsibilities:
Member of the Remuneration and Nomination Committee

Other public company directorships:
None

James Synge
Independent
Non-executive director

James joined the Board in 2019.

James is a Partner at Carthona Capital, a leading Australian venture capital firm which specialises in technology companies.

James is a very early investor in the Company having invested more than 10 years ago and has been instrumental in bringing the Company to the Australian market for capital raising.

Prior to the establishment of Carthona Capital, James held senior positions at Bankers Trust Australia, Deutsche Bank (Frankfurt) and UBS (Zurich).

James holds a Master of Tax from the University of Sydney and Bachelor of Business from the University of Technology (Sydney).

Special responsibilities:
Member of the Audit and Risk Management Committee

Other public company directorships:
None

Mark Goines
Independent
Non-executive director

Mark joined the Board in 2019.

Mark is the Vice Chairman of Personal Capital, an online financial advisor and personal wealth management Company.

Mark currently also sits on the boards of BillFloat, Odeka and Credit Interlink.

Mark holds a Bachelor of Science and a Master of Business Administration from University of California, Berkeley.

Special responsibilities:
Chairman of the Remuneration and Nomination Committee

Other public company directorships:
None

Directors' Report

Information on Directors

David Wiadrowski

Independent
Non-executive Director

David joined the Board in 2019.

David is an experienced Non-executive director and currently is on the board of three ASX listed entities.

David was a senior Assurance partner at PricewaterhouseCoopers (PwC) for more than 25 years.

David led the National Technology, Media and Telco practice at PwC for 8 years and was also the Chief Operating Officer of the PwC Assurance business for 5 years.

David holds a Bachelor of Commerce from the University of NSW, is a Fellow of the Chartered Accountants of Australia and New Zealand and is a Graduate of the Australian Institute of Company Directors.

Special responsibilities:
Chairman of the Audit and Risk Management Committee

Other public company directorships:
carsales.com Limited and oOh Media Limited

Randi Zuckerberg

Independent
Non-executive Director

Randi joined the Board in 2021.

Randi currently works with more than 20 early and mid-stage companies as an investor and advisor and is on the board of The Motley Fool.

Randi is passionate about helping families navigate our digital world. Through her Company, Zuckerberg Media, she has created award-winning content and experiences around digital literacy and safety.

Randi has been recognized with an Emmy nomination, two Tony awards, a Drama Desk Award, and a Kidscreen Award.

Prior to founding her own Company, Randi was an early employee at Facebook, where she is best known for creating Facebook Live, now used by more than two billion people around the globe.

Randi holds a Bachelor of Arts in Psychology from Harvard University.

Special responsibilities:
Member of the Audit and Risk Management Committee

Other public company directorships:
None

CJ Prober

Executive Director,
Chief Executive Officer of Tile

CJ joined the Board in 2022 through the acquisition of Tile where he is CEO.

Prior to joining Tile, CJ held executive leadership roles at GoPro and Electronics Arts (where he joined via the acquisition of BioWare/Pandemic).

Prior to his executive leadership roles, CJ was a consultant with McKinsey & Company and a corporate attorney with Wilson Sonsini Goodrich & Rosati.

CJ also sits on the Board of Alloy.AI.

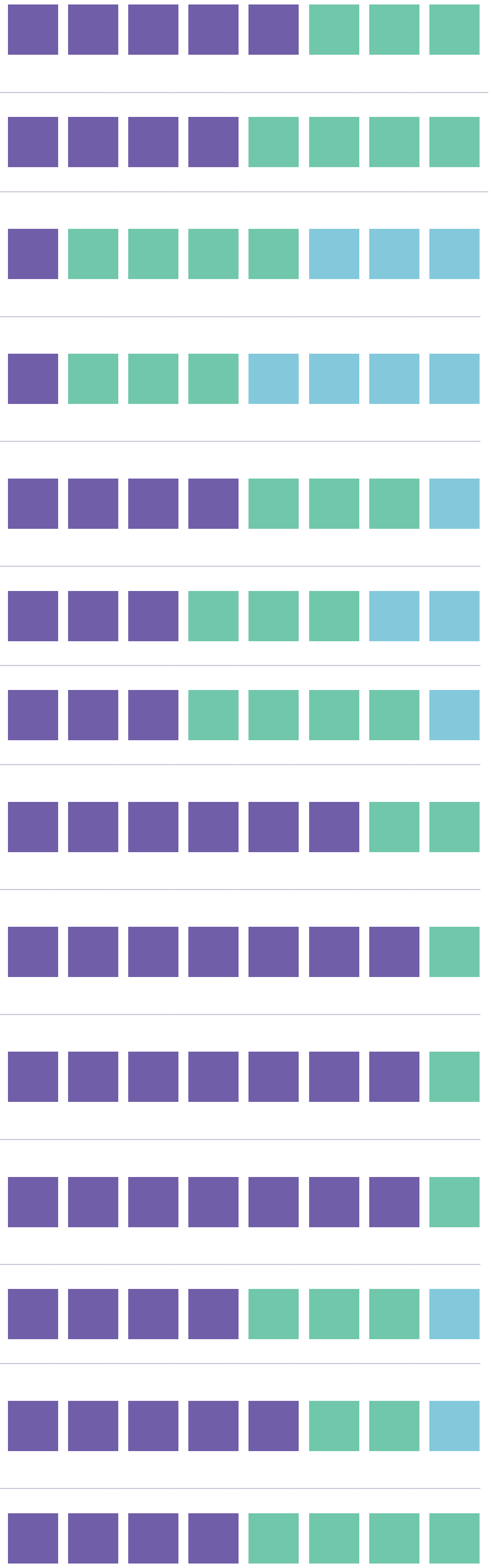
CJ holds a Bachelor of Commerce in Business Management at the University of Manitoba and a Law degree from McGill University.

Special responsibilities:
N/A

Other public company directorships:
None

Life360 Board Skills Matrix

Experience	Number of Directors with the experience
Executive Management, Leadership & Strategy Experience at a Board or executive level, with an ability to evaluate the performance of the CEO and senior executive managers and oversee strategic organisational and human resources initiatives.	
Governance/Risk Management Ability to identify, assess and monitor key risks in the company in a wide range of areas.	
ASX Experience Experience on the Board or as a senior executive for an ASX Listed company, resulting in familiarity with the ASX rules, including the requirement for continuous disclosure.	
Listed Company Experience Experience on the Board or as a senior executive for a Listed company other than on the ASX, resulting in familiarity with the Listing rules, including the requirement for continuous disclosure.	
Finance/Accounting Qualification/experience in accounting and/or finance and the ability to analyse and critically assess financial statements, viability and performance; contribute to strategic financial planning and oversee budgets and funding arrangements.	
Legal Qualification/experience in law and the ability to contribute to the assessment of the legal risk profile of the company.	
Marketing Knowledge and experience in the strategic use of marketing and its inter-relationship with sales and product.	
IT/Product Knowledge and experience in the strategic use of information technology and design of product, particularly in relation to online businesses.	
Business Development/M & A Knowledge and experience in identifying and assessing business development opportunities, in particular experience in negotiating, assessing commercial terms and completing mergers/acquisitions.	
Industry: Emerging Technology Knowledge, experience and networks in the emerging technology industry, either through direct involvement or through the provision of services to the businesses in early stage development.	
Industry: Online Knowledge, experience and networks in the online industry, with a keen understanding of current trends and the ability to think forward to upcoming developments.	
International Experience Knowledge and experience in markets outside of the U.S., with a preference for experience in the geographical areas in which the company has active users.	
People & Culture Experience in managing people, including the ability to evaluate the CEO and senior executive performance, oversee strategic human resource management, workplace culture and the promotion of diversity and inclusion.	
Remuneration Experience in developing, setting and assessing remuneration arrangements for the CEO and senior executives resulting in a high performance culture.	



Extensive Experience   Moderate Experience   No Experience

Directors' Report

Remuneration Report

The Directors of Life360 present the Remuneration Report (the Report) for the Company for the year ended December 31, 2021. Life360 was listed on the Australian Securities Exchange ('ASX') on May 10, 2019. Life360 is a US domiciled Company that is listed on the ASX and as such it is subject to remuneration disclosure requirements that are suitable for reporting in both Australia and the United States.

This Report forms part of the Directors' Report and has been prepared using the requirements of section 300A of the Australian Corporations Act 2001 as a proxy to determine the contents that we have chosen to report. The Report details the remuneration arrangements for Life360's key management personnel ("KMP"). KMPs are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company. KMP's including the following:

- Non-executive directors (NEDs)
- Executive directors and certain senior executives (collectively "the Executives").

Remuneration governance

This section describes the role of the Board and Remuneration and Nomination Committee when making remuneration decisions and sets out an overview of the principles and policies that underpin the Company's remuneration framework.

Role of Board and Remuneration and Nomination Committee

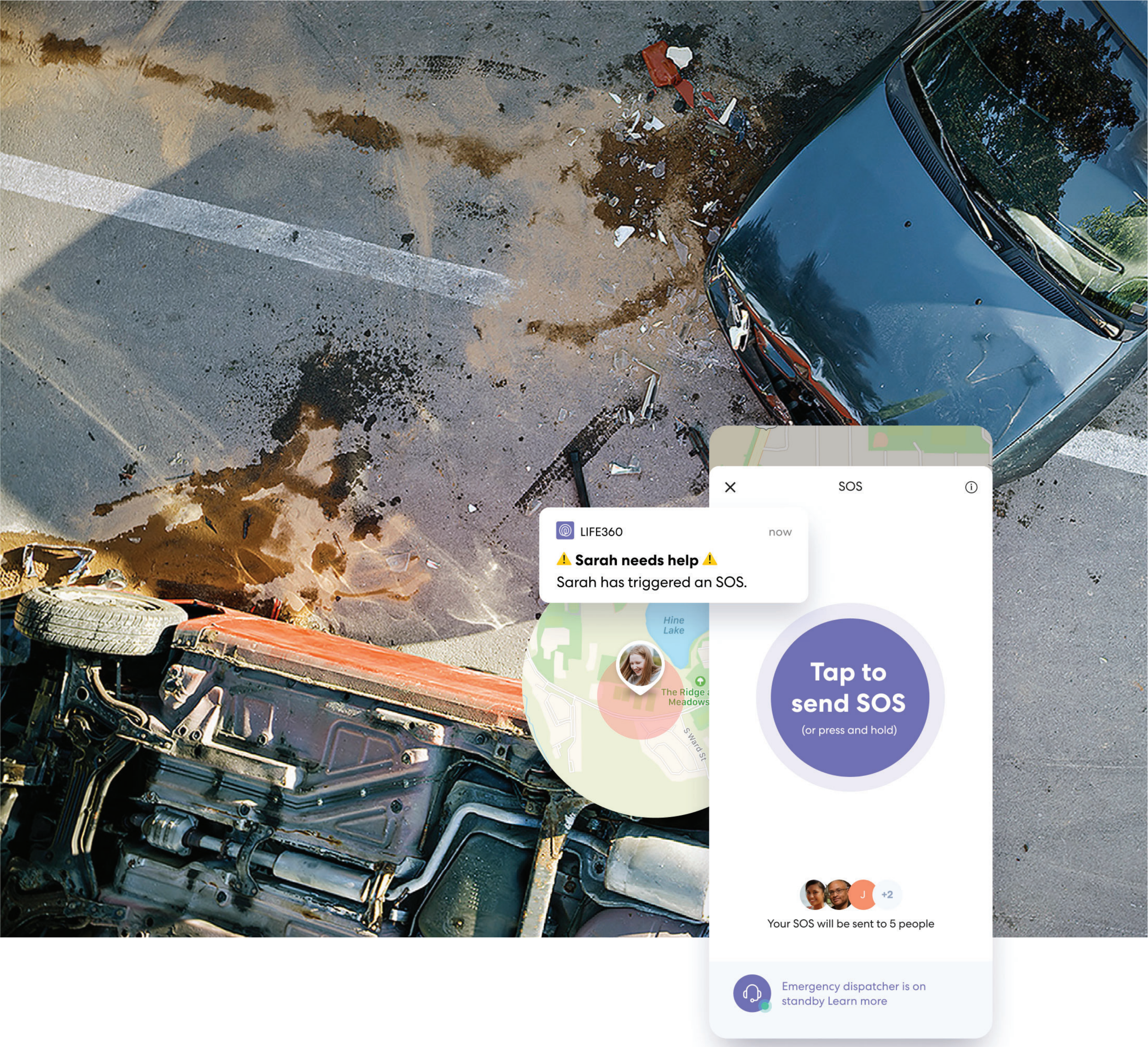
The Board is responsible for ensuring that the Company's remuneration structures are equitable, will attract and retain skilled executives and are aligned with the long-term interests of the Company and its shareholders. Consistent with this responsibility, the Board has established a Remuneration and Nomination Committee, whose role is to:

- Establish, amend, review and approve the compensation and equity incentive plans with respect to senior management and employees of the Company including determining individual elements of total compensation of the Chief Executive Officer and other members of senior management.
- Review the performance of the Company's executives with respect to these elements of compensation.
- Establish, amend, review and approve the compensation and equity incentive plans with respect to Non-executive directors of the Company.
- Ensure that Non-executive directors and senior management remuneration are competitive within the marketplace and appropriate to attract and retain talented and effective Non-executive directors, and senior management so as to encourage enhanced performance of the Company and to create value for shareholders.

The Remuneration and Nomination Committee comprises three Non-executive directors:

- Mark Goines, Chair
- John Philip Coghlan
- Brit Morin

The Remuneration and Nomination Committee has a formal charter, which sets out its roles and responsibilities, composition structure and membership requirements. A copy of this charter can be viewed on Life360's website https://investors.life360.com/investor-relations/?page=corporate-governance. Further information regarding the Remuneration and Nomination Committee's role, responsibilities and membership is set out in the Company's Corporate Governance Statement.



Key management personnel compensation

This section discusses the principles underlying our policies and decisions with respect to the compensation of our KMPs, and all material factors relevant to an analysis of these policies and decisions. Our KMPs for the year ended December 31, 2021 were all non-executive directors and the following executives:

Chris Hulls	Executive director, Co-founder and Chief Executive Officer
Russell Burke	Chief Financial Officer
David Rice	Chief Operating Officer

Components of executive compensation

The principal components of our executive compensation are base salary, cash bonuses and long-term incentives. Our Remuneration and Nomination Committee considers that each component of executive compensation must be evaluated and determined with reference to competitive market data, individual and corporate performance, our recruiting and retention goals and other information we deem relevant.

The terms of each KMP's compensation are derived from the employment agreements the Company has entered into with them.

Directors' Report

The components of the executive compensation packages for our KMPs for the year ended December 31, 2021 are as follows:

Chris Hulls	Executive director, Co-founder and Chief Executive Officer
Base Salary:	US$400,000 per annum
Benefits:	Certain other benefits are available and payable to Mr Hulls such as health insurance, business travel expenses and other expenses consistent with the Company's expense policy.
Termination:	Mr Hulls' employment may be terminated (i) at any time upon mutual written agreement of the parties; (ii) by the Company immediately and without prior notice, for cause; (iii) immediately upon Mr Hulls' death or disability; (iv) by the Company other than for cause with advance written notice of at least six months; or (v) by Mr Hulls other than due to Mr Hulls' death or disability with advance written notice of at least six months. Mr Hulls entered into a retention agreement with the Company in 2016 (Retention Agreement). Under the Retention Agreement the Company will pay a cash bonus to Mr Hulls of US$304,000 if: • Mr Hulls remains employed by the Company until December 31, 2022; or • Mr Hulls' employment is terminated without cause before December 31, 2022; or • A change in control of the Company occurs before December 31, 2022. Payment of the cash bonus upon termination is subject to satisfaction of certain conditions, including Mr Hulls' execution of a full and complete general release of all claims against the Company and its affiliates.
Incentives:	Mr Hulls is eligible to participate in the Company's 2011 Stock Incentive Plan and Stock Bonus Program and has been granted 1,808,373 currently outstanding Options (Existing Options) as of December 31, 2021. If a change of control of the Company occurs and Mr Hulls' service to the Company is involuntarily terminated by the Company or its successor in connection with or within 36 months following a change of control, all of the unvested Existing Options then held by Mr Hulls will vest. Mr Hulls is eligible to participate in the Cash Bonus Plan, and is eligible to receive a target cash bonus of US$175,000 for the year ended December 31, 2021. The performance milestones for the year ended December 31, 2021 are: • Business performance – objectives related to business performance including MAU growth, Paying Circle growth, revenue, and the Company's net promoter score (NPS); and • Individual management – objectives related to competencies and capabilities specific to Mr Hulls that the Board has identified as critical to Mr Hulls' development. The business performance objectives and the individual management objectives are weighted equally.
Other:	On 26 February 2016, the Company provided a loan of US$253,004 to Mr Hulls for the exercise of options to purchase Shares, which is partially secured by 1,405,575 Shares owned by Mr Hulls. The loan remains outstanding and the key terms of the loan are: • An interest rate of 2.61% per annum compounding annually, with a maturity date of seven years from the loan date (25 February 2023). • The loan is a partial recourse loan, secured by 1,405,575 Shares. • If, after the maturity date, Mr Hulls fails to repay the loan, the Company can collect the collateral (the pledged Shares). The maturity date of the loan automatically accelerates upon certain events, including the termination by the Company of Mr Hulls' employment.

Russell Burke	Chief Financial Officer, Treasurer
Base Salary:	US$300,000 per annum
Benefits:	Certain other benefits are available and payable to Mr Burke such as health insurance, business travel expenses and other expenses consistent with the Company's expense policy.
Termination:	Mr Burke's employment may be terminated (i) at any time upon mutual written agreement of the parties; (ii) by the Company immediately and without prior notice, for cause; (iii) immediately upon Mr Burke's death or disability; (iv) by the Company other than for cause with advance written notice of at least six months; or (v) by Mr Burke other than due to Mr Burke's death or disability with advance written notice of at least six months.
Incentives:	Mr Burke is eligible to participate in the Company's 2011 Stock Incentive Plan and Stock Bonus Program and has been granted 530,514 currently outstanding Options (Existing Options) as of December 31, 2021. Mr Burke is eligible to participate in the Cash Bonus Plan, and is eligible to receive a target cash bonus of up to US$100,000 for the year ended December 31, 2021. The performance milestones for the year ended December 31, 2021 are: • Business performance – objectives related to business performance including MAU growth, Paying Circle growth, revenue, and the Company's net promoter score (NPS); and • Individual management – objectives related to competencies and capabilities specific to Mr Burke The business performance objectives and the individual management objectives are weighted equally.

Directors' Report

David Rice	Chief Operating Officer
Base Salary:	US$365,000 per annum
Benefits:	Certain other benefits are available and payable to Mr Rice such as health insurance, business travel expenses and other expenses consistent with the Company's expense policy.
Termination:	Mr Rice's employment may be terminated (i) at any time upon mutual written agreement of the parties; (ii) by the Company immediately and without prior notice, for cause; (iii) immediately upon Mr Rice's death or disability; (iv) by the Company other than for cause with advance written notice of at least six months; or (v) by Mr Rice other than due to Mr Rice's death or disability with advance written notice of at least six months. Mr Rice entered into a retention agreement with the Company in 2016 (Retention Agreement). Under the Retention Agreement the Company will pay a cash bonus to Mr Rice of US$100,000 if: • Mr Rice remains employed by the Company until December 31, 2022; or • Mr Rice's employment is terminated without cause before December 31, 2022; or • A change in control of the Company occurs before December 31, 2022. Payment of the cash bonus upon termination is subject to satisfaction of certain conditions, including Mr Rice's execution of a full and complete general release of all claims against the Company and its affiliates.
Incentives:	Mr Rice is eligible to participate in the Company's 2011 Stock Incentive Plan and Stock Bonus Program and has been granted 438,902 currently outstanding Options (Existing Options) as of December 31, 2021. Mr Rice is eligible to participate in the Cash Bonus Plan, and is eligible to receive a target cash bonus of US$135,000 for the year ended December 31, 2021. The performance milestones for the year ended December 31, 2021 are: • Business performance – objectives related to business performance including MAU growth, Paying Circle growth, revenue, and the Company's net promoter score (NPS); and • Individual management – objectives related to competencies and capabilities specific to Mr Rice The business performance objectives and the individual management objectives are weighted equally.
Other:	On 26 February 2016, the Company provided a loan of US$83,023 to Mr Rice for the exercise of options to purchase Shares, which is partially secured by 461,238 Shares owned by Mr Rice. This loan remains outstanding and the key terms of the loan are: • An interest rate of 2.61% per annum and compounding annually, with a maturity date of seven years from the loan date (25 February 2023). • The loan is a partial recourse loan, secured by 461,238 Shares. • If, after the maturity date, Mr Rice fails to repay the loan, the Company can collect the collateral (the pledged Shares). The maturity date of the loan automatically accelerates upon certain events, including the termination by the Company of Mr Rice's employment.

Non-Executive Director compensation

The Remuneration and Nomination Committee is responsible for determining and reviewing compensation arrangements for each Non-executive director. The Non-executive directors for the year ended December 31, 2021 were as follows:

John Philip Coghlan
Alex Haro
Brit Morin
Mark Goines
James Synge
David Wiadrowski
Randi Zuckerberg

The Directors' fees currently agreed to be paid by the Company for the year ended December 31, 2021 are as set out below:

Director	Annual cash Director's fees	RSUs granted over shares[1]	Options granted over shares[1]
John Philip Coghlan	US$40,000	US$31,110 in RSUs	US$72,590 in options
Alex Haro	US$30,000	US$32,867 in RSUs	US$76,689 in options
Brit Morin	US$30,000	US$24,000 in RSUs	US$56,000 in options
James Synge	US$30,000	US$25,110 in RSUs	US$58,590 in options
Mark Goines	US$30,000	US$24,900 in RSUs	US$58,100 in options
David Wiadrowski	US$30,000	US$28,500 in RSUs	US$66,500 in options
Randi Zuckerberg	US$30,000	US$33,131 in RSUs	US$77,306 in options

1 The number of RSUs and options to be issued will be calculated based on the U.S. Dollar value amount set forth in the table above divided by the product of the US$ equivalent of the Fair Market Value on the 2021 Annual General Meeting date. The RSU and option grants will vest quarterly over the year following their grant provided that the Director remains a Director of the Company as at the applicable vesting date. RSUs are automatically settled in Shares for nil consideration. Unvested RSUs and options automatically lapse upon a termination of service unless otherwise determined by the Board. The RSUs and options will be granted under the 2011 Stock Incentive Plan.

In addition, the following annual fees are payable to Directors for membership of Board committees:

Committee	Chair		Members	
	Cash	Equity granted over shares	Cash	RSUs granted over shares
Audit and Risk Management Committee	US$5,000	US$15,000 in equity	US$1,300	US$3,700 in RSUs
Remuneration and Nomination Committee	US$2,000	US$3,000 in equity	US$1,500	Nil

Directors' Report

Remuneration table

Remuneration earned by directors and KMPs during the year is summarized as follows:

2021	Salary and fees US$	Cash bonus US$	Stock based compensation US$	Total US$
Directors				
John Philip Coghlan	42,800	-	158,608	201,408
Chris Hulls	400,000	175,000	1,072,061	1,647,061
Alex Haro	30,000	-	80,046	110,046
Brit Morin	31,500	-	83,957	115,457
Mark Goines	32,000	-	75,335	107,335
James Synge	31,300	-	76,710	108,010
David Wiadrowski	35,000	-	88,059	123,059
Randi Zuckerberg	31,300	-	79,567	110,867
KMPs				
Russell Burke	300,000	100,000	102,803	502,803
David Rice	365,000	135,000	244,360	744,360

2020	Salary and fees US$	Cash bonus US$	Stock based compensation US$	Total US$
Directors				
John Philip Coghlan	31,250	-	160,463	191,713
Chris Hulls	360,000	97,500	815,918	1,273,418
Alex Haro	43,141	-	153,518	196,659
Brit Morin	20,000	-	88,150	108,150
Mark Goines	21,000	-	60,125	81,125
James Synge	21,250	-	62,581	83,831
David Wiadrowski	25,000	-	73,620	98,620
KMPs				
Wendell Laidley	122,212	-	79,875	202,087
Russell Burke	193,182	58,333	64,176	315,691
David Rice	350,000	90,000	76,532	516,532

Securities held by Directors and KMP

The directors and KMPs of the Company are shown together with their holdings of common stock, options and RSUs, held directly or indirectly:

2021	Direct			Indirect		
	Common Stock	Options	RSUs	Common Stock	Options	RSUs
Directors						
John Philip Coghlan	45,572	255,229	1,165	34,893[1]	-	-
Chris Hulls	2,914,419	1,808,373	57,112	29,960[2]	-	-
Alex Haro	2,158,459	386,938	899	30,365[2]	-	-
Brit Morin	12,230	105,610	899	-	-	-
Mark Goines	47,530	12,101	933	187,589[4]	-	-
James Synge	496,293	12,203	941	134,952[2,3]	-	-
David Wiadrowski	26,978	13,850	1,068	-	-	-
Randi Zuckerberg	1,541	16,101	941	-	-	-
KMPs						
Russell Burke	-	530,514	-	-	-	-
David Rice	326,132	438,902	40,626	-	-	-

1 34,893 Shares are held by John Phillip Coghlan as trustee for the John Phillip Coghlan Living Trust.

2 Chris Hulls, Alex Haro, and Carthona Capital FS Pty Ltd. (an affiliate of James Synge) are members of ICCA Labs, LLC, an entity that holds 133,408 Shares. The number of Shares attributable to Chris Hulls by reason of his membership interest in ICCA Labs, LLC is 29,960. The number of Shares attributable to Alex Haro by reason of his membership interest in ICCA Labs, LLC is 30,635. The number of Shares attributable to Carthona Capital FS Pty Ltd. (an affiliate of James Synge) by reason of this membership interest in ICCA Labs, LLC is 64,379.

3 70,573 Shares are held by James Synge through Stynge Pty Ltd ATF Sandy Bay Trust.

4 187,589 Shares are held by Mark Goines as trustee for the Goines Wong Living Trust.

2020	Direct			Indirect		
	Common Stock	Options	RSUs	Common Stock	Options	RSUs
Directors						
John Philip Coghlan	40,029	240,110	4,378	40,131[1]	-	-
Chris Hulls	2,897,424	1,708,373	32,971	29,960[2]	-	-
Alex Haro	1,784,054	370,966	-	403,477[2,3]	-	-
Brit Morin	7,210	93,947	4,121	-	-	-
Mark Goines	10,211	32,000	4,207	187,589	-	-
James Synge	490,975	-	4,378	98,286[2]	-	-
David Wiadrowski	19,171	-	5,151	-	-	-
KMPs						
Wendell Laidley	-	124,708	-	-	-	-
Russell Burke	-	530,514	-	-	-	-
David Rice	417,570	345,402	-	-	-	-

1 34,893 Shares are held by John Phillip Coghlan as trustee for the John Phillip Coghlan Living Trust and 5,238 are held through Seraph Partners Fund III and co-investments with Seraph.

2 Chris Hulls, Alex Haro, and Carthona Capital FS Pty Ltd. (an affiliate of James Synge) are members of ICCA Labs, LLC, an entity that holds 133,408 Shares. The number of Shares attributable to Chris Hulls by reason of his membership interest in ICCA Labs, LLC is 29,960. The number of Shares attributable to Alex Haro by reason of his membership interest in ICCA Labs, LLC is 30,635. The number of Shares attributable to Carthona Capital FS Pty Ltd. (an affiliate of James Synge) by reason of this membership interest in ICCA Labs, LLC is 64,379.

3Alex Haro is a member of AJS Life360 Holdings 2 LLC, an entity that holds 686,930 Shares of Life360. The number of Shares attributable to Alex Haro by reason of his membership interest in AJS Life360 Holdings 2 LLC is 372,842.

4 33,907 Shares are held by James Synge through Stynge Pty Ltd ATF Sandy Bay Trust.

Movements in options and rights over equity instruments held by Directors and KMPs

The movement during the reporting period in the number of equity instruments in the Company held, directly, indirectly or beneficially, by each Non-executive director and each executive KMP, including their related parties is as follows:

2021	Instrument	Balance as at January 1, 2021	Granted	Vested during the year	Exercised/Settled	Balance as at December 31, 2021	Vested and Exercisable as at December 31, 2021
John Philip Coghlan	Options	240,110	15,119	23,875	-	255,229	243,590
	RSUs	4,378	2,330	5,543	5,543	1,165	-
Chris Hulls	Options	1,708,373	100,000	434,866	-	1,808,373	1,409,930
	RSUs	32,971	50,000	26,901	25,859	57,112	-
Alex Haro	Options	370,966	15,972	154,826	-	386,938	381,106
	RSUs	-	2,462	1,563	1,563	899	-
Brit Morin	Options	93,947	11,663	8,441	-	105,610	99,778
	RSUs	4,121	1,798	5,020	5,020	899	-
Mark Goines	Options	32,000	12,101	6,050	32,000	12,101	6,050
	RSUs	4,207	1,865	5,139	5,139	933	-
James Synge	Options	-	12,203	6,101	-	12,203	6,101
	RSUs	4,378	1,881	5,318	5,318	941	-
David Wiadrowski	Options	-	13,850	6,925	-	13,850	6,925
	RSUs	5,151	2,135	6,218	6,218	1,068	-
Randi Zuckerberg	Options	-	16,101	9,999	-	16,101	9,999
	RSUs	-	2,482	1,541	1,541	941	-
Russell Burke	Options	530,514	-	200,941	-	530,514	200,941
David Rice	Options	345,402	100,000	74,344	6,500	438,902	298,735
	RSUs	-	50,000	10,416	9,374	40,626	-

2020	Instrument	Balance as at January 1, 2020	Granted	Vested during the year	Exercised/ Settled	Cancelled	Balance as at December 31, 2020	Vested and Exercisable as at December 31, 2020
John Philip Coghlan	Options	240,110	-	40,186	-	-	240,110	219,715
	RSUs	184	12,039	7,845	7,845	-	4,378	-
Chris Hulls	Options	1,478,373	230,000	407,925	-	-	1,708,373	975,064
	RSUs	-	49,453	16,482	16,482	-	32,971	-
Alex Haro	Options	620,551	-	116,351	-	249,585	370,966	370,966
Brit Morin	Options	93,947	-	31,316	-	-	93,947	91,337
	RSUs	-	11,331	7,210	7,210	-	4,121	-
Mark Goines	Options	32,000	-	-	-	-	32,000	32,000
	RSUs	3,003	8,413	7,209	7,209	-	4,207	-
James Synge	Options	3,126	8,756	7,503	7,504	-	4,378	-
David Wiadrowski	Options	3,677	10,302	8,828	8,828	-	5,151	-
Wendell Laidley	Options	498,834	-	124,708	-	374,126	124,708	124,708
Russell Burke	Options	-	530,514	-	-	-	530,514	-
David Rice	Options	225,402	120,000	72,598	-	-	345,402	224,391

Directors' Report

Meetings attended by Board

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Board of Directors		Audit & Risk Management Committee		Remuneration & Nomination Committee	
	Eligible	**Attendance**	**Eligible**	**Attendance**	**Eligible**	**Attendance**
John Philip Coghlan	11	11	14	14	4	4
Chris Hulls	11	11	14	14	4	4
Alex Haro	11	11	-	-	-	-
Brit Morin	11	10	-	-	4	4
Mark Goines	11	11	-	-	4	4
James Synge	11	10	14	14	-	-
David Wiadrowski	11	10	14	14	-	-
Randi Zuckerberg	11	10	14	14	-	-

Indemnity and insurance of Directors and Officers

The Company has indemnified directors and executives of the Company for costs incurred in their capacity as a director or officer, for which they may be held personally liable, except where there is a lack of good faith.

Indemnity and insurance of Auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company.

This report is made in accordance with a resolution of the directors.

On behalf of the directors

John Philip Coghlan
March 30, 2022
San Francisco, USA

Consolidated Financial Statements

As of and for the Years Ended December 31, 2021 and 2020

Independent Auditor's Report

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Suite 900
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Independent Auditor's Report

Board of Directors
Life360, Inc.
San Francisco, California

Opinion

We have audited the consolidated financial statements of Life360, Inc. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted

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in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

/s/ BDO USA, LLP

San Francisco, California
March 30, 2022

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Consolidated Balance Sheets

(Dollars in U.S. $, in thousands, except share and per share data)

		December 31, 2021		December 31, 2020
Assets				
Current Assets:				
Cash and cash equivalents	$	230,990	$	56,413
Accounts receivable		11,772		9,042
Costs capitalized to obtain revenue contracts, net		1,319		3,381
Inventory		2,009		-
Notes due from affiliates		330		-
Prepaid expenses and other current assets		10,590		10,017
Total current assets		257,010		78,853
Restricted cash		355		198
Property and equipment, net		580		801
Costs capitalized to obtain revenue contracts, net of current portion		330		569
Prepaid expenses and other assets, noncurrent		3,691		2,184
Right of use asset		1,627		2,638
Intangible assets, net		7,986		-
Goodwill		31,127		764
Notes due from affiliates		-		306
Total Assets	**$**	**302,706**	**$**	**86,313**
Liabilities and Stockholders Equity				
Current Liabilities:				
Accounts payable		3,248		2,420
Accrued expenses and other liabilities		10,547		5,235
Contingent consideration		9,500		-
Convertible notes, current		4,222		-
Deferred revenue		13,929		11,855
Total current liabilities		41,446		19,510
Convertible notes, noncurrent		8,284		-
Derivative liability, noncurrent		1,396		-
Other noncurrent liabilities		1,205		2,308
Total Liabilities	**$**	**52,331**	**$**	**21,818**
Commitments and Contingencies (Note 12)				
Stockholders' Equity				
Common Stock, $0.001 par value; 100,000,000 shares authorized as of December 31, 2021 and December 31, 2020; 60,221,799 and 50,035,408 issued and outstanding as at December 31, 2021 and December 31, 2020, respectively		61		50
Additional paid-in capital		416,278		196,852
Notes due from affiliates		(621)		(621)
Accumulated deficit		(165,343)		(131,786)
Total stockholders' equity		250,375		64,495
Total Liabilities and Stockholders' Equity	**$**	**302,706**	**$**	**86,313**

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

Consolidated Statements of Operations and Comprehensive Loss

(Dollars in U.S. $, in thousands, except share and per share data)

		December 31, 2021		December 31, 2020
Subscription revenue	$	86,551		58,472
Data and other revenue (including related party revenue of $0 and $195, respectively)		26,092		22,183
Total revenue		112,643	$	80,655
Cost of subscription revenue		17,807		13,582
Cost of data and other revenue		4,961		1,813
Total cost of revenue		22,768		15,395
Gross Profit		89,875		65,260
Operating expenses:				
Research and development		50,994		39,643
Sales and marketing		47,473		30,190
General and administrative		23,670		12,078
Total operating expenses		122,137		81,911
Loss from operations		(32,262)		(16,651)
Other (Income)/ Expense:				
Convertible notes fair value adjustment		511		-
Derivative liability fair value adjustment		733		-
Other (income)/expense, net		178		(317)
Total Other (Income)/Expense		1,422		(317)
Loss before Benefit from for income taxes		(33,684)		(16,334)
Benefit from income taxes		127		-
Net Loss and Comprehensive Loss	$	(33,557)	$	(16,334)
Net loss per share attributable to common shareholders, basic and diluted	$	(0.65)	$	(0.33)
Weighted-average shares used in computing net loss per share attributable to common shareholders, basic and diluted		51,656,195		49,346,050

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

Consolidated Statements of Stockholders' Equity

(Dollars in U.S. $, in thousands, except share data)

	Common Stock		Additional Paid-In Capital	Notes Due from Affiliates	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2019	48,840,675	$ 49	188,300	$ (621)	$ (115,452)	$ 72,276
Exercise of stock options	895,430	1	1,612	-	-	1,613
Repurchase of common stock	(4,554)	-	(1)	-	-	(1)
Issuance of common stock for services rendered	1,250	-	-	-	-	-
Vesting of restricted stock units	302,607	-	-	-	-	-
Taxes paid related to net settlement of equity awards	-	-	(1,150)	-	-	(1,150)
Stock-based compensation expense	-	-	8,091	-	-	8,091
Net loss	-	-	-	-	(16,334)	(16,334)
Balance at December 31, 2020	**50,035,408**	**$ 50**	**196,852**	**$ (621)**	**$ (131,786)**	**$ 64,495**
Exercise of stock options	1,056,352	$ 1	3,542	$ -	$ -	$ 3,543
Exercise of warrants	37,410	-	-	-	-	-
Vesting of restricted stock units	547,882	1	(1)	-	-	-
Taxes paid related to net settlement of equity awards	-	-	(4,725)	-	-	(4,725)
Issuance of warrants with convertible note (Note 10)	-	-	844	-	-	844
Beneficial conversion feature associated with convertible note (Note 10)	-	-	603	-	-	603
Issuance of common stock in connection with an acquisition	765,733	1	13,820	-	-	13,821
Issuance of common stock net of issuance costs of $5,757	7,779,014	8	193,056	-	-	193,064
Vested option awards assumed in connection with an acquisition	-	-	533	-	-	533
Stock-based compensation expense	-	-	11,754	-	-	11,754
Net loss	-	-	-	-	(33,557)	(33,557)
Balance at December 31, 2021	**60,221,799**	**$ 61**	**416,278**	**$ (621)**	**$ (165,343)**	**$ 250,375**

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

Consolidated Statements of Cash Flows

(Dollars in U.S. $, in thousands)

	Year Ended	
	December 31, 2021	December 31, 2020
Cash Flows from Operating Activities:		
Net loss	$ (33,557)	$ (16,334)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	876	656
Amortization of costs capitalized to obtain contracts	4,014	7,021
Stock-based compensation expense	11,754	8,091
Compensation expense in connection with revesting notes (Note 8)	184	-
Interest expense related to the amortization of debt discount	213	-
Interest income	(47)	(23)
Convertible notes fair value adjustment	511	-
Derivative liability fair value adjustment	733	-
Loss on revaluation of contingent consideration	3,600	-
Changes in operating assets and liabilities:		
Accounts receivable	(2,689)	(1,149)
Prepaid expenses and other current assets	(340)	(4,717)
Inventory	(859)	-
Costs capitalized to obtain contracts, net	(1,713)	(5,240)
Other noncurrent assets	(603)	2,498
Accounts payable	559	1,925
Accrued expenses	4,720	438
Deferred revenue	1,671	770
Noncurrent liabilities	(1,180)	(1,186)
Net cash used in operating activities	(12,153)	(7,250)
Cash Flows from Investing Activities:		
Purchases of capital assets	(81)	(653)
Cash paid for acquisition, net of cash acquired	(2,983)	-
Cash advance on convertible note receivable in connection with an acquisition	(4,000)	-
Net cash used in investing activities	(7,064)	(653)
Cash Flows from Financing Activities:		
Proceeds from the exercise of options and grant of stock awards, net of repurchase	3,543	1,594
Taxes paid related to net settlement of equity awards	(4,725)	(1,149)
Proceeds from borrowings	-	3,115
Payments on borrowings	(41)	(3,115)
Proceeds from capital raise in connection with an acquisition, net of $5,757 of transaction costs	193,064	-
Cash received in connection with issuance of convertible notes	2,110	-
Net cash provided by financing activities	193,951	445
Net Increase/(Decrease) in Cash, Cash Equivalents, and Restricted Cash	174,734	(7,458)
Cash, Cash Equivalents and Restricted Cash at the Beginning of the Period	56,611	64,069
Cash, Cash Equivalents, and Restricted Cash at the End of the Period	$ 231,345	$ 56,611

Consolidated Statements of Cash Flows

(Dollars in U.S. $, in thousands)

	Year Ended			
	December 31, 2021		December 31, 2020	
Supplemental disclosure:				
Cash paid during the period for interest	$	(24)	$	-
Cash paid during the period for taxes		(33)		-
Non-cash investing and financing activities:				
Fair value of stock issued in connection with an acquisition		13,821		-
Fair value of convertible debt issued in connection with an acquisition		11,597		-
Fair value of contingent consideration issued in connection with an acquisition		5,900		-
Fair value of vested options assumed in connection with an acquisition		533		-
Forgiveness of convertible note receivable in connection an acquisition		4,023		-
Relative fair value of warrants issued with convertible debt		844		-
Beneficial conversion feature related to convertible debt		603		-
Fair value of bifurcated derivative related to convertible debt		663		-
Total non-cash investing and financing activities:		37,984		-

The following table provides a table of cash, cash equivalents, and restricted cash reported within the balance sheets totaling the same such amounts shown above:

	December 31, 2021		December 31, 2020	
Cash and cash equivalents	$	230,990	$	56,413
Restricted cash	$	355		198
Total cash, cash equivalents, and restricted cash	$	231,345	$	56,611

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

Notes to Consolidated Financial Statements

1. Nature of Business

Life360, Inc. (the "Company") is a platform for today's busy families, bringing them closer together by helping them better know, communicate with, and protect the people they care about most. The Company was incorporated in the State of Delaware in April 2007. The Company's core offering, the Life360 mobile application, is now a market leading mobile application for families, with features that range from communications to driving safety and location sharing. The Company operates under a "freemium" model where its core offering is available to users at no charge, with three membership subscription options that are available but not required. The Company also generates revenue through data monetization arrangements with certain third parties ("Data Revenue Customers") through data acquisition and license agreements and anonymized insights into the data collected from the Company's user base in partnership with third parties. On September 1, 2021, the Company acquired all the ownership interests of Jio, Inc ("Jiobit"). Jiobit is a provider of wearable location devices for young children, pets, and seniors.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements and accompanying notes have been prepared in accordance with generally accepted accounting principles in the United States, or ("GAAP") and are presented in US dollars, unless otherwise stated.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses during the reporting period. Significant estimates made by management include, but are not limited to, the determination of revenue recognition, accounts receivable allowance, average useful customer life, stock-based compensation, legal contingencies, assessment of possible impairment of long-lived assets and goodwill, valuation of contingent consideration, convertible notes and embedded derivatives, useful lives of long lived assets and income taxes including valuation allowances on deferred tax assets. The Company bases its estimates and judgments on historical experience and on various assumptions that it believes are reasonable under the circumstances. Actual results could differ significantly from those estimates.

Recently adopted accounting pronouncements

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires contract assets and contract liabilities (i.e., deferred revenue) acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, Revenue from Contracts with Customers. The guidance should be applied prospectively to acquisitions occurring on or after the effective date. The guidance is effective for the Company beginning January 1, 2024, and interim periods therein. Early adoption is permitted, including in interim periods, for any financial statements that have not yet been issued. The Company elected to early adopt ASU 2021-08 on September 1, 2021, and the adoption had no material impact on the consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes ("ASU 2019-12"), as part of its initiative to reduce complexity in accounting standards. ASU 2019-12 removes the following exceptions: exception to the incremental approach for intraperiod tax allocation; exception to accounting for basis differences when there are ownership changes in foreign investments; and exception to interim period tax accounting for year-to-date losses that exceed anticipated losses. ASU 2019-12 also improves financial reporting for franchise taxes that are partially based on income; transactions with a government that result in a step up in the tax basis of goodwill; separate financial statements of legal entities that are not subject to tax; and enacted changes in tax laws in interim periods. ASU 2019-12 is effective for public business entities in fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. For all other entities, the standard is effective in fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have not yet been issued. On January 1, 2021, Life360 adopted ASU 2019-12 and the standard did not have a material impact on its consolidated financial statements and related disclosures.

Notes to Consolidated Financial Statements

Accounting pronouncements not yet adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments, which changes the existing incurred loss impairment model for financial assets held at amortized cost. The new model uses a forward-looking expected loss method to calculate credit loss estimates. These changes will result in earlier recognition of credit losses. This guidance is effective for the Company on January 1, 2023 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements and related disclosures and does not expect a material impact.

In August 2020, the FASB issued ASU No. 2020-06, Debt- Debt with Conversion and Other Options (Subtopic 470-20) which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. Among other changes, ASU 2020-06 removes from U.S. GAAP the liability and equity separation model for convertible instruments with a cash conversion feature, and as a result, after adoption, entities will no longer separately present in equity an embedded conversion feature for such debt. Similarly, the embedded conversion feature will no longer be amortized into income as interest expense over the life of the instrument. Instead, entities will account for a convertible debt instrument wholly as debt unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC Topic 815, Derivatives and Hedging, or (2) a convertible debt instrument was issued at a substantial premium. Additionally, ASU 2020-06 requires the application of the if-converted method to calculate the impact of convertible instruments on diluted earnings per share, which will result in increased dilutive securities as the assumption of cash settlement of the notes will not be available for the purpose of calculating earnings per share. The provisions of ASU 2020-06 are effective for reporting periods beginning after December 15, 2023, with early adoption permitted for reporting periods beginning after December 15, 2020, and can be adopted on either a fully retrospective or modified retrospective basis. The Company is currently evaluating the timing, method of adoption, and overall impact of this standard on its consolidated financial statements.

Revenue Recognition

The Company recognizes revenue upon transfer of control of promised goods or services to customers at transaction price, an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Transaction price is calculated as selling price net of variable consideration which may include estimates for future returns and sales incentives related to current period revenue. The Company determines revenue recognition through the following steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer.

Contracts with Multiple Performance Obligations

Some of the Company's contracts with customers contain multiple performance obligations, primarily hardware and subscription services for the Jio tracker. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative stand-alone selling price ("SSP") basis with the amounts allocated to ongoing services deferred and recognized over a period of time. The Company determines SSP based on observable, if available, prices for those related services when sold separately. When such observable prices are not available, the Company determines SSP based on overarching pricing objectives and strategies, taking into consideration market conditions and other factors, including customer size, volume purchased, market and industry conditions, product-specific factors and historical sales of the deliverables.

Cost of Revenue

Cost of revenue includes all direct costs to deliver the Company's product including third-party hosting fees related to the Company's cloud services, product costs associated with Jiobit tracking devices and accessories, salaries, benefits, share-based compensation, IT and allocated overhead. The Company recognizes these expenses as they are incurred.

Costs Capitalized to Obtain Contracts

Costs capitalized to obtain contracts comprise of revenue-share payments to the Company's Channel Partners in connection with annual subscription sales of the Company's mobile application on each respective mobile application store platform. Costs that are incremental and directly related to new customer sales contracts in which revenue is deferred are accrued and capitalized upon execution of a non-cancelable customer contract, and subsequently expensed over the average life of the customer relationship, which is currently estimated to be two years. The Company has elected the practical expedient under ASC 340-4 to expense incremental costs of obtaining a contract if the amortization periods is one year or less.

Allowance for Doubtful Accounts

The Company makes judgments as to its ability to collect outstanding accounts receivable and provide allowances for accounts receivable when and if collection becomes doubtful. To date, the Company has not recorded any significant credit losses on customer accounts and it had no allowance for doubtful accounts as of December 31, 2021 and 2020.

Inventory

Inventory is comprised of raw materials and finished goods such as Jiobit tracking devices and accessories. Inventory is stated using actual costing on a first-in, first-out basis. The Company assesses the valuation of inventory and periodically writes down the value for estimated excess and obsolete inventory based upon estimates of future demand and market conditions. The Company's inventory is held at third party warehouses and contract manufacturer premises.

Significant Risks and Uncertainties

The Company is subject to certain risks and uncertainties that could have a material and adverse effect on its future financial position or results of operations. The Company's customers are primarily individuals with smart phones, who subscribe to the Company's product offerings through market exchanges operated by channel partners and Data Revenue Customers. Any changes in customer preferences and trends or changes in terms of use of channel partners' platforms could have an adverse impact on its results of operations and financial condition.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, cash equivalents and accounts receivable. The Company limits its exposure to credit loss by placing cash and cash equivalents with a financial institution of high credit standing. Deposits of cash and cash equivalents may exceed the amount of insurance provided by the Federal Deposit Insurance Corporation ("FDIC") on these deposits.

The Company depends on the constant real-time performance, reliability and availability of our technology system and access to our partner's networks. The Company relies on a single technology partner for its cloud platform and a single contract manufacturer to assemble components of the Jiobit hardware device. Any adverse impacts to the platform and the contract manufacturer could negatively impact our relationships with our partners or Users and may adversely impact our business, financial performance and reputation.

The Company derives its accounts receivable from revenue earned from customers located in the United States and internationally. The Company does not perform ongoing credit evaluations of its customers' financial condition and does not require collateral from its customers. Historically, credit losses have been insignificant. Channel partners account for the majority of the Company's revenue and accounts receivable for all periods presented. Accounts receivable contains $1.9 million and $1.4 million of unbilled receivables as at December 31, 2021 and 2020, respectively.

Notes to Consolidated Financial Statements

The following table sets forth the information about our channel partners and customers who represented greater than 10% of our revenue or accounts receivable, respectively:

	Percentage of Revenue		Percentage of Gross Accounts Receivable	
	Year Ended December 31,		As of December 31,	
	2021	2020	2021	2020
Channel Partner A	57%	54%	48%	37%
Channel Partner B	18%	18%	14%	11%
Data Revenue Customer B	*	*	*	17%

* Represents less than 10%

Research and Development Costs

The Company charges costs related to research, design and development of products to research and development expense as incurred. These costs consist of payroll related expenses, contractor fees, outside third party vendors, and allocated facilities costs.

Advertising Expense

Advertising expense was $7.1 million and $6.7 million for the years ended December 31, 2021 and 2020, respectively. Advertising expenses are recorded in the period in which cost is incurred.

Cash and Cash Equivalents

The Company considers all highly liquid investment securities with remaining maturities at the date of purchase of three months or less to be cash equivalents. Cash and cash equivalents include deposit and money market funds.

Restricted Cash

Deposits of $0.4 million and $0.2 million, were restricted from withdrawal as of December 31, 2021 and 2020, respectively. The restriction is related to securing the Company's facility leases which expire in 2022 and 2024 in accordance with the operating lease agreements, as amended. The restrictions on these balances will be released in accordance with the operating lease agreements, as amended. These balances are included in Restricted Cash on the accompanying consolidated Balance Sheets.

Fair Value of Financial Instruments

The Company uses fair value measurements to record fair value adjustments to certain financial and non-financial assets and liabilities to determine fair value disclosures. The accounting standards define fair value, establish a framework for measuring fair value, and require disclosures about fair value measurements. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the principal or most advantageous market in which the Company would transact are considered along with assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. The accounting standard for fair value establishes a fair value hierarchy based on three levels of inputs, the first two of which are considered observable and the last unobservable, that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels of Inputs that may be used to measure fair value are as follows:

Level 1 – Observable inputs, such as quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, 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 – Valuations based on unobservable inputs to the valuation methodology and including data about assumptions market participants would use in pricing the asset or liability based on the best information available under the circumstances.

For the years ended December 31, 2021 and 2020, the recorded carrying amounts of cash and cash equivalents, prepaid expenses, accounts payable, and accounts receivable approximates fair value due to their short-term nature. Refer to Note 7 “Fair Value Measurements” for further details.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Equipment, computer software, furniture, and product manufacturing equipment have estimated useful lives ranging from three to ten years. Leasehold improvements are amortized on a straight-line basis over the lesser of the estimated useful life or the term of the lease with expected renewals.

Costs of maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the balance sheet and the resulting gain or loss is reported in cost and expenses, net in the period realized.

Software Development Costs

For development costs related to internal use software projects, the Company capitalizes costs incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Internal-use software is amortized on a straight-line basis over its estimated useful life. The Company did not capitalize internal use software costs during the years ended December 31, 2021 and 2020 as the capitalizable costs were not material.

Lease Obligations

Operating lease right-of-use assets and lease liabilities are recognized at the present value of the future lease payments at commencement date. The interest rate implicit in the Company’s operating leases is not readily determinable, and therefore an incremental borrowing rate is estimated to determine the present value of future payments. The estimated incremental borrowing rate factors in a hypothetical interest rate on a collateralized basis with similar terms, payments, and economic environments. Operating lease right-of-use assets also include any prepaid lease payments and lease incentives.

Certain of the operating lease agreements contain rent concession, rent escalation, and option to renew provisions. Rent concession and rent escalation provisions are considered in determining the straight-line single lease cost to be recorded over the lease term. Single lease cost is recognized on a straight-line basis over the lease term commencing on the date the Company has the right to use the leased property. The lease terms may include options to extend or terminate the lease. The Company generally uses the base, non-cancellable, lease term when recognizing the lease assets and liabilities, unless it is reasonably certain that the renewal option will be exercised.

In addition, certain of the Company’s operating lease agreements contain tenant improvement allowances from its landlords. These allowances are accounted for as lease incentives and decrease the Company’s right-of-use asset and reduce single lease cost over the lease term. Refer to Note 9 for Leases disclosure.

Notes to Consolidated Financial Statements

Business Combinations

The Company uses best estimates and assumptions to assign a fair value to the tangible and intangible assets acquired and liabilities assumed in business combinations as of the acquisition date. These estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed may be recorded, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's consolidated statements of operations and comprehensive loss.

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill amounts are not amortized but tested for impairment on an annual basis. There was no impairment of goodwill as of December 31, 2021.

Intangible Assets, net

Intangible assets, including acquired patents, trademarks, customer relationships, and acquired developed technology, are carried at cost and amortized on a straight-line basis over their estimated useful lives, with the exception of customer relationships which is amortized on an accelerated basis. The Company determines the appropriate useful life of the Company's intangible assets by measuring the expected cash flows of acquired assets.

Impairment of Long-Lived Assets

The Company assesses the impairment of long-lived assets, such as property and equipment subject to depreciation and acquired intangibles subject to amortization, when events or changes in circumstances indicate that their carrying amount may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

The Company reviews goodwill for impairment at least annually, or more frequently if events or changes in circumstances would more likely than not reduce the fair value of its single reporting unit below its carrying value.

Deferred Revenue

Deferred revenue consists primarily of payments received and accounts receivable recorded in advance of revenue recognition under the Company's subscription arrangements. The Company primarily invoices its customers for its subscription services arrangements in advance. Amounts anticipated to be recognized within one year of the balance sheet date are recorded as deferred revenue, current; the remaining portion is recorded as deferred revenue, noncurrent in the consolidated balance sheets.

Common Stock Warrants

The Company has issued freestanding warrants to purchase shares of common stock in connection with certain debt financing transactions. The warrants are recorded as equity instruments at the grant date fair value using the Black-Scholes option pricing model and are not subject to revaluation at each balance sheet date.

In addition, the Company has issued warrants in connection with the convertible note agreements. The warrants are recorded as equity instruments at the grant date fair value using the Black-Scholes option pricing model. The fair value has been recorded as a debt discount that is being amortized to interest expense under the straight-line method over the term of respective convertible notes.

Stock-Based Compensation

The Company has an equity incentive plan under which various types of equity-based awards including, but not limited to, incentive stock options, non-qualified stock options, restricted stock units, and restricted stock awards, may be granted to employees, nonemployee directors, and nonemployee consultants.

For all equity awards granted to employees, nonemployees and directors, the Company recognizes compensation expense based on the grant-date estimated fair values. The fair value of stock options is determined using the Black-Scholes option pricing model. For restricted stock units and restricted stock awards, the fair value is based on the grant date fair value of the award. The Company recognizes compensation expense for stock option awards, restricted stock units, and restricted stock awards on a straight-line basis over the requisite service period of the award, generally three to four years. Forfeitures are recorded as they occur.

In 2020, the Company granted a market performance award to an executive that is subject to time-based vesting requirements in which vesting is contingent upon the Company's achievement of certain market performance goals. The fair value of such performance awards was determined using a Monte Carlo simulation and is recognized under the accelerated attribution method over a four year period.

In 2021, the Company issued stock options and restricted stock that have performance-based vesting conditions. For awards that include a performance condition, if the performance condition is determined to be probable of being satisfied, the Company recognizes compensation expense related to such awards using the accelerated attribution method over the required performance period. If a performance condition is not probable of being met, no compensation cost is recognized. Refer to Note 15, "Equity Incentive Plan" for further details.

Income Taxes

The Company accounts for income taxes under the asset and liability method. The Company estimates actual current tax exposure together with assessing temporary differences resulting from differences in accounting for reporting purposes and tax purposes for certain items, such as accruals and allowances not currently deductible for tax purposes. These temporary differences result in deferred tax assets and liabilities, which are included in the Company's balance sheets. In general, deferred tax assets represent future tax benefits to be received when certain expenses previously recognized in the Company's statements of operations and comprehensive loss become deductible expenses under applicable income tax laws or when net operating loss or credit carryforwards are utilized. Accordingly, realization of the Company's deferred tax assets is dependent on future taxable income against which these deductions, losses and credits can be utilized.

The Company must assess the likelihood that the Company's deferred tax assets will be recovered from future taxable income, and to the extent the Company believes that recovery is not likely, the Company establishes a valuation allowance. The assessment of whether or not a valuation allowance is required often requires significant judgment including current and historical operating results, the forecast of future taxable income and on-going prudent and feasible tax planning initiatives.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. During the years ended December 31, 2021 and 2020, the Company did not accrue any interest or penalties related to income tax positions.

Contingencies

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of business. The Company evaluates the likelihood of an unfavorable outcome in legal or regulatory proceedings to which it is a party and records a loss contingency on an undiscounted basis when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These judgments are subjective and based on the status of such legal proceedings, the merits of the Company's defenses, and consultation with legal counsel. Actual outcomes of these legal proceedings may differ materially from the Company's estimates. The Company estimates accruals for legal expenses when incurred as of each balance sheet date based on the facts and circumstances known to the Company at that time.

Notes to Consolidated Financial Statements

Segment Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the enterprise's chief operating decision maker ("CODM"), or decision-making Company, in deciding how to allocate resources and in assessing performance. The Company's Chief Executive Officer is the CODM. The Company has concluded that it has two operating segments and one reportable segment because the quantitative threshold test was met.

Net Loss per Share

The Company computes basic and diluted net loss per share attributable to common stockholders in conformity with ASC 260, "Earnings per Share." Basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period without consideration for potentially dilutive securities as they do not share in losses. The diluted net loss per share attributable to common stockholders is computed giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, options to purchase common stock, common stock warrants, common stock convertible notes, and unvested restricted stock units are considered 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.

3. Impact of the COVID-19 Pandemic

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spread globally beyond its point of origin. In 2021, as the administration of the vaccine program increased and cases declined, the Company continued to evaluate and refine our strategy to respond to the pandemic. Despite the uncertainty of the impact of the COVID-19 pandemic on our operational and financial performance, the Company experienced positive performance as conditions improved.

The Company resumed paid user acquisition spend which was deliberately scaled back in response to COVID-19 in prior period and has expanded into new channels such as streaming TV. The Company considered the impact of COVID-19 on the assumptions and estimates used and determined that there were no material adverse impacts on the consolidated financial statements for the year ended December 31, 2021. As events continue to evolve and additional information becomes available, the Company's assumptions and estimates may change materially in future periods.

Paycheck Protection Program

The Company determined that the original eligibility requirements per the guidelines established by the U.S. federal government as part of the CARES Act for the Paycheck Protection Program (the "PPP") were met. As such, in April 2020, the Company received $3.1 million in loans from the PPP. Because the U.S. government subsequently changed its position and guidelines related to the PPP and publicly traded companies, the Company repaid the loans in May 2020.

4. Revenue

Revenue by geography is generally based on the address of the customer as defined in the Company's agreement. The following table sets forth revenue by geographic area (in thousands):

	Year Ended December 31,	
	2021	2020
United States	$ 100,857	$ 69,776
International*	11,786	10,879
Total Revenue	**$ 112,643**	**$ 80,655**

*Represents less than 10%.

Subscription Revenue

The Company's subscription revenue includes related support and is comprised of Life360 mobile application subscription as well as subscription service plans for the Jiobit hardware tracking device. The Company's subscription contracts with customers are established at the point of mobile application download and purchase as indicated through acceptance of the Company's Standard Service Terms.

The cloud-based subscriptions are considered single combined performance obligations, consisting of multiple features that can be purchased separately, but which are bundled together and delivered to the customer as a combined output. The Company provides its customers with technical support along with unspecified updates and upgrades to the platform on an if and when available basis.

The subscription service plan for the Jiobit hardware tracking device is a distinct and separate performance obligation from the hardware. Subscription fees are fixed and recognized on a straight-line basis over the non-cancellable contractual term of the agreement, generally beginning on the date that the Company's service is made available to the customer.

Subscription revenue for the years ended December 31, 2021 and 2020 was $86.6 million and $58.5 million, respectively.

Data and Other Revenue

Data Revenue

The Company's data revenue is comprised of Life360 data monetization arrangements with certain third parties established through Data Master Service Agreements (collectively, "Data MSAs"), which outline specific terms governing the access and use of data and related fees. The Company determines a contract to exist upon the mutual execution of a Data MSA.

Data revenue is recognized based on the Company's estimate of the total amount of variable consideration estimated without constraint using the expected value method. The Company relies primarily on the review of historical fees collected in developing an estimate of fees to be collected at contract inception and updates its estimates at each reporting date. Data revenue for the years ended December 31, 2021 and 2020 was $18.7 million and $16.0 million, respectively.

Partnership Revenue

Partnership revenue includes agreements with third parties to provide access to advertising on the Company's mobile platform. The Company receives a percentage of the advertising spend as a fee, which is recognized as revenue on a net basis. The variable amounts earned under partnership revenue arrangements are allocable to the month in which the advertising is placed, which is reset on a monthly basis. As such, the Company will recognize revenue monthly based on the advertising placed. Partnership revenue for the years ended December 31, 2021 and 2020 was $6.4 million and $6.0 million, respectively.

Hardware Revenue

The Company derives hardware revenue from sale of the Jiobit hardware tracking devices and related accessories. For hardware and accessories, revenue is recognized at the time products are delivered. The Company offers limited rights of return and estimates reserves based on historical experience and records the reserves as a reduction of revenue and an accrued liability. Amounts billed to customers for shipping and handling are classified as revenue, and the Company's related shipping and handling costs incurred are classified as cost of revenue. Sales taxes collected from customers and remitted to respective governmental authorities are recorded as liabilities and are not included in revenue.

The Company's hardware and the embedded operating system/platform are one distinct performance obligation and separate from the subscription service plans for the Jiobit hardware tracking device. The Company's embedded operating system/platform is a component of the hardware that is integral to the functionality of the hardware and only together produce the essential functionality of the hardware.

Notes to Consolidated Financial Statements

The Company offers extended warranties and hardware protection plans that are recognized over the contractual service period (typically 1 to 2 years).

Hardware revenue for the year ended December 31, 2021 was $1.0 million.

5. Deferred Revenue

Deferred revenue, which is a contract liability, consists primarily of payments received and accounts receivable recorded in advance of revenue recognition under the Company's contracts with customers and is recognized as the revenue recognition criteria are met.

Deferred revenue consists of the following (in thousands):

	Subscription revenue	Data and other revenue	Total
As of December 31, 2021 Beginning Balance	$ 11,686	$ 169	$ 11,855
Additions to deferred revenue	88,729	2,815	91,544
Recognized revenue in the period	(86,551)	(2,919)	(89,470)
Ending Balance	**$ 13,864**	**$ 65**	**$ 13,929**
As of December 31, 2020 Beginning Balance	$ 11,043	$ 42	$ 11,085
Additions to deferred revenue	59,115	420	59,535
Recognized revenue in the period	(58,472)	(293)	(58,765)
Ending Balance	**$ 11,686**	**$ 169**	**$ 11,855**

6. Costs Capitalized to Obtain Contracts

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. The Company determined that its costs to obtain contracts were both direct and incremental. These costs are attributable to the Company's largest channel partners.

Renewal contracts are considered non-commensurate with new contracts as the Company pays a different commission rate for renewals. Accordingly, the guidance requires that specifically anticipated renewal periods should be taken into consideration in determining the required amortization period. Specifically, under the guidance of ASC 340-40, the Company is required to estimate the specifically anticipated renewals after the initial contract to which the initial commission asset relates. The total amortization period is then equal to the initial contractual term plus all specifically anticipated renewals that relate to the initial commission asset. Based upon its assessment of historical data and other factors, the Company concluded that its average customer life was approximately two years, which is used as the amortization period for all capitalized contract acquisition costs.

The following table represents a rollforward of the Company's Costs Capitalized to Obtain Contracts, net (in thousands):

	December 31, 2021	December 31, 2020
Beginning Balance	$ 3,950	$ 5,731
Additions to deferred commissions	1,713	3,210
Amortization of deferred commissions	(4,014)	(4,991)
Ending Balance	**$ 1,649**	**$ 3,950**
Costs Capitalized to Obtain Contracts, current	1,319	3,381
Costs Capitalized to Obtain Contracts, net of current	330	569
Total Costs Capitalized to Obtain Contracts	**$ 1,649**	**$ 3,950**

7. Fair Value Measurements

The Company measures and reports certain financial instruments as assets and liabilities at fair value on a recurring basis. These liabilities, consisting of convertible notes to purchase shares of the Company's common stock and contingent consideration, are considered Level 3 instruments.

The fair value of these instruments as of December 31, 2021 is classified as follows (in thousands):

	As of December 31, 2021		
	Level 1	Level 2	Level 3
Liabilities			
Derivative liability	$ -	$ -	$ 1,396
Convertible notes (Note 8)	-	-	12,293
Contingent consideration	-	-	9,500
Total	**$ -**	**$ -**	**$ 23,189**

The Company had no instruments classified at fair value as of December 31, 2020.

The change in fair value of the convertible notes and contingent liability were as follows (in thousands):

	As of December 31, 2021		
	Derivative liability	Convertible notes (Note 8)	Contingent consideration
Fair value, beginning of the year	$ -	$ -	$ -
Issuance of derivative liability	663	-	-
Issaunces of convertible notes	-	11,597	-
Issuance of revesting notes	-	186	-
Issuance of contingent consideration	-	-	5,900
Changes in fair value	733	510	3,600
Fair value, end of year	**$ 1,396**	**$ 12,293**	**$ 9,500**

The Company has recorded a loss associated with the change in fair value of the derivative liability and convertible notes of $0.7 million and $0.5 million, respectively which has been recorded in other (income)/expense in the consolidated statement of operations and comprehensive loss.

The Company has recorded a loss associated with the change in fair value of the contingent consideration of $3.6 million in general and administrative expense in the consolidated statement of operations and comprehensive loss.

Notes to Consolidated Financial Statements

8. Business Combination

On September 1, 2021, the Company completed the acquisition of Jiobit, a privately held consumer electronics company that specializes in the production of low powered sensors and wearables. The company is based in Chicago, Illinois with an additional development center in Silicon Valley, California and was founded in 2015. Jiobit has developed a small and long-lasting tracking solution. The mobile app, which is run through a wireless subscription service, offers a comprehensive set of monitoring and notification features. The addition of Jiobit is expected to strengthen and extend the Company's market leadership position by leveraging Jiobit's developed technology and customer relationships to accelerate the Company's own product development and augment the Company with a critical mass of talent with strong tracking/wearables experience. The aggregate purchase consideration was $43.2 million, of which $7.3 million was paid in cash, $5.9 million of contingent consideration was payable upon reaching certain operational goals for 2021 and 2022, $11.6 million representing the fair value of convertible notes (the "September 2021 Convertible Notes"), $4.0 million representing forgiveness of Jiobit's convertible debt held by the Company, $0.6 million comprised of 25,245 vested common stock options issued to Jiobit employees ("replacement awards"), and $13.8 million comprised of 674,516 shares of the Company's common stock. Of the consideration transferred, $0.2 million in cash was placed in an indemnity escrow fund to be held for 18 months after the acquisition date for general representations and warranties.

The September 2021 Convertible Notes issued as part of the purchase consideration can be converted to common stock at any time subsequent to the acquisition at a fixed conversion price of $22.50 per share. On each of the first three annual anniversaries of the issuance date of the September 2021 Convertible Notes, the Company will repay 1/3rd of the unconverted principal plus accrued interest to the holders of such notes. Upon a change of control, the holder may elect to either convert at the fixed conversion price of $22.50 per share or be repaid in full. The Company has elected the fair value option and will remeasure the September 2021 Convertible Notes at their fair value on each reporting date and reflect the changes in fair value in earnings. The estimated fair value of the September 2021 Convertible Notes is determined using a combination of the present value of the cash flows and the Black-Scholes option pricing model using assumptions as follows:

	September 1, 2021	December 31, 2021
Principal	$ 11,206	$ 11,206
Interest rate	4.5%	4.5%
Common stock fair value per share	20.49	21.16
Conversion price per share	22.50	22.50
Risk-free interest rate	0.45%	0.88%
Time to exercise (in years)	3	2.7
Volatility	37%	43%
Annual dividend yield	0%	0%

The estimated fair value of the September 2021 Convertible Notes upon issuance was $11.6 million. The Company recorded $1,876 as general and administrative expense related to the change in the fair value of September 2021 Convertible Notes during the year ended December 31, 2021.

A total of $6.2 million was excluded from purchase consideration which consists of $1.9 million comprised of 91,217 shares of the Company's common stock ("Revesting Stock" – Note 15) and $1.6 million comprised of convertible notes ("Revesting Notes") issued to key employees, retention bonuses of $1.0 million, and $0.5 million comprised of 43,083 unvested common stock options issued to Jiobit employees ("Unvested Replacement Awards – Note 15). The Company incurred transaction related expenses of $1.0 million, which were expensed as incurred and recorded under general and administrative expenses in the consolidated statements of operations and comprehensive loss.

The Revesting Stock and Revesting Notes are restricted and vest with continuous employment of certain key employees over a 3-year period subsequent to the acquisition. The Revesting Stock is recognized in general and administrative as the Revesting Stock vests. The Company recorded $0.2 million as stock-based compensation included in general and administrative expense related to the vesting of the Revesting Stock for the year ended December 31, 2021.

The Company records the Revesting Notes at fair value and will remeasure the Revesting Notes at fair value on each reporting date. The Revesting Notes are recognized in general and administrative expense. As the Revesting Notes vest, the changes in fair value are recorded as general and administrative expense with a corresponding entry to convertible notes. The estimated fair value of the Revesting Notes is determined using a combination of the present value of the Revesting Notes cash flows and the Black-Scholes option pricing model. The terms of the Revesting Notes are consistent with the terms of the September 2021 Convertible Notes. The Company recorded $0.2 million as general and administrative and a corresponding entry to convertible notes as a result of Revesting Notes vesting and $1,876 as general and administrative expense related to the changes in fair value of Revesting Notes during the year ended December 31, 2021.

The retention bonuses are recognized in the consolidated balance sheet and vest monthly over a period of 24 months and require continuous employment. The expense associated with the Unvested Replacement Awards is recognized as stock-based compensation ratably over the remaining service period.

The 2021 and 2022 contingent consideration is based on the achievement of a Qualifying Units Sold Target for the period January 1, 2021 through December 31, 2021 ("2021 Contingent Consideration") and for the period January 1, 2022 through December 31, 2022 ("2022 Contingent Consideration", collectively, "Contingent Consideration"). The Contingent Consideration consists of 301,261 and 451,891 shares for 2021 and 2022, respectively, with the amount paid equal to the attainment relative to target in each year and settled in shares of the Company's common stock. The Contingent Consideration shares payable is determined based on the percentage achievement relative to the target in each period, respectively, with greater than 100% attainment resulting in 100% payment, 90% to 100% attainment resulting in the number of shares equal to the percentage attainment, and less than 90% attainment equal to no consideration. The Contingent Consideration is held at fair value with changes in fair value recognized in general and administrative expense. The estimated fair value of the Contingent Consideration is determined by using a Monte Carlo Simulation scenario-based analysis that estimates the fair value of the Contingent Consideration based on the probability-weighted present value of the expected future cash flows, considering possible outcomes based on actual and forecasted results. The estimated fair value of the 2021 and 2022 Contingent Consideration upon issuance was $0.1 million and $5.8 million, respectively. The Company recorded $3.6 million as general and administrative expense related to the change in the fair value of the Contingent Consideration during the year ended December 31, 2021.

The acquisition was accounted for as a business combination and the total purchase consideration was allocated to the net tangible and intangible assets and liabilities based on their fair values on the acquisition date and the excess was recorded to goodwill. The values assigned to the assets acquired and liabilities assumed are based on preliminary estimates of fair value available as of the date of these financial statements and may be adjusted during the measurement period of up to 12 months from the date of acquisition as further information becomes available. Any changes in the fair values of the assets acquired and liabilities assumed during the measurement period may result in adjustments to goodwill.

The assets acquired and liabilities assumed in connection with the acquisition were recorded at their fair value on the date of acquisition as follows (in thousands):

		September 1, 2021
Net tangible assets	$	5,986
Intangible assets		8,400
Goodwill		30,363
Liabilities assumed		(1,551)
Total acquisition consideration	**$**	**43,198**

Notes to Consolidated Financial Statements

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition:

	September 1, 2021		
		Total	Useful life (in years)
Developed technology	$	4,030	5
Trade name		3,380	10
Customer relationship		990	10
Intangible assets	**$**	**8,400**	

Goodwill represents the future economic benefits arising from other assets that could not be individually identified and separately recognized, such as the acquired assembled workforce of Jiobit. In addition, goodwill represents the future benefits as a result of the acquisition that will enhance the Company's product available to both new and existing customers and increase the Company's competitive position. The goodwill is not deductible for tax purposes.

The Company estimated and recorded a net deferred tax liability of $0.1 million after offsetting the acquired available tax attributes with the intangible assets shown in the table above. Refer to Note 16 "Income Taxes" for discussion of the partial release of the Company's valuation allowance relating to the deferred tax liability.

The results of operations of Jiobit are included in the accompanying consolidated statements of operations and consolidated loss from the date of acquisition.

9. Balance Sheet Components

Inventory

Inventory consists of the following (in thousands):

		December 31, 2021		December 31, 2020
Raw materials	$	1,298	$	-
Finished goods		711		-
Total	**$**	**2,009**	**$**	**-**

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following (in thousands):

		December 31, 2021		December 31, 2020
Prepaid expenses	$	9,798	$	9,997
Other receivables		792		20
Total	**$**	**10,590**	**$**	**10,017**

Prepaid expenses primarily consist of certain cloud platform and customer service program costs.

Property and Equipment, net

Property and equipment, net consists of the following (in thousands):

	December 31, 2021	December 31, 2020
Computer equipment	$ 479	$ 461
Leasehold improvements	923	921
Production manufacturing equipment	378	-
Furniture and fixtures	422	423
Total Property and equipment	2,202	1,805
Less accumulated depreciation	(1,622)	(1,004)
Property and equipment, net	**$ 580**	**$ 801**

Depreciation expense was $0.5 million and $0.5 million for the years ended December 31, 2021 and 2020, respectively.

Prepaid Expenses and Other Assets, noncurrent

Prepaid expenses and other assets, noncurrent consist of the following (in thousands):

	December 31, 2021	December 31, 2020
Prepaid expenses	$ 3,324	$ 2,154
Other assets	367	30
Total	**$ 3,691**	**$ 2,184**

Prepaid expenses primarily consist of cloud platform costs.

Leases

The Company currently leases real estate space under non-cancelable operating lease agreements for its corporate headquarters in San Francisco and San Diego, California and Chicago, Illinois. The operating leases have remaining lease terms ranging from 1 to 4 years, some of which include the option to extend the lease.

The Company has recognized operating ROU assets, short term and long term lease liabilities of $1.6 million, $1.6 million and $0.3 million in “Prepaid expenses and other assets, noncurrent”, “Accrued expenses and other liabilities” and “other noncurrent liabilities”, respectively, on the Company’s consolidated balance sheet as of December 31, 2021. As of December 31, 2021, the Company did not have any finance leases.

Operating lease costs were as follows (in thousands):

	Year Ended December 31,	
	2021	2020
Operating lease cost(1)	$ 1,470	$ 1,422

(1) Amounts include short-term leases, which are immaterial.

As of December 31, 2021, the weighted-average remaining term of the Company’s operating leases was 1.3 years and the weighted-average discount rate used to measure the present value of the operating lease liabilities was 4.75% as of adoption date of January 1, 2020.

Notes to Consolidated Financial Statements

Maturities of the Company's operating lease liabilities, which do not include short-term leases, as of December 31, 2021 were as follows (in thousands):

		Operating leases
2022	$	1,628
2023		237
2024		61
Total future minimum lease payments		1,926
Less imputed interest		(63)
Total liability	**$**	**1,863**

Payments for operating leases included in cash from operating activities was $1.6 million for the year ended December 31, 2021.

Intangible Assets, net

Intangibles, net consists of the following (in thousands):

		December 31, 2021		December 31, 2020
Intellectual property	$	225	$	225
Licenses		237		237
Developed technologies		255		255
Trade name		3,380		-
Technology		4,030		-
Customer relationships		990		-
Total Intangible assets		9,117		717
Less accumulated amortization		(1,131)		(717)
Intangible assets, net	**$**	**7,986**	**$**	**-**

Amortization expense was $0.4 million and $0.2 million for the years ended December 31, 2021 and 2020, respectively.

As of December 31, 2021, estimated remaining amortization expense for intangible assets by fiscal year is as follows (in thousands):

		Amount
2022	$	1,243
2023		1,243
2024		1,243
2025 and beyond		4,257
Total	**$**	**7,986**

The detail of intangible assets, net is as follows (in thousands):

As of December 31, 2021	Intellectual property	Licenses	Developed technologies	Trade name	Technology	Customer relationships
Total intangible assets	$ 225	$ 237	$ 255	$ 3,380	$ 4,030	$ 990
Less accumulated amortization	(225)	(237)	(255)	(113)	(268)	(33)
Intangible assets, net	$ -	$ -	$ -	$ **3,267**	$ **3,762**	$ **957**

As of December 31, 2020	Intellectual property	Licenses	Developed technologies
Total intangible assets	$ 225	$ 237	$ 255
Less accumulated amortization	(225)	(237)	(255)
Intangible assets, net	$ -	$ -	$ -

Goodwill

Goodwill consists of the following (in thousands):

	December 31, 2021	December 31, 2020
Beginning balance	$ 764	$ 764
Acquisitions	30,363	-
Ending balance	**$ 31,127**	**$ 764**

Accruals and Other Current Liabilities

Accruals and other current liabilities consist of the following (in thousands):

	December 31, 2021	December 31, 2020
Accrued vendor expenses	$ 7,478	$ 1,950
Accrued compensation	1,324	1,825
Other current liabilities	171	-
Lease liability	1,574	1,460
Total	**$ 10,547**	**$ 5,235**

Other Non-Current Liabilities

Other non-current liabilities consist of the following (in thousands):

	December 31, 2021	December 31, 2020
Other deposit liabilities	$ 916	$ 701
Lease liability	289	1,607
Total	**$ 1,205**	**$ 2,308**

Notes to Consolidated Financial Statements

10. Convertible Notes

In July 2021, the Company issued convertible notes ("July 2021 Convertible Notes") to investors with an underlying principal amount of $2.1 million. The July 2021 Convertible Notes accrue simple interest at an annual rate of 4%, and mature on July 1, 2026. The July 2021 Convertible Notes may be settled under the following scenarios at the option of the holder: (i) at any time into common shares equal to the conversion amount of outstanding principal and any accrued but unpaid interest divided by the conversion price of $11.96; (ii) at the option of the holder upon a liquidation event a) paid in cash equal to the outstanding principal and any accrued but unpaid interest or b) into common shares equal to the conversion amount of outstanding principal and any accrued but unpaid interest divided by the conversion price of $11.96; or (iii) upon maturity, settlement in cash at the outstanding accrued interest and principal amount.

Certain conversion and redemption features of the July 2021 Convertible Notes were determined to not be clearly and closely associated with the risk of the debt-type host instrument and were required to be separately accounted for as derivative financial instruments. The Company bifurcated these embedded conversion and redemption ("embedded derivatives") features and classified these as liabilities measured at fair value. The fair value of the derivative liability of $0.7 million was recorded separate from the July 2021 Convertible Notes with an offsetting amount recorded as a debt discount. The debt discount is amortized over the estimated life of the debt using the straight-line method, as the value attributable to the July 2021 Convertible Notes was zero upon issuance.

As of December 31, 2021 the unamortized amount and net carrying value of the July 2021 Convertible Notes is $1.9 million and $0.2 million, respectively. The amount by which July 2021 Convertible Notes if-converted value exceeds its principal is $1.6 million as of December 31, 2021.

In connection with the July 2021 Convertible Notes, the Company issued warrants to purchase 88,213 shares of the Company's common stock with an exercise price of $0.01 per share and a term of one year (Warrant Tranche 1), 44,106 shares of the Company's common stock with an exercise price of $11.96 per share and a term of 5 years (Warrant Trance 2), and 44,106 shares of the Company's common stock which is exercisable starting twelve months from the issuance date with an exercise price of $11.96 per share and a term of 5 years (Warrant Tranche 3).

The fair value of the warrants was determined using the Black-Scholes option-pricing method, with the following assumptions:

	Warrants Tranche 1	Warrants Tranche 2	Warrants Tranche 3
Fair market value of common stock	$15.36	$15.36	$15.36
Expected dividend yield	-%	-%	-%
Risk-free interest rate	0.09%	0.89%	0.89%
Expected volatility	52.0%	47.4%	47.4%
Expected term (in years)	1	5	5

The warrants were recorded to additional paid-in capital during the year ended December 31, 2021. The relative fair value of the warrants issued in connection with the July 2021 Convertible Notes was $0.8 million, and was recorded as a debt discount that is being amortized to interest expense under the straight-line method over the term of respective convertible notes.

As a result of the beneficial conversion feature associated with the July 2021 Convertible Notes, $0.6 million was added to additional paid-in capital during the year ended December 31, 2021. The beneficial conversion feature was recorded as a debt discount and is being amortized to interest expense under the straight-line method over the term of the respective notes.

The Company recognized a total of $0.2 million in non-cash interest expense related to the July 2021 Convertible Notes during the year ended December 31, 2021.

The Company has also issued convertible notes, September 2021 Convertible Notes, in connection with an acquisition. Refer to Note 8 "Business Combinations" for further details.

Convertible notes, current and noncurrent consist of the following (in thousands):

		December 31, 2021		December 31, 2020
Convertible notes, current:				
September 2021 Convertible Notes	$	4,160	$	-
Revesting Notes		62		-
Convertible notes, noncurrent:				
July 2021 Convertible Notes		213		-
September 2021 Convertible Notes		7,947		-
Revesting Notes		124		-
Total	**$**	**12,506**	**$**	**-**

11. Derivative Liability

The Company's derivative liability represents embedded share-settled redemption features bifurcated from its July 2021 Convertible Notes and is carried at fair value. The changes in the fair value of the derivative liability are recorded in other (income)/expense of the Company's consolidated statements of operations and comprehensive loss.

Estimating fair values of derivative financial instruments requires the development of significant and subjective estimates that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. Since derivative financial instruments are initially and subsequently carried at fair value, the Company's income will reflect the volatility in these estimate and assumption changes.

The features embedded in the July 2021 Convertible Notes are combined into one compound embedded derivative. The fair value of the embedded derivative was estimated based on the present value of the redemption discount applied to the principal amount of the July 2021 Convertible Notes adjusted to reflect the weighted probability of exercise. The discount rate was based on the risk-free interest rate.

Upon the issuance of the convertible notes, the Company recorded a derivative liability of $0.7 million at fair value using inputs classified as Level 3 in the fair value hierarchy. Refer to Note 7 for further details.

Notes to Consolidated Financial Statements

12. Commitments and Contingencies

Purchase Commitments

The Company has certain commitments from outstanding purchase orders primarily related to technology support, facilities, marketing and branding and professional services. These agreements, which total $11.0 million and $21.0 million for the years ended December 2021 and 2020, respectively, are cancellable at any time with the Company required to pay all costs incurred through the cancellation date.

Contingencies

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of business activities. The Company accrues a liability for such matters when it is probable that future expenditures will be made, and such expenditures can be reasonably estimated. The Company is not subject to any current pending legal matters or claims that would have a material adverse effect on its financial position, results of operations or cash flows.

Indemnification

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to these arrangements, the Company indemnifies, holds harmless, and agrees to reimburse the indemnified parties for losses suffered or incurred by the indemnified party, in connection with any trade secret, copyright, patent or other intellectual property infringement claim by any third party with respect to its technology. The term of these indemnification agreements is generally perpetual after the execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these agreements is not determinable because it involves claims that may be made against the Company in the future but have not yet been made. The Company has not incurred costs to defend lawsuits or settle claims related to these indemnification agreements.

The Company has entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct of the individual. No amounts associated with such indemnifications have been recorded to date.

13. Common Stock

As of December 31, 2021 and 2020, the Company was authorized to issue up to 100,000,000 shares of par value $0.001 per share common stock.

As of December 31, 2021 and 2020, the Company had 108,592 shares of common stock subject to the Company's right to repurchase.

The Company has also issued shares of common stock as a result of stock option exercises throughout its existence. Common stockholders are entitled to dividends when and if declared by the Board of Directors subject to the prior rights of the preferred stockholders. The holder of each share of common stock is entitled to one vote. The common stockholders voting as a class are entitled to elect three members to the Company's Board of Directors. No dividends have been declared in the Company's existence.

In December 2021, the Company issued a total of 7,779,014 common shares raising proceeds before issuance costs of $198.7 million.

The Company had reserved shares of common stock, on an as if converted basis, for issuance as follows:

	As of December 31,	
	2021	2020
Issuances under stock incentive plan	6,972,376	7,794,313
Issuances upon exercise of common stock warrants	272,001	140,576
Issuances upon vesting of restricted stock units	2,523,122	2,299,417
Issuances of convertible notes	686,926	-
Shares reserved for shares available to be granted but not granted yet	4,071,403	2,507,307
	14,525,828	**12,741,613**

14. Warrants

As of December 31, 2021 and 2020, the Company had outstanding warrants to purchase 272,001 shares and 140,576 of Company common stock, respectively with exercise prices ranging from $0.01 to $11.96 and expiry dates ranging from 2022 to 2028. Refer to Note 10 "Convertible Notes" for further details.

15. Equity Incentive Plan

2011 Equity Incentive Plan

The Company's 2011 Stock Plan was originally adopted by our Board of Directors on July 27, 2011 and our stockholders on October 11, 2011, and most recently amended by our Board on September 7, 2018 and our stockholders (as restated, the "Plan"). The Plan allows us to grant restricted stock units, restricted stock and stock options to employees and consultants of the Company and any of the Company's parent, subsidiaries or affiliates, and to the members of our Board of Directors. Options granted under the Plan may be either incentive stock options or nonqualified stock options. Incentive stock options, or ISOs, may be granted only to employees of the Company or any of the Company's parent or subsidiaries (including officers and directors who are also employees). Nonqualified stock options, or NSOs, may be granted to any person eligible for grants under our Plan.

Under the Plan, the Board of Directors determines the per share exercise price of each stock option, which for ISOs shall not be less than 100% of the fair market value of a share on the date of grant; provided that the exercise price of an ISO granted to a stockholder who at the time of grant owns stock representing more than 10% of the voting power of all classes of stock (a "10% stockholder") shall not be less than 110% of the fair market value of a share on the date of grant.

The Board of Directors determines the period over which options vest and become exercisable. Options granted to new employees generally vest over a 4-year period: 25% of the shares vest on the first anniversary from the vesting commencement date of the option and an additional 1/48th of the shares vest on each monthly anniversary thereafter, subject to the employee's continuous service through each vesting date. Options granted to continuing employees generally vest monthly over a 4-year period.

The Board of Directors also determines the term of options, provided the maximum term for ISOs granted to a 10% stockholder must be no longer than 5 years from date of grant and the maximum term for all other options must be no longer than 10 years from date of grant. If an option holder's service terminates, options generally terminate 3 months from the date of termination except under certain circumstances such as death or disability.

Notes to Consolidated Financial Statements

The following summary of stock option activity for the periods presented is as follows:

	Number of Shares Underlying Outstanding Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Balance as of December 2019	8,580,697	$ 4.06	8.38	$ 24,576
Options granted	2,119,428	5.52		
Options exercised	(889,321)	1.66		4,772
Options cancelled/forfeited	(2,016,491)	5.71		
Balance as of December 31 , 2020	7,794,313	4.30	8.00	34,869
Options granted	1,416,329	13.05		
Options exercised	(1,056,352)	3.19		
Options cancelled/forfeited	(1,181,914)	7.85		
Balance as of December 31, 2021	6,972,376	5.61	6.71	108,426
Exercisable as of December 31, 2021	4,738,526	$ 4.15	6.74	$ 80,608

As of December 31, 2021 and 2020, the Company had 24,283,359 and 21,781,589 shares authorized for issuance under the Plan. As of December 31, 2021 and 2020, the Company had 4,071,403 shares and 2,507,307 shares available for issuance under the Plan. Stock options granted during the twelve months ended December 31, 2021 and 2020 had a weighted average grant date fair value of $12.65 and $4.91 per share, respectively.

The intrinsic values of outstanding, vested and exercisable options were determined by multiplying the number of shares by the difference in exercise price of the options and the fair value of the common stock as of December 31, 2021 and 2020 of $21.16 and $8.77 per share, respectively. The intrinsic value of the options exercised represents the difference between the exercise price and the fair market value on the date of exercise.

The following summary of Restricted Stock Units (RSU) activity for the periods presented is as follows:

	Number of Shares	Weighted average grant date fair value
Balance as of December 31, 2019	618,115	$ 7.20
RSU granted	2,398,274	6.31
RSU vested and settled	(440,883)	7.67
RSU cancelled/forfeited	(276,089)	6.24
Balance as of December 31, 2020	2,299,417	6.52
RSU granted	1,678,982	14.86
RSU vested and settled	(819,295)	17.04
RSU cancelled/forfeited	(635,982)	7.97
Balance as of December 31, 2021	**2,523,122**	**$ 11.53**

The number of RSU vested and settled includes shares of common stock that the Company withheld on behalf of employees to satisfy the minimum statutory tax withholding requirements.

Stock Options Granted to Employees

The fair value of the employee stock options granted is estimated using the Black-Scholes option-pricing model. The following weighted-average assumptions were used during the years ended December 31, 2021, and 2020:

	2021	2020
Expected terms (in years)	4.24	5.68
Expected volatility	49%	43%
Risk-free interest rate	0.68%	0.60%
Expected dividend rate	0%	0%

Fair Value of Common Stock: As the Company's stock is traded on the public market, the fair value on the date of the grant is used.

Expected Term: The expected term for employees is based on the simplified method, as the Company's stock options have the following characteristics: (i) granted at-the-money; (ii) exercisability is conditional upon service through the vesting date; (iii) termination of service prior to vesting results in forfeiture; (iv) limited exercise period following termination of service; and (v) options are non-transferable and non-hedgeable, or "plain vanilla" options, and the Company has limited history of exercise data. The expected term for non-employees is based on the remaining contractual term.

Expected Volatility: As the Company has limited historical trading data regarding the volatility of its common stock, the expected volatility is based on volatility of a Company of similar entities and the Company's trading data since IPO. In evaluating similarity, the Company considered factors such as industry, stage of life cycle and size. The Company will continue to analyze the historical stock price volatility and expected term assumptions as more historical data for the Company's common stock becomes available.

Risk-Free Interest Rate: The risk-free interest rate is based on U.S. Treasury constant maturity rates with remaining terms similar to the expected term of the options.

Expected Dividend Rate: The Company has never paid any dividends and does not plan to pay dividends in the foreseeable future, and, therefore, an expected dividend rate of zero is used in the valuation model.

Forfeitures: The Company accounts for forfeitures as they occur.

Stock-Based Compensation

Stock-based compensation expense was allocated as follows during the years ended December 31, 2021 and 2020 (in thousands):

	2021	2020
Cost of revenue	$ 522	$ 371
Research and development	7,457	5,504
General and administrative	3,207	1,792
Sales and marketing	752	424
Total stock based compensation expense	**$ 11,938**	**$ 8,091**

As of December 31, 2021, there was total unrecognized compensation cost for outstanding stock options of $7.0 million to be recognized over a period of approximately 2.6 years. As of December 31, 2020, there was total unrecognized compensation cost for outstanding stock options of $10.2 million to be recognized over a period of approximately 2.3 years.

As of December 31, 2021, there was unrecognized compensation cost for outstanding restricted stock units of $26.6 million to be recognized over a period of approximately 3.2 years. As of December 31, 2020, there was unrecognized compensation cost for outstanding restricted stock units of $16.2 million to be recognized over a period of approximately 3.2 years.

There were no capitalized stock-based compensation costs or recognized stock-based compensation tax benefits during the years ended December 31, 2021 and 2020.

Equity Awards Issued in Connection with Business Combination

In connection with the Jiobit transaction in September 2021, the Company issued 91,217 shares of restricted common stock with an aggregate fair value of $1.9 million to be recognized as post combination stock-based compensation ratably with continuous employment of certain employees over a 3-year period.

As of December 31, 2021, there was $1.7 million of unrecognized compensation expense related to this restricted common stock which is expected to be recognized over the remaining weighted average life of 2.7 years.

Additionally, the Company granted 43,083 service-based stock options under the Plan to certain Jiobit employees with an aggregate fair value of $0.5 million which vests ratably over the requisite service period. As of December 31, 2021, there was $0.5 million of unrecognized compensation expense related to unvested assumed stock options, which is expected to be recognized over the remaining weighted average life of 2.0 years.

16. Income Taxes

The Company has incurred net operating losses only in the United States since its inception.

An income tax benefit of $0.1 million was recorded for the year ended December 31, 2021, and no provision or benefit for income taxes was recorded for the year ended December 31, 2020. In accordance with ASC 805, a change in the acquirer's valuation allowance that stems from a business combination should be recognized as an element of the acquirer's income tax expense or benefit in the period of the acquisition. Accordingly, for the year ended December 31, 2021, the Company recorded a $0.1 million partial release of its valuation allowance and a corresponding income tax benefit stemming from the Jiobit acquisition.

The reconciliation of our effective tax rate to the U.S. statutory federal income tax rate was as follows:

	Year Ended December 31,	
	2021	2020
	(%)	(%)
Statutory federal income tax rate	21	21
Research and development tax credits	2	4
Stock-based compensation	6	3
Fair value adjustment	(3)	-
Permanent differences	(1)	-
Change in valuation allowance	(25)	(28)
Effective tax rate	**-**	**-**

The significant components of net deferred income tax assets were as follows (in thousands):

	Year Ended December 31,			
		2021		2020
Deferred tax assets:				
Reserves and allowances	$	314	$	309
Lease liability		432		721
Depreciable assets		157		147
Net operating loss carryforward		36,826		25,589
Stock-based compensation		2,561		1,805
Credits carryforward		8,017		6,035
Total deferred tax assets		48,307		34,606
Deferred tax liabilities:				
Right-of-use asset		(378)		(620)
Acquired intangibles		(1,018)		-
Total deferred tax liabilities		(1,396)		(620)
Less: Valuation allowance and other reserves		(46,911)		(33,986)
Net deferred tax asset	**$**	**-**	**$**	**-**

The Company has provided a full valuation allowance on the net deferred tax assets. The valuation allowance increased by $12.9 million during 2021 and $6.5 million during 2020.

At December 31, 2021, the Company had approximately $158.2 million and $53.8 million of federal and state net operating loss carryforwards, respectively, available to offset future taxable income. Such carryforwards expire in varying amounts beginning in 2031. The federal net operating loss carryforwards of $97.0 million arising after December 31, 2017 do not expire.

The Company also had federal and state research and development credit carryforwards of $7.4 million and $6.0 million, respectively. The federal tax credits expire in varying amounts beginning in 2034. The state tax credits do not expire.

The Tax Reform Act of 1986 limits the use of net operating loss carryforwards in certain situations where changes occur in the stock ownership of a Company. The annual limitation may result in the expiration of net operating losses and credits before utilization. The Company performed a Section 382 analysis through December 31, 2021. We do not expect any previous ownership changes (as defined under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended) to result in a limitation that will materially reduce the total amount of net operating loss carryforwards and credits that can be utilized. Subsequent ownership changes may affect the limitation in future years.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the nation. The Company is not currently under audit by the Internal Revenue Service or other similar state and local authorities. All tax years remain open to examination by major taxing jurisdictions to which the Company is subject.

As of December 31, 2021 and 2020, the Company had $4.6 million and $3.6 million, respectively of gross unrecognized tax benefits related to federal and state research credits. As of December 31, 2021 all unrecognized tax benefits, if recognized, will not affect the Company's effective tax rate. The Company does not anticipate any unrecognized tax benefits in the next 12 months that would result in a material change to our financial position.

The aggregate changes in the balance of gross unrecognized tax benefits were as follows (in thousands):

Balance as of December 31, 2019	$	2,456
Additions based on tax positions related to 2020		1,128
Balance as of December 31, 2020	$	3,584
Additions based on tax positions related to 2021		1,004
Balance as of December 31, 2021	**$**	**4,588**

Notes to Consolidated Financial Statements

17. Related-Party Transactions

The Company has entered into secondary financing transactions and other transactions with certain executive officers and Board members of the Company. A summary of the transactions is detailed below:

Notes Due From Affiliates (Asset-Classified)

The Company accounted for secured partial recourse promissory notes in 2017 as related party notes and included the principal amounts due from such notes under Notes Due From Affiliates on the Balance Sheets.

As of December 31, 2021 and 2020, the Company had options to repurchase 24,444 shares of common stock. The Company determined the fair value of such options for each period using a lattice option-pricing model using expected volatility ranging from 67.2% to 76.1%, risk-free interest rates ranging from 1.4% to 2.6% and an expected dividend rate of 0%. The options had an estimated fair value as of December 31, 2021 and 2020 of $0.03 million and $0.03 million, respectively, and are included within Other Assets on the Balance Sheets.

Notes Due From Affiliates (Contra Equity)

In February 2016, the Company issued an aggregate of $0.6 million in secured partial recourse promissory notes ("partially secured loan") to the Chief Executive Officer, Non-Executive Director (Previously President), Chief Operating Officer and an officer of the Company.

The Company accounted for the 2016 partially secured loan as consideration received for the exercise of the related equity award, because even after the original options are exercised or the shares are purchased, an employee could decide not to repay the loan if the value of the shares declines below the outstanding loan amount and could instead choose to return the shares in satisfaction of the loan. The result would be similar to an employee electing not to exercise an option whose exercise price exceeds the current share price. When shares are exchanged for a partially secured loan, the principal and interest are viewed as part of the exercise price of the "option" and no interest income is recognized. Additionally, compensation cost is recognized over any requisite service period, with an offsetting credit to additional paid-in capital. Periodic principal and interest payments, if any, are treated as deposit liabilities until the note is paid off, at which time, the note balance is settled and the deposit liability balance is transferred to additional paid-in capital. As of December 31, 2021 and 2020, the Company had deposit liability balances of $0.9 million, in connection with the 2016 partially secured loan and other early exercises of equity awards. Principal amounts due under the 2016 partially secured loan, or $0.6 million, are included in Notes Due From Affiliates as a reduction in stockholders' equity on the balance sheets.

Related Party Revenue

On July 11, 2017, the Company and ADT LLC ("ADT") which was a related party pursuant to ADT's ownership of shares of the Company's common stock, entered into the Master Services and Licensing Agreement under which ADT would receive a license to the Company's technology through an integrated mobile application offered by ADT to its end customers. Pursuant to the agreement, the Company and ADT would contribute their proprietary mobile application technology to develop ADT Anywhere Basic and ADT Anywhere Premium. The Company was entitled to receive fees based on the number of active users on each mobile application platform.

The following table represents revenue and accounts receivable received from ADT (in thousands):

	Revenue		Accounts Receivable	
	Year Ended December 31,		As of December 31,	
	2021	2020	2021	2020
ADT	$ -	$ 195	$ -	$ 1

Other Related Party Transactions

Non-executive director, James Synge, is a Principal and Partner of Carthona Capital. During the years ended December 31, 2021 and 2020 cash payments of $31,000 and $30,063, respectively were paid to Carthona Capital for the directors' fees for a non-executive director. During the year ended December 31, 2021, the Company entered into a consultancy agreement with Carthona Capital. Under this agreement, Carthona Capital agreed to provide consultancy services to the Company in relation to capital raising matters. For the year ended December 31, 2021, Carthona Capital has received consideration of $100,000.

During the year ended December 31, 2021, a cash payment of $61,343 was paid to Pathzero primarily for the purchase of carbon offsets and carbon emissions reporting.

Annika Hulls is the spouse of the CEO and Executive Director, Chris Hulls. During the year ended December 31, 2021, a cash payment of $20,150 was paid to Annika Hulls for services relating to a marketing campaign.

18. Defined Contribution Plan

The Company sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code covering substantially all employees over the age of 21 years. Contributions made by the Company are voluntary and are determined annually by the Board of Directors on an individual basis subject to the maximum allowable amount under federal tax regulations. The Company has made no contributions to the plan since its inception.

19. Net Loss Per Share Attributable to Common Shareholders

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders as of December 31, 2021 and 2020 (in thousands):

	As of December 31,			
		2021		2020
Net loss attributable to common shareholders	$	(33,557)	$	(16,334)
Weighted-average shares used in computing net loss per share attributable to common shareholders, basic and diluted		51,656		49,346
Net loss per share attributable to common shareholders, basic and diluted	**$**	**(0.65)**	**$**	**(0.33)**

The potential shares of common stock that were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been antidilutive as of December 31, 2021 and 2020 are as follows:

	As of December 31,	
	2021	2020
Issuances under stock incentive plan	6,972,376	7,794,313
Issuances upon exercise of common stock warrants	272,001	140,576
Issuances upon vesting of restricted stock units	2,523,122	2,299,417
Issuances of convertible notes	686,926	-
Shares reserved for shares available to be granted but not granted yet	4,071,403	2,507,307
	14,525,828	**12,741,613**

Notes to Consolidated Financial Statements

20. Remuneration of Auditors

During the year, the following amounts were paid or payable for services provided by the auditor of the Company (in thousands):

	Year Ended December 31,			
		2021		2020
Audit and review of financial statements	$	285	$	249
Other assurance services		42		50
Total remuneration of auditors	**$**	**327**	**$**	**299**

21. Subsequent Events

The Company evaluated subsequent events through March 30, 2022.

Tile Acquisition

On January 5, 2022, the Company acquired all the ownership interests of Tile, Inc ("Tile") for a total consideration of up to $205.0 million. Tile is the provider of Bluetooth enabled devices that enable its customers to locate Tiled objects. The total consideration of up to $205.0 million is comprised of i) $132.4 million of cash, subject to customary adjustments ii) up to $37.6 million of new shares issued to the shareholders of Tile, conditional, in part, on Tile achieving certain financial hurdles and iii) up to $35.0 million in retention awards for Tile employees, subject to performance requirements.

Placer.ai Agreement

In January 2022, the Company executed a new partnership agreement with Placer.ai ("Placer"), a prominent provider of anonymized aggregated analytics for the retail ecosystem. As part of this partnership, Placer will have the right to commercialize aggregated data related to place visits during the term of the agreement. The Company has begun terminating existing relationships with certain Data Partners. This agreement includes a minimum revenue guarantee based on the size of the Life360's active user base for the duration of the three-year agreement.

Shareholder Information

Additional Shareholder Information

Shareholder information as at 28 February 2022

Additional Shareholder Information required by the Australian Securities Exchange Limited (ASX) Listing Rules is set out below.

In accordance with the 4th edition ASX Corporate Governance Council's Principles and Recommendations, the 2021 Corporate Governance Statement, as approved by the Board, is available on the Company's website at: https://investors.life360.com/investor-relations/?page=corporate-governance. The Corporate Governance Statement sets out the extent to which Life360 has followed the ASX Corporate Governance Council's Recommendations during the 2021 financial year.

The Company has issued a total of 54,914,470 fully paid shares of common stock (Shares). In accordance with the Company's Prospectus dated 29 April 2019, where 3 CDIs represent 1 Share, this equates to 164,743,410 Chess Depository Receipts (CDIs).

However, not all Shares have been converted to CDIs. As at 28 February 2022, 164,743,410 CDIs are on issue and held by 6,566 CDI holders (which represents 54,914,470 Shares). 6,231,449 Shares are held by 303 shareholders who have not elected to hold Company securities in the form of CDIs.

1. Substantial shareholders

The number of securities held by substantial shareholders and their associates as notified to the Company are set out below:

Name	Notification Date	Number of CDIs	%
Regal Funds Management	20/12/2021	11,552,418	6.30%
Paradice Investment Management	25/1/2022	9,825,851	5.36%

Christopher Hulls no longer has a substantial holding in the Company as his relevant interest was diluted from 6.08% to 4.77% when CDIs were issued under the equity raising in December 2021 and the acquisition of Tile in January 2022.

2. Number of security holders and securities on issue

Life360 has issued the following securities:

(a) 164,743,410 CDIs held by 6,566 CDI holders;
(b) 6,231,449 Shares held by 303 shareholders;
(c) 7,356,107 unlisted options held by 215 option holders;
(d) 4,219,181 Restricted Stock Units held by 387 holders; and
(e) 219,743 Warrants over shares held by 9 holders

Details of the Top 20 holders of quoted CDIs are set out in section 5 below.

3. Voting rights

Ordinary shares

At a meeting of the Company's stockholders, every stockholder present, in person or by proxy is entitled to one vote for each share held on the record date for the meeting on all matters submitted to a vote of stockholders.

CDIs

CDI holders are entitled to one vote for every three CDIs they hold.

Options

Option holders do not have any voting rights on the options held by them.

Restricted Stock Units

Restricted Stock Units holders do not have any voting rights on the Restricted Stock Units held by them.

Warrants

Warrant holders do not have any voting rights on the warrants held by them.

Distribution of security holders

Category	CDIs		
	Total Shareholders	Number of CDIs	%
1-1,000	4,030	1,506,957	0.9%
1,001-5000	1,848	4,222,390	2.6%
5,001-10,000	343	2,511,284	1.5%
10,001-100,000	269	7,216,825	4.4%
100,000 and over	76	149,285,954	90.6%
Total	**6,566**	**164,743,410**	**100.0%**

Category	Shares		
	Total Shareholders	Number of Shares	%
1-1,000	60	17,256	0.3%
1,001-5000	129	339,342	5.4%
5,001-10,000	50	356,954	5.7%
10,001-100,000	56	1,331,849	21.4%
100,000 and over	8	4,186,048	67.2%
Total	**303**	6,231,449	100.0%

Category	Unquoted Stock Options		
	Total Holders	Number of Options	%
1-1,000	102	21,956	0.3%
1,001-5000	30	82,951	1.1%
5,001-10,000	13	105,159	1.4%
10,001-100,000	54	1,604,771	21.8%
100,000 and over	16	5,541,270	75.3%
Total	**215**	**7,356,107**	**100.0%**

Note that the Unquoted Options as stated above have various exercise prices and expiry dates.

Category	Restricted Stock Units (RSUs)		
	Total Holders	Number of RSUs	%
1-1,000	30	20,141	0.5%
1,001-5000	146	387,989	9.2%
5,001-10,000	82	599,464	14.2%
10,001-100,000	128	2,784,014	66.0%
100,000 and over	1	427,573	10.1%
Total	**387**	**4,219,181**	**100.0%**

Category	Warrants over Shares		
	Total Holders	Number of Warrants	%
1-1,000	1	836	0.4%
1,001-5000	2	8,362	3.8%
5,001-10,000	1	7,761	3.5%
10,001-100,000	5	202,784	92.3%
100,000 and over	-	-	0.0%
Total	**9**	**219,743**	**100.0%**

Additional Shareholder Information

Shareholder information as at 28 February 2022

4. Unmarketable parcel of shares

The number of CDI Holders holding less than a marketable parcel of CDIs (being A$500) is 643 based on the Company's closing CDI price of A$5.20 on 28 February 2022.

5. Twenty largest shareholders of quoted equity securities

Details of the 20 largest CDI Holders by registered CDI holding are as follows.

	Name	Number of CDIs	%
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	23,895,253	14.50%
2	CITICORP NOMINEES PTY LIMITED <DOMESTIC HIN A/C>	21,177,879	12.86%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	19,464,195	11.81%
4	NATIONAL NOMINEES LIMITED	14,497,724	8.80%
5	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	8,737,142	5.30%
6	CHRISTOPHER HULLS	5,059,656	3.07%
7	UBS NOMINEES PTY LTD	4,987,495	3.03%
8	VERIZON VENTURES LLC\C	4,616,820	2.80%
9	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,995,698	2.43%
10	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	3,949,720	2.40%
11	KENNETT CAPITAL INC\C	3,049,125	1.85%
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH	2,636,898	1.60%
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,492,500	1.51%
14	BNP PARIBAS NOMS PTY LTD <DRP>	2,482,186	1.51%
15	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,338,440	1.42%
16	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	2,312,012	1.40%
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS	2,016,962	1.22%
18	WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	1,924,025	1.17%
19	JAMES STEELE SYNGE	1,441,041	0.87%
20	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED <EQUITY	1,184,292	0.72%
	Total	**132,259,063**	**80.28%**
	Balance of register	**32,484,347**	**19.72%**
	Grand total	**164,743,410**	**100.00%**

6. The name of the entity's secretary (in the case of a trust, the name of the responsible entity and its secretary)

The Company has appointed Kirsten Daru, General Counsel as the Company Secretary as of January 17, 2022.

The Company has engaged Company Matters Pty Ltd to act as its ASX Representative under Listing Rule 12.6. Graeme Blackett has been appointed as the Company's ASX Listing rule 12.6 Representative responsible for communication with the ASX in relation to listing rule matters.

7. The address and telephone number of the Company's registered office in Australia; and of its principal administrative office

The Company is incorporated in the State of Delaware, United States of America.

The address of the Corporation's registered office in the State of Delaware is 160 Greentree Drive, Suite 101, in the City of Dover, County of Kent, Zip Code 19904. The name of its registered agent at such address is National Registered Agents, Inc.

The Company's Principal place of business is:

Suite 402, 539 Bryant Street, San Francisco, CA 94107 USA.
T: +1 (209) 581 1772

The Company's registered Australian office is:

Company Matters Pty Ltd Level 12, 680 George Street, Sydney NSW 2000
T: +61 (02) 8280 7355

8. The address and telephone number of each office at which a register of securities, register of depositary receipts or other facilities for registration of transfers is kept

Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford, VIC 3067
Telephone: +61 1300 787 272

9. The Company's Securities are not traded on any other exchange other than the ASX

10. The Company, currently, has the below shares in Escrow:

Class	Number of Securities	Escrow Period
Common Stock	84,524 shares (equivalent to 253,572 CDIs)	1.6(a) of the Merger Agreement provides that Life360 shall withhold from the Closing Stock Consideration (or in the case of optionholders, New Parent Options) a number of Life360 common stock equal to the Indemnity Escrow Amount (Stock). The Indemnity Escrow Fund is released on the Expiration Date (i.e. 15 months following the Closing Date of 1/5/2022).

11. A detailed review of operations and activities is reported in the 2021 Financial Report

12. There is no current on market buy-back

13. Statement regarding use of cash and assets

During the period between January 1, 2021 and December 31, 2021, the Company has used its cash and assets readily convertible to cash that it had at the time of ASX admission in a way consistent with its business objectives set out in the Prospectus dated 29 April 2020.

Additional Shareholder Information

Shareholder information as at 28 February 2022

14. Other

Life360 is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 (Cth) dealing with the acquisition of its shares (including substantial holdings and takeovers).

Anti-takeover provisions of Delaware Law, Certificate of Incorporation and Bylaws

Provisions of the Delaware General Corporation Law, the Company's Certificate of Incorporation and the Company's Bylaws could make it more difficult to acquire the Company by means of a tender offer (takeover), a proxy contest or otherwise, or to remove incumbent officers and Directors of the Company. These provisions (summarized below) could discourage certain types of coercive takeover practices and takeover bids that the Board may consider inadequate and encourage persons seeking to acquire control of the Company to first negotiate with the Board. The Company believes that the benefits of increased protection of its ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure the Company outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

The Company's bylaws do not contain any limitations on the acquisition of securities, except that clause 9 of Article XI, Section 11.1. of the bylaws provides as follows:

"The Corporation may refuse to acknowledge or register any transfer of shares of the Corporation's capital stock (including shares in the form of CDIs) held or acquired by a stockholder (including shares of the Corporation's capital stock that may be acquired upon exercise of a stock option, warrant or other right) or shares of the Corporation's capital stock which attach to or arise from such shares which are not made:

a. in accordance with the provisions of Regulation S of the Securities Act of 1933 (U.S.), as amended to date and the rules and regulations promulgated thereunder (the "U.S. Securities Act") (Rule 901 through Rule 905 and preliminary notes);

b. pursuant to registration under the U.S. Securities Act; or

c. pursuant to an available exemption from registration.

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Life360