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

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 16, 2020

AUGMEDIX, INC.

(Exact name of registrant as specified in its charter)

Delaware	000-56036	83-3299164
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1161 Mission Street Suite LL San Francisco, California	94103
(Address of principal executive offices)	(Zip Code)

(888) 669-4885
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act: none.

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☒

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

Explanatory Note

This Current Report on Form 8-K/A (this "***Amendment***") is being filed by Augmedix, Inc. (formerly known as "Malo Holdings Corporation"), a Delaware corporation (the "***Company***"), to amend its Current Report on Form 8-K (the "***Prior 8-K***") filed with the Securities and Exchange Commission (the "***SEC***") on October 9, 2020, in connection with the completion of the transaction among the Company, Augmedix, Inc., a privately held Delaware corporation ("***Private Augmedix***"), and August Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of the Company ("***Acquisition Sub***") in accordance with the terms of the Agreement and Plan of Merger and Reorganization dated as of October 5, 2020 (the "***Merger Agreement***"). Pursuant to the Merger Agreement, the Acquisition Sub merged with and into Private Augmedix, and all of the outstanding stock of Private Augmedix held by accredited investors were converted into shares of the Company's common stock. All of Private Augmedix's outstanding warrants, options and stock appreciation rights were assumed by the Company, with Private Augmedix continuing as a wholly owned subsidiary of the Company and the surviving corporation of the merger (the "***Merger***"). As a result of the Merger, the Company acquired the business of Private Augmedix and will continue the existing business operations of Private Augmedix as a public reporting company under the name "Augmedix, Inc." Following the consummation of the Merger, Private Augmedix changed its name to "Augmedix Operating Corporation."

The Company is filing this Amendment solely to supplement Item 9.01 of the Prior 8-K to include the unaudited interim consolidated financial statements of Private Augmedix as of September 30, 2020 and for the nine months ended September 30, 2020 and 2019, and the pro forma financial information described below. Except for the foregoing, this Amendment does not modify or update any other disclosure contained in the Prior 8-K. Although Private Augmedix is now a direct subsidiary of the Company, for accounting purposes the Merger is treated as a "recapitalization and reverse acquisition" and Private Augmedix is considered the accounting acquirer. Accordingly, as of the closing of the Merger, Private Augmedix's historical results of operations will replace the Company's historical results of operations for all periods prior to the Merger and, for all periods following the Merger, the results of operations of both companies will be included in the Company's financial statements. However, the unaudited interim consolidated financial statements of Private Augmedix as of September 30, 2020 and for the nine months ended September 30, 2020 and 2019 filed with this Amendment relate to a pre-Merger closing period, and therefore all information presented relates to Private Augmedix on a standalone basis and not to the Company.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The unaudited interim consolidated financial statements of Private Augmedix as of September 30, 2020 and for the nine months ended September 30, 2020 and 2019, are filed herewith and attached hereto as Exhibit 99.1, and are incorporated herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma combined financial statements as of September 30, 2020 and for the nine months ended September 30, 2020, are filed herewith and attached hereto as Exhibit 99.2, and are incorporated herein by reference.

(d) Exhibits.

Exhibit Number	Exhibit Description
99.1*	Unaudited interim consolidated financial statements of Private Augmedix as of September 30, 2020 and for the nine months ended September 30, 2020 and 2019.
99.2*	Unaudited pro forma combined financial statements as of September 30, 2020 and for the nine months ended September 30, 2020.

* Filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	AUGMEDIX, INC.
Date: November 16, 2020	By: /s/ Emmanuel Krakaris
	Emmanuel Krakaris President, Chief Executive Officer, Secretary and Director

Exhibit 99.1

Augmedix, Inc. and Subsidiaries

INDEX TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Augmedix, Inc. and Subsidiaries
Consolidated Balance Sheets

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Assets		
Current assets:		
Cash	$ 1,428,888	$ 9,603,266
Restricted cash	2,000,189	2,000,119
Accounts receivable, net of allowance for doubtful accounts of $9,882 at September 30, 2020 and December 31, 2019	2,561,619	2,290,803
Prepaid expenses and other current assets	412,714	458,509
Total current assets	6,403,410	14,352,697
Property and equipment, net	994,589	1,213,026
Deferred offering costs	934,692	-
Deposits	173,295	173,294
Total assets	$ 8,505,986	$ 15,739,017
Liabilities, Convertible Preferred Stock and Stockholders' Deficit		
Current liabilities:		
Notes payable, current portion	$ 2,893,667	$ 2,893,667
Subordinated note payable, current portion	2,747,409	-
Accounts payable	291,447	640,896
Accrued expenses and other current liabilities	3,887,968	2,766,248
Deferred revenue	5,166,198	5,510,460
Customer deposits	1,052,900	1,052,900
Total current liabilities	16,039,589	12,864,171
Notes payable, net of current portion	2,180,300	-
Subordinated note payable, net of current portion	7,220,742	9,721,608
Deferred rent, net of current portion	-	20,877
Preferred stock warrant liability	5,252,855	4,391,372
Total liabilities	30,693,486	26,998,028
Commitments and contingencies (Note 9)		
Convertible preferred stock (Note 7)	54,282,964	53,882,460
Stockholders' deficit:		
Common stock, $0.0001 par value; 65,189,974 shares authorized; 1,986,475 and 1,980,462 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	198	198
Additional paid-in capital	3,667,134	3,173,987
Accumulated deficit	(80,087,811)	(68,274,256)
Accumulated other comprehensive loss	(49,985)	(41,400)
Total stockholders' deficit	(76,470,464)	(65,141,471)
Total liabilities, convertible preferred stock and stockholders' deficit	$ 8,505,986	$ 15,739,017

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

Augmedix, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Revenues	$ 4,245,256	$ 3,668,466	$ 11,940,407	$ 10,150,048
Cost of revenues	2,368,542	2,340,432	7,153,228	6,832,388
Gross profit	1,876,714	1,328,034	4,787,179	3,317,660
Operating expenses:				
General and administrative	3,336,512	2,594,327	8,480,410	8,257,287
Sales and marketing	886,738	1,000,499	2,945,161	2,634,205
Research and development	1,008,594	1,950,835	3,484,833	5,182,308
Total operating expenses	5,231,844	5,545,661	14,910,404	16,073,800
Loss from operations	(3,355,130)	(4,217,627)	(10,123,225)	(12,756,140)
Other income (expenses):				
Interest expense	(401,546)	(1,479,073)	(1,197,150)	(2,379,486)
Interest income	271	381	3,144	3,602
Other income (expenses)	(359,809)	(918,440)	(496,324)	312,018
Total other income (expenses), net	(761,084)	(2,397,132)	(1,690,330)	(2,063,866)
Net loss	(4,116,214)	(6,614,759)	(11,813,555)	(14,820,006)
Other comprehensive income (loss):				
Foreign exchange translation adjustment	2,659	(53,710)	(8,585)	(45,172)
Total comprehensive loss	$ (4,113,555)	$ (6,668,469)	$ (11,822,140)	$ (14,865,178)
Net loss per share of common stock, basic and diluted	$ (2.07)	$ (3.35)	$ (5.95)	$ (7.51)
Weighted average shares of common stock outstanding, basic and diluted	1,985,669	1,977,236	1,985,064	1,973,580

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

Augmedix, Inc. and Subsidiaries
Consolidated Statements of Convertible Preferred Stock and Changes in Stockholders' Deficit
(Unaudited)

	Convertible Preferred Stock		Stockholders' Deficit					
			Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance at July 1, 2020	35,196,158	$ 54,282,964	1,985,034	$ 198	$ 3,568,002	$ (75,971,597)	$ (52,644)	$ (72,456,041)
Exercise of common stock options	—	—	1,441	—	416	—	—	416
Stock-based compensation expense	—	—	—	—	98,716	—	—	98,716
Foreign currency translation adjustment	—	—	—	—	—	—	2,659	2,659
Net loss	—	—	—	—	—	(4,116,214)	—	(4,116,214)
Balance at September 30, 2020	35,196,158	$ 54,282,964	1,986,475	$ 198	$ 3,667,134	$ (80,087,811)	$ (49,985)	$ (76,470,464)
Balance at January 1, 2020	34,783,311	$ 53,882,460	1,980,462	$ 198	$ 3,173,987	$ (68,274,256)	$ (41,400)	$ (65,141,471)
Issuance of Series B convertible preferred stock, net of issuance costs	412,847	400,504	—	—	—	—	—	—
Exercise of common stock options	—	—	6,013	—	2,062	—	—	2,062
Stock-based compensation expense	—	—	—	—	491,085	—	—	491,085
Foreign currency translation adjustment	—	—	—	—	—	—	(8,585)	(8,585)
Net loss	—	—	—	—	—	(11,813,555)	—	(11,813,555)
Balance at September 30, 2020	35,196,158	$ 54,282,964	1,986,475	$ 198	$ 3,667,134	$ (80,087,811)	$ (49,985)	$ (76,470,464)

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

Augmedix, Inc. and Subsidiaries
Consolidated Statements of Convertible Preferred Stock and Changes in Stockholders' Deficit
(Unaudited)

	Convertible Preferred Stock		Stockholders' Deficit					
			Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance at July 1, 2019	19,128,510	$ 38,257,039	1,973,074	$ 197	$ 2,966,837	$ (57,981,162)	$ (39,765)	$ (55,053,893)
Conversion of bridge loan to Series B convertible preferred stock	3,045,240	2,609,321	—	—	—	—	—	—
Beneficial conversion feature related to convertible notes payable	—	1,078,769	—	—	—	—	—	—
Issuance of Series B convertible preferred stock, net of issuance costs	12,134,806	11,485,156	—	—	—	—	—	—
Repurchase of common stock	—	—	(824)	—	—	—	—	—
Exercise of common stock options	—	—	8,212	1	2,956	—	—	2,957
Stock-based compensation expense	—	—	—	—	101,576	—	—	101,576
Foreign currency translation adjustment	—	—	—	—	—	—	(53,710)	(53,710)
Net loss	—	—	—	—	—	(6,614,759)	—	(6,614,759)
Balance at September 30, 2019	34,308,556	$ 53,430,285	1,980,462	$ 198	$ 3,071,369	$ (64,595,921)	$ (93,475)	$ (61,617,829)
Balance at January 1, 2019	19,128,510	$ 38,257,039	1,971,987	$ 197	$ 2,773,356	$ (49,775,915)	$ (48,303)	$ (47,050,665)
Conversion of bridge loan to Series B convertible preferred stock	3,045,240	2,609,321	—	—	—	—	—	—
Beneficial conversion feature related to convertible notes payable	—	1,078,769	—	—	—	—	—	—
Issuance of Series B convertible preferred stock, net of issuance costs	12,134,806	11,485,156	—	—	—	—	—	—
Repurchase of common stock	—	—	(824)	—	—	—	—	—
Exercise of common stock options	—	—	9,299	1	3,532	—	—	3,533
Stock-based compensation expense	—	—	—	—	294,481	—	—	294,481
Foreign currency translation adjustment	—	—	—	—	—	—	(45,172)	(45,172)
Net loss	—	—	—	—	—	(14,820,006)	—	(14,820,006)
Balance at September 30, 2019	34,308,556	$ 53,430,285	1,980,462	$ 198	$ 3,071,369	$ (64,595,921)	$ (93,475)	$ (61,617,829)

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

Augmedix, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash flows from operating activities:		
Net loss	$ (11,813,555)	$ (14,820,006)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	645,735	688,463
Stock-based compensation	491,085	294,481
Non-cash interest expense	246,543	1,324,122
Change in fair value of preferred stock warrant liability	766,005	745,557
Allowance for doubtful accounts	—	(1,280)
Deferred rent	(157,039)	(162,774)
Changes in operating assets and liabilities:		
Accounts receivable	(270,816)	185,526
Prepaid expenses and other current assets	43,810	(78,635)
Deposits	—	(1,500)
Accounts payable	(361,416)	440,551
Accrued expenses and other current liabilities	454,233	191,889
Deferred revenue	(344,262)	1,102,403
Customer deposits	—	(108,750)
Net cash used in operating activities	(10,299,678)	(10,199,953)
Cash flows from investing activities:		
Purchase of property and equipment	(427,026)	(482,581)
Net cash used in investing activities	(427,026)	(482,581)
Cash flows from financing activities:		
Proceeds from notes payable	2,180,300	—
Repayment of notes payable	—	(1,357,837)
Proceeds from issuance of Series B Preferred Stock	—	14,696,464
Proceeds from issuance of convertible preferred stock	499,999	3,303,535
Payment of financing costs	(129,208)	(45,219)
Proceeds from exercise of stock options	2,062	3,532
Net cash provided by financing activities	2,553,153	16,600,475
Effect of exchange rate changes on cash and restricted cash	(757)	(10,724)
Net (decrease) increase in cash and restricted cash	(8,174,308)	5,907,217
Cash and restricted cash at beginning of period	11,603,385	9,914,454
Cash and restricted cash at end of period	$ 3,429,077	$ 15,821,671
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 942,433	$ 1,045,697
Supplemental schedule of non-cash investing and financing activities:		
Deferred offering costs in accounts payable and accrued expenses	$ 809,501	$ —
Issuance of convertible preferred stock in exchange for convertible notes payable and accrued interest	$ —	$ 3,319,283
Beneficial conversion feature related to convertible notes payable	$ —	$ 1,078,769

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

1. Nature of business and Liquidity

Nature of Business

Augmedix, Inc. (Augmedix) was incorporated in the state of Delaware in April 2013 and is headquartered in San Francisco, California. Augmedix has two wholly-owned subsidiaries, Augmedix Bangladesh Limited, established in February 2015, and Augmedix Solutions Private Limited, established in February 2019, which are entities formed in Bangladesh and India, respectively (collectively, the Company). The Company provides real time medical documentation services utilizing a smart glass and phone platform to enable bi-directional communication between clinicians and scribes.

Liquidity and Going Concern

In accordance with Accounting Standards Update ("ASU") No. 2014-15*, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40)*, the Company has evaluated whether there are conditions and 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 unaudited interim consolidated financial statements are issued.

The Company has incurred recurring losses since its inception, including net losses of $11.8 million for the nine months ended September 30, 2020 and $18.5 million for year ended December 31, 2019. In addition, as of September 30, 2020, the Company had an accumulated deficit of $80.1 million. The Company has relied on debt and equity financing to fund operations to date and management expects losses and negative cash flows to continue, primarily as a result of continued research, development and marketing efforts. The Company believes its cash and restricted cash after taking into consideration the private placement offering that was completed on October 5, 2020 (Note 12) will provide sufficient resources to meet working capital needs through at least December 2021. Over the longer term, if the Company does not generate sufficient revenue from new and existing products, additional debt or equity financing may be required along with a reduction in expenditures. Additionally, there is no assurance if the Company requires additional future financing, that such financing will be available on terms which are acceptable to the Company, or at all.

Risks and Uncertainties

The Company is subject to a number of risks associated with companies at a similar stage, including dependence on key individuals, competition from similar products and larger companies, volatility of the industry, ability to obtain adequate financing to support growth, the ability to attract and retain additional qualified personnel to manage the anticipated growth of the Company, and general economic conditions.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic which continues to spread throughout the United States and the world. The Company is monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce its spread, in addition to the impact on its employees. The full extent to which the COVID-19 pandemic will directly or indirectly impact the Company's business, results of operations and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19, the actions taken to contain it or mitigate its impact, and the economic impact on local, regional, national and international markets.

2. Basis of presentation and summary of significant accounting policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited interim consolidated financial statements are presented in U.S. dollars and have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification ("ASC") and as amended by Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board ("FASB"). The accompanying unaudited interim consolidated financial statements include the accounts of Augmedix, Inc. and its wholly-owned subsidiaries, Augmedix Bangladesh Limited and Augmedix Solutions Private Limited. All intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited interim consolidated financial statements include all normal and recurring adjustments (which consist primarily of accruals, estimates and assumptions that impact the financial statements) considered necessary to present fairly the Company's financial position as of September 30, 2020 and its results of operations for the three and nine months ended September 30, 2020 and 2019, cash flows for the nine months ended September 30, 2020 and 2019, and convertible preferred stock and changes in stockholders' deficit for the three and nine months ended September 30, 2020 and 2019. Operating results for the three and nine months ended September 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020.

The consolidated balance sheet at December 31, 2019 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to consolidated financial statements and footnotes included in Form 8-K filed on October 9, 2020 by Malo Holdings Corporation with the Securities and Exchange Commission.

Use of Estimates

The preparation of the unaudited interim consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. The Company's significant estimates and judgments involve the identification of performance obligations in revenue recognition and the valuation of the warrant liability and stock-based compensation, including the underlying fair value of the preferred and common stock. Actual results could differ from those estimates.

Segment Information

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business in one segment.

Reverse Stock Split

In March 2019, the Board of Directors approved an amendment of the Company's Certificate of Incorporation approving a 10:1 reverse stock split on all authorized and outstanding shares of common stock and preferred stock. All references to common stock share, preferred stock share and per share amounts in these consolidated financial statements have been retroactively adjusted to reflect, where applicable, the reverse stock split, as indicated.

Foreign Currency Transactions, Translations and Foreign Operations

The functional currency of the Bangladesh and India subsidiaries are the Bangladeshi Taka and Indian Rupee, respectively. All assets and liabilities denominated in each entity's functional currency are translated into the United States Dollar using the exchange rate in effect as of the balance sheet dates. Expenses are translated using the average exchange rate for the reporting period. The resulting translation gains and losses are recorded within the consolidated statements of operations and comprehensive loss and as a separate component of stockholders' deficit. Foreign currency transaction gains and losses are recorded within other income (expense) in the accompanying consolidated statements of operations and comprehensive loss. Transaction gains and losses were not material for the three and nine months ended September 30, 2020 and 2019, respectively.

Operations outside the United States are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange.

Concentrations of Credit Risk and Major Customers

As of September 30, 2020 and December 31, 2019, financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and accounts receivable.

The Company's cash is deposited with major financial institutions in the U.S., Bangladesh and India. At times, deposits in financial institutions located in the U.S. may be in excess of the amount of insurance provided on such deposits by the Federal Deposit Insurance Corporation (FDIC). Cash deposits at foreign financial institutions are not insured by the government agencies of Bangladesh and India. To date, the Company has not experienced any losses on its cash deposits.

The Company's accounts receivable are derived from revenue earned from customers located in the U.S. Major customers are defined as those generating revenue in excess of 10% of the Company's annual revenue. The Company had three major customers during the three months ended September 30, 2020 and two major customers for the three months ended September 30, 2019. Revenues from the major customers accounted for 30%, 20% and 10% of revenue for the three months ended September 30, 2020, and 25% and 19% of revenue for the three months ended September 30, 2019. The Company had three major customers during the nine months ended September 30, 2020 and 2019. Revenues from the major customers accounted for 29%, 19% and 10% of revenue for the nine months ended September 30, 2020, and 24%, 18% and 10% of revenue for the nine months ended September 30, 2019. Accounts receivable from these customers totaled $925,105, $410,276 and $265,069 at September 30, 2020 and $793,316 and $235,264 at September 30, 2019.

Restricted Cash

Restricted cash represents amounts held on deposit at a commercial bank used to secure the Company's Note Payable. The following table provides a reconciliation of the components of cash and restricted cash reported in the Company's consolidated balance sheets to the total of the amount presented in the consolidated statements of cash flows:

	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)
Cash	$ 1,428,888	$ 13,821,671
Restricted cash	2,000,189	2,000,000
Total cash and restricted cash presented in the consolidated statements of cash flows	$ 3,429,077	$ 15,821,671

Accounts receivable

Accounts receivable primarily relates to amounts due from customers, which are typically due within 30 to 60 days. The Company provides credit to its customers in the normal course of business and maintains allowances for potential credit losses. The Company does not require collateral or other security for accounts receivable. To reduce credit risk with accounts receivable, the Company performs ongoing evaluations of its customers' financial condition. Historically, such losses have been immaterial and within management's expectations.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. The Company depreciates computer hardware, software and equipment using the straight-line method over their estimated useful lives, ranging from one to three years. The Company depreciates furniture and fixtures using the straight-line method over their estimated useful lives, ranging from five to seven years. Leasehold improvements are amortized over the shorter of the asset's useful life or the remaining lease term. Repairs and maintenance are expensed as incurred by the Company.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets, less costs to sell. The Company did not record any expense related to asset impairment during the three and nine months ended September 30, 2020 and 2019, respectively.

Deferred Offering Costs

The Company capitalizes certain legal, professional, accounting and other third-party fees that are directly associated with in-process common equity financings as deferred offering costs until such financings are consummated. After consummation of the equity financing, these costs are recorded as a reduction of additional paid-in capital generated as a result of such offering. Should an in-process equity financing be abandoned, the deferred offering costs will be expensed immediately as a charge to operating expenses in the consolidated statements of operations and comprehensive loss. At September 30, 2020, deferred offering costs were $934,692. There were no deferred offering costs at December 31, 2019.

Fair Value of Financial Instruments

Certain assets and liabilities of the Company are carried at fair value under U.S. GAAP. The Company uses a three-level hierarchy which prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date. Fair value focuses on an exit price and is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risk associated with those financial instruments.

The three-level hierarchy for fair value measurements is defined as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Convertible Preferred Stock Warrants

Accounting standards require that freestanding warrants and similar instruments, due to settlement features of the financial instruments, should be accounted for as a preferred stock warrant liability even though the underlying shares of capital stock may be classified as equity. Such warrants are measured and recognized at fair value, and subject to re-measurement at each balance sheet date. At the end of each reporting period, changes in fair value during the period are recognized as a component of other income (expense) on the accompanying consolidated statements of operations and comprehensive loss until the warrants are exercised or expire.

Revenue Recognition

On January 1, 2018, the Company early adopted ASU 2014-09, *Revenue from Contracts with Customers*, and its related amendments (ASC 606). ASC 606 outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers. The core principle, involving a five-step process, of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company derives its revenue through a recurring subscription model. The Company enters into contracts or agreements with its customers with a general initial term of one year. Customers are invoiced in advance and must generally pay an upfront implementation fee. The upfront implementation fee is deferred and recognized over the initial term of the contract and customer prepayments are deferred and included in the accompanying consolidated balance sheets in deferred revenues. Revenues are recognized when the professional services are provided to the Company’s customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. All of the Company’s revenues are earned from customers located in the U.S. After the initial term, contracts are cancellable by the customer at their discretion with a 90 day notice.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

The Company also generates revenue from data service projects, which includes discrete projects to complete certain tasks or provide other services to customers. These services represent separate performance obligations which are recognized as revenue as the services are performed.

Contract Balances and Accounts Receivable

Changes in the contract liability deferred revenue account were as follows for the nine months ended September 30, 2020 and the year ended December 31, 2019:

	Nine Months Ended September 30, 2020 (unaudited)	Year Ended December 31, 2019 (audited)
Balance, beginning of period	$ 5,510,460	$ 4,865,499
Deferral of revenue	11,596,144	14,752,642
Recognition of unearned revenue	(11,940,406)	(14,107,681)
Balance, end of period	$ 5,166,198	$ 5,510,460

Accounts receivable from customers was $2,561,619 and $2,290,803 as of September 30, 2020 and December 31, 2019, respectively.

Deferred revenue consists of billings or payments received in advance of revenue recognized for the Company’s services, as described above, and is recognized as revenue is earned. As of September 30, 2020, the Company expects to recognize $5,166,198 from remaining performance obligations over the next 12 months.

Customer Deposits

Customer deposits consists of deposits received by the Company, as required on certain contracts and agreements, which are refundable at the termination of the contract.

Cost of Revenue

The Company's cost of revenue consists primarily of salaries and related expenses, overhead, contract labor and third party services from remote documentation specialist vendors, depreciation expense related to the glass equipment and information technology costs incurred directly in the Company's revenue-generating activities.

Stock-Based Compensation

The Company measures and recognizes compensation expense for all stock options awarded to employees and nonemployees based on the estimated fair market value of the award on the grant date. The Company uses the Black-Scholes option pricing model to value its stock option awards. The Company recognizes compensation expense on a straight-line basis over the requisite service period, which is generally the vesting period of the award. The Company accounts for forfeitures of stock options as they occur. Stock-based awards issued to nonemployees were revalued at each reporting period until the award vests.

On January 1, 2019, the Company early adopted ASU 2018-7, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which simplifies the accounting for share-based payments granted to nonemployees for goods and services. As a result of the adoption, stock-based awards issued to nonemployees are no longer required to be revalued at each reporting period. The adoption of ASU No. 2018-7 did not have a material effect on the consolidated financial statements.

Estimating the fair market value of options requires the input of subjective assumptions, including the estimated fair value of the Company's common stock, the expected life of the options, stock price volatility, the risk-free interest rate and expected dividends. The assumptions used in the Company's Black-Scholes option-pricing model represent management's best estimates and involve a number of variables, uncertainties and assumptions and the application of management's judgment, as they are inherently subjective.

Research and Development Costs

Research and development costs are expensed as incurred and consist primarily of personnel-related expenses, licensing costs and other direct expenses.

Advertising Costs

All advertising costs are expensed as incurred and included in sales and marketing expenses. Advertising expenses incurred by the Company during the three months ended September 30, 2020 and 2019 were $39,218 and $12,730, respectively. Advertising expenses incurred by the Company during the nine months ended September 30, 2020 and 2019 were $77,182 and $29,181, respectively.

Comprehensive Loss

The Company reports comprehensive loss, which includes the Company's net loss as well as changes in equity from non-stockholder sources, as a separate component of stockholders' deficit. In the Company's case, the change in equity included in comprehensive loss is the cumulative foreign currency translation adjustments.

Income Taxes

The Company accounts for income taxes using the asset and liability method as set forth in ASC 740, *Income Taxes*. Under this method, deferred income tax assets and liabilities are recorded based on the estimated future income tax effects of differences between the financial statement and income tax basis of existing assets and liabilities. Deferred income tax assets and liabilities are recorded net and as noncurrent on the consolidated balance sheets. A valuation allowance is provided against the Company's deferred income tax assets when their realization is not reasonably assured.

Net Loss Per Share

Basic net loss per share of common stock is computed by dividing net loss by the weighted average number of common stock outstanding during each period. Diluted net loss per common stock includes the effect, if any, from the potential exercise or conversion of securities, such as options and warrants which would result in the issuance of incremental common stock. In computing basic and diluted net loss per share, the weighted average number of shares is the same for both calculations due to the fact that a net loss existed for the three and nine months ended September 30, 2020 and 2019, respectively.

The following potentially dilutive securities have been excluded from the computation of diluted weighted-average shares of common stock outstanding, as they would be anti-dilutive:

	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)
Convertible preferred stock	35,196,158	34,308,556
Convertible preferred stock warrants	6,576,565	6,283,658
Common stock warrants	13,273	13,273
Stock options	10,623,489	6,627,025
	52,409,485	47,232,512

Recent Accounting Pronouncements

In February 2016, the FASB issued ASC Topic 842, *Leases*. This standard requires all entities that lease assets with terms of more than 12 months to capitalize the assets and related liabilities on the balance sheet. In June 2020, the FASB issued ASU 2020-05, which amended the effective date of Topic 842 until January 1, 2022. Upon adoption, the standard requires the use of a modified retrospective transition approach for its adoption. The Company is currently evaluating the effect Topic 842 will have on its financial statements and related disclosures. Management expects the assets leased under operating leases, similar to the leases disclosed in Note 9 to the consolidated financial statements, will be capitalized together with the related lease obligations on the consolidated balance sheet upon the adoption of Topic 842.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows* (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU No. 2016-15 addresses eight specific cash flow issues with the objective of reducing diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The Company adopted this standard on January 1, 2020 and it did not have a material impact to the consolidated statement of cash flows.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurements*, which changes the fair value measurement disclosure requirements of ASC 820. The goal of the ASU is to improve the effectiveness of ASC 820's disclosure requirements. The Company adopted this standard on January 1, 2020 and it did not have a material impact on the consolidated financial statements.

In August 2020, the FASB issued ASC Update No. 2020-06, *Debt - Debt with Conversion and Other Options* (Subtopic 470-20) *and Derivatives and Hedging - Contracts in Entity's Own Equity* (Subtopic 815-40): *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity.* The goal of the ASC is to simplify the complexity associated with applying U.S. GAAP for certain financial instruments with characteristics of liabilities and equity. More specifically, the amendments focus on the guidance for convertible instruments and derivative scope exception for contracts in an entity's own equity. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The effect that the adoption will have on the consolidated financial position and results of operations is being evaluated.

3. Fair Value Measurements

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis:

	September 30, 2020 (unaudited)		
	(Level 1)	(Level 2)	(Level 3)
Liabilities			
Preferred stock warrant liability	$ —	$ —	$ 5,252,855

	December 31, 2019 (audited)		
	(Level 1)	(Level 2)	(Level 3)
Liabilities			
Preferred stock warrant liability	$ —	$ —	$ 4,391,372

The fair value of the warrants was calculated using the Black-Scholes option pricing model and is revalued to fair value at the end of each reporting period until the earlier of the exercise or expiration of the warrants. The fair value of the preferred stock warrant liability is estimated using the Black-Scholes option pricing model using the following assumptions:

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Risk-free interest rate	0.6%	1.9%
Remaining contractual life of warrant	8.9	9.7
Expected volatility	58.0%	50.9%
Annual dividend yield	0%	0%
Fair value of Series B convertible preferred stock	$ 1.26	$ 1.14

The Company's preferred stock warrant liability is classified within Level 3 of the fair value hierarchy at September 30, 2020 and December 31, 2019. The changes in value of the preferred stock warrant liability for the nine months ended September 30, 2020 are summarized below:

Balance, December 31, 2019 (audited)	$ 4,391,372
Issuance of Series B warrants	95,478
Change in fair value recorded as other expense	766,005
Balance, September 30, 2020 (unaudited)	$ 5,252,855

Fair Value of Financial Instruments

The carrying amounts of restricted cash, accounts receivable, accounts payable, and customer deposits approximate fair value due to their short-term nature. The carrying value of the Note Payable and the PPP Loan was determined to approximate fair value due to its variable interest rate that approximates prevailing interest rates as of each reporting period. As of September 30, 2020, the fair value of the Company's Note Payable and the PPP Loan was $12,900,000. As of September 30, 2020 the carrying value of the Company's Note Payable and the PPP Loan $12,148,451. The fair value and carrying value of the Company's Note Payable at December 31, 2019 was $11,200,000 and $9,721,608, respectively. Fair value was determined using Level 3 inputs.

4. Property and Equipment

Property and equipment consists of the following:

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Computer hardware, software and equipment	$ 5,356,659	$ 5,039,545
Leasehold improvements	2,174,392	2,072,006
Furniture and fixtures	270,986	262,865
	7,802,037	7,374,416
Less accumulated depreciation and amortization	(6,807,448)	(6,161,390)
	$ 994,589	$ 1,213,026

Depreciation and amortization expense was $213,302 and $234,020 for the three months ended September 30, 2020 and 2019, respectively, and $645,735 and $688,463 for the nine months ended September 30, 2020 and 2019, respectively.

5. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consists of the following:

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Accrued compensation	$ 1,200,070	$ 1,196,723
Accrued other	483,205	530,924
Accrued partner vendor liabilities	532,586	769,351
Deferred rent	73,848	210,010
Accrued professional fees	1,574,725	36,227
Accrued VAT and other taxes	23,534	23,013
	$ 3,887,968	$ 2,766,248

6. Debt

Note Payable

In June 2015, the Company entered into a loan and security agreement (the Agreement) with a commercial bank. The Agreement allowed for borrowings of up to $3,500,000. Outstanding borrowings under the Agreement bear interest at the prime rate of interest plus 0.5% (3.87% and 5.25% at September 30, 2020 and December 31, 2019). The Agreement initially required monthly interest-only payments through December 2016, followed by 30 equal payments of principal and interest beginning January 2017 through its maturity in June 2019. However, the Agreement was amended multiple times, most recently in August 2019 to extend the interest-only period through December 2020, increase the available borrowings to $5,000,000, add a compensating balance provision whereby the Company must maintain at least $2,000,000 in an account with and under the control of the commercial bank and extend the maturity to December 2020, at which point all outstanding principal and interest is due. As of September 30, 2020 and December 31, 2019, the outstanding balance due on the note payable is $2,893,667.

Outstanding borrowings under the Agreement are secured by substantially all assets of the Company, and the Company is required to maintain certain financial and non-financial covenants. The Company was in compliance with all covenants at September 30, 2020 and December 31, 2019.

In connection with the Agreement, in June 2015, the Company issued a warrant to purchase 555 shares of Series A-1 convertible preferred stock (Prior Series A-1) (First Comerica Warrant).

In connection with an amendment, in July 2017, the Company issued a warrant to purchase 156 shares of Series A-2 convertible preferred stock (Series A-2) (Second Comerica Warrant).

In October 2018, in connection with the issuance of Series A convertible preferred stock (Series A), the Company cancelled the First Comerica Warrant and the Second Comerica Warrant and issued in its place warrants to purchase 555 and 218 shares of common stock. The warrants have an exercise price of $40.500 per share and $44.679 per share, are immediately exercisable and expire in June 2025 and July 2027, respectively.

Subordinated Note Payable

In May 2017, the Company entered into a loan and security agreement (the Sub Agreement) with a lending institution for borrowings of up to $10,000,000. At September 30, 2020 and December 31, 2019, outstanding borrowings under the Sub Agreement bear interest at the rate of 12% per year.

Outstanding borrowings under the Sub Agreement are collateralized by substantially all assets of the Company and are subordinate to any outstanding borrowings under the Agreement. Borrowings under the Sub Agreement are subject to certain financial and non-financial covenants. The Company was in compliance with all covenants at September 30, 2020 and December 31, 2019.

In August 2019, the Company amended the Sub Agreement (the Amended Sub Agreement) to extend the interest-only period through December 2020 and the maturity date to April 2023. Following the interest-only period, the Amended Sub Agreement requires 27 equal payments of principal and interest through March 2023, and a final lump sum payment of outstanding principal and interest at maturity.

In connection with the Sub Agreement, the Company issued a warrant to purchase 8,022 shares of Series A-2. The warrant had an exercise price of $62.326 per share, was immediately exercisable and was to expire in July 2027. At issuance, the fair value of the warrant was determined to be $265,255, which was recorded as a discount to the Sub Agreement and as a preferred stock warrant liability on the accompanying consolidated balance sheets.

In connection with the Sub Agreement, a final payment of $600,000 is payable at the maturity date in April 2023. The Company recorded the final payment as both a discount and an increase to the principal amount of the debt. The Company also capitalized certain lender and legal costs associated with the Sub Agreement totaling $279,757, which were recorded as a discount to the Sub Agreement. The aggregate discount of $1,145,012 is being amortized to interest expense over the repayment term of the Sub Agreement. Debt discount amortized to interest expense was $82,974 and $81,784 for the three months ended September 30, 2020 and 2019, respectively, and $246,543 and $245,353 for the nine months ended September 30, 2020 and 2019, respectively. At September 30, 2020, the remaining unamortized discount was $54,012.

In connection with an amendment to the Sub Agreement in May 2018, the warrant to purchase 8,022 shares of Series A-2 was terminated and a new warrant to purchase 29,882 shares of Series B convertible preferred stock (Prior Series B Warrant) was issued. Then, in October 2018, in connection with the “Pay-to-Play” financing the Company cancelled the outstanding Prior Series B Warrant and in replacement issued a warrant to purchase 239,300 shares of Series A-1 convertible preferred stock (the Series A-1 warrant). The warrant had an exercise price of $2.00 per share, was immediately exercisable and was to expire in October 2028. In August 2019 in connection with the Amended Sub Agreement, the Company canceled the outstanding Series A-1 warrant and in replacement issued a warrant to purchase 1,379,028 shares of Series B convertible preferred stock. The warrant has an exercise price of $1.21 per share, is immediately exercisable and expires in September 2029.

At September 30, 2020, the future minimum payments required under the Sub Agreement, including the final payment, are as follows as of:

Years ending December 31:	
2020 (remaining three months)	$ -
2021	3,719,265
2022	4,190,960
2023	1,511,938
	9,422,163
End of term charge	600,000
	10,022,163
Less unamortized debt discount	(54,012)
Sub agreement borrowings net of discount	9,968,151
Less: current portion	(2,747,409)
Sub agreement borrowings, non-current portion	$ 7,220,742

Convertible Promissory Notes

In August 2019, the Company issued convertible promissory notes and received cash proceeds of $3,303,535. The notes accrued simple interest of 6% per year and, if not converted, were to mature in January 2020. All principal and interest was due at maturity. The convertible promissory notes contained a contingent beneficial conversion feature whereby the convertible promissory notes automatically convert to capital stock that is sold in a qualified financing that raises aggregate gross proceeds in excess of $14,700,000. The conversion price was 90% of the lowest selling price per share in the qualified financing. In September 2019, the Company completed a qualified financing (Note 7) and the principal amount plus $15,748 of accrued interest converted into 3,045,240 shares of Series B convertible preferred stock. In addition, the Company issued warrants to purchase up to 900,145 shares of Series B convertible preferred stock at a price of $1.21 per share with an initial aggregate fair value of $709,962 which are immediately exercisable and expire in September 2029. As a result of the contingent beneficial conversion feature, the Company recognized interest expense of $1,078,769 at the date of conversion.

Paycheck Protection Program

On April 11, 2020, the Company entered into an original loan agreement with East West Bank as the lender ("Lender") for a loan in an aggregate principal amount of $2,180,300 (the "Loan") pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and implemented by the U.S. Small Business Administration. The Loan matures in two years and bears interest at a rate of 1% per year, with all payments deferred through the six-month anniversary of the date of the Loan. Principal plus accrued unpaid interest is to be paid in one payment two years after the date of this note and may be prepaid by the Company at any time prior to maturity without penalty. The Company may apply for forgiveness of amounts due under the Loan, with the amount of potential loan forgiveness to be calculated in accordance with the requirements of the PPP based on payroll costs, any mortgage interest payments, any covered rent payments and any covered utilities payments during the 8-24 week period after the origination date of the Loan. The Company intends to use proceeds of the Loan for payroll and other qualifying expenses, but there can be no assurances that any portion of the Loan will be forgiven. The balance on this PPP loan was $2,180,300 as of September 30, 2020 and has been classified as a long-term liability in notes payable in the accompanying unaudited interim consolidated balance sheet at September 30, 2020.

7. Common Stock and Convertible Preferred Stock

Common Stock

The Company is authorized to issue 65,189,974 shares of common stock with a par value of $0.0001 per share. Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Subject to preferences that may apply to any outstanding preferred stock, holders of common stock are entitled to receive ratably any dividends that the Company's board of directors may declare out of funds legally available for that purpose on a non-cumulative basis. No dividends had been declared through September 30, 2020.

In October 2018 and August 2019, the Company issued warrants to nonemployees to purchase 2,500 and 10,000 shares of common stock, respectively. The warrants have an exercise price of $16.73 per share and $0.36 per share, are immediately exercisable and expire in August 2028 and August 2024, respectively. The Company determined the fair value of the warrants to be immaterial to the consolidated financial statements as a whole. At September 30, 2020 there were 13,273 common stock warrants outstanding with a weighted average exercise price of $5.85 per warrant.

Convertible Preferred Stock

The Company has Series A, Series A-1, and Series B convertible preferred stock, which are classified outside of stockholders' deficit because the shares contain deemed liquidation rights that are contingent redemption features not solely within the control of the Company. As a result, all of the Company's convertible preferred stock is classified as mezzanine equity. At September 30, 2020, the Company is authorized to issue 48,279,439 shares of convertible preferred stock with a par value of $0.0001 per share and the following shares of convertible preferred stock were authorized, issued and outstanding:

	Shares Authorized	Shares Issued and Outstanding	Aggregate Liquidation Preference
Series A	6,376,169	6,376,169	$ 12,752,338
Series A-1	12,752,341	12,752,341	25,504,682
Series B	29,150,929	16,067,648	19,459,529
	48,279,439	35,196,158	$ 57,716,549

In September and October 2019, the Company raised $15,271,440 in cash proceeds through issuance of 12,609,561 shares of Series B convertible preferred stock (Series B) and warrants to purchase up to 4,161,153 shares of Series B at a price of $1.21 per share. The warrants are immediately exercisable and expire in September 2029. The proceeds were first allocated to the warrant liability based on an initial fair value of $3,281,216, with a corresponding amount recorded as a reduction in the carrying amount of the Series B. The Company incurred issuance costs of $52,893 which were recorded as a reduction of the proceeds. In addition, the Company also issued 3,045,240 shares of Series B in exchange for the conversion of convertible promissory notes and accrued interest.

In February 2020, the Company raised $499,999 in cash proceeds through issuance of 412,847 shares of Series B convertible preferred stock (Series B) and warrants to purchase up to 136,239 shares of Series B at a price of $1.21 per share, are immediately exercisable and expire in September 2029. The proceeds were first allocated to the warrant liability based on an initial fair value of $95,478 with a corresponding amount recorded as a reduction in the carrying amount of the Series B. The Company incurred issuance costs of $4,017 which were recorded as a reduction of the proceeds.

The rights, preferences, privileges and restrictions for the holders of Series A, Series A-1 and Series B (collectively, Preferred Stock) are as follows:

Dividends

The holders of Preferred Stock are entitled to receive non-cumulative dividends at an annual rate of 8% of the original issuance price per share, as adjusted for any stock dividends, combinations, splits or the like, prior to and in preference to any declaration or payment of dividends on common stock. At September 30, 2020, the original issuance price of Series A, Series A-1 and Series B, is $2.00, $2.00 and $1.2111 per share, respectively. Dividends are payable when and if declared by the Board of Directors. After payment of such dividends, any additional dividends or distributions will be distributed among holders of common stock and Preferred Stock on a pari passu basis. No dividends have been declared or paid through September 30, 2020.

Liquidation

In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, the holders of Series B are entitled to receive, prior to and in preference to holders of Series A, Series A-1 or Common Stock the greater of (i) amounts per share equal to $1.2111, respectively, as adjusted for stock splits, stock dividends, combinations, reclassifications or the like, plus all declared and unpaid dividends on each share of Series B , as applicable; or (ii) such amount per share as would have been payable had all shares of Series B been converted into common stock immediately prior to such liquidation transaction. If, upon occurrence of such an event, the assets and funds to be distributed among the holders of Series B are insufficient to permit the above payment to such holders, then the entire assets and funds of the Company legally available for distribution will be distributed ratably among the holders of Series B in proportion to the preferential amount each such holder is otherwise entitled to receive. Upon the completion of the distribution to the holders of Series B , all remaining proceeds, if any, will be distributed to the holders of shares of Series A and Series A-1 and then ratably distributed among the holders of common stock.

Voting

The holders of Preferred Stock are entitled to voting rights equal to the number of shares of common stock into which each share of Preferred Stock could be converted.

As long as at least 1,500,000 shares of Series A, Series A-1 and Series B, combined, remain outstanding, the holders of Series A, Series A-1 and Series B, voting as a separate class, are entitled to elect three members of the Board of Directors. The holders of common stock, voting as a separate class, are entitled to elect two members of the Board of Directors. The holders of Preferred Stock and common stock, voting together as a single class on an as-converted basis, are entitled to elect the remaining members of the Board of Directors.

Conversion

Each share of Preferred Stock is convertible into common stock, at the option of the holder, at any time after the date of issuance. The conversion ratio is determined by dividing the original issue price by the conversion price, and is subject to adjustment for any stock splits, dividends, reclassifications or the like and for dilutive issuances of new securities. At September 30, 2020, the conversion price for Series A, Series A-1 and Series B was equal to the original issuance price of $2.00, $2.00 and $1.2111, respectively.

Each share of Preferred Stock will automatically convert into the number of shares of common stock into which such shares are convertible at the then applicable conversion ratio upon (i) the closing of the sale of the Company's common stock in a public offering where the public offering price is not less than $5.00 per share, as adjusted for stock splits, dividends, reclassifications or the like, with aggregate gross proceeds of at least $50,000,000 or (ii) the affirmative vote or consent of the holders of at least a majority of the outstanding shares of Preferred Stock, voting together as a single class, on an as-converted basis.

Protective Provisions

As long as at least 1,500,000 shares of Preferred Stock remain outstanding, as adjusted for stock splits, dividends, reclassifications or the like, approval of at least a majority of the holders of the outstanding shares of Preferred Stock is necessary for consummation of certain transactions, including but not limited to: increasing or decreasing authorized capital stock; creating any senior or pari passu security, privileges, preferences or voting rights senior to or on parity with those granted to the Preferred Stock; redeeming or repurchasing the Company's equity securities; declaring or paying any dividends; incurring indebtedness in excess of $500,000; entering into any transaction deemed to be a liquidation or dissolution of the Company; changing the authorized number of members of the Board of Directors; altering or changing any provision of the Restated Certificate of Incorporation or Bylaws; creating or holding stock in a subsidiary; entering into related party transactions; or acquiring through merger or purchase of substantially all of the assets or capital stock of another entity.

Series B Convertible Preferred Stock Warrants

In August 2019, in connection with amending its Sub Agreement (Note 6), the Company issued a warrant to purchase 1,379,028 shares of Series B convertible preferred stock. In September and October 2019, in connection with the Series B financing and the conversion of convertible promissory notes, the Company issued warrants to purchase 5,061,298 shares of Series B convertible preferred stock. In February 2020, in connection with the Series B financing, the Company issued warrants to purchase 136,239 shares of Series B convertible preferred stock. There were no additional grants, exercises, or cancellations of Series B convertible preferred stock warrants during the nine months ended September 30, 2020, and total warrants of 6,576,565 were outstanding as of that date.

8. Equity Incentive Plan

In 2013, the Company adopted the 2013 Equity Incentive Plan (the Plan). Options granted under the Plan may be incentive stock options (ISOs), non-qualified stock options (NSOs), stock appreciation rights (SARs) and restricted stock awards (RSAs). ISOs may be granted only to Company employees and directors. NSOs, SARs and RSAs may be granted to employees, directors, advisors and consultants. The Board of Directors has the authority to determine to whom options will be granted, the number of options, the term, and the exercise price. As of September 30, 2020, and December 31, 2019, the Company has reserved 11,832,515 shares of common stock for issuance under the Plan.

Options are to be granted at an exercise price not less than fair value. For individuals holding more than 10% of the voting rights of all classes of stock, the exercise price of an option will not be less than 110% of fair value. Fair value is determined by the Company's Board of Directors. The vesting period is normally monthly over a period of four years from the grant date.

The Company recorded share-based compensation expense in the following expense categories in the consolidated statements of operations and comprehensive loss for the period presented:

	Three Months Ended September 30, (unaudited)		Nine Months Ended September 30, (unaudited)	
	2020	**2019**	**2020**	**2019**
General and administrative	$ 68,788	$ 68,621	$ 358,609	$ 184,796
Sales and marketing	17,943	17,786	69,614	52,098
Research and development	8,857	11,919	48,362	46,227
Cost of revenues	3,128	3,250	14,500	11,360
	$ 98,716	$ 101,576	$ 491,085	$ 294,481

No income tax benefits have been recognized in the consolidated statements of operations for stock-based compensation arrangements and no stock-based compensation costs have been capitalized as property and equipment through September 30, 2020.

The fair value of options is estimated using the Black Scholes option pricing model, which takes into account inputs such as the exercise price, the value of the underlying ordinary shares at the grant date, expected term, expected volatility, risk free interest rate and dividend yield. The fair value of each grant of options during the nine months ended September 30, 2020 and 2019 was determined using the methods and assumptions discussed below.

- The expected term of employee options is determined using the “simplified” method, as prescribed in SEC’s Staff Accounting Bulletin (SAB) No. 107, whereby the expected life equals the arithmetic average of the vesting term and the original contractual term of the option due to the Company’s lack of sufficient historical data.

- The expected volatility is based on historical volatility of the publicly traded common stock of a peer group of companies.

- The risk-free interest rate is based on the interest rate payable on U.S. Treasury securities in effect at the time of grant for a period that is commensurate with the assumed expected term.

- The expected dividend yield is none because the Company has not historically paid and does not expect for the foreseeable future to pay a dividend on its ordinary shares.

For the nine months ended September 30, 2020 and 2019, the grant date fair value of all option grants was estimated at the time of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	Nine Months Ended September 30,	
	2020 (unaudited)	**2019 (unaudited)**
Expected term (in years)	5.0	6.4
Expected Volatility	38.1%	40.5%
Risk-free rate	0.5%	2.0%
Dividend Yield	—	—

The weighted average grant date fair value of stock option awards granted was $0.10 and $0.15 during the nine months ended September 30, 2020 and 2019, respectively.

The following table summarizes stock option activity under the Plan for the nine months ended September 30, 2020:

	Number of Shares under Option Plan	**Weighted-Average Exercise Price per Option**	**Weighted-Average Remaining Contractual Life (in years)**
Outstanding at December 31, 2019	6,533,394	$ 0.36	8.98
Granted	4,906,012	$ 0.24	
Exercised	(6,013)	$ 0.34	
Forfeited and expired	(809,904)	$ 0.34	
Outstanding at September 30, 2020	10,623,489	$ 0.32	8.86
Exercisable at September 30, 2020	5,665,924	$ 0.33	8.72
Vested and expected to vest at September 30, 2020	10,623,489	$ 0.32	8.86

The options exercised during the nine months ended September 30, 2020 had no intrinsic value. The aggregate intrinsic value of options outstanding and options exercisable as of September 30, 2020 were both $591. At September 30, 2020, future stock-based compensation for options granted and outstanding of $563,729 will be recognized over a remaining weighted-average requisite service period of 1.0 years.

9. Commitments and Contingencies

Operating Leases

The Company leases its office facilities in San Francisco, California under non-cancelable operating lease agreements that expire at various dates through February 2021. In addition, the Company's subsidiary has several operating lease agreements for office space in Bangladesh, which expire at various dates through December 2028. The Bangladesh lease agreements allow for early cancellation without penalty upon providing the landlord advance notice of at least six months. Under the terms of the operating lease agreements, the Company is responsible for certain insurance and maintenance expenses. Certain of the lease agreements contain scheduled rent increases and provide for rent-free months over the term of the leases. The related rent expense for the leases is calculated on a straight-line basis with the difference between rent expense and scheduled rent payments recorded as deferred rent. Rent expense was $155,025 and $234,849 during the three months ended September 30, 2020 and 2019, respectively, and $490,282 and $687,866 during the nine months ended September 30, 2020 and 2019, respectively.

Future minimum rental payments under all non-cancelable operating leases are as follows:

Years ending December 31:		
2020 (remaining three months)	$	96,535
2021		64,357
Total	$	160,892

Legal

In the normal course of business, the Company may receive inquiries or become involved in legal disputes regarding various litigation matters. In the opinion of management, any potential liabilities resulting from such claims would not have a material adverse effect on the Company's consolidated financial position or results of operations. As a result, no liability related to such claims has been recorded at September 30, 2020 or December 31, 2019.

Indemnification Agreements

From time to time, in the normal course of business, the Company may indemnify other parties when it enters into contractual relationships, including members of the Board of Directors, employees, customers, lessors and parties to other transactions with the Company. The Company may agree to hold other parties harmless against specific losses, such as those that could arise from a breach of representation, covenant or third-party infringement claims. It may not be possible to determine the maximum potential amount of liability under such indemnification agreements due to the unique facts and circumstances that are likely to be involved in each particular claim and indemnification provision. Management believes any liability arising from these agreements will not be material to the consolidated financial statements. As a result, no liability for these agreements has been recorded at September 30, 2020 or December 31, 2019.

10. Related Party Transactions

In 2015, the Bangladesh subsidiary entered into agreements to rent office facilities under 10-year operating lease agreements (Note 9), with a company owned by relatives of the Company's Chief Strategy Officer. The Company paid $100,512 and $103,162 to the related party during the three months ended September 30, 2020 and 2019, respectively, and $307,036 and $293,950 during the nine months ended September 30, 2020 and 2019, respectively, which is included as rent expense. At September 30, 2020, there were no amounts owed to the related party.

11. Employee Benefit Plan

The Company has a 401(k) plan to provide defined contribution retirement benefits for all eligible employees. Participants may contribute a portion of their compensation to the plan, subject to the limitations under the Internal Revenue Code. The Company's contributions to the plan are at the discretion of the Board of Directors. The Company made $16,545 and $62,805 in contributions to the plan during the three and nine months ended September 30, 2020, respectively. There were no contributions made during the three and nine months ended September 30, 2019.

12. Subsequent Events

Subsequent events have been evaluated through the date that the unaudited interim consolidated financial statements were approved by the Company and available to be issued. The following subsequent events have occurred during the period.

Merger

On October 5, 2020, Malo Holdings Corporation ("Malo Holdings"), a Delaware corporation, its wholly-owned subsidiary, August Acquisition Corp. ("Acquisition Sub"), and Augmedix entered into an Agreement and Plan of Merger and Reorganization (the "Merger Agreement"). Pursuant to the terms of the Merger Agreement, on October 5, 2020, Acquisition Sub merged with and into Augmedix, with Augmedix continuing as a wholly owned subsidiary of Malo Holdings and the surviving corporation of the merger (the "Merger"). As a result of the Merger, Malo Holdings acquired the business of Augmedix and will continue the existing business operations of Augmedix as a public reporting company under the name "Augmedix, Inc." Following the consummation of the Merger, Augmedix changed its name to "Augmedix Operating Corporation."

Each share of the Company's capital stock issued and outstanding immediately prior to the closing of the merger was converted into the right to receive (a) 0.420864013 shares of Malo Holdings common stock (the "Common Share Conversion Ratio") (in the case of shares held by accredited investors) or (b) $3.00 multiplied by the Common Share Conversion Ratio (in the case of shares held by unaccredited investors and those with an entitlement to shares of the Company's capital stock). At the closing of the merger, Malo Holdings issued 15,458,133 shares of common stock to the former holders of the Company's capital stock.

In addition, pursuant to the Merger Agreement, options and warrants to purchase the Company's common stock and warrants to purchase the Company's Series B convertible preferred stock that were issued and outstanding immediately prior to the closing were assumed and converted into options and warrants to purchase common stock of Malo Holdings.

The merger will be treated as a recapitalization and reverse acquisition for Malo Holdings for financial reporting purposes. The Company is considered the acquirer for accounting purposes as the former shareholders of the Company own approximately 88% of Malo Holdings post-merger, among other factors, and Malo Holdings' historical financial statements before the merger will be replaced with the historical financial statements of the Company before the merger in future filings with the Securities Exchange Commission. The merger is intended to be treated as a tax-free reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended.

Private Placement Offering

Following the effective time of the Merger, the Company sold 8,472,186 shares of common stock pursuant to an initial closing of a private placement offering for up to 10,000,000 shares of common stock (plus up to an additional 1,666,667 shares of common stock to cover over-subscriptions in the event the private placement offering is over-subscribed) at a purchase price of $3.00 per share (the "Offering") for aggregate gross proceeds of $25.4 million. Also, the private placement agents received warrants to purchase up to 164,745 shares of the Company's common stock with a term of five years and an exercise price of $3.00 per share.

In November 2020, the Company sold 666,667 additional shares of common stock pursuant to an additional closing of the Offering (the "Additional Closing") for aggregate gross proceeds of $2.0 million (before deducting placement agent fees and expenses which are estimated at $0.16 million). In connection with the Additional Closing, the placement agents will also receive warrants to purchase up to 53,333 shares of the Company's common stock with a term of five years and an exercise price of $3.00 per share.

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

We were incorporated as Malo Holdings Corporation ("Malo"), in the State of Delaware on December 27, 2018. Prior to the Merger (as defined below), we were a "shell company" (as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")).

On October 5, 2020, our wholly-owned subsidiary, August Acquisition Corp., a corporation formed in the State of Delaware on September 29, 2020, merged with and into Augmedix, Inc., a privately-held Delaware corporation ("Augmedix"). Pursuant to this transaction (the "Merger"), Augmedix was the surviving corporation and became our wholly-owned subsidiary, and all of the outstanding stock of Augmedix held by accredited investors were converted into shares of our common stock. All of Augmedix's outstanding warrants, options and stock appreciation rights were assumed by us. Following the consummation of the Merger, Augmedix changed its name to "Augmedix Operating Corporation." Immediately after completion of the Merger, we changed our name to "Augmedix, Inc." by filing a Certificate of Amendment to our Certificate of Incorporation.

On October 5, 2020, our board of directors and all of our pre-Merger stockholders approved a restated certificate of incorporation, which was effective upon its filing with the Secretary of State of the State of Delaware on October 5, 2020. On October 5, 2020, our board of directors also adopted restated bylaws.

As a result of the Merger, we acquired the business of Augmedix and will continue the existing business operations of Augmedix as a public reporting company under the name Augmedix, Inc.

The Merger is being accounted for as a reverse-merger and recapitalization. Augmedix is the acquirer for financial reporting purposes, and Malo is the acquired company under the acquisition method of accounting in accordance with FASB ASC Topic 805, *Business Combination*. Consequently, the assets, liabilities and operations that will be reflected in the historical financial statements prior to the Merger will be those of Augmedix and will be recorded at the historical cost basis of Augmedix, and the consolidated financial statements after completion of the Merger will include the assets, liabilities and results of operations of Augmedix up to the day prior to the closing of the Merger and the assets, liabilities and results of operations of the combined company from and after the closing date of the Merger. The unaudited pro forma combined financial information is based on individual historical financial statements of Augmedix and Malo prepared under U.S. GAAP and is adjusted to give effect to the Merger.

Following the Merger, on October 5, 2020, we sold 8,472,186 shares of our common stock pursuant to an initial closing of a private placement offering for up to 10,000,000 shares of our common stock (plus up to an additional 1,666,667 shares of our common stock to cover over-subscriptions in the event the private placement offering is over-subscribed) at a purchase price of $3.00 per share (the "Offering"). On November 13, 2020, we completed an additional closing of the Offering and sold 666,667 shares of our common stock at a purchase price of $3.00 per share. The total gross proceeds from the Offering was $27.4 million. We may hold one or more subsequent closings at any time prior to November 15, 2020, unless otherwise extended, to sell the remaining shares in the private placement offering.

Certain fees associated with the acquisition that were incurred by Augmedix and Malo, such as fees for legal and financial services, are not reflected in these unaudited pro forma combined financial statements. The unaudited pro forma combined statements of operations eliminate any non-recurring charges directly related to the Merger that the combined entities incur upon completion of the Merger.

The unaudited pro forma combined balance sheet as of September 30, 2020 gives effect to the Merger as if it had been consummated on September 30, 2020, and includes adjustments that give effect to events that are directly attributable to the transaction and that are factually supportable. The unaudited pro forma combined statements of operations for the year ended December 31, 2019 and for the nine months ended September 30, 2020 give effect to the Merger as if it had been consummated on January 1, 2019, and include adjustments that give effect to events that are directly attributable to the transaction, are expected to have a continuing impact, and that are factually supportable. The notes to the unaudited pro forma combined financial information describe the pro forma amounts and adjustments presented below.

The unaudited pro forma combined financial information does not purport to represent what the combined company's results of operations and comprehensive loss or financial position would actually have been had the Merger occurred on the dates described above or to project the combined company's results of operations or financial position for any future date or period.

The unaudited pro forma combined financial information should be read together with (1) Augmedix's audited consolidated balance sheet as of December 31, 2019 and the related consolidated statements of operations and comprehensive loss, statements of convertible preferred stock and changes in stockholders' deficit, and statements of cash flows for the years ended December 31, 2019 and 2018 and the accompanying notes, and the unaudited interim consolidated balance sheet as of September 30, 2020 and the related unaudited interim consolidated statements of operations and comprehensive loss, statements of convertible preferred stock and changes in stockholders' deficit and the statements of cash flows for the nine months ended September 30, 2020 and 2019 and the accompanying notes, and (2) Malo's audited balance sheets as of December 31, 2019 and 2018 and the related statements of operations, statements of changes in stockholders' deficit, and statements of cash flows for the year ended December 31, 2019 and for the period from December 27, 2018 (inception) through December 31, 2018 and the accompanying notes, and the related unaudited condensed interim balance sheet as of September 30, 2020 and the related unaudited condensed interim statements of operations, statement of changes in stockholders' deficit, and statements of cash flows for the nine months ended September 30, 2020 and 2019 and the accompanying notes.

Augmedix, Inc. and Malo Holdings Corporation
Unaudited Pro Forma Combined Balance Sheets
As of September 30, 2020
(in thousands)

			Pro Forma Adjustments		
	Augmedix, Inc.	Malo Holdings Corporation	Merger	Private Placement	Combined Pro Forma
Assets					
Current assets:					
Cash and cash equivalents	$ 1,428	$ 4	$ (50)(a)	$ 24,376(g)	$ 24,453
	-	-	(583)(d)	-	-
	-	-	(722)(e)	-	-
Restricted cash	2,000	-	-	-	2,000
Accounts receivable	2,562	-	-	-	2,562
Prepaid expenses and other current assets	413	-	-	-	413
Total current assets	6,403	4	(1,355)	24,376	29,428
Property and equipment, net	995	-	-	-	995
Deferred offering costs	935	-	-	(935)(g)	-
Deposits	173	-	-	-	173
Total assets	$ 8,506	$ 4	$ (1,355)	$ 23,441	$ 30,596
Liabilities, Convertible Preferred Stock and Equity (Deficit)					
Current liabilities:					
Notes payable, current portion	$ 2,894	$ -	$ -	$ -	$ 2,894
Subordinated note payable, current portion	2,747	-	-	-	2,747
Accounts payable	292	-	-	-	292
Accrued expenses and other current liabilities	3,888	13	(7)(a)	(810)(g)	2,362
	-	-	(722)(e)	-	-
Note payable - stockholder	-	98	(98)(a)	-	-
Deferred revenue	5,166	-	-	-	5,166
Customer deposits	1,053	-	-	-	1,053
Total current liabilities	16,040	111	(827)	(810)	14,514
Notes payable, net of current portion	2,180	-	-	-	2,180
Subordinated note payable, net of current portion	7,221	-	-	-	7,221
Preferred stock warrant liability	5,253	-	-	-	5,253
Total liabilities	30,694	111	(827)	(810)	29,168
Convertible preferred stock	54,283	-	(54,283)(b)	-	-
Stockholders' Equity (Deficit):					
Common stock	-	-	1(b)	1(g)	3
	-	-	1(c)	-	-
Additional paid-in capital	3,667	-	54,282(b)	24,250(g)	81,563
	-	-	(1)(c)	-	-
	-	-	(583)(d)	-	-
	-	-	(52)(f)	-	-
Accumulated deficit	(80,088)	(107)	55(a)	-	(80,088)
	-	-	52(f)	-	-
Accumulated other comprehensive loss	(50)	-	-	-	(50)
Total equity (deficit)	(76,471)	(107)	53,755	24,251	1,428
Total liabilities, convertible preferred stock and equity (deficit)	$ 8,506	$ 4	$ (1,355)	$ 23,441	$ 30,596

Augmedix, Inc. and Malo Holdings Corporation
Unaudited Pro Forma Combined Statements of Operations
For the Nine Months Ended September 30, 2020
(in thousands except share and per share information)

	Augmedix, Inc.	Malo Holdings Corporation	Pro forma Adjustments	Combined Pro Forma
Revenues	$ 11,940	$ -	$ -	$ 11,940
Cost of revenues	7,153	-	-	7,153
Gross profit	4,787	-	-	4,787
Operating expenses:				
General and administrative	8,480	35	(61)(h)	8,454
Sales and marketing	2,945	-	-	2,945
Research and development	3,485	-	-	3,485
Total operating expenses	14,910	35	(61)	14,884
Loss from operations	(10,123)	(35)	61	(10,097)
Other income (expense):				
Interest expense	(1,197)	(4)	4(i)	(1,197)
Interest income	3	-	-	3
Other income (expense)	(496)	-	766(j)	270
Total other income (expense), net	(1,690)	(4)	770	(924)
Net loss	$ (11,813)	$ (39)	$ 831	$ (11,021)
Net loss per common share, basic and diluted	$ (5.95)	$ (0.01)		$ (0.41)
Weighted-average common shares outstanding, basic and diluted	1,985,064	5,000,000		26,721,464

Augmedix, Inc. and Malo Holdings Corporation
Unaudited Pro Forma Combined Statements of Operations
For the Year Ended December 31, 2019
(in thousands except share and per share information)

	Augmedix, Inc.	Malo Holdings Corporation	Pro forma Adjustments	Combined Pro Forma
Revenues	$ 14,107	$ -	$ -	$ 14,107
Cost of revenues	9,428	-	-	9,428
Gross profit	4,679	-	-	4,679
Operating expenses:				
General and administrative	10,862	31	-	10,893
Sales and marketing	3,583	-	-	3,583
Research and development	6,977	-	-	6,977
Total operating expenses	21,422	31	-	21,453
Loss from operations	(16,743)	(31)	-	(16,774)
Other income (expense):				
Interest expense	(2,812)	(3)	3(i)	(2,812)
Interest income	6	-	-	6
Other income (expense)	1,051	-	72(j)	1,123
Total other income (expense), net	(1,755)	(3)	75	(1,683)
Net loss	$ (18,498)	$ (34)	$ 75	$ (18,457)
Net loss per common share, basic and diluted	$ (9.36)	$ (0.01)		$ (0.69)
Weighted-average common shares outstanding, basic and diluted	1,975,911	5,000,000		26,586,491

Augmedix, Inc. and Malo Holdings Corporation
Notes to Unaudited Pro Forma Combined Financial Statements
(in thousands except share and per share information)

Merger Pro Forma Adjustments

(a) To record $50 repayment of the Note Payable to the Stockholder of Malo immediately prior to the Merger. The remainder of the Note Payable of $48 and accrued interest thereon of $7 was forgiven.

(b) To record the conversion of the convertible preferred stock of Augmedix into common stock followed by the exchange of such shares for shares of common stock of the new Merged entity, Augmedix, Inc., with a par value of $0.0001 per share.

(c) To record the exchange of the common stock of Augmedix for shares of common stock of the new Merged entity, Augmedix, Inc., with a par value of $0.0001 per share.

(d) To record cash payment to unaccredited investors of Augmedix in lieu of exchanging of common stock for common stock of the new Merged entity, Augmedix, Inc.

(e) To record payment of Merger-related transaction costs.

(f) To eliminate the historical accumulated deficit of Malo after considering the debt forgiveness discussed in note (a) upon consummation of the Merger.

(g) In October 2020, Augmedix, Inc. completed a Private Placement Offering (“PPO”) and issued 8,472,186 shares of common stock, with a par value of $0.0001 per share, at an offering price of $3.00 per share. In November 2020, Augmedix, Inc. completed an additional closing of the PPO and issued 666,667 shares of common stock an offering price of $3.00 per share. The proceeds, net of placement agent and other offering expenses estimated at $3,040, are $24,376. Additionally, the adjustment reflects reclassification of $935 of deferred offering costs to additional paid-in capital and payment of $810 of estimated unpaid offering costs.

(h) Reflects adjustment for transaction costs recorded in historical period that will not have a continuing impact on the pro forma combined statements of operations.

(i) The unaudited pro forma combined statements of operations for the nine months ended September 30, 2020 and the year ended December 31, 2019 reflects an adjustment for the reduction in interest expense of $4 and $3, respectively, to reflect the repayment of the stockholder note payable of Malo as if the repayment occurred on January 1, 2019.

(j) The unaudited pro forma combined statements of operations for the nine months ended September 30, 2020 and the year ended December 31, 2019 reflects an adjustment to eliminate the change in fair value of preferred stock warrant liability of $766 and $72, respectively, as a result of the conversion of preferred stock to common shares.