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

FORM 10-Q

☒ **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2020

☐ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to

Commission File Number 000-52170

INNERWORKINGS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**20-5997364**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

203 North LaSalle Street, Suite 1800
Chicago, Illinois 60601
Phone: (312) 642-3700
(Address, zip code and telephone number, including area code, of principal executive offices)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, $0.0001 par value	INWK	Nasdaq Global Market

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

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

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

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

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

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

As of June 15, 2020, the Registrant had 52,689,449 shares of Common Stock, par value $0.0001 per share, outstanding.

EXPLANATORY NOTE

Reliance on SEC Relief from Filing Requirements

In accordance with the Securities and Exchange Commission (the "SEC") Order under Section 36 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), dated March 4, 2020 and March 25, 2020 (Release Nos. 34-88318 and 34-88465), granting exemptions from specified provisions of the Exchange Act and certain rules thereunder, InnerWorkings, Inc. (the “Company”) is relying on the relief provided by the Order to delay the filing of this Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (the “Report”).

On May 11, 2020, the Company filed a Current Report on Form 8-K stating that it is relying on the Order to delay the filing of the Report by up to 45 days. The Company was unable to compile and review certain information required in order to file the Report by the filing deadline due to difficulties in developing an updated forecast reflecting the negative impact on the Company's operations as a result of COVID-19 and the related valuation and accounting for goodwill and long-lived assets due to the sustained decrease in the Company's stock price which triggered an interim impairment assessment.

INNERWORKINGS, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2020
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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

InnerWorkings, Inc. and subsidiaries
Condensed Consolidated Statements of Comprehensive Loss
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Revenue	$ 261,360	$ 267,211
Cost of goods sold	197,918	205,201
Gross profit	63,442	62,010
Operating expenses:		
Selling, general and administrative expenses	51,913	55,830
Depreciation and amortization	3,127	2,617
Goodwill impairment	7,191	—
Restructuring charges	3,637	3,934
Loss from operations	(2,426)	(371)
Other income (expense):		
Interest income	56	98
Interest expense	(4,386)	(2,745)
Change in fair value of warrant	5,205	—
Foreign exchange loss	(2,791)	(476)
Other income	896	36
Total other expense	(1,020)	(3,087)
Loss before income taxes	(3,446)	(3,458)
Income tax benefit	(606)	(1,414)
Net loss	$ (2,840)	$ (2,044)
Basic loss per share	$ (0.05)	$ (0.04)
Diluted loss per share	$ (0.15)	$ (0.04)
Comprehensive loss	$ (7,936)	$ (1,332)

The accompanying notes form an integral part of the condensed consolidated financial statements.

InnerWorkings, Inc. and subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except per share data)
(Unaudited)

	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 30,775	$ 42,711
Accounts receivable, net of allowance for doubtful accounts of $2,758 and $3,830, respectively	181,604	202,406
Unbilled revenue	43,773	48,396
Inventories	34,795	34,977
Prepaid expenses	13,623	10,680
Other current assets	35,617	35,495
Total current assets	340,187	374,665
Property and equipment, net	36,671	37,224
Intangibles and other assets:		
Goodwill	144,925	152,210
Intangible assets, net	7,193	7,714
Right of use assets, net	48,284	51,159
Deferred income taxes	2,182	2,182
Other non-current assets	3,864	4,129
Total intangibles and other assets	206,448	217,394
Total assets	$ 583,306	$ 629,283
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 123,519	$ 142,136
Accrued expenses	46,137	50,975
Deferred revenue	9,495	9,568
Revolving credit facility - current	69	593
Term loan - current	8,750	7,500
Other current liabilities	29,059	35,665
Total current liabilities	217,029	246,437
Lease liabilities	44,314	46,075
Revolving credit facility - non-current	59,753	60,086
Term loan - non-current	81,762	89,242
Deferred income taxes	8,053	8,053
Other long-term liabilities	504	1,138
Total liabilities	411,415	451,031
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $0.0001 per share, 200,000 shares authorized, 64,831 and 64,820 shares issued, and 52,143 and 52,133 shares outstanding, respectively	6	6
Additional paid-in capital	246,769	245,311
Treasury stock at cost, 12,688 and 12,688 shares, respectively	(81,471)	(81,471)
Accumulated other comprehensive loss	(27,545)	(22,449)
Retained earnings	34,132	36,855
Total stockholders' equity	171,891	178,252
Total liabilities and stockholders' equity	$ 583,306	$ 629,283

The accompanying notes form an integral part of the condensed consolidated financial statements.

InnerWorkings, Inc. and subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(In thousands)
(Unaudited)

	Common Stock		Additional Paid-in-Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount		Shares	Amount			
Balance as of December 31, 2019	64,820	$ 6	$ 245,311	12,688	$ (81,471)	$ (22,449)	$ 36,855	$ 178,252
Net loss							(2,840)	(2,840)
Total other comprehensive loss - foreign currency translation adjustments						(5,096)		(5,096)
Issuance of common stock upon exercise of stock awards, net of withheld shares	11		(22)					(22)
Stock-based compensation expense			1,480					1,480
Cumulative effect of change related to adoption of ASC 326							117	117
Balance as of March 31, 2020	64,831	$ 6	$ 246,769	12,688	$ (81,471)	$ (27,545)	$ 34,132	$ 171,891

	Common Stock		Additional Paid-in-Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount		Shares	Amount			
Balance as of December 31, 2018	64,495	$ 6	$ 239,960	12,688	$ (81,471)	$ (24,311)	$ 46,771	$ 180,955
Net loss							(2,044)	(2,044)
Total other comprehensive income - foreign currency translation adjustments						712		712
Issuance of common stock upon exercise of stock awards, net of withheld shares	39		35					35
Stock-based compensation expense			739					739
Cumulative effect of change related to adoption of ASC 842							159	159
Balance as of March 31, 2019	64,534	$ 6	$ 240,734	12,688	$ (81,471)	$ (23,599)	$ 44,886	$ 180,556

The accompanying notes form an integral part of the condensed consolidated financial statements.

InnerWorkings, Inc. and subsidiaries
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2020	**2019**
Cash flows from operating activities		
Net loss	$ (2,840)	$ (2,044)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	3,127	2,617
Stock-based compensation expense	840	739
Bad debt provision	(438)	385
Contract implementation cost amortization	67	143
Goodwill impairment	7,191	—
Long-lived asset impairment	273	—
Change in fair value of warrant	(5,205)	—
Change in fair value of embedded derivatives	(435)	—
Unrealized foreign exchange loss	2,075	—
Other operating activities, net	531	102
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	17,728	3,928
Inventories	(1,277)	9,165
Prepaid expenses and other assets	(5,302)	274
Accounts payable	(14,089)	(9,207)
Accrued expenses and other liabilities	(11,991)	(610)
Net cash (used in) provided by operating activities	(9,745)	5,492
Cash flows from investing activities		
Purchases of property and equipment	(3,190)	(3,345)
Net cash used in investing activities	(3,190)	(3,345)
Cash flows from financing activities		
Net repayments on old revolving credit facility	—	(3,800)
Net repayments on new revolving credit facility	(633)	—
Net short-term secured borrowings	—	1,256
Payments on term loan	(1,250)	—
Proceeds from exercise of stock options	—	63
Payment of debt issuance costs	—	(585)
Other financing activities, net	(22)	(29)
Net cash used in financing activities	(1,905)	(3,095)
Effect of exchange rate changes on cash and cash equivalents	2,904	29
Decrease in cash and cash equivalents	(11,936)	(919)
Cash and cash equivalents, beginning of period	42,711	26,770
Cash and cash equivalents, end of period	$ 30,775	$ 25,851

The accompanying notes form an integral part of the condensed consolidated financial statements.

1. Basis of Presentation

Basis of Presentation of Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements of InnerWorkings, Inc. and subsidiaries (the "Company") included herein have been prepared to conform to the rules and regulations of the Securities and Exchange Commission (the "SEC") and generally accepted accounting principles in the United States ("GAAP") for interim financial information. Footnote disclosures that would substantially duplicate the disclosures included in the December 31, 2019 audited financial statements have been omitted from these interim unaudited financial statements pursuant to such rules and regulations. In the opinion of management, all adjustments considered necessary for a fair presentation of the accompanying unaudited financial statements have been included, and all adjustments are of a normal and recurring nature. The operating results for the three month period ended March 31, 2020 are not necessarily indicative of the results to be expected for the full year ending December 31, 2020. These condensed consolidated interim financial statements and notes should be read in conjunction with the Company's condensed consolidated financial statements and notes thereto as of and for the year ended December 31, 2019 included in the Company's Annual Report on Form 10-K filed with the SEC on March 17, 2020.

Highly Inflationary Accounting

During 2018, the Argentinian economy was classified as highly inflationary under GAAP due to multiple years of increasing inflation, resulting in the remeasurement of our Argentinian operations into U.S. dollars. The application of highly inflationary accounting did not have a material impact on the Company's condensed consolidated financial statements for the three months ended March 31, 2020 and 2019.

Accounts Receivable and Other Financial Assets

Accounts receivable are uncollateralized customer obligations due under normal trade terms. Payment terms with customers are generally 30 to 90 days from the invoice date. Accounts receivable are stated in the condensed consolidated financial statements at the amount billed to the customer, less an estimate for potential credit losses. Interest is not generally accrued on outstanding balances.

The Company records an allowance for credit losses at the time that accounts receivable are initially recorded based on consideration of the current economic environment, expectation of future economic conditions, the Company's historical collection experience and a loss-rate approach whereby the allowance is calculated using an estimated historical loss rate formulated by the age of the financial asset and multiplying it by the asset's amortized cost at the balance sheet date. The Company reassesses its allowance at each reporting period. Aged receivables are written off when it becomes evident, based on age or unique customer circumstance, that such amounts will not be collected and all reasonable collection efforts have been exhausted. The accounts receivable allowance expense is recorded within selling, general, and administrative expenses on the Company's Condensed Consolidated Statement of Comprehensive Loss.

Additionally, the Company records an allowance for credit losses on other forms of financial assets, including unbilled revenue, other receivables, and other non-current assets. These forms of financial assets require a reserve under ASC 326, *Financial Instruments - Credit Losses*, as the financial assets are measured at amortized cost and represent receivables that result from revenue transactions under the scope of ASC 606, *Revenue from Contracts with Customers*, and other off-balance-sheet credit exposures, such as third-party supplier loan commitments. The Company records an allowance at the time the financial assets are initially recorded based on consideration of qualitative factors specific to the financial asset, including, but not limited to, credit-worthiness of the customer or supplier, in addition to the economic and historical collection factors previously noted. The allowances for credit losses for unbilled revenue, other receivables, and other non-current assets are immaterial to the condensed consolidated financial statements as of March 31, 2020. The other financial asset allowance expenses are recorded within selling, general, and administrative expenses on the Company's Condensed Consolidated Statement of Comprehensive Loss.

The Company believes its allowances are appropriately stated considering the quality of its financial asset portfolio as of March 31, 2020. While credit losses have historically been within expectations and the provisions established, the Company cannot guarantee that its credit loss experience will continue to be consistent with historical experience.

Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires entities to measure the impairment of certain financial instruments, including trade receivables, based on expected losses rather than incurred losses. The guidance introduces a new credit reserving methodology known as the Current Expected Credit Loss ("CECL") methodology, which will alter the estimation process, inputs, and assumptions used in estimating credit losses. For the financial assets that are under the scope of this standard, entities will be required to use a new forward-looking “expected loss” model that estimates the loss over the lifetime of the asset based on macroeconomic conditions that correlate with historical loss experience, delinquency trends and aging behavior of receivables, current conditions, and reasonable and supportable forecasts. This will result in earlier recognition of allowance for doubtful accounts and will replace the Company’s “incurred loss” model that delayed the full amount of credit loss until the loss is probable of occurring. In addition, the standard requires entities to evaluate financial instruments by recording allowance for doubtful accounts by pooling of instruments based on similar risk characteristics, rather than a specific identification approach. The effective date is for fiscal years beginning after December 15, 2019, with early adoption permitted for financial statement periods beginning after December 15, 2018. The Company adopted ASU 2016-13 and related ASUs effective January 1, 2020 using a modified-retrospective transition method. The adoption and application of this standard did not have a material impact to the condensed consolidated financial statements. The Company will continue to actively monitor the impact of the COVID-19 pandemic on expected losses.

In August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which amends ASC 820, *Fair Value Measurement*. This ASU modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The effective date is the first quarter of fiscal year 2020, with early adoption permitted for the removed disclosures and delayed adoption until fiscal year 2020 permitted for the new disclosures. The removed and modified disclosures will be adopted on a retrospective basis and the new disclosures will be adopted on a prospective basis. The Company adopted this guidance in the first quarter of 2020 with no material impact on its condensed consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, as part of its simplification initiative to reduce the cost and complexity in accounting for income taxes. ASU 2019-12 removes certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 also amends other aspects of the guidance to help simplify and promote consistent application of GAAP. The guidance is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of adoption of this ASU on its condensed consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides temporary optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions to ease the financial reporting burdens related to the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. The optional amendments are effective as of March 12, 2020, and the Company may elect to apply the amendments prospectively through December 31, 2022. The Company is currently evaluating the impacts the adoption of this guidance will have on its condensed consolidated financial statements.

2. Revenue Recognition

Nature of Goods and Services

The Company primarily generates revenue from the procurement of marketing materials for customers. Service revenue including creative, design, installation, warehousing and other services has not been material to the Company’s overall revenue to date. Products and services may be sold separately or in bundled packages. For bundled packages, the Company accounts for individual products and services separately if they are distinct - that is, if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it on its own or with other resources that are readily available to the customer.

The Company includes any fixed charges per its contracts as part of the total transaction price. The transaction price is allocated between separate products and services in a bundle based on their standalone selling prices. The standalone selling prices are generally determined based on the prices at which the Company separately sells the products and services.

Revenue is measured based on consideration specified in a contract with a customer. Contracts may include variable consideration (for example, customer incentives such as rebates), and to the extent that variable consideration is not constrained, the Company includes the expected amount within the total transaction price and updates its assumptions over the duration of the contract. The constraint will generally not result in a reduction in the estimated transaction price.

The Company's performance obligations related to the procurement of marketing materials are typically satisfied upon shipment or delivery of its products to customers, at which time the Company recognizes revenue. Payment is typically due from the customer at this time or shortly thereafter. Unbilled revenue represents shipments or deliveries that have been made to customers for which the related account receivable has not yet been invoiced. The Company does not have material future performance obligations that extend beyond one year.

Some service revenue, including stand-alone creative and other services, may be recognized over time but the difference between recognizing that revenue over time versus at a point in time when the service is completed and accepted by the customer is not material to the Company's overall revenue to date.

Costs to Fulfill Customer Contracts and Contract Liabilities

The Company capitalizes certain setup costs related to new customers as fulfillment costs. Capitalized contract costs are amortized over the expected period of benefit using the straight-line method which is generally three years.

Contract liabilities are referred to as deferred revenue in the condensed consolidated financial statements. We record deferred revenue when cash payments are received in advance of satisfying our performance obligations, and we recognize revenue as these obligations are satisfied.

For the three months ended March 31, 2020 and 2019, the amount of amortization was $0.1 million and $0.1 million, respectively, and there was no impairment loss in relation to the costs capitalized in either period presented.

The following table is a summary of the Company's costs to fulfill and contract liabilities (in thousands):

	March 31, 2020	December 31, 2019
Costs to fulfill	$ 1,224	$ 1,238
Contract liabilities	9,495	9,568
Cash received	7,809	36,662
Revenue recognized	7,882	44,708

Costs to Obtain a Customer Contract

The Company incurs certain incremental costs to obtain a contract that the Company expects to recover. The Company applies a practical expedient and recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. These costs would primarily relate to commissions paid to our account executives and are included in selling, general and administrative expenses.

No incremental costs to obtain a contract incurred by the Company during the three months ended March 31, 2020 and 2019 were required to be capitalized.

Transaction Price Allocated to Remaining Performance Obligations

ASC 606 requires that the Company disclose the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied as of March 31, 2020. The Company does not have material future performance obligations that extend beyond one year. Accordingly, the Company has applied the optional exemption for contracts that have an original expected duration of one year or less. The nature of the remaining performance obligations as well as the nature of the variability and how it will be resolved is described above.

3. Allowance for Expected Credit Losses

The following is a rollforward of the allowance for expected credit losses related to the Company's trade receivables for the quarter ended March 31, 2020 (in thousands):

Balance as of December 31, 2019	$	3,830
Adjustment for adoption of ASU 2016-13		(431)
Balance as of January 1, 2020		3,399
Current provision for expected credit losses		(637)
Recoveries and write-offs		(4)
Balance as of March 31, 2020	$	2,758

4. Goodwill

The following is a rollforward of goodwill for each reportable segment for the quarter ended March 31, 2020 (in thousands):

	North America		EMEA		LATAM		Total	
Goodwill as of December 31, 2019								
Goodwill	$	170,642	$	96,225	$	7,109	$	273,976
Accumulated impairment		(18,432)		(96,225)		(7,109)		(121,766)
		152,210		—		—		152,210
Goodwill impairment		(7,191)		—		—		(7,191)
Foreign exchange impact		(94)		—		—		(94)
Goodwill as of March 31, 2020								
Goodwill		170,548		96,225		7,109		273,882
Accumulated impairment		(25,623)		(96,225)		(7,109)		(128,957)
	$	144,925	$	—	$	—	$	144,925

2020 Goodwill Impairment Charges

As of March 31, 2020, the Company performed an interim impairment assessment due to a triggering event caused by a sustained decrease in the Company's stock price and lower outlook due to the deterioration in economic conditions caused by COVID-19. The Company determined a fair value for its North America reporting unit that considered both the discounted cash flow and guideline public company methods. The Company further compared the fair value of the reporting unit to its carrying value. The fair value for the North America reporting unit was less than its carrying value and resulted in a non-cash goodwill impairment charge of $7.2 million. No tax benefit was recognized on such charge, and this charge had no impact on the Company's cash flows or compliance with debt covenants.

5. Other Intangibles and Long-Lived Assets

The following is a summary of the Company's intangible assets as of March 31, 2020 and December 31, 2019 (in thousands):

	March 31, 2020	December 31, 2019	Weighted Average Life in Years
Customer lists	$ 73,192	$ 73,678	13.6
Non-competition agreements	944	959	4.1
Trade names	2,510	2,510	13.3
Patents	57	57	9.0
	76,703	77,204	
Less accumulated amortization and impairment			
Customer lists	(66,382)	(66,382)	
Non-competition agreements	(944)	(959)	
Trade names	(2,133)	(2,098)	
Patents	(51)	(51)	
Total accumulated amortization and impairment	(69,510)	(69,490)	
Intangible assets, net	$ 7,193	$ 7,714	

Amortization expense related to these intangible assets was $0.6 million and $0.5 million for the three months ended March 31, 2020 and 2019, respectively.

As of March 31, 2020, estimated amortization expense for the remainder of 2020 and each of the next five years and thereafter is as follows (in thousands):

Remainder of 2020	$ 1,583
2021	1,782
2022	1,406
2023	960
2024	744
2025	465
Thereafter	253
	$ 7,193

6. Restructuring Activities and Charges

2018 Restructuring Plan

On August 10, 2018, the Company approved a plan to reduce the Company's cost structure while driving value for its clients and stockholders. The plan was adopted as a result of the Company's determination that its selling, general and administrative costs were disproportionately high in relation to its revenue and gross profit. At the time of adoption, the plan was expected to be completed by the end of 2019 and the Company expected to incur pre-tax cash restructuring charges of $20.0 million to $25.0 million and pre-tax non-cash restructuring charges of $0.4 million. Where required by law, the Company consults with each of the affected country's local Works Councils prior to implementing the plan. On February 21, 2019, the Board of Directors approved a two-year extension to the restructuring plan through the end of 2021.

On February 24, 2020, the Company approved an increase in the size of the 2018 Restructuring Plan. From adoption through completion of the plan, the Company expects to incur pre-tax cash restructuring charges of $35.0 million to $45.0 million and pre-tax non-cash restructuring charges of $0.5 million. Cash charges are expected to include $9.0 million to $12.0 million for employee severance and related benefits, $8.0 million to $10.0 million for consulting fees and lease and contract terminations, and $18.0 million to $23.0 million for compensation realignment and other retention. The Company's increased 2018 Restructuring Plan will cover cost-reduction actions associated with the COVID-19 pandemic.

The following table summarizes the accrued restructuring activities for this plan for the three months ended March 31, 2020 (in thousands):

	Employee Severance and Related Benefits	Lease and Contract Termination Costs	Compensation Realignment and Other Retention	Other	Total
Balance as of December 31, 2019	$ 666	$ 23	$ 3,636	$ 258	$ 4,583
Charges	534	358	2,399	346	3,637
Prepayments[1]	—	—	104	—	104
Cash payments	(1,117)	(358)	(2,876)	(206)	(4,557)
Non-cash settlements/adjustments[2]	15	(2)	—	—	13
Balance as of March 31, 2020	$ 98	$ 21	$ 3,263	$ 398	$ 3,780

[1] For compensation realignment and other retention amounts, expense is recognized over a mandatory future service period, whereby payments occur at certain intervals throughout the mandatory future service period. Prepayments reflected in this line item represent payments that have occurred as of March 31, 2020.
[2] Non-cash settlements and adjustments consist of (1) differences in total lease expense per ASC 842 and cash rental payments for leases that qualify to be recorded to restructuring and (2) foreign currency impacts.

The Company recorded the following restructuring costs by segment (in thousands):

	Three Months Ended March 31,	
	2020	2019
North America	$ 2,236	$ 192
EMEA	880	1,079
LATAM	164	35
Other	357	2,628
Total	$ 3,637	$ 3,934

From adoption through March 31, 2020, the Company recognized $25.6 million in total restructuring charges pursuant to the 2018 Restructuring Plan.

2015 Restructuring Plan

On December 14, 2015, the Company approved a global realignment plan that allowed the Company to more efficiently meet client needs across its international platform. Through improved integration of global resources, the plan created back office and other efficiencies and allowed for the elimination of approximately 100 positions. In connection with these actions, the Company incurred total pre-tax cash restructuring charges of $6.7 million, the majority of which were recognized during 2016. These cash charges included approximately $5.6 million for employee severance and related benefits and $1.1 million for lease and contract terminations and other associated costs. The charges were all incurred by the end of 2016 with the final payouts occurring during the three months ended March 31, 2020.

The following table summarizes the accrued restructuring activities for this plan for the three months ended March 31, 2020 (in thousands), all of which relate to EMEA:

	Employee Severance and Related Benefits	Lease and Contract Termination Costs	Other	Total
Balance as of December 31, 2019	$ 122	$ —	$ —	$ 122
Charges	(36)	—	—	(36)
Cash payments	(86)	—	—	(86)
Balance as of March 31, 2020	$ —	$ —	$ —	$ —

7. Income Taxes

The Company's tax provision for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items. The Company’s reported effective income tax rate was 17.6% and 40.9% for the three months ended March 31, 2020 and 2019, respectively. The Company’s effective income tax rate differs from the U.S. federal statutory rate each year due to certain operations that are subject to tax incentives, state and local taxes, valuation allowances, impacts of the Tax Reform Act, and foreign tax rates that are different than the U.S. federal statutory tax rate. In addition, the effective tax rate can be impacted each period by discrete factors and events such as a write-off of a deferred tax asset for stock-based compensation due to the expiration of unexercised stock options and prior year provision to return adjustments.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will expire unutilized. At the end of each reporting period, the Company reviews the realizability of its deferred tax assets. There were no material valuation adjustments for the three months ended March 31, 2020 and 2019. Additionally, the Company continues to incur losses in jurisdictions which have valuation allowances against tax loss carryforwards, so a tax benefit has not been recognized in the financial statements for these losses.

8. Loss Per Share

Basic loss per common share is calculated by dividing net loss by the weighted average number of common shares outstanding for the period. The Initial Warrant, as defined in Note 12, *Long-Term Debt*, was issued at a nominal exercise price and is considered outstanding at the date of issuance. Diluted loss per share is calculated by dividing net loss by the weighted average shares outstanding assuming dilution. Dilutive common shares outstanding is computed using the treasury stock method and reflects the additional shares that would be outstanding if dilutive stock options were exercised and restricted stock and restricted stock units were settled for common shares during the period. In addition, dilutive shares include any shares issuable related to performance share units ("PSUs") for which the performance conditions have been met as of the end of the period.

There were no dilutive effects for securities during the three months ended March 31, 2019 as a result of a net loss incurred in the period. In connection with the closing of the term loan in the third quarter of 2019, the Company issued the Initial Warrant which is classified and recorded as a liability at fair value with subsequent changes in fair value recognized in earnings. Refer to Note 12, *Long-Term Debt*, for additional information. For diluted earnings per share, changes in fair value related to the Initial Warrant are adjusted out of earnings when the adjustment would not result in an increase to earnings and thus be considered antidilutive. As the adjustment to exclude the change in fair value would decrease earnings this period, net loss for the period was adjusted for the three months ended March 31, 2020.

The computation of basic and diluted loss per share is as follows (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2020	**2019**
Numerator:		
Net loss - basic	$ (2,840)	$ (2,044)
Adjustments:		
Change in fair value of Initial Warrant liability	(5,205)	—
Net loss - diluted	$ (8,045)	$ (2,044)
Denominator:		
Weighted average shares outstanding	52,139	51,830
Issuance of Initial Warrant	1,335	—
Weighted average shares outstanding - basic and diluted	53,474	51,830
Basic loss per share	$ (0.05)	$ (0.04)
Diluted loss per share	$ (0.15)	$ (0.04)

9. Related Party Transactions

In the fourth quarter of 2017, the Company began providing marketing execution services to Enova International, Inc. ("Enova"). David Fisher, a member of the Company's Board of Directors, is the Chairman and Chief Executive Officer of Enova and has a direct ownership interest in Enova. The total amount billed for such services during the three months ended March 31, 2020 and 2019 was $3.7 million and $2.7 million, respectively. The amounts receivable from Enova were $2.3 million and $4.6 million as of March 31, 2020 and December 31, 2019, respectively.

10. Commitments and Contingencies

Self-insurance

The Company is self-insured for medical claims which is subject to stop-loss protection. An actuarial calculation of the estimated claims incurred but not reported is provided to the Company each period. The estimated claims incurred is currently updated semi-annually as it is immaterial in relation to the liability due to the limited population of claims since moving to the self-funded model on January 1, 2020. Further, the Company considered COVID-19's effect on insurance claims and recorded an immaterial additional liability based on actuarial estimates of the impact it will have on our claims. As of March 31, 2020, the medical claims liability was $1.1 million, and the liability is recorded within other current liabilities on the Company's Condensed Consolidated Balance Sheet.

Legal Contingencies

In October 2013, the Company removed the former owner of Productions Graphics from his role as President of Productions Graphics, the Company’s French subsidiary. He had been in that role since the Company’s 2011 acquisition of Productions Graphics, a European business then principally owned by him. In December 2013, the former owner of Productions Graphics initiated a wrongful termination claim in the Commercial Court of Paris seeking approximately €0.7 million (approximately $1.0 million) in fees and damages. The Company disputes the allegations of the former owner of Productions Graphics and intends to vigorously defend these matters. In February 2014, based on a review the Company initiated into certain transactions associated with the former owner of Productions Graphics, the Company concluded that he had engaged in fraud by inflating the results of the Productions Graphics business in order to induce the Company to pay him €7.1 million in contingent consideration pursuant to the acquisition agreement. In light of those findings, in February 2014, the Company filed a criminal complaint in France seeking to redress the harm caused by his conduct and this proceeding is currently pending. In addition, in September 2015, the Company initiated a civil claim in the Paris Commercial Court against the former owner of Productions Graphics, seeking civil damages to redress these same harms. In addition to these pending matters, there may be other potential disputes between the Company and the former owner of Productions Graphics relating to the acquisition agreement. The Company had paid €5.8 million (approximately $8.0 million) in fixed consideration and €7.1 million (approximately $9.4 million) in contingent consideration to the former owner of Productions Graphics; the remaining maximum contingent consideration under the acquisition agreement was €34.5 million (approximately $37.6 million at the time) and the Company has determined that none of this amount was earned and payable.

In January 2014, a former finance employee of Productions Graphics initiated wrongful termination and overtime claims in the Labor Court of Boulogne-Billancourt, and he currently seeks damages of approximately €0.6 million (approximately $0.7 million). The Company disputes these allegations and intends to vigorously defend these matters. In addition, the Company's criminal complaint in France, described above, seeks to redress harm caused by this former employee in light of his participation in the fraudulent transactions described above. The labor claim has been stayed in deference to the Company's related criminal complaint.

11. Revolving Credit Facility

ABL Credit Agreement

On July 16, 2019, the Company and certain of its direct and indirect subsidiaries entered into a loan and security agreement (the "ABL Credit Agreement") with Bank of America, N.A., as administrative agent, lender, issuing bank and collateral agent, and JPMorgan Chase Bank, N.A. and PNC Bank, National Association, as lenders (the "ABL Credit Facility").

The ABL Credit Facility consists of a $105.0 million asset-based revolving line of credit, of which up to (i) $15.0 million may be used for UK Revolver Loans (as defined in the ABL Credit Agreement), (ii) $10.5 million may be used for Swingline Loans (as defined in the ABL Credit Agreement), and (iii) $10.0 million may be used for letters of credit. The ABL Credit Agreement provides that the revolving line of credit may be increased by up to an additional $20.0 million following satisfaction of certain conditions. The ABL Credit Facility matures on July 16, 2024. Advances under the ABL Credit Facility bear interest at either: (a) LIBOR (as defined in the ABL Credit Agreement), plus an applicable margin ranging from 2.00% to 2.50% for US LIBOR Loans and UK LIBOR Loans (each as defined in the ABL Credit Agreement); (b) the US Base Rate (as defined in the ABL Credit Agreement), plus an applicable margin ranging from 1.00% to 1.50% for US Base Rate Loans (as defined in the ABL Credit Agreement); or (c) the UK Base Rate (as defined in the ABL Credit Agreement), plus an applicable margin ranging from 2.00% to 2.50% for UK Base Rate Loans (as defined in the ABL Credit Agreement).

The Company's obligations under the ABL Credit Agreement are guaranteed by certain of its subsidiaries pursuant to a guaranty included in the ABL Credit Agreement. As security for the Company's and its subsidiaries' obligations under the ABL Credit Agreement, each of the Company and the subsidiaries party thereto have granted: (i) a first priority lien on the Company's and such subsidiaries' accounts receivable, chattel paper (to the extent evidencing accounts receivable), inventory, deposit accounts, general intangibles related to the foregoing and proceeds related thereto; and (ii) a second-priority lien on substantially all its other tangible and intangible personal property, including the capital stock of certain of the Company's direct and indirect subsidiaries. The priority of the liens is described in an intercreditor agreement between Bank of America, N.A. as ABL Agent and TCW Asset Management Company LLC as Term Agent (the "Intercreditor Agreement").

The ABL Credit Agreement contains a minimum fixed charge coverage ratio financial covenant that must be maintained when excess availability falls below a specified amount. In addition, the ABL Credit Agreement contains negative covenants limiting, among other things, additional indebtedness, transactions with affiliates, additional liens, sales of assets, dividends, investments and advances, prepayments of debt, mergers and acquisitions, and other matters customarily restricted in such agreements. The ABL Credit Agreement also contains customary events of default, including payment defaults, breaches of representations and warranties, covenant defaults, events of bankruptcy and insolvency, failure of any guaranty or security document supporting the ABL Credit Agreement to be in full force and effect, and a change of control of the Company's business. The usage and total commitment of these Loans shall not exceed the respective borrowing base set forth in the ABL Credit Agreement.

Within the ABL Credit Agreement, there is a cash dominion requirement for the United States ("US") and United Kingdom ("UK"). In the United States, Bank of America, N.A. (the agent) shall only exercise cash dominion and apply all customer collections of the US borrowers to US obligations when a Trigger Period exists, as defined in the ABL Credit Agreement. In the United Kingdom, all customer collections of the UK borrowers will be applied on a daily basis to any outstanding UK obligations and any credit balance will be transferred back to an account of the UK borrowers. The customer collections of the UK borrowers are only applied against the UK obligations. As a result of the cash dominion, the amount outstanding under the ABL Credit

Agreement for UK borrowers has been classified as a current obligation. The amount outstanding under the ABL Credit Agreement for US borrowers has been classified as a long-term obligation, as no Trigger Period has yet occurred nor is considered probable. The amounts outstanding under the ABL Credit Agreement as of March 31, 2020 for the UK borrowers and the US borrowers are $0.1 million and $60.0 million, respectively.

The Company's deferred financing fees of approximately $2.0 million are presented as an asset and amortized on a straight-line basis over the term of the ABL Credit Agreement. Amortization of deferred financing fees is recorded in interest expense and was approximately $0.1 million.

The Company has determined that the interest rate reset features embedded in the ABL Credit Agreement constitute an embedded derivative (collectively, the “ABL Embedded Derivative”) which has been bifurcated from the ABL Credit Facility and recorded as a derivative liability at fair value, with a corresponding discount recorded to the associated debt. The Company recorded immaterial interest expense for the amortization of the ABL Embedded Derivative discount through March 31, 2020.

The following schedule shows the change in fair value of the ABL Embedded Derivative at March 31, 2020 (in thousands):

December 31, 2019	$	497
Change in fair value		(230)
March 31, 2020	$	267

The change in fair value is recorded within other expense on the Company’s Condensed Consolidated Statement of Comprehensive Loss. Refer to Note 13, *Fair Value Measurement*, for further discussion.

The Company’s ABL Credit Facility at March 31, 2020 is summarized as follows (in thousands):

ABL Credit Facility outstanding	$	60,069
Less: Current portion of ABL Credit Facility for UK Borrowings		(69)
Long-term portion of ABL Credit Facility		60,000
Less: ABL Embedded Derivative Discount(1)		(514)
ABL Embedded Derivative Liability(2)		267
Total Revolving credit facility - non-current	$	59,753

(1) Original value of embedded derivative at July 16, 2019, less amortization.
(2) Value of embedded derivative as of March 31, 2020.

At March 31, 2020, the Company had $1.7 million of letters of credit outstanding which have not been drawn upon.

On February 22, 2016, the Company entered into a Revolving Credit Facility (the “Facility”) with Bank of America N.A. to support ongoing working capital needs of the Company's operations in China. The Facility includes a revolving commitment amount of $5.0 million whereby maturity dates vary based on each individual drawdown. On July 16, 2019, the Company modified the Facility to decrease the total revolving commitment amount from $5.0 million to $1.0 million. All other terms of the Facility remained unchanged. Outstanding borrowings under the Facility are guaranteed by the Company’s assets. Borrowings and repayments are made in renminbi, the official Chinese currency. The applicable interest rate is 110% of the People’s Bank of China’s base rate. The terms of the Facility include limitations on use of funds for working capital purposes as well as customary representations and warranties made by the Company. At March 31, 2020, the Company had $0.5 million of unused availability under the Facility.

12. Long-Term Debt

On July 16, 2019, the Company and certain of its direct and indirect subsidiaries entered into a loan and security agreement (the “Term Loan Credit Agreement”) with TCW Asset Management Company LLC, as administrative agent and collateral agent, and the financial institutions party thereto as lenders (the “Term Loan Credit Facility”).

The Term Loan Credit Facility consists of a $100.0 million term loan facility. The Term Loan Credit Facility matures on July 16, 2024. Principal on the Term Loan Credit Facility is due in quarterly installments, commencing on September 30, 2019, in an amount equal to $1.3 million per quarter during the first year of the Term Loan Credit Facility and $2.5 million each quarter thereafter. The loans under the Term Loan Credit Facility bear interest at either: (a) the LIBOR Rate (as defined in the Term Loan Credit Agreement), plus an applicable margin ranging from 6.25% to 10.75%; or (b) the Prime Rate (as defined in the Term Loan Credit Agreement), plus an applicable margin ranging from 5.25% to 9.75%.

The Company's obligations under the Term Loan Credit Agreement are guaranteed by certain of its subsidiaries pursuant to a guaranty included in the Term Loan Credit Agreement. As security for the Company's and its subsidiaries' obligations under the Term Loan Credit Agreement, each of the Company and the subsidiaries party thereto have granted: (i) a first priority lien on substantially all its tangible and intangible personal property (other than the assets described in the following clause (ii)), including the capital stock of certain of the Company's direct and indirect subsidiaries, and (ii) a second priority lien on its accounts receivable, chattel paper (to the extent evidencing accounts receivable), inventory, deposit accounts, general intangibles related to the foregoing and proceeds related thereto. The priority of the liens is described in the Intercreditor Agreement.

The Term Loan Credit Agreement contains a minimum fixed charge coverage ratio financial covenant, a maximum total leverage ratio financial covenant, a minimum liquidity financial covenant and a maximum capital expenditures covenant, each of which must be maintained for the periods described in the Term Loan Credit Agreement. In addition, the Term Loan Credit Agreement contains negative covenants limiting, among other things, additional indebtedness, transactions with affiliates, additional liens, sales of assets, dividends, investments and advances, prepayments of debt, mergers and acquisitions, and other matters customarily restricted in such agreements. The Term Loan Credit Agreement also contains customary events of default, including payment defaults, breaches of representations and warranties, covenant defaults, events of bankruptcy and insolvency, failure of any guaranty or security document supporting the Term Loan Credit Agreement to be in full force and effect, and a change of control of the Company's business. The principal outstanding as of March 31, 2020 is $96.3 million.

The Company has determined the interest rate reset features embedded in the Term Loan Credit Agreement constitute an embedded derivative (collectively, the "Term Loan Embedded Derivative") which has been bifurcated from Term Loan Credit Facility and recorded as a derivative liability at fair value, with a corresponding discount recorded to the associated debt. The Company recorded immaterial interest expense for the amortization of the Term Loan Embedded Derivative discount through March 31, 2020.

The following schedule shows the change in fair value of the Term Loan Embedded Derivative at March 31, 2020 (in thousands):

December 31, 2019	$	407
Change in fair value		(205)
March 31, 2020	$	202

The change in fair value is recorded within other expense on the Company's Condensed Consolidated Statement of Comprehensive Loss. Refer to Note 13, *Fair Value Measurement*, for further discussion.

In connection with the closing of the Term Loan Credit Agreement, the Company issued a Warrant (as defined below) to Macquarie US Trading LLC, an affiliate of TCW Asset Management Company LLC, to purchase fully paid and non-assessable shares of common stock of the Company. The Warrant is initially exercisable for an aggregate of 1,335,337 shares of the Company's common stock with a per share exercise price of $0.01 (the "Initial Warrant"). The Initial Warrant is exercisable on or after (A) the date which is 10 days after the earlier of (x) the date that the Company delivers its financial statements for the fiscal quarter ended March 31, 2020 to the administrative agent and (y) May 15, 2020 (the "First Quarter Reporting Period End Date") through (B) July 16, 2024. The initial warrant has not been exercised.

In addition, if either (x) the Total Leverage Ratio (as defined in the Term Loan Credit Agreement) as of March 31, 2020 for the four (4) consecutive fiscal quarter period then ended is greater than 4.25 to 1.00 or (y) the Company fails to deliver financial statements to the administrative agent as required by the Term Loan Credit Agreement for the fiscal quarter ended March 31, 2020, then from the First Quarter Reporting Period End Date through July 16, 2024, the Warrant shall also be exercisable for an additional 2.49% of the Company's common stock calculated on a fully-diluted basis (the "Additional Warrant" or "Contingent Warrant" and together with the Initial Warrant, the "Warrant"). The Company did not trigger any of the provisions defined in the Term Loan Credit Agreement that would cause the Additional Warrant to be exercisable at March 31, 2020.

The Warrant may be exercised on a cashless basis, and the number of shares for which the Warrant are exercisable and the associated exercise price are subject to certain proportional adjustments as set forth in the Warrant. In addition, the holder of the Warrant is entitled to certain piggyback registration rights.

In the event that the Total Leverage Ratio is less than 4.00 to 1.00 at any time between April 1, 2020 and March 31, 2021 (the "Buyback Period") based on financial statements delivered to agent pursuant to the terms of the Term Loan Credit Agreement, and calculated on a pro forma basis factoring in the repurchase described in the Warrant, then on any day during the Buyback Period, the Company shall be permitted, upon 5 business days prior written notice given to Holder, to repurchase either (x) any portion of the Warrant not yet exercised and/or (y) any shares of common stock received from the Company pursuant to prior exercise of the Warrant, in each case at the Applicable Buyback Price (as defined in the Warrant) by paying cash to the Holder ("Buyback Option").

The Initial Warrant was recorded as a liability at fair value and will be treated as a discount on the associated debt. The following schedule shows the change in fair value of the Initial Warrant at March 31, 2020 (in thousands):

December 31, 2019	$	6,537
Change in fair value		(5,205)
March 31, 2020	$	1,332

The Additional Warrant is no longer outstanding as of March 31, 2020 and therefore has no associated fair value.

The Term Loan is presented net of the related original issue discount ("OID"), which was $8.5 million on the issuance date of July 16, 2019. Accretion of OID is included in interest expense. The Company incurred $3.7 million of deferred financing fees related to the Term Loan Credit Agreement that has been recorded as a debt discount. The combined debt discount from the Initial Warrant liability, the Term Loan Embedded Derivative liability, and the debt issuance fees is being amortized into interest expense over the term of the Term Loan Credit Facility using the effective interest method. The Company recorded interest expense for the amortization of the Initial Warrant liability and Term Loan Embedded Derivative liability debt discounts of $0.2 million for the three months ended March 31, 2020 and recorded an additional $0.2 million of interest expense for the amortization of the debt issuance fees for the three months ended March 31, 2020.

The Company's Term Loan Credit Facility at March 31, 2020 is summarized as follows (in thousands):

Term Loan Credit Facility outstanding	$	96,250
Less: Current portion of Term Loan Credit Facility		(8,750)
Long-term portion of Term Loan Credit Facility		87,500
Less: Original Issue Discount[1]		(7,272)
Term Loan Embedded Derivative Liability[2]		202
Initial Warrant Liability[2]		1,332
Total Term Loan Credit Facility - Non-current	$	81,762

[1] Original value of OID attributable to debt issuance costs, warrant liability and embedded derivatives at July 16, 2019, less amortization.
[2] Value of warrant liability and embedded derivatives as of March 31, 2020.

13. Fair Value Measurement

The Company estimates the fair value of the ABL Credit Facility and Term Loan Credit Facility, as defined in Note 11, *Revolving Credit Facility*, and Note 12, *Long-Term Debt*, respectively, using current market yields. These current market yields are considered Level 2 inputs.

The fair value of the Company's Initial Warrant liability recorded in the Company's financial statements is determined using the Black-Scholes-Merton option pricing model. The quoted price of the Company's common stock in an active market, volatility and expected life is a Level 3 measurement. Volatility is based on the actual market activity of the Company's stock. The expected life is based on the remaining contractual term of the Initial Warrant, and the risk-free interest rate is based on the implied yield available on U.S. Treasury Securities with a maturity equivalent to the Initial Warrant's expected life. The fair value of the Company's Initial Warrant liability may significantly fluctuate based on the unobservable inputs described above including the Company's share price, expected volatility and risk-free interest rate.

The table below sets forth the assumptions used within the Black-Scholes-Merton option pricing model to value the Company’s Initial Warrant liability:

Stock price	$	1.17
Exercise price	$	0.01
Time until expiration (years)		4.29
Expected volatility		66.0%
Risk-free interest rate		0.34%
Expected dividend yield		—%

The fair value of the Company’s embedded derivative liabilities recorded in the Company’s financial statements is determined using a probability-weighted discounted cash flow approach utilizing inputs outlined in Note 11, *Revolving Credit Facility* and Note 12, *Long-Term Debt*. To derive the fair value of the embedded derivatives, the Company estimates the fair value of the ABL Credit Facility and Term Loan Credit Facility with and without the embedded derivatives. The difference between the “with” and “without” fair values determines the fair value of the embedded derivative liabilities. Key inputs for the ABL Credit Facility and Term Loan Credit Facility valuation are the applicable margin, LIBOR and US Prime yield curves, default rates of comparable securities and the assumed cost of debt. The fair value of the Company's embedded derivative liabilities may significantly fluctuate based on unobservable inputs including assumed cost of debt.

The table below sets forth the total fair value of the ABL Credit Facility, ABL Embedded Derivative, Term Loan Credit Facility, Term Loan Embedded Derivative, and Initial Warrant as of March 31, 2020 (in thousands):

	March 31, 2020		
	Significant Other Observable Inputs (Level 2)	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
ABL Credit Facility	$ 109,023	$ —	$ 109,023
ABL Embedded Derivative	—	267	267
Term Loan Credit Facility	82,822	—	82,822
Initial Warrant	—	1,332	1,332
Term Loan Embedded Derivative	—	202	202
Total	$ 191,845	$ 1,801	$ 193,646

14. Business Segments

Segment information is prepared on the same basis that our Chief Executive Officer, who is our chief operating decision maker ("CODM"), manages the segments, evaluates financial results, and makes key operating decisions. The Company is organized and managed by the CODM as three operating segments: North America, EMEA and LATAM. The North America segment includes operations in the United States and Canada; the EMEA segment includes operations in the United Kingdom, continental Europe, the Middle East, Africa, and Asia; and the LATAM segment includes operations in Mexico, Central America, and South America. Other consists of intersegment eliminations, shared service activities, and corporate expenses which are not allocated to the operating segments as management does not consider them in evaluating segment performance.

The table below presents financial information for the Company’s reportable segments and Other for the three months ended March 31, 2020 and 2019 (in thousands):

	North America	EMEA	LATAM	Other	Total
Three Months Ended March 31, 2020					
Revenue from third parties	$ 197,709	$ 48,210	$ 15,441	$ —	$ 261,360
Revenue from other segments	1,269	2,556	—	(3,825)	—
Total revenue	$ 198,978	$ 50,766	$ 15,441	$ (3,825)	$ 261,360
Adjusted EBITDA	$ 23,640	$ 1,362	$ 428	$ (12,524)	$ 12,906
Three Months Ended March 31, 2019					
Revenue from third parties	$ 188,274	$ 60,179	$ 18,758	$ —	$ 267,211
Revenue from other segments	563	1,647	2	(2,212)	—
Total revenue	$ 188,837	$ 61,826	$ 18,760	$ (2,212)	$ 267,211
Adjusted EBITDA	$ 16,018	$ 2,774	$ 265	$ (11,668)	$ 7,389

The table below reconciles Adjusted EBITDA to net loss before income taxes (in thousands):

	Three Months Ended March 31,	
	2020	2019
Adjusted EBITDA	$ 12,906	$ 7,389
Depreciation and amortization	(3,127)	(2,617)
Stock-based compensation - equity classified awards	(1,480)	(739)
Stock-based compensation - liability classified awards (SARs)	640	—
Goodwill impairment	(7,191)	—
Long-lived asset impairment	(273)	—
Restructuring charges	(3,637)	(3,934)
Professional fees related to control remediation	(264)	(365)
Executive search fees	—	(80)
Sales and use tax audit	—	(25)
Loss from operations	(2,426)	(371)
Interest income	56	98
Interest expense	(4,386)	(2,745)
Change in fair value of warrant	5,205	—
Foreign exchange loss	(2,791)	(476)
Other income	896	36
Loss before income taxes	(3,446)	(3,458)
Income tax benefit	(606)	(1,414)
Net loss	$ (2,840)	$ (2,044)

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

Certain statements in this Quarterly Report on Form 10-Q are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements involve a number of risks, uncertainties and other factors that could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that could materially affect such forward-looking statements can be found in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019 and elsewhere in this Form 10-Q. Investors are urged to consider these factors carefully in evaluating any forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date hereof and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Overview

We are a leading global marketing engineering firm for some of the world's most marketing intensive companies, including those listed in the Fortune 1000. As a comprehensive outsourced global solution, we leverage proprietary technology, an extensive supplier network and deep domain expertise to streamline the creation, production and distribution of marketing and promotional materials, signage and displays, retail experiences, events and promotions and product packaging across every major market worldwide. The items we source generally are procured through the marketing supply chain and we refer to these items collectively as marketing materials. Through our network of global suppliers, we offer a full range of fulfillment and logistics services that allow us to procure marketing materials of virtually any kind. The breadth of our product offerings and services and the depth of our supplier network enable us to fulfill the marketing materials procurement needs of our clients.

We generate revenue by procuring and purchasing marketing materials from our suppliers and selling those products to our clients. We procure products for clients across a wide range of industries, such as retail, financial services, hospitality, consumer packaged goods, non-profits, healthcare, pharmaceuticals, food and beverage, broadcasting, and cable and transportation.

As of March 31, 2020, we had more than 2,100 employees in over 20 countries. For the three months ended March 31, 2020, we generated global revenue from third parties of $197.7 million in the North America segment, $48.2 million in the EMEA segment, and $15.4 million in the LATAM segment.

Outlook

Our objective is to continue to increase our sales globally by adding new clients and increasing our sales to existing clients through additional marketing services or expanding into new geographic markets. Operationally, we are integrating our product and service offerings, re-evaluating our geographic footprint, and creating synergies across various business units.

Impact of COVID-19

The emergence of a novel coronavirus (COVID-19) around the world, and particularly in the United States, Europe, China, and South America presents various risks to the Company. The global impact of the outbreak has been rapidly evolving and many countries have reacted by instituting quarantine measures, mandating business and school closure and restricting travel, all of which have had an adverse effect on the global economy. The Company cannot reasonably estimate with any degree of certainty the future impact COVID-19 may have on the Company's results of operations, financial position, and liquidity, much of which will depend on when and to what extent current restrictions are lifted and economic conditions improve. In response to the global pandemic, the Company has created a COVID-19 executive task force that has implemented business continuity plans and has taken a variety of actions to ensure the ongoing availability of our services, while also undertaking appropriate health and safety measures for its employees. The task force has authority to make timely, informed decisions relating to our business continuity planning and actions. As a result of these actions, the Company has not experienced disruptions to date in its operations or ability to service our clients. In addition, the Company has been able to respond quickly to our customers' changing business demands related to the COVID-19 pandemic.

Overall, the Company maintains sufficient liquidity to continue business operations during these uncertain economic conditions. As discussed in *Liquidity and Capital Resources* section below, the Company had liquidity of approximately $71.9 million as of March 31, 2020, comprised of cash on hand of $30.8 million and an undrawn revolving credit facility of $41.1 million.

The Company will continue to monitor the situation and may take further actions that affect our business operations and performance. These actions may result from requirements mandated by federal, state or local authorities or that we determine to be in the best interests of our employees, customers, and shareholders. The situation surrounding COVID-19 remains fluid, and the potential for a material impact on the Company increases the longer the pandemic impacts the level of economic activity in the United States and in other countries. For these reasons, the Company cannot reasonably estimate with any degree of certainty the future impact COVID-19 may have on the Company's results of operations, financial position, and liquidity. See Part II, Item 1A. *Risk Factors* for further information.

Critical Accounting Policies

Our unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions that affect reported amounts. The estimates and assumptions are based on historical experience and on other factors that we believe to be reasonable. Actual results may differ from those estimates. We review these estimates on a periodic basis to ensure reasonableness. Although actual amounts may differ from such estimated amounts, we believe such differences are not likely to be material. For additional detail regarding our critical accounting policies including revenue recognition, goodwill, other intangible assets, and leases, see our discussion for the year ended December 31, 2019 included in the Company's 2019 Annual Report on Form 10-K. There have been no material changes to these policies as of March 31, 2020.

Current Expected Credit Loss (CECL)

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires entities to measure the impairment of certain financial instruments, including trade receivables, based on expected losses rather than incurred losses. The Company adopted the standard and all related ASUs effective January 1, 2020 using a modified-retrospective transition method. The adoption and application of this standard did not have a material impact to the condensed consolidated financial statements. For further discussion, refer to *Note 1*, *Basis of Presentation.*

Key Performance Metrics

We regularly review a number of key metrics to evaluate our business, measure progress and make strategic decisions. The measures include Revenue, Gross Profit and Adjusted EBITDA. For additional discussion, see *Key Components of Statement of Operations* and *Non-GAAP Financial Measures* sections below.

Key Components of Statement of Operations

Revenue

We generate revenue through the procurement of marketing materials for our clients. Our revenue consists of the prices paid to us by our clients for marketing materials. These prices, in turn, reflect the amounts charged to us by our suppliers plus our gross profit. Our gross profit margin may be fixed by contract or may depend on prices negotiated on a job-by-job basis. Once the client accepts our pricing terms, the selling price is established, and we arrange shipment of the product. The product is shipped directly from our supplier or from our warehouse to a destination specified by our client. The client is invoiced upon shipment or receipt, depending on contract terms, for the product as well as shipping and handling.

We agree to provide our clients with marketing materials that conform to the industry standard of a "commercially reasonable quality," and our suppliers in turn agree to provide us with products of the same quality. In addition, the quotes we execute with our clients include customary industry terms and conditions that limit the amount of our liability for product defects. Product defects have not had a material adverse effect on our results of operations to date.

Cost of Goods Sold and Gross Profit

Our cost of goods sold consists of the price at which we purchase products from our suppliers, facility costs, and personnel costs for creative design services and warehousing. We procure product for our own account and generally take full title and risk of loss upon shipment.

Our gross profit is determined by the selling prices of the product and shipping charges less the cost of the product, direct personnel, warehousing, and shipping and handling costs.

Operating Expenses and Loss from Operations

Our selling, general and administrative expenses consist of compensation costs for our management team, client engagement personnel, production managers, corporate functions and operational support employees, as well as commissions paid to our account executives. In addition, selling, general and administrative expenses include public company expenses, facilities fees, travel and entertainment expenses, corporate systems fees, and legal and accounting fees.

We accrue for commissions when we recognize the related revenue. Some of our account executives receive a monthly draw to provide them with a more consistent income stream. The cash paid to our account executives in advance of commissions earned is reflected as a prepaid expense on our balance sheet. As our account executives earn commissions, a portion of their commission payment is withheld and offset against their prepaid commission balance, if any.

Non-GAAP Financial Measures

Adjusted EBITDA

Adjusted EBITDA, which represents loss from operations with the addition of depreciation and amortization, stock-based compensation expense, goodwill and long-lived asset impairment charges, restructuring charges, various one-time professional fees, executive search expenses, and other charges itemized in the reconciliation table noted within Note 14, *Business Segments*, is considered a non-GAAP financial measure under SEC regulations. Loss from operations is the most directly comparable financial measure calculated in accordance with GAAP. The Company presents this measure as supplemental information to help our investors better understand trends in our business over time. Our management team uses Adjusted EBITDA to evaluate the performance of our business. Adjusted EBITDA is not equivalent to any measure of performance required to be reported under GAAP, nor should this data be considered an indicator of our overall financial performance and liquidity. Moreover, the Adjusted EBITDA definition we use may not be comparable to similarly titled measures reported by other companies.

Adjusted Diluted Earnings Per Share

Adjusted diluted earnings per share, which represents net loss, with the addition of exclusive items that are non-recurring to our operating business, divided by the weighted average shares outstanding plus share equivalents that would arise from the exercise of stock options and restricted stock and other contingently issuable shares, is considered a non-GAAP financial measure under SEC regulations. Diluted loss per share is the most directly comparable financial measure calculated in accordance with GAAP. The Company presents this measure as supplemental information to help our investors better understand trends in our business over time. Our management team uses adjusted diluted earnings per share to evaluate the performance of our business. Adjusted diluted earnings per share is not equivalent to any measure of performance required to be reported under GAAP, nor should this data be considered an indicator of our overall financial performance and liquidity. Moreover, the adjusted diluted earnings per share definition we use may not be comparable to similarly titled measures reported by other companies.

Comparison of Three Months Ended March 31, 2020 and 2019

Revenue

Third party revenue by segment for each of the periods presented was as follows (dollars in thousands):

	Three Months Ended March 31,			
	2020	**% of Total**	**2019**	**% of Total**
North America	$ 197,709	75.7%	$ 188,274	70.5%
EMEA	48,210	18.4%	60,179	22.5%
LATAM	15,441	5.9%	18,758	7.0%
Revenue from third parties	$ 261,360	100.0%	$ 267,211	100.0%

North America. Revenue increased by $9.4 million, or 5.0%, in the three months ended March 31, 2020 over the corresponding period in 2019. The increase in revenue relates to new business, timing of client orders, as well as continued growth from existing enterprise clients.

*EMEA. R*evenue decreased by $12.0 million, or 19.9%, in the three months ended March 31, 2020 over the corresponding period in 2019. The decrease was primarily related to declines in marketing spend as a result of COVID-19 and foreign currency impacts.

LATAM. Revenue decreased by $3.3 million, or 17.7%, in the three months ended March 31, 2020 over the corresponding period in 2019. The decrease was a result of reduced spend with certain clients and declines in marketing spend as a result of COVID-19.

Cost of goods sold

Cost of goods sold decreased by $7.3 million, or 3.5%, in the three months ended March 31, 2020 over the corresponding period in 2019. Cost of goods sold as a percentage of revenue was 75.7% and 76.8% during the three months ended March 31, 2020 and 2019, respectively.

Gross profit margin

Gross profit margin was 24.3% and 23.2% during the three months ended March 31, 2020 and 2019, respectively. The increase was primarily driven by operating efficiencies in North America.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased by $3.9 million, or 7.0%, in the three months ended March 31, 2020 over the corresponding period in 2019. The decrease was driven by several factors, which included the realization of cost savings and restructuring initiatives. As a percentage of revenue, selling, general and administrative expenses also decreased to 19.9% for the three months ended March 31, 2020 compared to 20.9% for the three months ended March 31, 2019.

Depreciation and amortization

Depreciation and amortization expense increased by $0.5 million, or 19.5%, in the three months ended March 31, 2020 over the corresponding period in 2019. The increase is due to additional software development capitalized during the quarter.

Goodwill Impairment

As of March 31, 2020, the Company performed an interim impairment assessment due to a triggering event caused by a sustained decrease in the Company's stock price and lower outlook due to the deterioration in economic conditions caused by COVID-19. Based on the assessment, the Company determined that the enterprise value for the North America reporting unit was less than its carrying value and resulted in a goodwill impairment charge of $7.2 million. Refer to Note 4, *Goodwill* for further discussion.

Restructuring charges

On August 10, 2018, the Company approved a plan to reduce the Company's cost structure while driving value for its clients and stockholders. For the three months ended March 31, 2020 and 2019, we incurred $3.6 million and $3.9 million, respectively, in restructuring charges.

Loss from operations

Loss from operations increased by $2.1 million in the three months ended March 31, 2020 over the corresponding period in 2019. As a percentage of revenue, loss from operations was (0.9)% and (0.1)% during the three months ended March 31, 2020 and 2019, respectively. The increase is primarily attributable to goodwill impairment charges, partially offset by cost reduction efforts across the regions and higher gross profit.

Other expense

Other expense decreased by $2.1 million in the three months ended March 31, 2020 over the corresponding period in 2019. The decrease in expense was primarily driven by the change in fair value of the warrant and derivative liabilities, partially offset by foreign exchange losses and an increase in interest expense.

Income tax expense

Income tax expense increased by $0.8 million in the three months ended March 31, 2020 over the corresponding period in 2019. Our effective tax rate was 17.6% and 40.9% for the three months ended March 31, 2020 and 2019, respectively. Our effective income tax rate differs from the U.S. federal statutory rate each year due to certain operations that are subject to tax incentives, state and local taxes, valuation allowances, impacts of the Tax Reform Act, and foreign tax rates that are different than the U.S. federal statutory tax rate. In addition, the effective tax rate can be impacted each period by discrete factors and events such as a write-off of a deferred tax asset for stock-based compensation due to the expiration of unexercised stock options and prior year provision to return adjustments.

Net loss

Net loss increased by $0.8 million, or 38.9%, in the three months ended March 31, 2020 over the corresponding period in 2019. Net loss as a percentage of revenue was (1.1)% and (0.8)% during the three months ended March 31, 2020 and 2019, respectively. Net loss as a percentage of gross profit was (4.5)% and (3.3)% during the three months ended March 31, 2020 and 2019, respectively. The increase in net loss is primarily attributable to goodwill impairment charges and foreign exchanges losses, offset by the change in fair value of warrant and derivative liabilities, decrease in operating expenses due to lower commissions expense as a result of restructuring initiatives, bad debt reductions due to collection efforts, and additional cost savings initiatives.

Adjusted EBITDA

Adjusted EBITDA by segment for each of the periods presented was as follows (dollars in thousands):

	Three Months Ended March 31,			
	2020	**% of Total**	**2019**	**% of Total**
North America	$ 23,640	183.1 %	$ 16,018	216.8 %
EMEA	1,362	10.6 %	2,774	37.5 %
LATAM	428	3.3 %	265	3.6 %
Other[(1)]	(12,524)	(97.0)%	(11,668)	(157.9)%
Adjusted EBITDA	$ 12,906	100.0 %	$ 7,389	100.0 %

(1) "Other" consists of intersegment eliminations, shared service activities, and corporate expenses which are not allocated to the operating segments as management does not consider them in evaluating segment performance.

Comparison of three months ended March 31, 2020 and 2019. Adjusted EBITDA increased by $5.5 million, or 74.7%, in the three months ended March 31, 2020 over the corresponding period in 2019.

North America. Adjusted EBITDA increased by $7.6 million, or 47.6%, in the three months ended March 31, 2020 over the corresponding period in 2019 due to higher revenue and gross margin, along with decreases in selling, general and administrative expenses due to lower commissions expense as a result of restructuring initiatives, and other cost savings during the period.

EMEA. Adjusted EBITDA decreased by $1.4 million, or (50.9)%, in the three months ended March 31, 2020 over the corresponding period in 2019 due to lower revenue, offset by reduced bad debt as a result of collection efforts during the period.

LATAM. Adjusted EBITDA increased by $0.2 million, or 61.5%, in the three months ended March 31, 2020 over the corresponding period in 2019 due to lower headcount and other cost savings initiatives during the period.

Other. Adjusted EBITDA decreased by $0.9 million, or 7.3%, in the three months ended March 31, 2020 over the corresponding period in 2019 primarily due to increased expenses related to temporary professional staff necessary to build out the finance organization and support the Company's remediation efforts, along with increased software development costs during the period.

Adjusted Diluted Earnings Per Share

Adjusted diluted earnings per share for each of the periods presented was as follows (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2020	2019
Net loss	$ (2,840)	$ (2,044)
Restructuring charges	3,637	3,934
Professional fees related to control remediation	264	365
Change in fair value of warrant and derivatives	(5,640)	—
Goodwill impairment	7,191	—
Long-lived asset impairment	273	—
Executive search fees	—	80
Sales and use tax audit	—	25
Income tax effects of adjustments	(971)	(1,024)
Adjusted net income	$ 1,914	$ 1,336
GAAP weighted-average shares outstanding – diluted	53,474	51,830
Effect of dilutive securities:		
Employee stock options and restricted common shares	762	65
Adjusted weighted-average shares outstanding – diluted	54,236	51,895
Adjusted diluted earnings per share	$ 0.04	$ 0.03

Comparison of three months ended March 31, 2020 and 2019. Adjusted diluted earnings per share increased by $0.01 in the three months ended March 31, 2020 over the corresponding period in 2019. The increase was primarily attributable to goodwill impairment and restructuring costs, offset by the change in fair value of warrant and embedded derivatives.

Liquidity and Capital Resources

While uncertainty exists as to the full impact of the COVID-19 pandemic on our liquidity and capital resources, the Company believes it has maintained sufficient liquidity to satisfy our working capital and other funding requirements with internally generated cash flow and, as necessary, cash on hand and borrowings under our revolving credit facility. In order to ensure adequate liquidity under a range of economic scenarios, we are currently evaluating the possibility of securing additional financing, which may include participation in lending programs established under the Coronavirus Aid, Relief, and Economic Security Act.

Cash Flow Summary

The following table presents cash flows for the three months ended March 31, 2020 and 2019, respectively (in thousands):

	Three months ended March 31,	
	2020	2019
Net cash (used in) provided by operating activities	$ (9,745)	$ 5,492
Net cash used in investing activities	(3,190)	(3,345)
Net cash used in financing activities	(1,905)	(3,095)

At March 31, 2020, we had $30.8 million of cash and cash equivalents.

Operating Activities. Cash used in operating activities primarily consists of net loss adjusted for certain non-cash items, including depreciation and amortization and share-based compensation and the effect of changes in working capital and other activities. Cash used in operating activities for the three months ended March 31, 2020 was $9.7 million and consisted of net loss of $2.8 million, offset by $8.0 million of non-cash items and $14.9 million used to fund working capital. The working capital changes consisted of a decrease in accounts receivable and unbilled revenue of $17.7 million, an increase in prepaid expenses and other assets of $5.3 million, an increase in inventory of $1.3 million, a decrease in accounts payable and accrued expenses and other liabilities of $26.1 million.

Cash provided by operating activities for the three months ended March 31, 2019 was $5.5 million and consisted of a net loss of $2.0 million, offset by $4.0 million of non-cash items and by $3.6 million provided by working capital and other activities. The most significant impact on working capital and other activities consisted of a decrease in inventories of $9.2 million, a decrease in accounts receivable and unbilled revenue of $3.9 million and a decrease in prepaid expenses and other assets of $0.3 million, partially offset by a decrease in accounts payable of $9.2 million and a decrease in accrued expenses and other liabilities of $0.6 million.

Investing Activities. Cash used in investing activities for the three months ended March 31, 2020 and 2019 of $3.2 million and $3.3 million, respectively, was attributable to capital expenditures and software capitalization.

Financing Activities. Cash used in financing activities for the three months ended March 31, 2020 of $1.9 million was primarily attributable to net repayments under the new revolving credit facility of $0.6 million and payments on the term loan of $1.3 million.

Cash used in financing activities for the three months ended March 31, 2019 of $3.1 million was primarily attributable to net repayments under the revolving credit facility of $3.8 million and $0.6 million of payments for debt issuance costs, partially offset by $1.3 million in net short-term secured borrowings.

Revolving Credit Facilities and Long-Term Debt

On July 16, 2019. the Company refinanced its debt, which is further discussed in Note 11, *Revolving Credit Facility* and in Note 12, *Long-Term Debt*. The new debt structure provides long-term capital with improved flexibility to support the Company’s growth plans. The Company intends to use excess cash from operations to pay off debt and support working capital needs.

The ABL Credit Agreement contains a minimum fixed charge coverage ratio financial covenant that must be maintained when excess availability falls below a specified amount. The Term Loan Credit Agreement includes a minimum fixed charge coverage ratio financial covenant, a maximum total leverage ratio financial covenant, a minimum liquidity financial covenant and a maximum capital expenditures covenant, each of which must be maintained for the periods described in the Term Loan Credit Agreement. The Company is in compliance with all debt covenants in the ABL Credit Agreement and Term Loan Credit Agreement as of March 31, 2020.

In addition, we will continue to utilize cash, in part, to invest in our innovative technology platform, fund acquisitions of or make strategic investments in complementary businesses and expand our sales force. Although we can provide no assurances, we believe that our available cash and cash equivalents and the funds available under our new debt structure will be sufficient to meet our working capital and operating expenditure requirements for the next 12 months. We may find it necessary to obtain additional equity or debt financing in the future.

We earn a portion of our operating income outside the United States, which is deemed to be permanently reinvested in foreign jurisdictions. We do not currently foresee a need to repatriate funds; however, should we require more capital in the United States than is generated by our operations locally or through debt or equity issuances, we could elect to repatriate funds held in foreign jurisdictions. Included in our cash and cash equivalents are amounts held by foreign subsidiaries. We had $29.8 million and $39.9 million foreign cash and cash equivalents as of March 31, 2020 and December 31, 2019, respectively, which are generally denominated in the local currency where the funds are held.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

Contractual Obligations

There have been no material changes outside the normal course of business in the contractual obligations disclosed in Item 7 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, under the caption “Contractual Obligations.”

Forward-Looking Statements

This Quarterly Report on Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains words such as "may," "will," "believe," "expect," "anticipate," "intend," "plan," "project," "estimate" and "objective" or the negative thereof or similar terminology concerning the Company's future financial performance, business strategy, plans, goals and objectives. These expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include information concerning our possible or assumed future performance or results of operations and are not guarantees. While these statements are based on assumptions and judgments that management has made in light of industry experience as well as perceptions of historical trends, current conditions, expected future developments and other factors believed to be appropriate under the circumstances, they are subject to risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different. Some of the factors that would cause future results to differ from the recent results or those projected in forward-looking statements include, but are not limited to, the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2019 and under Item 1A. *Risk Factors* in this Quarterly Report on Form 10-Q.

Additional Information

We make our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, other reports and information filed with the SEC and amendments to those reports available, free of charge, through our Internet website *(http://www.inwk.com)* as soon as reasonably practical after we electronically file or furnish such materials to the SEC. In addition, the SEC maintains an Internet website *(http://www.sec.gov)* that contains reports, proxy and information statements and other information regarding issuers that file electronically.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to the Company's market risks, which include commodity risk, interest rate risk and foreign currency risk subsequent to the filing of the 2019 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2020. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2020, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a–15(f) and 15d–15(f) under the Exchange Act) during the quarter ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information concerning our legal proceedings, see Note 10, *Commitments and Contingencies*, to the condensed consolidated financial statements included in Part I of this Form 10-Q.

Item 1A. Risk Factors

Except for the risk factors noted below, there have been no material changes in the risk factors described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2019.

A significant or prolonged economic downturn or a decline in the demand for marketing materials, could adversely affect our revenue and results of operations.

Our results of operations are affected directly by the level of business activity of our clients, which in turn is affected by the level of economic activity and cyclicality in the industries and markets that they serve. Certain of our products are sold to industries, including the advertising, retail, consumer products, housing, financial and pharmaceutical industries, that experience significant fluctuations in demand based on general economic conditions, cyclicality and other factors beyond our control. Many economists are projecting that gross domestic product for the United States will decline significantly during the second quarter of 2020, and the International Monetary Fund is currently projecting that the global economy will contract by 3% for 2020 as a whole. Economic uncertainty or an economic downturn could result in a reduction of the marketing budgets of our clients or a decrease in the volume of marketing materials that our clients order from us. Reduced demand from one of these industries or markets could negatively affect our revenue, operating income and profitability.

Our results could be negatively impacted by a global or regional epidemic or similar event.

For the fiscal year ended December 31, 2019, over 71% of our sales and over 85% of our adjusted EBITDA were attributable to the United States. Internationally, we operate in approximately 50 countries, including substantial operations in the Czech Republic, the United Kingdom, Spain, China, Russia, Brazil and Mexico. As a result, an epidemic, pandemic or similar event affecting the United States or any location where we, our suppliers, or our clients operate, could result in serious harm to our business and operating results if it depresses demand for marketing materials or results in major disruptions or delays in our supply chain.

The recent spread of COVID-19 in the United States, our largest market, has led to state level restrictions on economic activity and a sharp rise in new unemployment claims, leading many observers to anticipate a substantial contraction of the U.S. economy for 2020 as a whole. The expectation of an economic recession has created substantial uncertainty about the expectations for marketing spend in the near term. Although it is not yet possible to quantify the impact on our sales for future fiscal periods, some clients have deferred or declined to place orders that had previously been anticipated for such periods, and our sales for the remainder of 2020 and beyond could be adversely impacted by reductions in marketing spend by our clients. While we have taken action to reduce our expenses in order to reflect the potential for reduced sales volumes, there can be no assurance that such actions will be sufficient to avoid an adverse impact on our operating income for the duration of the economic downturn.

Some of our enterprise clients operate retail stores or travel businesses that have been significantly affected by recent restrictions on travel and other activities deemed non-essential under state or local governmental orders. Such companies have experienced closures and reduced sales as a result of the COVID-19 pandemic, and some may be experiencing substantial financial strain as a result. Some of our clients have reduced spending that is considered non-essential, including marketing spend, and continued or further reductions in such spend may occur. We generally extend credit to our clients and, in some cases, hold inventories of branded marketing materials for sale to specific clients. Due to the challenging financial environment faced by these or other clients, we could experience increased difficulty in collecting accounts receivable on a timely basis, could experience an increase in inventory write-offs, or could see an increase in contract terminations by clients that anticipate reduced marketing spend.

For some of the products and services we sell, including branded merchandise, retail displays and luxury packaging, we have historically sourced many of our goods from manufacturers and other suppliers in China. Following the early 2020 outbreak of COVID-19, many of our suppliers in China temporarily halted manufacturing. In addition, the cost and availability of shipping from China has at times been adversely affected by the shutdown and uneven restart of Chinese manufacturing and transportation capacity. Some public health authorities have expressed concern about the possibility of a second wave of COVID-19 infections, in China or elsewhere. If a resurgence of COVID-19 infections leads to renewed restrictions affecting Chinese manufacturers or freight transportation providers, our supply chain for the product categories above could be significantly disrupted, and we may be unable to fulfill client orders on a timely basis or at prices consistent with our clients' expectations.

In addition, for some products and services we sell, including retail displays and warehouse and logistics services, our ability to complete orders and earn revenues depends in part on the physical performance of services by our personnel at a specific location, such as a client retail location or one of our warehouses. Due to temporary travel restrictions imposed by various countries in Europe and elsewhere, including the Czech Republic where our retail displays business is based, we may face delays in our ability to complete retail display installations for some clients.

Moreover, we have historically relied on in-person selling efforts by our sales executives to secure long-term client contracts. In the short-term, precautionary measures taken by many companies around the world to limit in-person workplace contact in order to reduce the potential for employee exposure to COVID-19 could extend the time required to secure new client contracts.

As of June 15, 2020, we had $56.0 million of undrawn availability under our asset-backed loan facility. In order to ensure adequate liquidity under a range of economic scenarios, we are currently evaluating the possibility of securing additional financing, which may include participation in lending programs established under the Coronavirus Aid, Relief, and Economic Security Act. There can be no assurance that our current availability will be sufficient to provide adequate liquidity or that additional financing will be secured on acceptable terms or at all.

If our business is materially affected by the recent outbreak of COVID-19, or by similar widespread outbreaks of contagious disease in the future, it could have a material adverse impact on our operating results or financial condition.

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

There were no unregistered sales of the Company's equity securities during the period covered by this report.

The following table provides information relating to our purchase of shares of our common stock in the first quarter of 2020:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased[(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs[(2)]
January 1 - January 31, 2020	—	$ —	—	—
February 1 - February 29, 2020	5,423	4.10	—	—
March 1 - March 31, 2020	49	1.02	—	—
Total	5,472	$ 4.08	—	—

(1) Represents shares delivered to us by employees to satisfy the mandatory tax withholding requirement upon vesting of restricted stock.
(2) The program purchase period lapsed on May 31, 2019 and shares are no longer available for purchase under the plan.

Item 6. Exhibits

Exhibit No	Description of Exhibit
**4.1+	Description of the Company's securities.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document
**101.SCH	XBRL Taxonomy Extension Schema Document
**101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
**101.LAB	XBRL Taxonomy Extension Label Linkbase Document
**101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
**101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*104	Cover Page Interactive Data File

*The XBRL Instance Document and Cover Page Interactive Data File do not appear in the Interactive Data File because their XBRL tags are embedded within the Inline XBRL document.

**Submitted electronically with the Report.

+This description of the Company's securities supersedes the description of the Company's securities filed with the Annual Report on Form 10-K for the year ended December 31, 2019.

SIGNATURES

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 thereunto duly authorized.

		INNERWORKINGS, INC.
Date: June 16, 2020	By:	/s/ Richard S. Stoddart
		Richard S. Stoddart
		Chief Executive Officer
Date: June 16, 2020	By:	/s/ Donald W. Pearson
		Donald W. Pearson
		Chief Financial Officer

Exhibit 4.1

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

The following summary of the capital stock of Innerworkings, Inc. does not purport to be complete and is qualified in its entirety by reference to our second amended and restated certificate of incorporation (as amended, our "charter"), our second amended and restated bylaws (our "bylaws", and together with our charter, our "organizational documents"), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit is a part, and certain provisions of Delaware law. Unless the context requires otherwise, all references to "we", "us," "our" and "Innerworkings" in this section refer solely to Innerworkings, Inc. and not to our subsidiaries.

General

Under our charter, our authorized capital stock consists of 200,000,000 shares of common stock, $0.0001 par value per share, and 5,000,000 shares of preferred stock, $0.0001 par value per share. As of June 15, 2020, there were 52,689,449 shares of Innerworkings common stock outstanding and no shares of Innerworkings preferred stock outstanding. All outstanding shares of Innerworkings common stock are duly authorized, validly issued, fully paid and non-assessable.

Our common stock is listed on the Nadsaq Global Market under the symbol "INWK."

Common Stock

Voting Rights. All shares of our common stock have identical rights and privileges. Holders of common stock are entitled to one vote for each share held on all matters subject to a vote of stockholders, subject to the rights of holders of any outstanding preferred stock. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election, subject to the rights of holders of any outstanding preferred stock.

Dividend Rights. Holders of common stock will be entitled to receive ratably any dividends that the board of directors may declare out of funds legally available therefor, subject to any preferential dividend rights of outstanding preferred stock.

Liquidation Rights. Upon our liquidation, dissolution or winding up, the holders of common stock will be entitled to receive ratably our net assets available after the payment of all debts and other liabilities and subject to the prior rights of holders of any outstanding preferred stock.

Other. Holders of common stock have no preemptive, subscription, redemption or conversion rights. There are no redemption or sinking fund provisions applicable to the common stock.

Preferred Stock

We are authorized to issue 5,000,000 shares of preferred stock, which may be issued from time to time in one or more series upon authorization by the board of directors. Our board of directors, without further approval of the stockholders, will be authorized to fix the number of shares constituting any series, as well as the dividend rights and terms, conversion rights and terms, voting rights and terms, redemption rights and terms, liquidation preferences and any other rights, preferences, privileges and restrictions applicable to each series of preferred stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could also adversely affect the voting power and dividend and liquidation rights of the holders of common stock. The issuance of preferred stock could also, under certain circumstances, have the effect of making it more difficult for a third party to acquire, or discouraging a third party from acquiring, a majority of our outstanding voting stock or otherwise adversely affect the market price of our common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock on the rights of holders of common stock until the board of directors determines the specific rights of that series of preferred stock.

You should refer to the certificate of designations establishing a particular series of preferred stock which will be filed with the Secretary of State of the State of Delaware and the Securities and Exchange Commission in connection with any offering of preferred stock.

Each prospectus relating to a series of preferred stock may describe material U.S. federal income tax considerations applicable to the purchase, holding and disposition of such series of preferred stock.

Provisions of the Certificate of Incorporation and Bylaws that May Have an Anti-Takeover Effect

Certain provisions in the charter and the bylaws, as well as Delaware General Corporation Law (the "DGCL"), may have the effect of discouraging transactions that involve an actual or threatened change in control of Innerworkings. In addition, provisions of the charter, the bylaws and the DGCL may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests.

Special Meetings of Stockholders. The chairman of the board, the chief executive officer or the secretary pursuant to a resolution adopted by a majority of directors then in office may call a special meeting of stockholders at any time and for any purpose, but no stockholder or other person may call any such special meeting.

No Written Consent of Stockholders. Any action taken by our stockholders must be effected at a duly held meeting of stockholders and may not be effected by the written consent of such stockholders.

Blank Check Preferred Stock. The charter contains provisions that permit our board of directors to issue, without any further vote or action by the stockholders, up to 5,000,000 shares of preferred stock in one or more series and, with respect to each such series, to fix the number of shares constituting the series and the designation of the series, the voting powers, if any, of the shares of the series, and the preferences and relative, participating, optional and other special rights, if any, and any qualifications, limitations or restrictions, of the shares of such series. Such provisions could have the effect of discouraging others from making tender offers or takeover attempts.

Advance Notice of Stockholder Action at a Meeting. Stockholders seeking to nominate directors or to bring business before a stockholder meeting must comply with certain timing requirements and submit certain information to us in advance of such meeting.

Business Combinations. Innerworkings has expressly elected not to be governed by Section 203 of the DGCL, which relates to business combinations with interested stockholders.

Forum Selection

Our bylaws provide that unless we consent in writing to the selection of an alternative forum, the Court of Chancery or, if the Court of Chancery lacks jurisdiction, the federal district court for the District of Delaware unless said court lacks subject matter jurisdiction in which case, the Superior Court of the State of Delaware) shall be the sole and exclusive forum for: (a) any derivative action or proceeding brought on behalf of Innerworkings, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of Innerworkings to Innerworkings or Innerworkings' stockholders, (c) any action asserting a claim arising under any provision of the DGCL, the charter or the bylaws or (d) any action asserting a claim governed by the internal affairs doctrine, in each case subject to the Court of Chancery of the State of Delaware having personal jurisdiction over the indispensable parties.

Elimination of Liability in Certain Circumstances

Our charter eliminates the liability of our directors to us or our stockholders for monetary damages resulting from breaches of their fiduciary duties as directors. Directors remain liable for breaches of their duty of loyalty to us or our stockholders, as well as for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, and transactions from which a director derives improper personal benefit. Our charter does not absolve directors of liability for payment of dividends or stock purchases or redemptions by us in violation of Section 174 (or any successor provision) of the DGCL.

The effect of this provision is to eliminate the personal liability of directors for monetary damages for actions involving a breach of their fiduciary duty of care, including any such actions involving gross negligence. We do not believe that this provision eliminates the liability of our directors to us or our stockholders for monetary damages under the federal securities laws. The charter and bylaws also provide indemnification for the benefit of our directors and officers to the fullest extent permitted by the DGCL as it may be amended from time to time, including most circumstances under which indemnification otherwise would be discretionary.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is The Bank of New York.

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
INNERWORKINGS, INC.
PURSUANT TO
SECTION 302 Of THE SARBANES-OXLEY ACT OF 2002

I, Richard S. Stoddart, certify that:

1. I have reviewed this quarterly report on Form 10-Q of InnerWorkings, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

    d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 16, 2020

/s/ Richard S. Stoddart

Richard S. Stoddart
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
INNERWORKINGS, INC.
PURSUANT TO
SECTION 302 Of THE SARBANES-OXLEY ACT OF 2002

I, Donald W. Pearson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of InnerWorkings, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   d) disclosed in this quarterly report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: June 16, 2020

/s/ Donald W. Pearson

Donald W. Pearson
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 Of THE SARBANES-OXLEY ACT OF 2002

I, Richard S. Stoddart, Chief Executive Officer of InnerWorkings, Inc. (the “Company”), hereby certify, that:

(1) The Company’s quarterly report on Form 10-Q for the quarterly period ended March 31, 2020 (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Form 10-Q fairly presents, in all material aspects, the financial condition and results of operations of the Company.

/s/ Richard S. Stoddart

Richard S. Stoddart
Chief Executive Officer
June 16, 2020

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 Of THE SARBANES-OXLEY ACT OF 2002

I, Donald W. Pearson, Chief Financial Officer of InnerWorkings, Inc. (the "Company"), hereby certify, that:

(1) The Company's quarterly report on Form 10-Q for the quarterly period ended March 31, 2020 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Form 10-Q fairly presents, in all material aspects, the financial condition and results of operations of the Company.

/s/ Donald W. Pearson

Donald W. Pearson
Chief Financial Officer
June 16, 2020