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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019
or

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

For the transition period from to .
Commission File No.: 000-50171

Travelzoo

(Exact name of registrant as specified in its charter)

DELAWARE	**36-4415727**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification no.)**
590 Madison Avenue, 35th Floor New York, New York	**10022**
(Address of principal executive offices)	**(Zip code)**

Registrant's telephone number, including area code: (212) 484-4900

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
Common Stock, $0.01 Par Value
(Title of Class)
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE

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

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

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 x No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

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

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

As of June 30, 2019, the aggregate market value of voting stock held by non-affiliates of the Registrant, based upon the closing sales price for the Registrant's common stock, as reported on the NASDAQ Global Select Market, was $90,562,000.

The number of shares of the Registrant's common stock outstanding as of March 3, 2020 was 11,451,329 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2020 Annual Meeting of Stockholders are incorporated by reference in this Form 10-K in response to Part III, Items 10, 11, 12, 13, and 14.

TRAVELZOO

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PART I

Forward-Looking Statements

The information in this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based upon current expectations, assumptions, estimates and projections about Travelzoo and our industry. These forward-looking statements are subject to the many risks and uncertainties that exist in our operations and business environment that may cause actual results, performance or achievements of Travelzoo to be different from those expected or anticipated in the forward-looking statements. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as “may”, “will”, “should”, “estimates”, “predicts”, “potential”, “continue”, “strategy”, “believes”, “anticipates”, “plans”, “expects”, “intends”, and similar expressions are intended to identify forward-looking statements. Travelzoo's actual results and the timing of certain events could differ significantly from those anticipated in such forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those discussed elsewhere in this report in Part I Item 1A and the risks discussed in our other Securities and Exchange Commission (“SEC”) filings. The forward-looking statements included in this report reflect the beliefs of our management on the date of this report. Travelzoo undertakes no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other circumstances occur in the future.

Item 1. *Business*

Overview

Travelzoo® provides our 30 million members insider deals and one-of-a-kind experiences personally reviewed by one of our deal experts around the globe. With 22 offices worldwide, we have our finger on the pulse of outstanding travel, entertainment, and lifestyle experiences. For over 20 years we have worked in partnership with more than 5,000 top travel suppliers–our long-standing relationships give Travelzoo members access to irresistible deals.

Travelzoo ((“Travelzoo” or the “Company”) attracts a high-quality audience of travel and leisure enthusiasts across multiple digital platforms, including email, web, social media and mobile applications. Our email newsletters are published in 11 countries worldwide. Travelzoo’s website is visited by 8.3 million to 10.9 million unique visitors each month. We reach an audience of millions of Internet users each month via the Travelzoo Network, a network of websites that syndicate our deal content including The Los Angeles Times and The Chicago Tribune. We have over 4.2 million followers on Facebook and Twitter. Our mobile applications have been downloaded 6.6 million times.

Our publications and products include the *Travelzoo* website (travelzoo.com), the *Travelzoo* iPhone and Android apps, the *Travelzoo Top 20® email* newsletter, and the *Newsflash email* alert service. We operate the *Travelzoo Network*, a network of third-party websites that list deals published by Travelzoo. The *Travelzoo* website includes *Local Deals* and *Getaway* listings that allow our members to purchase vouchers for deals from local businesses such as spas, hotels and restaurants. We receive a percentage of the face value of the voucher from the local businesses.

More than 5,000 companies use our services, including Air France, Air New Zealand, Alaska Airlines, British Airways, Cathay Pacific Airways, Emirates, Etihad, Fairmont Hotels and Resorts, Gate 1 Travel, Hawaiian Airlines, Hilton Hotels & Resorts, Hyatt Corporation, InterContinental Hotels Group, Lufthansa, Key Tours International, Princess Cruises, Royal Caribbean, Singapore Airlines, Starwood Hotels & Resorts and United Airlines.

Our revenues are advertising revenues, consisting primarily of listing fees paid by travel, entertainment and local businesses to advertise their offers on Travelzoo's media properties. Listing fees are based on audience reach, placement, number of listings, number of impressions, number of click-throughs, number of referrals, or percentage of the face value of vouchers sold. Insertion orders are typically for periods between one month and twelve months and are not automatically renewed. Merchant agreements for *Local Deals* and *Getaway* advertisers are typically for twelve months and are not automatically renewed.

In April 2018, we entered into an agreement with weekengo gmbH (“WeekenGO”), a start-up company in Germany. WeekenGO uses new technology to promote vacation packages. We originally invested $3.0 million in WeekenGO for a 25% ownership interest in April 2018. In April 2019, the Company invested an additional $673,000 in WeekenGO and increased the Company's ownership interest to 26.6%. On February 11, 2020, Travelzoo signed an amended investment agreement with WeekenGO and agreed to invest an additional $1.7 million to increase the Company's ownership interest to 33.7% if WeekenGO meets certain internal targets.

We have three operating segments based on geographic regions: Asia Pacific, Europe and North America. Asia Pacific consists of our operations in Australia, China, Hong Kong, Japan, and Southeast Asia. Europe consists of our operations in France, Germany, Spain, and the United Kingdom. North America consists of our operations in Canada and the U.S. For the year ended December 31, 2019, Asia Pacific operations were 6% of revenues, European operations were 33% of revenues and North American operations were 61% of our total revenues. Financial information with respect to our business segments and certain financial information about geographic areas appears in Note 10 to the accompanying consolidated financial statements.

Our principal business office is located at 590 Madison Avenue, 35th Floor, New York, New York 10022.

Ralph Bartel, who founded Travelzoo and who is a Director of the Company, is the sole beneficiary of the Ralph Bartel 2005 Trust, which is the controlling shareholder of Azzurro Capital Inc. ("Azzurro"). As of December 31, 2019, Azzurro is the Company's largest stockholder, holding approximately 47.8% of the Company's outstanding shares. Azzurro currently holds a proxy given to it by Holger Bartel that provides it with a total of 48.2% of the voting power.

As of December 31, 2019, there were 11,479,033 shares of common stock outstanding.

Travelzoo is listed on the NASDAQ Global Select Market under the symbol “TZOO.”

Our Industry

Our mission is to provide our audience with the highest quality information about the best travel, entertainment and local deals. We believe there is a sizable travel and entertainment industry in which we participate in that provides an opportunity to find high quality deals for our members. According to the World Trade & Tourism Council, global Travel & Tourism produced $8.8 trillion in value (10.4% of GDP) for the total global economy in 2018 and is expected to rise by 3.7% per year to $13.1 trillion (11.5% of GDP) in 2029. Based upon this outlook for the travel industry, we believe that we are well positioned with our operations in Asia, Europe and North America to capture high quality deals for our members.

While our mission is to provide our audience with the highest quality information about the best travel, entertainment and local deals, our revenues are generated from advertising fees. According to Zenith Media (Publicis Media), global advertising spending is expected to grow 4.6% in 2020 and reach a total spending of $652 billion by the end of 2020. Digital advertising is expected to grow 10% per year between 2017 and 2020. By 2020, digital advertising is forecast to account for 42% of global advertising spending. In addition, according to the Kelsey Group's (BIA/Kelsey) new U.S. Local Media Forecast 2018, BIA/Kelsey forecasts total local advertising spending to reach $161 billion in 2020. Digital advertising spending continues to increase its share of total local advertising spending, growing from $32 billion in 2014 to $67 billion in 2020. We believe that traditional media outlets such as newspapers, television and radio continue to be another medium for travel, entertainment and local businesses to advertise their offers, though the percentage spent on advertising in these traditional media outlets is decreasing. In addition, the continued rise in smart phones has changed the business rules for online marketing, with the consumption of online advertising rapidly moving to mobile devices.

We believe that several factors are causing and will continue to cause travel, entertainment and local businesses to increase their spending on Internet and mobile advertising of offers:

The Internet Is Consumers' Preferred Information Source. Market research shows that the Internet has become consumers' preferred information source for travel.

Benefits of Internet Advertising vs. Print, TV and Radio Advertising. Internet advertising provides advertisers advantages compared to traditional advertising. These advantages include real-time listings, real-time updates, and performance tracking. See “Benefits to Travel, Entertainment and Local Businesses” below.

New Advertising Opportunities. The Internet allows advertisers to advertise their sales and specials in a fast, flexible, and cost-effective manner that has not been possible before.

Suppliers Selling Directly. We believe that many travel suppliers prefer to sell directly to consumers through suppliers' websites versus selling through travel agents. Internet advertising attracts consumers to suppliers' websites.

Growth of Mobile Advertising. Mobile advertising extends our products and services by providing mobile-specific features to mobile device users. As advertisers continue to shift budgets to mobile advertising, we continue to focus on developing easy-to-use mobile applications to help advertisers extend their reach, help create revenue opportunities for our advertisers, and deliver relevant and useful ads to users on the go. We continue to invest in improving users' access to our services through such devices.

Challenges Travel, Entertainment and Local Businesses Face and Limitations of Newspaper, TV and Radio Advertising

We believe that travel, entertainment and local businesses often face the challenge of being able to effectively and quickly market and sell their excess inventory (i.e. airline seats, hotel rooms, cruise cabins, theater seats, spa appointments or restaurant seats that are likely to be unfilled). The success of marketing excess inventory can have a substantial impact on a company's profitability. Almost all costs of these services are fixed. That is, the costs do not vary significantly with sales. A relatively small amount of unsold inventory can have a significant impact on the profitability of a company.

We believe that travel, entertainment and local businesses need a fast, flexible, and cost-effective solution for marketing excess inventory. The solution must be fast, because services are a quickly expiring commodity. The period between the time when a company realizes that there is excess inventory and the time when the service has become worthless is very short. The solution must be flexible, because the demand for excess inventory is difficult to forecast. It is difficult for travel, entertainment and local businesses to price excess inventory and to forecast the marketing effort needed to sell excess inventory. The marketing must be cost-effective, because excess inventory is often sold at highly discounted prices, which lowers margins.

We believe that newspaper, TV and radio advertising, with respect to advertising excess inventory, suffers from a number of limitations which do not apply to the Internet:

- typically, ads must be submitted 2 to 5 days prior to the publication or airing date, which makes it difficult to advertise last-minute inventory;
- once an ad is published, it cannot be updated or deleted when an offer is sold out;
- once an ad is published, the company cannot change a price or offer;
- in many markets, the small number of newspapers, television companies, radio stations and other print media reduces competition, resulting in high rates for traditional advertising;
- offline advertising does not allow for detailed performance tracking; and
- creative content can be very expensive to develop.

Our Products and Services

We provide airlines, hotels, cruise lines, vacation packagers, other travel suppliers, entertainment and local businesses with a fast, flexible, and cost-effective way to reach millions of Internet users. Our publications include the *Travelzoo* website, the *Travelzoo Top 20 email* newsletter, the *Newsflash* email alert service, and the *Local Deals* and *Getaway* email alert services. We operate the *Travelzoo Network*, a network of third-party websites that list deals published by Travelzoo. While our products provide advertising opportunities for travel, entertainment and local businesses, they also provide Internet users with a free source of information on current sales and specials from thousands of travel, entertainment and local businesses.

As travel, entertainment and local businesses increasingly utilize the Internet to promote their offers, we believe that our products will enable them to take advantage of the lower cost and real-time communication enabled by the Internet. Our listing management software allows our advertisers to add, update, and delete special offer listings on a real-time basis. Our software also provides our advertisers with real-time performance tracking, enabling them to optimize their marketing campaigns. Mobile advertising extends our products and services by providing mobile-specific features to mobile device users. We are focused on developing easy-to-use mobile applications to help advertisers extend their reach, help create revenue opportunities for our customers, and deliver relevant and useful ads to users on the go. We continue to invest in improving users' access to our services through such devices. In addition, we continue to develop our hotel booking platform, which enables our users to more easily book hotel stays using our hotel deals presented on our website and mobile devices.

The following table presents an overview of our products:

Product	Content	Publication Schedule	Reach/Usage*	Advertiser Benefits	Consumer Benefits
Travelzoo website	Website available in the U.S., Australia, Canada, China, France, Hong Kong, Germany, Japan, Spain, and the U.K. listing thousands of outstanding sales and specials from more than 5,000 travel, entertainment and local businesses	24/7	8.3 million to 10.9 million unique visitors per month	Broad reach, sustained exposure, targeted placements by destination and travel segment	24/7 access to deals, ability to search and browse by destination or keyword
Travelzoo Top 20	Popular email newsletter listing 20 of the week's most outstanding deals	Weekly	33.0 million members	Mass “push” advertising vehicle to quickly stimulate incremental travel and entertainment purchases	Weekly access to 20 outstanding, handpicked deals chosen by our deal experts from among thousands
Newsflash	Regionally-targeted email alert service with a single time-sensitive and newsworthy travel and entertainment offer	Within two hours of an offer being identified	26.0 million members	Regional targeting, 100% share of voice for advertiser, flexible publication schedule	Breaking news offers delivered just-in-time
Local Deals and Getaway	Locally-targeted email alert service with a single time-sensitive and newsworthy offer from local merchants such as spas, hotels and restaurants	Twice per week in active markets	160 local markets	Local targeting by zip code,100% share of voice for the local businesses, flexible publication schedule	Breaking news offers delivered just-in-time
Travelzoo Network	A network of third-party websites that list outstanding deals published by Travelzoo	24/7	Over 400 third-party websites	Drives qualified users with substantial distribution beyond the Travelzoo audience	Contextually relevant travel deals that have been handpicked and professionally reviewed by our deal experts
Travelzoo mobile applications	iPhone and Android applications that allow users to discover the best travel, entertainment and local deals.	On-demand	6.6 million downloads	Allows travel, entertainment and local deals advertisers to reach our audience that is on the go.	24/7 access to travel, entertainment and local deals for consumers that are on the go.

* For the *Travelzoo* website, reach information is based on data from Google Analytics. For *Top 20, Newsflash*, *Local Deals* and *Getaway, Travelzoo Network and Travelzoo* mobile applications, reach/usage information is based on internal Travelzoo statistics as of December 31, 2019.

Our Audience

We attract a high-quality audience of travel and leisure enthusiasts across multiple digital platforms, including email, web, social media and mobile apps. We inform our audience about travel, entertainment and local deals available at over 5,000 companies. Our email newsletters are published in 11 countries worldwide. Travelzoo’s website is visited by 8.3 million to 10.9 million unique visitors each month. We reach an audience of millions of Internet users each month via the Travelzoo Network, a network of websites that syndicate our deal content, including The Los Angeles Times and The Chicago Tribune. We have over 4.2 million followers on Facebook and Twitter. Our mobile applications have been downloaded 6.6 million times.

Benefits to Travel, Entertainment and Local Businesses

Our advertisers benefit from accessing our large high-quality audience. Due to the nature of our content, we attract an older, wealthier demographic who have a strong interest in travel and leisure.

Key features of our solution for travel and entertainment companies include:

- *Real-Time Listings of Special Offers.* Our technology allows travel and entertainment companies to advertise special offers on a real-time basis.
- *Real-Time Updates.* Our technology allows travel and entertainment companies to update their listings on a real-time basis.
- *Real-Time Performance Reports.* We provide travel and entertainment companies with real-time tracking of the performance of their advertising campaigns. Our solution enables travel and entertainment companies to optimize their campaigns by removing or updating unsuccessful listings and further promote successful listings.
- *Access to Millions of Consumers.* We provide travel and entertainment companies fast access to over 30 million travel shoppers.
- *Global Reach.* We offer access to Internet users in Australia, Canada, China, France, Germany, Hong Kong, Japan, Southeast Asia, Spain, the U.K and U.S.

Key features of our solution for local businesses include:

- *Real-Time Listings of Special Offers.* Our technology allows local businesses to advertise special offers on a real-time basis.
- *Real-Time Performance Reports.* We provide local businesses with real-time tracking of the performance of their advertising campaigns.
- *Access to Local Consumers.* Travelzoo members submit their zip code to Travelzoo when they join Travelzoo. As a result, we are able to send *Local Deals* to members who live or work near the local businesses.

Benefits to Consumers

The *Travelzoo* website, *Travelzoo Top 20* email newsletter, *Newsflash*, *Local Deals*, *Getaway*, and the *Travelzoo Network*, provide consumers information on current offers at no cost to the consumer. Key features of our products include:

- *Aggregation of Offers from Many Companies.* The *Travelzoo* website and our *Travelzoo Top 20 email* newsletter aggregate information on current offers from more than 5,000 travel, entertainment and local businesses. This saves the consumer time when searching for travel, entertainment and local deals, sales and specials.
- *Current Information.* Compared to newspaper, TV or radio advertisements, we provide consumers more current information, since our technology enables travel, entertainment and local businesses to update their listings on a real-time basis.
- *Reliable Information.* We operate a Test Booking Center to check the availability of travel, entertainment and local deals before publishing.

Growth Strategy

Our growth strategy relies on building a travel and lifestyle brand with a large, high-quality user base and offering our users products that keep pace with consumer preference and technology, such as the trend towards mobile usage by consumers.

- *Building a travel and lifestyle brand with a large, high-quality user base.* We believe that it is essential to establish a strong brand with a large, high-quality user base within the travel, entertainment and local industries we serve. We currently utilize online marketing and direct marketing to promote our brand to consumers. We utilize sponsorships at industry conferences and public relations to promote our brand. We believe that high-quality content attracts a high-quality user base.
- *Offering products that keep pace with consumer preference and technology.* We believe it is important to grow engagement of our user base, by offering products that deliver high-quality deals with exceptional value and expanding our product offering over time to address frequent travel and leisure needs, including the desire to access our content via mobile devices and to search and book hotels via a hotel booking platform.

Advertisers

As of December 31, 2019, our advertiser base included more than 5,000 travel, entertainment and local businesses, including airlines, hotels, cruise lines, vacations packagers, tour operators, destinations, car rental companies, travel agents, theater and performing arts groups, restaurants, spas, and activity companies. Some of our advertisers are:

Air France	Hyatt Corporation
Air New Zealand	InterContinental Hotels Group
Alaska Airlines	Lion World Travel
British Airways	Lufthansa
Cathay Pacific Airways	Nexus Holidays
Emirates	Princess Cruises
Etihad	Royal Caribbean
Fairmont Hotels and Resorts	Singapore Airlines
Gate 1 Travel	Starwood Hotels & Resorts Worldwide
Hawaiian Airlines	Tourism Australia and Tourism Ireland
Hilton Hotels & Resorts	United Airlines

As discussed in Note 10 to the accompanying consolidated financial statements, we did not have any advertisers that accounted for 10% or more of our total revenues during the years ended December 31, 2019 and 2018. The agreements with certain advertisers are in the form of multiple insertion orders and merchant agreements from groups of entities under common control.

In 2019, 6% of our total revenues were generated from our Asia Pacific operations, 33% of our total revenues were generated from our European operations and 61% of our total revenues were generated from our North American operations. See Note 10 to the accompanying consolidated financial statements.

Sales and Marketing

As of December 31, 2019, our advertising sales force and sales support staff consisted of 136 employees worldwide.

We currently utilize online marketing and direct marketing to promote our brand to consumers. In addition, we utilize an online marketing program to acquire new members for our email publications. We believe that we build brand awareness by product excellence that is promoted by word-of-mouth. We utilize sponsorships at industry conferences and public relations to promote our brands.

Technology

We have designed our technology to serve a large volume of Web traffic and send a large volume of emails in an efficient and scalable manner.

We co-locate our production servers with Equinix, Inc. (“Equinix”), a global provider of hosting, network, and application services. Equinix's facilities include features such as power redundancy, multiple egress and peering to other ISPs, fire suppression and access to our own separate physical space. We believe our arrangements with Equinix will allow us to grow without being limited by our own physical and technological capacity, and will also provide us with sufficient bandwidth for our anticipated needs. Because of the design of our websites, our users are not required to download or upload large files from or to our websites, which allows us to continue increasing the number of our visitors and page views without adversely affecting our performance or requiring us to make significant additional capital expenditures.

Competition

We compete for advertising dollars with large Internet portal sites such as MSN and Yahoo! that offer listings or other advertising opportunities to travel, entertainment and local businesses. We compete with search engines like Google and Bing that offer pay-per-click listings. We compete with travel meta-search engines like Kayak and online travel and entertainment deal publishers. We compete with large online travel agencies like Expedia, Priceline and TripAdvisor that also offer advertising placements, airline travel comparisons, hotel booking and capture consumer interest. We compete with companies like Groupon and Gilt City that sell vouchers for deals from local businesses such as spas, hotels, restaurants and activity companies. We expect to face increased competition from other Internet and technology-based businesses such as Yelp which has launched initiatives which are directly competitive to our *Local Deals* and *Getaway* products. In addition, we compete with newspapers, magazines and other traditional media companies that operate websites which provide advertising opportunities.

We expect to face additional competition as other established and emerging companies, including print media companies, enter our market. We believe that the primary competitive factors are price, performance and audience quality.

Many of our current and potential competitors have longer operating histories, significantly greater financial, technical, marketing and other resources and larger advertiser bases than we do. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships to expand their businesses or to offer more comprehensive solutions.

New technologies could increase the competitive pressures that we face. The development of competing technologies by market participants or the emergence of new industry standards may adversely affect our competitive position. Competition could result in reduced margins on our services, loss of market share or less use of our products by our advertisers and consumers. If we are not able to compete effectively with current or future competitors as a result of these and other factors, our business could be materially adversely affected.

Government Regulation and Legal Uncertainties

There are increasing numbers of laws and regulations pertaining to the Internet, including laws and regulations relating to user privacy, liability for information retrieved from or transmitted over the Internet, online content regulation, and domain name registration. Moreover, the applicability to the Internet of existing laws governing issues such as intellectual property ownership and infringement, copyright, patent, trademark, trade secret, obscenity, libel and personal privacy is uncertain and developing.

Privacy Concerns. We are subject to a number of privacy and similar laws and regulations in the countries in which we operate and these laws and regulations will likely continue to evolve over time, both through regulatory and legislative action and judicial decisions. The European Union adopted the General Data Protection Regulation ("GDPR"), which became effective in May 2018 and has resulted in greater compliance burdens for companies, including us, with users in Europe. Additionally, the California Consumer Privacy Act was passed and creates new data privacy rights for users, which became effective in January 2020. Complying with these varying national requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business and violations of privacy-related laws can result in significant penalties. We post on our websites our privacy policies and practices concerning the collection, use and disclosure of user data. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any regulatory requirements or orders or other federal, state or international privacy laws and regulations could result in proceedings or actions against us by governmental entities or others, subject us to penalties and negative publicity, require us to change our business practices, and increase our costs and adversely affect our business.

Anti-Spam Legislation. The CAN-SPAM Act, a federal anti-spam law, pre-empts various state anti-spam laws and establishes a single standard for email marketing and customer communications. We believe that this law, on an overall basis, benefits our business as we do not use spam techniques or practices and may benefit now that others are prohibited from doing so. We are also subject to anti-spam laws in the various jurisdictions that we operate, including Canada’s Anti-Spam Legislation ("CASL"). We continually review our practices to ensure our continued compliance with these regulations.

Domain Names. Domain names are the user's Internet “addresses.” The current system for registering, allocating and managing domain names has been the subject of litigation and of proposed regulatory reform. We have registered travelzoo.com, travelzoo.ca, travelzoo.co.jp, travelzoo.com.au, travelzoo.com.tw, travelzoo.co.uk, travelzoo.de, travelzoo.fr, weekend.com, and weekends.com, among other domain names, and have registered “Travelzoo” as a trademark in the United States, Canada, and the European Union. Because of these protections, it is unlikely, yet possible, that third parties may bring claims for infringement against us for the use of our domain name and trademark. In the event such claims are successful, we could lose the ability to use our domain names. There can be no assurance that our domain names will not lose their value, or that we will not have to obtain entirely new domain names in addition to or in lieu of our current domain names if changes in overall Internet domain name rules result in a restructuring in the current system of using domain names which include “.com,” “.net,” “.gov,” “.edu” and other extensions.

Jurisdictions. Due to the global nature of the Internet, it is possible that, although our transmissions over the Internet originate primarily in California, the governments of other states and foreign countries might attempt to regulate our business activities. In addition, because our service is available over the Internet in multiple states and foreign countries, these jurisdictions may require us to qualify to do business as a foreign corporation in each of these states or foreign countries, which could subject us to additional taxes and other regulations.

Intellectual Property

Our success depends to a significant degree upon the protection of our brand names, including *Travelzoo* and *Top 20*. If we were unable to protect the *Travelzoo* and *Top 20* brand names, our business could be materially adversely affected. We rely upon a combination of copyright, trade secret and trademark laws to protect our intellectual property rights. We have registered the *Travelzoo* and *Top 20* trademarks, among others, with the United States Patent and Trademark Office. We have registered

the *Travelzoo* and *Travelzoo Top 20* trademarks with the Office for Harmonization in the Internal Market of the European Community. We have registered the *Travelzoo* trademark in Australia, Canada, China, Hong Kong, Japan, South Korea, and Taiwan. The steps we have taken to protect our proprietary rights, however, may not be adequate to deter misappropriation of proprietary information.

We may not be able to detect unauthorized use of our proprietary information or take appropriate steps to enforce our intellectual property rights. In addition, the validity, enforceability and scope of protection of intellectual property in Internet-related industries are uncertain and still evolving. The laws of other countries in which we may market our services in the future are uncertain and may afford little or no effective protection of our intellectual property.

Employees

As of December 31, 2019, we had 418 employees in Asia Pacific, Europe and North America. None of our employees are represented under collective bargaining agreements. We consider our relations with our employees to be good.

Internet Access to Other Information

We make available free of charge, on or through our website (ir.travelzoo.com), annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information included on our website does not constitute part of this report.

Item 1A. ***Risk Factors***

Investing in our common stock involves a high degree of risk. The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described below, any one or more of which could, directly or indirectly, cause the Company's actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any or all of the risks listed below, as well as other variables affecting our operating results, in whole or in part, could materially and adversely affect our business or financial condition, which could cause the market price of our stock to decline or cause substantial volatility in our stock price, in which event the value of your common stock could decline. You should also keep these risk factors in mind when you read forward-looking statements.

Risks Related to Our Financial Condition and Business Model

We cannot assure you that we will be profitable.

In the years ended December 31, 2019 and 2018, we generated net income of $4.2 million and $4.7 million, respectively. Although we were profitable in 2019 and 2018, there is no assurance that we will continue to be profitable in the future. We forecast our future expense levels based on our operating plans and our estimates of future revenues. We may find it necessary to significantly accelerate expenditures relating to our sales, hiring and/or marketing efforts or otherwise increase our financial commitment to creating and maintaining brand awareness among Internet users and advertisers. We may also expand and upgrade our technology and make investments in our products as well as develop new products that may impact our profitability. If our revenues grow at a slower rate than we anticipate or decline, or if our spending levels exceed our expectations or cannot be adjusted to reflect slower revenue growth, we may not generate sufficient revenues to be profitable. Any of these developments could result in a significant decrease in the trading price of our common stock.

Fluctuations in our operating results may negatively impact our stock price.

Our quarterly and annual operating results may fluctuate significantly in the future due to a variety of factors that could affect our revenues or our expenses in any particular period. You should not rely on quarter-to-quarter comparisons of our results of operations as an indication of future performance. Factors that may affect our quarterly results include:

- mismatches between resource allocation and client demand due to difficulties in predicting client demand in a new market;
- changes in general economic conditions (perceived or actual) that could impair consumer spending and adversely affect travel demand;

- the magnitude and timing of marketing initiatives, including our acquisition of new members and our expansion efforts in other regions;
- the introduction, development, timing, competitive pricing and market acceptance of our products and services and those of our competitors;
- our ability to attract, hire and retain key personnel;
- our ability to maintain merchant and member satisfaction such that we are able to continue to attract high quality merchants, partners and clients;
- our ability to manage our planned growth;
- our ability to encourage our existing members to engage with our website and email products and to convert them to revenue-generating users;
- our ability to attract users to our websites, which may be adversely affected by the audience shift to mobile devices;
- technical difficulties or system downtime affecting the Internet generally or the operation of our products and services specifically; and
- volatility of our operating results in new markets.

We may significantly increase our operating expenses related to advertising campaigns, as well as our hotel booking platform or travel package products, for a certain period if we see a unique opportunity for a brand marketing campaign, if we find it necessary to respond to increased brand marketing by a competitor, or if we decide to accelerate our acquisition of new members or engagement of existing members.

If revenues fall below our expectations in any quarter and we are unable to quickly reduce our operating expenses in response, our operating results would be lower than expected and our stock price may fall.

Our expansion of our product offerings may result in additional costs that exceed revenue and may trigger additional stock volatility.

We have been investing in packaging technology which may result in an increase in costs to further develop our product offerings in the near-term and an increase in cost structure in the long-term, which may be in excess of incremental revenue. If our expanded travel product offerings, such as package offers, are not embraced by our users or our advertising partners, or if we are unsuccessful in our efforts to monetize these initiatives, our business and financial results could be adversely affected. To the extent that our rates on our hotel booking platform or our package offers are not competitive (i.e., versus the websites of other online travel companies or hotel company websites), we may not be able to attract members. If we cannot attract members to our travel product offerings to make bookings, our financial results could be adversely affected. In addition, the hotel booking platform will be sensitive to fluctuations in hotel supply, occupancy and average daily rates and a fluctuation in any of these factors could negatively impact our hotel booking revenue. Furthermore, hotels may offer products and services on more favorable terms to consumers who transact directly with them. For example, certain hotel chains have launched advertising campaigns expressly designed to drive consumer traffic directly to their own websites. We can give no assurances that the hotel booking platform or investment in packaging technology and expansion of package offers will yield the benefits we expect and will not result in additional costs or have adverse impacts on our business.

Our Local Deals business may be adversely impacted by competition and decreased consumer demand for vouchers.

Our *Local Deals* and *Getaways* products include the sale of vouchers directly to consumers to advertise promotional offers provided by merchants.

For example, a consumer could buy a voucher for $99 for a dinner for two at a merchant’s restaurant that would normally be valued at $199, representing a promotional value of $100 to the consumer. This format may require additional investments to maintain and grow the business including the hiring of additional sales force and additional spend on customer service, marketing, technology tracking systems and payment processing. The rate at which our existing customers purchase vouchers has declined, and may continue to decline in certain regions, given, among other things, increased competition in the marketplace and the decrease in demand of consumers for voucher deals. Historically, our customers often purchased a voucher when they received our emails, even though they may not have intended to use the voucher in the near term. The growth in recent periods of competition and the marketplaces of deals have enabled customers to wait until they are ready to use the

related vouchers before making purchases. This shift in purchasing behavior may adversely impact revenues. While we are continually evolving our strategy to address the changing market dynamics, we may not always be successful in doing so.

Our business could be negatively affected by changes in search engine algorithms and dynamics or other traffic-generating arrangements.

We utilize Internet search engines such as Google, principally through the purchase of travel-related keywords and through organic search, to generate additional traffic to our websites. The number of users we attract from search engines to our websites is due in large part to how and where information from, and links to, our websites are displayed on search engine results pages. The display, including rankings, of unpaid search results can be affected by a number of factors, many of which are not in our control and may change frequently. Search engines, including Google, frequently update and change the logic that determines the placement and display of results of a user's search, such that the placement or cost of links to our websites can be negatively affected. In addition, a significant amount of traffic is directed to our websites through our participation in pay-per-click and display advertising campaigns on search engines, including Google, travel metasearch engines, including Kayak, and Internet media properties, including TripAdvisor. Pricing and operating dynamics for these traffic sources can experience rapid change, both technically and competitively. Moreover, a search or metasearch engine could, for competitive or other purposes, alter its search algorithms or display of results causing a website to place lower in search query results. In June 2017 and March 2019, the European Commission fined Google 2.4 billion Euros and 1.5 billion Euros, respectively, for anti-competitive behavior relating to its comparison-shopping service and online search advertising services. If Google again changes its algorithms or results and these changes negatively affect the search engine ranking, paid and unpaid, of our websites and those of our third-party distribution partners, our business and financial performance would be adversely affected, potentially to a material extent. If Google or other search or metasearch companies continue to pursue these or similar strategies, which is out of our control, or we do not successfully manage our paid and unpaid search strategies, we could face a significant decrease in traffic to our websites and/or increased costs related to replacing unpaid traffic with paid traffic.

Additionally, an area of increased scrutiny, particularly in Europe, involves contractual search term bidding restrictions where one contracting party agrees not to bid on certain key search terms related to the other party (e.g., such other party's name). In some of our contracts we or the other party have agreed to bidding restrictions. If bidding restrictions are held to be illegal or otherwise unenforceable, our performance marketing costs may increase if bidding on affected key words (especially those related to us) becomes more expensive, which could adversely affect our performance marketing efficiency and results of operations.

Trends in consumer adoption and use of mobile devices create new challenges.

Continued widespread adoption of mobile devices, such as the iPhone and Android-enabled smart phones, and tablets such as the iPad and Surface, coupled with the improved web browsing functionality and development of thousands of useful "apps" available on these devices, has been driving substantial traffic and commerce activity to mobile platforms. We have experienced a significant shift of business to mobile platforms and our advertising partners have also seen a rapid shift of traffic to mobile platforms. Our major competitors and certain new market entrants are offering mobile applications for travel products and other functionality, including proprietary last-minute discounts for hotel bookings and travel concierge services. Advertising and distribution opportunities may be more limited on mobile devices given their smaller screen sizes. The gross profit earned on a mobile transaction may be less than that earned from a typical desktop transaction due to different target consumers and different consumer purchasing patterns. For example, hotel reservations made on a mobile device typically are for shorter lengths of stay and are not made as far in advance as hotel reservations made on a desktop. Further, given the device sizes and technical limitations of tablets and smartphones, mobile consumers may not be willing to download multiple applications from multiple travel service providers and instead prefer to use one or a limited number of applications for their mobile travel activity. As a result, the consumer experience with mobile applications, as well as brand recognition and loyalty, are likely to become increasingly important. We also rely on application marketplaces, or app stores, to drive downloads of our applications. In the future, marketplace operators may make changes to their marketplaces that make access to our products more difficult.

We continue to make progress creating mobile offerings which have received strong reviews and have shown solid download trends. We believe that mobile bookings continue to present an opportunity for growth. Further development of our mobile offerings is necessary to maintain and grow our business as consumers increasingly turn to mobile devices instead of a personal computer and to mobile applications instead of a web browser. Further, many consumers use a mobile device based web browser instead of an application. As a result, it is increasingly important for us to develop and maintain effective mobile websites optimized for mobile devices to provide customers with appealing easy-to-use mobile website functionality. If we are unable to continue to rapidly innovate and create new, user-friendly and differentiated mobile offerings and efficiently and effectively advertise and distribute on these platforms, or if our mobile applications are not downloaded and used by travel consumers, we could lose market share to existing competitors or new entrants and our future growth and results of operations could be adversely affected.

We may have exposure to additional tax liabilities.

As a global company, we are subject to income taxes as well as non-income based tax, in both the U.S. and various foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. Although we believe that our tax estimates are reasonable, there is no assurance that the final determination of tax audits or tax disputes will not be different from what is reflected in our historical income tax provisions and accruals. Changes in tax laws or tax rulings may have a significantly adverse impact on our effective tax rate. The 2017 Tax Cut and Jobs Act ("Tax Act") included significant changes to the U.S. corporate income tax system including: a federal corporate rate reduction from 35% to 21%; limitations on the deductibility of interest expense and executive compensation; creation of new minimum taxes such as the base erosion anti-abuse tax ("BEAT") and Global Intangible Low Taxed Income ("GILTI") tax; and the transition of U.S. international taxation from a worldwide tax system to a modified territorial tax system, which will result in a one time U.S. tax liability on those earnings which have not previously been repatriated to the U.S. (the "Transition Tax"). The interpretation and implementation of the Tax Act and regulations, rules or guidance that have or may be adopted under, or result from, the Tax Act could have a material impact on our business.

A number of European Union member states have taken steps to unilaterally introduce a services tax. In July 2019, France passed legislation that introduced a 3% digital services tax, which is retroactively applicable as of January 1, 2019. Several other countries are also considering adopting digital services taxes. For example, the United Kingdom has proposed legislation to implement digital services tax that, if enacted, would become effective in 2020 and would impose a 2% tax on revenue earned by larger companies from United Kingdom users of digital services. Similarly, Spain submitted a digital services tax bill to its parliament for approval in January 2019 that would tax digital services at 3%. Many questions remain as to the enactment, form and application of these digital services taxes. For example, it is not clear whether digital services taxes can be deducted for income tax purposes or whether there is potential for double taxation on the same transaction. The interpretation and implementation of the various digital services taxes (especially if there is inconsistency in the application of these taxes across tax jurisdictions) could have a materially adverse impact on our business, results of operations and cash flows.

We are also subject to non-income based taxes, such as value-added, payroll, sales, use, net worth, property and goods and services taxes, in both the U.S. and various foreign jurisdictions.

From time to time, the Company is under audit by tax authorities with respect to these non-income based taxes and may have exposure to additional non-income based tax liabilities. These examinations may lead to ordinary course adjustments or proposed adjustments to its taxes or its net operating income or may result in recognition of previously unrecognized tax benefits upon completion of the examination.

Adverse application of state and local tax laws could have an adverse effect on our business and results of operation.

Our expansion of our product offerings may subject us to state and local tax laws and result in additional tax liabilities. A number of jurisdictions in the U.S. have initiated lawsuits against other online travel companies, related to, among other things, the payment of hotel occupancy and other taxes (i.e., state and local sales tax). In addition, a number of municipalities have initiated audit proceedings, issued proposed tax assessments or started inquiries relating to the payment of hotel occupancy and other taxes.

Given our hotel booking platform and packaging technology consists of an agency model whereby we will facilitate reservations on behalf of a hotel or other supplier, the payment of hotel occupancy taxes and other taxes should be the responsibility of the applicable merchant. The intended business practice for our hotel booking platform and packaging technology will primarily be for the merchant or hotel or our packaging partner to be responsible for remitting applicable taxes to the various tax authorities. Nevertheless, to the extent that any tax authority succeeds in asserting that we have a tax collection responsibility, or we determine that we have one, with respect to future transactions, we may collect any such additional tax obligation from our customers, which would have the effect of increasing the cost of accommodation reservations to our customers and, consequently, could make our hotel and packaging services less competitive (i.e., versus the websites of other online travel companies or hotel company websites) and reduce reservation transactions. Either step could have a material adverse effect on our business and results of operations. We will continue to assess the risks of the potential financial impact of additional tax exposure.

Our business model may not be adaptable to a changing market.

Our current revenue model depends primarily on advertising fees paid by travel and entertainment companies and still relies significantly on email communications with our members. If current clients/merchant partners decide not to continue advertising their offers with us and we are unable to replace them with new clients/merchant partners, our business may be adversely affected. To be successful, we must provide online marketing solutions that achieve broad market acceptance by travel and entertainment companies. In addition, we must attract sufficient Internet users with attractive demographic characteristics to our products. It is possible that we will be required to further adapt our business model and products in response to changes in the online advertising market or if our current business model is not successful. For example, the trend toward mobile online traffic will require us to adapt our product offering to facilitate consumers' use of our products. If we do not adapt to this trend fully or quickly enough, we may lose advertising revenue as consumer usage may decline from our non-mobile traffic. If we are not able to anticipate changes in the online advertising market or if our business model is not successful, our business could be materially adversely affected.

If we fail to retain existing advertisers or add new advertisers, our revenue and business will be harmed.

We depend on our ability to attract and retain advertisers (hotels, spas, restaurants, tour operators, vacation packagers, airlines, etc.) that are prepared to offer products or services on compelling terms to our members. We do not have long-term arrangements to guarantee the availability of deals that offer attractive quality, value and variety to consumers or favorable payment terms to us. We must continue to attract and retain advertisers in order to increase revenue and maintain profitability. If new advertisers do not find our marketing and promotional services effective, or if existing advertisers do not believe that utilizing our products provides them with a long-term increase in customers, revenue or profit, they may stop making offers through our marketplace. In addition, we may experience attrition in our advertisers in the ordinary course of business resulting from several factors, including losses to competitors and advertiser closures or bankruptcies/insolvencies. We can also experience a decline in advertisers making offers in certain destinations due to natural disasters, such as hurricanes, earthquakes, fires, floods and volcanic activity. If we are unable to attract new advertisers in numbers sufficient to grow our business, or if too many advertisers are unwilling to offer products or services with compelling terms to our members or offer favorable payment terms to us, we may sell less advertising, and our operating results will be adversely affected. For example, we may lose advertisers due to market conditions or performance, such as our recent loss of revenue from certain online booking engines, airlines and vacation packagers. We may not add enough additional revenue, such as hotel revenue from Getaways or the hotel booking platform, in order to replace the lost revenue. Furthermore, the new revenue may cost more to generate compared to the costs that the lost revenue required to generate, thereby adversely impacting our operating results.

Our existing advertisers may shift from one advertising service to another, which may adversely affect our revenue.

Existing advertisers may shift from one advertising service (e.g. *Top 20*) to another (e.g. *Local Deals*, *Getaways* or the hotel booking platform). These shifts between advertising services by advertisers could result in no incremental revenue or less revenue than in previous periods depending on the amount purchased by the advertisers, and in particular with *Local Deals*, *Getaways* and hotel booking platform, depending on how many vouchers are purchased by members and how many hotel bookings are made. In addition, there may continue to be a shift from our existing hotel revenue to commission-based revenue, which may result in lower revenue depending on volume of hotel bookings.

An increase in our refund rates related to our Local Deals and Getaways could reduce our liquidity and profitability.

We provide refunds related to our *Local Deals* and *Getaways* voucher sales. As we increase our revenue, our refund rates may exceed our historical levels. A downturn in general economic conditions may also increase our refund rates. An increase in our refund rates could significantly reduce our liquidity and profitability.

As we do not have control over our merchants and the quality of products or services they deliver, we rely on a combination of our historical experience with our merchants over time and the type of refunds provided for development of our estimate for refund claims. Our actual level of refund claims could prove to be greater than the level of refund claims we estimate. If our refund reserves are not adequate to cover future refund claims, this inadequacy could have a material adverse effect on our liquidity and profitability.

Our standard agreements with our merchants generally limit the time period during which we may seek reimbursement for refunds to members or claims. Our members may make claims for refunds with respect to which we are unable to seek reimbursement from our merchants. Our members could also make false or fraudulent refund claims. Our inability to seek reimbursement from our merchants for refund claims could have an adverse effect on our liquidity and profitability.

If our advertisers do not meet the needs and expectations of our members, our business could suffer.

Our business depends on our reputation for providing high-quality deals, and our brand and reputation may be harmed by actions taken by advertisers, partners, or merchants that are outside our control. For our *Local Deals* and *Getaways* merchants, since we are selling vouchers on behalf of the merchants directly to our members, we face exposures should merchants not fully honor the terms of the deals or the vouchers. As for our travel business, we are collecting an advertising fee from the advertiser and the members are booking the deal directly with the advertiser. Although the advertiser is responsible to the consumer to provide the consumer the deal it advertised, our business can be adversely affected should an advertiser fail to comply with the terms of the advertised deal. From time to time, advertisers risk the insolvency, bankruptcy or closure of their business if they fail to pay their suppliers and can face regulatory issues (including losing their travel licenses), which can result in the cancellation of travel services booked by consumers through the advertiser. Advertisers who fail to fulfill the travel services advertised in the promotions ran by Travelzoo can negatively impact the reputation of Travelzoo, and advertisers that fail to pay Travelzoo for the advertisements can also negatively impact revenue growth. Moreover, any shortcomings of one or more of our advertisers or merchants, particularly with respect to an issue affecting the quality of the deal offered or the products or services sold, may be attributed by our members to us, thus damaging our reputation and brand value and potentially affecting our results of operations. In addition, negative publicity and member sentiment generated as a result of fraudulent or deceptive conduct by our merchants or partners could damage our reputation, reduce our ability to attract new members or retain our current members, and diminish the value of our brand.

Our business relies heavily on email and other messaging services, and any restrictions on the sending of emails or messages or a decrease in member willingness to receive messages could adversely affect our revenue and business.

Our business is highly dependent upon email and other messaging services. Deals offered through emails and other messages sent by us, or on our behalf by our affiliates, generate a substantial portion of our revenue. Because of the importance of email and other messaging services to our businesses, if we are unable to successfully deliver emails or messages to our members or potential members, or if members decline to open our emails or messages, our revenue and profitability would be adversely affected. New laws and regulations regulating the sending of commercial emails, including those enacted in foreign jurisdictions (such as Canada and Europe), may affect our ability to deliver emails or messages to our members or potential members and may also result in increased compliance costs. Further, actions by third parties to block, impose restrictions on, or charge for the delivery of emails or other messages could also materially and adversely impact our business. From time to time, Internet service providers block bulk email transmissions or otherwise experience technical difficulties that result in our inability to successfully deliver emails or other messages to third parties. In addition, our use of email and other messaging services to send communications about our website or other matters may result in legal claims against us, which if successful might limit or prohibit our ability to send emails or other messages. Any disruption or restriction on the distribution of emails or other messages or any increase in the associated costs would materially and adversely affect our revenue and profitability. In addition, the shift in our website traffic originating from mobile devices accessing our services may decrease our members' willingness to use our services if they are not satisfied with our mobile user experience and could decrease their willingness to be an email member, which could adversely affect our revenue and profitability.

“Cookie” laws could negatively impact the way we do business.

A "cookie" is a text file that is stored on a user's computer or mobile device. Cookies are common tools used by thousands of websites and mobile apps to, among other things, store or gather information (e.g., remember log-on details so a user does not have to re-enter them when revisiting a website or opening an app), market to consumers and enhance the user experience. Cookies are valuable tools to improve the customer experience and increase conversion. Many jurisdictions, including the European Union and more recently, California, have adopted regulations governing the use of "cookies." To the extent any such regulations require "opt-in" consent before certain cookies can be placed on a user's computer or mobile device, our ability to serve certain customers in the manner we currently do might be adversely affected and our ability to continue to improve and optimize performance on our website might be impaired, either of which could negatively affect a consumer's experience using our services and our business, market share and results of operations.

Changes to our technology and user interfaces for our website and mobile applications used to present our deals could adversely affect our revenue and business.

Our business depends on website and mobile technology interfaces in order to present deals to our members and generate revenue from our advertisers. Changes to our website and mobile technology and user interface intended to enhance the user experience may have an adverse impact on our member activity and may reduce revenue from advertisers. For example, in October 2016, we launched our fully responsive website that adjusts to different screen sizes and allows our members to more readily search our deals, which we believe has improved the user experience on our site. However, additional changes to the website, mobile application and/or the general user experience may lead to unforeseen issues that could adversely affect our revenue and business.

Our reported total number of members may be higher than the number of our actual individual members and may not be representative of the number of persons who are active potential customers.

The total number of members we report may be higher than the number of our actual individual members because some members have multiple registrations, other members have died or become incapacitated and others may have registered under fictitious names. Given the challenges inherent in identifying these members, we do not have a reliable system to accurately identify the number of actual individual members, and thus we rely on the number of total members shown on our records as our measure of the size of our member base. In addition, the number of members we report includes the total number of individuals that have completed registration through a specific date, less individuals who have unsubscribed. Those numbers of members may include individuals who do not receive our emails because our emails have been blocked or are otherwise undeliverable. As a result, the reported number of members should not be considered as representative of the number of persons who continue to actively consider our deals by reviewing our email offers.

We may not be able to obtain sufficient funds to grow our business and any additional financing may be on terms adverse to your interests.

For the year ended December 31, 2019, our cash and cash equivalents increased by $1.5 million to $19.5 million, of which $14.8 million was held outside the U.S. in certain of our foreign operations. We intend to continue to grow our business and fund our current operations using cash on hand. However, this may not be sufficient to meet our needs, including the payments required to settle various commitments and contingencies, as described under Note 4 to the accompanying consolidated financial statements. We may not be able to obtain financing on commercially reasonable terms, or at all.

If additional financing is not available when required or is not available on acceptable terms, we may be unable to fund our expansion, successfully promote our brand name, develop or enhance our products and services, take advantage of business opportunities, or respond to competitive pressures, any of which could have a material adverse effect on our business.

If we choose to raise additional funds through the issuance of equity securities, existing stockholders may experience significant dilution of their ownership interest and holders of the additional equity securities may have rights senior to existing stockholders of our common stock. If we obtain additional financing by issuing debt securities or bank borrowings, the terms of these arrangements could restrict or prevent us from paying dividends and could limit our flexibility in making business decisions.

Our business may be sensitive to recessions.

The demand for online advertising may be linked to the level of economic activity and employment in the U.S. and abroad. Specifically, our business is primarily dependent on the demand for online advertising from travel and entertainment companies. The most recent recession decreased consumer travel and caused travel and entertainment companies to reduce or postpone their marketing spending generally, and their online marketing spending in particular. Continued or future recessions could have a material adverse effect on our business and financial condition. Moreover, declines or disruptions, such as the Novel Coronavirus, in the travel industry could adversely affect our business and financial performance.

Our operations could be significantly hindered by the occurrence of a natural disaster or other catastrophic event.

Our operations are susceptible to outages due to fire, floods, power loss, telecommunications failures, unexpected technical problems in the systems that power our websites and distribute our email newsletters, break-ins and similar events. In addition, a significant portion of our network infrastructure is located in Northern California, an area susceptible to earthquakes and other natural disasters. We do not have multiple site capacity to protect us against any such occurrence. Outages could cause significant interruptions of our service. In addition, despite our implementation of network security measures, our servers are vulnerable to computer viruses, physical and electronic break-ins, and similar disruptions from unauthorized tampering with our computer systems. Additionally, declines or disruptions in the travel industry generally due to a catastrophic event, such as the Novel Coronavirus, could adversely affect our business and financial performance. We do not carry business interruption insurance to compensate us for losses that may occur as a result of any of these events.

Technological or other assaults on our service could harm our business.

We are vulnerable to coordinated attempts to overload our systems with data, whether by bots or otherwise, which could result in denial or reduction of service to some or all of our users for a period of time. We have experienced denial of service attacks in the past, and may experience such attempts in the future. Any such event could reduce our revenue and harm our operating results and financial condition. We do not carry business interruption insurance to compensate us for losses that may occur as a result of any of these events. In addition, such incidents may also result in a decline in our active user base or engagement levels.

We are subject to payments-related and fraud risks.

We accept payments for the sale of vouchers using a variety of methods, including credit cards and debit cards. We pay interchange and other fees, which may increase over time and raise our operating expenses and lower profitability. We rely on third parties to provide payment processing services, including the processing of credit cards and debit cards, and it could disrupt our business if these companies become unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. In addition, our results can be negatively impacted by purchases made using fraudulent credit cards. Because we act as the merchant of record for certain hotel booking and voucher transactions, we may be held liable for accepting fraudulent credit cards on our websites as well as other payment disputes with our customers. If we have an increase of charge-backs due to the use of fraudulent credit cards on our websites, our business, results of operations and financial condition could be adversely affected. Moreover, under payment card rules and our contracts with our card processors, if there is a security breach of payment card information that we store, we could be liable to the payment card issuing banks for their cost of issuing new cards and related expenses. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments, process electronic funds transfers, or facilitate other types of online payments, and our business and results of operations could be adversely affected. If one or more of these contracts are terminated and we are unable to replace them on similar terms, or at all, it could adversely affect our results of operations.

Our reported financial results may be adversely affected by changes in United States generally accepted accounting principles, and we may incur significant costs to adjust our accounting systems and processes to comply with significant changes.

United States generally accepted accounting principles are subject to interpretation by the Financial Accounting Standards Board, or ("FASB"), the American Institute of Certified Public Accountants, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. In 2014, the FASB issued a new accounting standard related to revenue recognition which changed the way we account for certain of our sales transactions. We adopted this standard in the first quarter of 2018. The adoptions resulted in with a cumulative adjustment to retained earnings and changes in revenue recognition policies. In February 2016, the FASB issued a new accounting standard related to leases which requires that lease arrangements longer than 12 months result in an entity recognizing an asset and liability on its balance sheet. The Company adopted ASU 842 on January 1, 2019, using the alternative modified transition method with no restatement of prior periods or cumulative adjustment to retained earnings. We may need to change our accounting systems and processes if we are required to adopt future or proposed changes in accounting principles. The cost of these changes may negatively impact our results of operations during the periods of transition.

Risks Related to Our Markets and Strategy

Our international expansion may result in operating losses, and is subject to other material risks.

In May 2005, we began operations in the United Kingdom. In 2006, we began operations in Canada, Germany, and Spain. In 2007, we began operations in France. In addition, from 2007 through 2009, we began operations in Asia Pacific, including in Australia, China, Hong Kong, Japan, and Southeast Asia.

Our revenues in Asia decreased 17% in 2019 compared to 2018, and our operations in Asia generated an operating loss before tax of $7.5 million and $6.3 million in 2019 and 2018, respectively. Our revenues in Europe increased 2% in 2019 compared to 2018, and our operations in Europe generated an operating income before tax of $4.4 million and $5.0 million in 2019 and 2018, respectively.

In our effort to expand our business internationally we may continue to invest in marketing as well as additional employees to support the business expansion, which may generate operating losses. Furthermore, operating losses in certain jurisdictions may not have any recognizable tax benefit, which is the case for the Asia Pacific business. These factors could have a material negative impact on our consolidated net income and cash flows, which could result in a significant decrease in the trading price of our common stock. In addition to uncertainty about our ability to generate net income from our foreign operations and expand our international market position, there are certain risks inherent in doing business internationally, including:

- uncertainties and instability in economic and market conditions, such as those caused by the United Kingdom's withdrawal from the European Union, the slowing of growth in markets such as China and Brazil, and unrest in the Middle East;
- uncertainty regarding how the United Kingdom's access to the European Union Single Market and the wider trading, legal, regulatory and labor environments, especially in the United Kingdom and European Union, will be impacted by the United Kingdom's withdrawal from the European Union, including the resulting impact on our business and that of our clients;
- exposure to local economic or political instability and threatened or actual acts of terrorism;
- compliance with U.S. and non-U.S. regulatory laws and requirements relating to anti-corruption, antitrust or competition, economic sanctions, data content and privacy, consumer protection, employment and labor laws, health and safety, information reporting and advertising and promotions;
- financial risks from transactions in multiple currencies;
- longer payment cycles and difficulties in collecting accounts receivable;
- trade barriers and changes in trade regulations, including new or increased tariffs;
- difficulties in developing, staffing and simultaneously managing foreign operations as a result of distance, language and cultural differences;
- stringent local labor laws and regulations;
- bans on travel from certain countries to the United States;
- risks related to government regulation, including changing policies in areas such as trade, travel, immigration, and healthcare, among others; and
- potentially adverse tax consequences.

Moreover, fluctuations in currency exchange rates can impact our revenues. Foreign currency movements relative to the U.S. dollar have negatively impacted our revenues from our operations in Europe. For example, since the United Kingdom's Brexit vote, global markets and foreign exchange rates have experienced increased volatility, including a decline in the value of the British Pound Sterling as compared to the U.S. Dollar. The United Kingdom's withdrawal from the European Union, and the delays and uncertainty in the timing and implementation of Brexit, could lead to added economic and political uncertainty and further devaluation or eventual abandonment of the Euro common currency, any of which could have a negative impact on travel and therefore our business and results of operations. The uncertainty and volatility in foreign exchange rates, which may differ across regions, makes it more difficult to forecast industry and consumer trends and the timing and degree of their impact on our markets and business, which in turn could adversely affect our ability to effectively manage our business and adversely affect our results of operations.

In addition, we face risks related to the growth rate and expansion of our international business. A decline in the growth rates of our international businesses could have a negative impact on our gross profit and earnings per share growth rates and, as a consequence, our stock price. Many of these regions have different customs, currencies, levels of consumer acceptance and use of the Internet for commerce, legislation, regulatory environments, tax laws and levels of political stability. International markets may have strong local competitors with an established brand that may make expansion in that market difficult and costly and take more time than anticipated. In addition, compliance with legal, regulatory or tax requirements in multiple jurisdictions places demands on our time and resources, and we may nonetheless experience unforeseen and potentially adverse legal, regulatory or tax consequences.

As we continue to focus on increasing the profitability of our business, we may not achieve targeted operational cost savings, improvements and efficiencies, which could affect our results of operations and financial condition. In addition, significant potential risks could impair our ability to achieve anticipated operating improvements and/or cost reductions throughout the organization, including, but not limited to, higher than anticipated costs, management distraction from ongoing business activities, failure to maintain adequate controls and procedures, and damage to our reputation and brand image. Additionally, we could also experience a loss of continuity, loss of accumulated knowledge and/or inefficiency, adverse effects on employee morale and productivity and adverse effects on our ability to attract and retain highly skilled employees. Any of these consequences could adversely impact our business.

Investment in new business strategies and acquisitions could disrupt our ongoing business and present risks not originally contemplated.

We have invested, and in the future may invest, in new business strategies and acquisitions. For example, we acquired businesses in Asia Pacific, including Australia, China, Hong Kong, Japan, and Southeast Asia. If the businesses we have acquired do not perform as expected or we are unable to effectively integrate acquired businesses, our operating results and prospects could be harmed. Expansions into foreign markets involve risks and uncertainties, including, among other things, potential distraction of management from operations in North America and Europe, greater than expected liabilities and expenses, inadequate return on capital, and unidentified issues not discovered in our investigations and evaluations of those strategies and acquisitions. It may take us longer than expected to fully realize the anticipated benefits of Asia Pacific, and those benefits may ultimately be smaller than anticipated, which could adversely affect our business. If we are unsuccessful in expanding in new and existing international markets and effectively managing the increased costs of the expansion, our business, results of operations and financial condition will be adversely affected. We are also subject to risks typical of international businesses, including differing economic conditions, differing customs, languages and consumer expectations, changes in political climate, differing tax structures and other regulations and restrictions, including labor laws, and foreign exchange rate volatility.

We may not be able to continue developing awareness of our brand names.

We believe that continuing to build awareness of the *Travelzoo* brand name is critical to achieving widespread acceptance of our business. Brand recognition is a key differentiating factor among providers of online advertising opportunities, and we believe it could become more important as competition in our industry increases. In order to maintain and build brand awareness, we must succeed in our marketing efforts. If we fail to successfully promote and maintain our brands, incur significant expenses in promoting our brands and fail to generate a corresponding increase in revenue as a result of our branding efforts, or encounter legal obstacles which prevent our continued use of our brand names, our business could be materially adversely affected.

If we fail to retain our existing members or acquire new members, our revenue and business will be harmed.

We spent $8.4 million and $6.8 million on online marketing initiatives relating to member acquisition for the years ended December 31, 2019 and 2018, respectively, and expect to continue to spend significant amounts to acquire additional members. Our long-term success depends on our continued ability to increase the overall number of members and engage those members throughout the travel planning, booking and trip-taking phases. We must continue to retain and acquire members and ensure that our members are engaged and converted into revenue-generating users in order to maintain or increase revenue. We cannot assure you that the revenue from members we acquire will ultimately exceed the cost of acquiring new members. If members do not perceive our offers to be of high value and quality or if we fail to introduce new and more relevant deals, we may not be able to acquire or retain members. If we reduce our member acquisition costs, we cannot assure you that this will not adversely impact our ability to acquire new members. If we are unable to acquire new members who purchase our deals directly or indirectly in numbers sufficient to grow our business, or if members cease to purchase our deals directly or indirectly through our advertisers, the revenue we generate may decrease and our operating results will be adversely affected. If the level of usage by our member base declines or does not grow as expected, we may suffer a decline in member growth or revenue. A significant decrease in the level of usage or member growth would have an adverse effect on our business, financial condition

and results of operations. In addition, a shift of our audience to mobile devices and social media channels without corresponding updates of our offerings or marketing activities to address this audience could result in lower revenues.

Our business may be sensitive to events affecting the travel industry in general.

Events like Middle East conflicts, terrorist attacks, mass shooting incidents, natural disasters, such as hurricanes, earthquakes, fires, droughts, floods and volcanic activity, and travel-related health events, such as the 2019 Novel Coronavirus, have a negative impact on the travel industry and affect travelers' behavior by limiting their ability or willingness to visit certain locations. In addition, advertisers may choose to limit advertising spend on certain destinations given the recent terror attacks, health events and natural disasters, which can adversely impact our business. We are not in a position to evaluate the net effect of these circumstances on our business as these events are largely unpredictable; however, we believe there has been negative impact to our business by such events. Furthermore, in the longer term, our business might be negatively affected by financial pressures on or changes to the travel industry. For example, certain jurisdictions, particularly in Europe, are considering regulations intended to address the issue of "overtourism" including by restricting access to city centers or popular tourist destinations or limiting accommodation offerings in surrounding areas, such as by restricting construction of new hotels or the renting of homes or apartments. Such regulations could adversely affect travel to, or our ability to offer accommodations in, such markets, which could negatively impact our business, growth and results of operations. The United States has implemented or proposed, or is considering, various travel restrictions and actions that could affect U.S. trade policy or practices, which could also adversely affect travel to or from the United States. If such events result in a long-term negative impact on the travel industry, such impact could have a material adverse effect on our business.

In addition, the United Kingdom's withdrawal the European Union, including uncertainty or delays in the implementation of Brexit, could continue to lead to economic uncertainty and have a negative impact on the travel industry and our European business. The United Kingdom could lose access to the single European Union market, travel between the United Kingdom and European Union countries could be restricted, and we could face new regulatory costs and challenges, the scope of which are presently unknown.

With respect to the 2019 Novel Coronavirus outbreak specifically, we currently expect that our first quarter 2020 financial results may be negatively impacted. Additionally, we expect the 2019 Novel Coronavirus will continue to negatively impact our business beyond the first quarter of 2020, but the extent and duration of such impact in the long term is largely uncertain as it is dependent on future developments that cannot be accurately predicted at this time, including but not limited to the severity and transmission rate of the virus, the extent and effectiveness of containment actions taken, including mobility restrictions, and the impact of these and other factors on travel behavior.

We may not be able to attract travel and entertainment companies or Internet users if we do not continually enhance and develop the content and features of our products and services.

To remain competitive, we must continually improve the responsiveness, functionality, and features of our products and services. We may not succeed in developing features, functions, products, or services that travel and entertainment companies and Internet users find attractive. This could reduce the number of travel and entertainment companies and Internet users using our products and materially adversely affect our business. We also launched a new and simpler design for our website and are investing in packaging technology in both Europe and the United States to expand our products to include package offers. We cannot guarantee that the expanded product offerings will be embraced by our members. It may take us longer than expected to fully realize the anticipated benefits of the expanded product offerings, and those benefits may ultimately be smaller than anticipated, which could adversely affect our business. While we are striving to improve functionality, usability and design in our products, the recent enhancements on web and mobile and investment in packaging technology may not achieve the desired results we anticipate, and if unsuccessful, could result in a decline in revenues, an increase in costs, and a negative impact on our business.

We may lose business if we fail to keep pace with rapidly changing technologies and client needs.

Our success is dependent on our ability to develop new and enhanced software, services, and related products to meet rapidly evolving technological requirements for online advertising. Our current technology may not meet the future technical requirements of travel and entertainment companies. Trends that could have a critical impact on our success include:

- rapidly changing technology in online advertising, including a significant shift of business to mobile platforms;
- evolving industry standards, including both formal and *de facto* standards relating to online advertising;
- developments and changes relating to the Internet;

- competing products and services that offer increased functionality; and
- changes in travel company, entertainment company, and Internet user requirements.

If we are unable to timely and successfully develop and introduce new products and enhancements to existing products in response to our industry's changing technological requirements, our business could be materially adversely affected.

Our business and growth will suffer if we are unable to hire and retain highly skilled personnel.

Our future success depends on our ability to attract, train, motivate, and retain highly skilled employees. We may be unable to retain our skilled employees, or attract, assimilate, and retain other highly skilled employees in the future. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. If we are unable to hire and retain skilled personnel, our growth may be restricted, which could adversely affect our future success.

We may not be able to effectively manage our expanding operations.

Since the commencement of our operations, we have experienced periods of rapid growth. In order to execute our business plan, we must continue to grow significantly. This growth has placed, and our anticipated future growth will continue to place, a significant strain on our management, systems, and resources. We expect that we will need to continue to improve our financial and managerial controls and reporting systems and procedures. We will also need to continue to expand and maintain close coordination among our sales, production, marketing, IT, and finance departments. We may not succeed in these efforts. Our inability to expand our operations in an efficient manner could cause our expenses to grow disproportionately to revenues, our revenues to decline or grow more slowly than expected and could otherwise have a material adverse effect on our business.

Intense competition may adversely affect our ability to achieve or maintain market share and operate profitably.

The markets for the services we offer are intensely competitive, constantly evolving and subject to rapid change, and current and new competitors can launch new services at a relatively low cost. We compete for advertising dollars with large Internet portal sites, such as Trip Advisor, that offer listings or other advertising opportunities to travel, entertainment and local businesses. These companies have significantly greater financial, technical, marketing and other resources and larger advertiser bases. We compete with search engines like Google that offer pay-per-click listings. Additionally, certain search engines have increased their focus on acquiring or launching travel products. For example, Google has continued to add features and functionality to its flight and hotel metasearch products ("Google Flights" and "Hotel Ads"), which have grown and are continuing to grow rapidly and has also further integrated its "Book on Google" reservation functionality into the Hotel Ads product. We compete with travel metasearch engines like Kayak.com (owned by Booking Holdings) and online travel and entertainment deal publishers (including online restaurant reservation services). We compete with large online travel agencies like the Expedia Group and Booking Holdings, as well as thousands of individual travel agencies around the world, that also offer advertising placements and hotel booking platforms and capture consumer interest. As a result of our acquisition of Travelzoo Asia Pacific, we compete or may compete in the future with large online travel service providers, like Ctrip (which owns Trip.com) and eLong. There has been substantial consolidation of the global travel industry and we believe this trend will continue. Some of our competitors are large companies that have significant resources and substantial international operations. These large companies have completed acquisitions to further consolidate the online travel industry. The Expedia Group is comprised of Travelocity, Orbitz, Hotels.com, Hotwire, Trivago, and HomeAway, among others. Booking Holdings owns Booking.com, Priceline.com, Agoda.com, Kayak.com, Cheapflights, Rentalcars.com, Momondo, and OpenTable, among others. The continued consolidation of the global travel market may impact our ability to compete in certain areas.

There has also been a proliferation of new channels and platforms through which accommodation providers can offer reservations. For example, companies such as Airbnb (which recently acquired HotelTonight), HomeAway and VRBO (which are both owned by Expedia Group) offer services providing alternative accommodation property owners, particularly individuals, an online place to list their alternative accommodations where travelers can search and book such properties and compete with our hotel booking platform and hotel offers. Further, meta-search services may lower the cost for new companies to enter the market by providing a distribution channel without the cost of promoting the new entrant's brand to drive consumers directly to its website. Some of our competitors and potential competitors offer a variety of online services, such as food delivery, shopping, gaming or search services, many of which are used by consumers more frequently than online travel services. As a result, a competitor or potential competitor that has established other, more frequent online interactions with consumers may be able to more easily or cost-effectively acquire customers for its online travel services than we can. For example, some competitors or potential competitors with more frequent online interactions with consumers are seeking to create "super-apps" where consumers can use many online services without leaving that company's app, in particular in markets such as Asia where online activity (including e-commerce) is conducted primarily through apps on mobile devices. If any of these platforms are successful in offering services similar to ours to consumers who would otherwise use our platforms or if we are unable to offer our services to consumers within these super-apps, our customer acquisition efforts could be less effective and our customer acquisition costs, including our brand and performance marketing expenses, could increase, either of which would harm our business and results of operations.

We also compete with companies like Groupon that sell vouchers for deals from local businesses such as spas, hotels and restaurants, as well as sell deals from tour operators for vacation packages. We expect to face increased competition from other Internet and technology-based businesses such as Google. To the extent that Google, or other leading search or metasearch engines that have a significant presence in our key markets, offer comprehensive travel planning or shopping capabilities, or refer those leads to suppliers directly, or to other favored partners, there could be an adverse impact on our business and financial performance. We also have seen that some competitors will accept lower margins, or negative margins, to attract attention and acquire new members. If competitors engage in group buying initiatives in which merchants receive a higher percentage of the face value than we currently offer, we may be forced to pay a higher percentage of the face value than we currently offer, which may reduce our revenue. In addition, we compete with newspapers, magazines and other traditional media companies that operate websites which provide online advertising opportunities. We expect to face additional competition as other established and emerging companies, including print media companies, enter the online advertising market. Competition could result in reduced margins on our services, loss of market share or less use of Travelzoo by advertisers and consumers. If we are not able to compete effectively with current or future competitors as a result of these and other factors, our business could be materially adversely affected.

Loss of any of our key management personnel could negatively impact our business.

Our future success depends to a significant extent on the continued service and coordination of our management team. The loss or departure of any of our executive officers or other key employees could materially adversely affect our ability to implement our business plan. We do not maintain key person life insurance for any member of our management team. In addition, we expect new members to join our management team in the future. These individuals will not previously have worked together and will be required to become integrated into our management team. If our key management personnel are not able to work together effectively or successfully, our business could be materially adversely affected.

We may not be able to access third-party technology upon which we depend.

We use data technology and software products from third parties, and technology from our vendors may not continue to be available to us on commercially reasonable terms, or at all. Our business will suffer if we are unable to access technology, to gain access to additional products or to integrate new technology with our existing systems. This could cause delays in our development and introduction of new services and related products or enhancements of existing products until equivalent or replacement technology can be accessed, if available, or developed internally, if feasible. If we experience these delays, our business could be materially adversely affected.

We also rely on certain third-party computer systems and third party service providers, including Global Distribution Systems and computerized central reservation systems, in connection with providing certain of our hotel booking services and travel package offerings. Any interruption in these third-party services and systems or deterioration in their performance could prevent us from utilizing certain booking services and have an adverse effect on our business, brands and results of operations. Our agreements with some third-party service providers are terminable upon short notice and often do not provide recourse for service interruptions.

Acquisitions, investments and joint ventures could result in operating difficulties, dilution, and other harmful consequences that may adversely impact our business and results of operations.

We may evaluate and consider a wide array of potential strategic transactions as part of our overall business strategy, including business combinations, acquisitions and dispositions of businesses, technologies, services, and other assets, as well as strategic investments and joint ventures. At any given time we may be engaged in discussions or negotiations with respect to one or more of these types of transactions. Any of these transactions could be material to our financial condition and results of operations.

On January 13, 2020, the Company entered into a Stock Purchase Agreement (the "SPA") with JFC Travel Group Co. ("JFC") and the sellers identified on the signature pages thereto ("Sellers"), which owns and operates Jack's Flight Club. Pursuant to the SPA, on January 13, 2020, the Sellers sold 60% of the shares of JFC to the Company for an aggregate purchase price of $12,000,000, payable in cash and promissory notes. The remaining 40% of the shares of JFC are subject to a call/put option exercisable by the Company or the Sellers, as applicable, on or around January 1, 2021, subject to the terms and conditions set forth in the SPA.

These transactions involve significant challenges and risks. Some of the areas where we may face risks or difficulties include:

- Diversion of management time and focus from operating our business to acquisition integration challenges.
- Implementation or remediation of controls, procedures, and policies at the acquired company.
- Integration of the acquired company's accounting, human resource, and other administrative systems, and coordination of product, engineering, and sales and marketing functions.
- Transition of operations, users, and customers onto our existing platforms.
- Failure to obtain required approvals on a timely basis, if at all, from governmental authorities, or conditions placed upon approval, under competition and antitrust laws which could, among other things, delay or prevent us from completing a transaction, or otherwise restrict our ability to realize the expected financial or strategic goals of an acquisition.
- In the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political, and regulatory risks associated with specific countries.
- Failure to successfully further develop the acquired business or technology.
- Cultural challenges associated with integrating employees from the acquired company into our organization, and retention of employees from the businesses we acquire.
- Liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities, and other known and unknown liabilities.
- Litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders, or other third parties.
- Challenges relating to the structure of an investment, such as governance, accountability and decision-making conflicts that may arise in the context of a joint venture.
- Expected and unexpected costs incurred in pursuing acquisitions, including identifying and performing due diligence on potential acquisition targets that may or may not be successful.
- Entrance into markets in which we have no direct prior experience and increased complexity in our business.
- Inability to sell disposed assets.
- Impairment of investments, goodwill and other assets acquired or divested.
- In the case of equity investments, the need to obtain financial and other information regarding the investee in order to properly account and report for the investment on an on-going basis.

- Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities, and harm our business generally.

- Future acquisitions may also require us to issue additional equity securities, spend our cash, or incur debt (and increased interest expense), liabilities and amortization expenses related to intangible assets or write-offs of goodwill, which could adversely affect our results of operations and dilute the economic and voting rights of our stockholders. Also, the anticipated benefit of many of our acquisitions may not materialize.

- Failure to secure necessary financing in order to complete a purchase or applicable transaction. For example, we may be unable to secure the financing necessary to pay off the promissory notes for the JFC transaction by their due date. This would mean we would have to use our operating cash or would be subject to the Sellers' rights of recourse pursuant to the promissory notes.

Risks Related to the Market for our Shares

Our stock price has been volatile historically and may continue to be volatile.

The trading price of our common stock has been and may continue to be subject to wide fluctuations. During the twelve months ended March 3, 2020, the closing price of our common stock on the NASDAQ Global Select Market ranged from $8.18 to $20.91. Our stock price may fluctuate in response to a number of events and factors, such as quarterly variations in operating results; announcements of technological innovations or new products by us or our competitors; changes in financial estimates and recommendations by securities analysts; the operating and stock price performance of other companies that investors may deem comparable to us; news reports relating to trends in our markets or general economic conditions; the level of demand for our stock, including the amount of short interest in our stock; stockholder collateral arrangements, and cash requirement on funds or stockholders that result in stockholder trades. There are several products offered in the market that allow stockholders to hedge stock, pledge their stock for collateral or engage in short selling, which can negatively impact the price of our stock. The Company does not prohibit stockholder hedging or pledging arrangements but does have strict policies against trading with material non-public information. Our stock price may be volatile given that operating results may vary from the expectations of securities analysts and investors, which are beyond our control. In the event that our operating results fall below the expectations of securities analysts or investors, the trading price of our common shares may decline significantly. Moreover, fluctuations in our stock price and our price-to-earnings multiple may have made our stock attractive to hedge or day-trading investors who often shift funds into and out of stocks rapidly, exacerbating price fluctuations in either direction, particularly when viewed on a quarterly basis.

In addition, the stock market in general, and the market prices for Internet-related companies in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance.

We have a principal stockholder.

Ralph Bartel, who founded Travelzoo and who is a Director of the Company, is the sole beneficiary of the Ralph Bartel 2005 Trust, which is the controlling shareholder of Azzurro. As of December 31, 2019, Azzurro is the Company's largest stockholder, holding approximately 47.8% of the Company's outstanding shares. Azzurro currently holds a proxy given to it by Holger Bartel that provides it with a total of 48.2% of the voting power.

Risks Related to Legal Uncertainty

We may become subject to shareholder lawsuits over securities violations due to volatile stock price and this can be burdensome to management and costly to defend.

Shareholder lawsuits for securities violations are often launched against companies whose stock price is volatile. Such lawsuits involving the Company would require management's attention to defend, which may distract attention from operating the Company. In addition, even if the lawsuit is meritless, the Company may incur substantial costs to defend itself and/or settle such claims, to minimize the distraction and costs of defense. Such lawsuits could result in judgments against the Company requiring substantial payments to claimants. Such costs may materially impact our results of operations and financial condition.

We may become subject to burdensome government regulations and legal uncertainties affecting the Internet which could adversely affect our business.

To date, governmental regulations have not materially restricted use of the Internet in our markets. However, the legal and regulatory environment that pertains to the Internet is uncertain and may change. Uncertainty and new regulations, including those enacted in foreign jurisdictions, could increase our costs of doing business, prevent us from delivering our products and services over the Internet, or slow the growth of the Internet. For example, new laws and regulations regulating online advertisements, including those enacted in foreign jurisdictions, may affect our advertising revenue and may also result in decreased traffic to our websites. In addition to new laws and regulations being adopted, existing laws may be applied to the Internet. New and existing laws may cover issues which include:

- user privacy;
- anti-spam legislation;
- consumer protection;
- copyright, trademark and patent infringement;
- pricing controls;
- characteristics and quality of products and services;
- sales and other taxes; and
- other claims based on the nature and content of Internet materials.

We are subject to laws and regulations worldwide, changes to which could increase the Company's costs and individually or in the aggregate adversely affect the Company's business.

The Company is subject to laws and regulations affecting its domestic and international operations in a number of areas. These U.S. and foreign laws and regulations affect the Company's activities including, but not limited to, in areas of employment related laws and regulations, advertising, digital content, consumer protection, real estate, billing, e-commerce, promotions, intellectual property ownership and infringement, tax, anti-corruption, foreign exchange controls and cash repatriation restrictions, data privacy requirements, anti-competition, health and safety, and vacation packaging.

Compliance with these laws, regulations and similar requirements may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and doing business. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could individually or in the aggregate make the Company's services less attractive to the Company's customers, delay the introduction of new products in one or more regions, or cause the Company to change or limit its business practices or incur more costs to comply or defend itself. The Company has implemented policies and procedures designed to ensure compliance with applicable laws and regulations, but there can be no assurance that the Company's employees, contractors, partners, or agents will not violate such laws and regulations or the Company's policies and procedures.

The implementation of the CARD Act and similar state and foreign laws may harm our Local Deals business.

Vouchers which are issued under our *Local Deals* and *Getaways* may be considered gift cards, gift certificates, stored value cards or prepaid cards and therefore governed by, among other laws, the Credit CARD Act of 2009 (the "CARD Act"), and state laws governing gift cards, stored value cards and coupons. Other foreign jurisdictions have similar laws in place, in particular European jurisdictions where the European E-Money Directive regulates the business of electronic money institutions. Many of these laws contain provisions governing the use of gift cards, gift certificates, stored value cards or prepaid cards, including specific disclosure requirements and prohibitions or limitations on the use of expiration dates and the imposition of certain fees. For example, if the vouchers are subject to the CARD Act and are not included in the exemption for promotional programs, it is possible that the purchase value, which is the amount equal to the price paid for the voucher, or the promotional value, which is the add-on value of the voucher in excess of the price paid, or both, may not expire before the later of (i) five years after the date on which the voucher was issued; (ii) the voucher's stated expiration date (if any); or (iii) a later date provided by applicable state law. Purported class actions against other companies have been filed in federal and state court claiming that coupons similar to the vouchers are subject to the CARD Act and various state laws governing gift cards and that the defendants have violated these laws by issuing the coupons with expiration dates and other restrictions. In addition, investigations by certain state attorney general offices have been launched against other companies with regards to similar issues. If similar claims are asserted against the Company in respect of the *Local Deals* and *Getaways* vouchers and are successful, we may become subject to fines and penalties and incur additional costs. In addition, if federal or state laws require that the face value of our vouchers have a minimum expiration period beyond the period desired by a merchant for its promotional program, or no expiration period, this may affect the willingness of merchants to issue vouchers in jurisdictions where these laws apply. For unredeemed vouchers, similar laws in other jurisdictions require us or merchants to honor the face value of vouchers sold, after the redemption period. For example, in Germany, certain consumer protection laws require us to refund consumers for approximately four years after the purchase date for the amount of the face value of purchased vouchers which remains unredeemed at the end of the redemption period. There may be similar laws in other countries or provinces that require similar practices. Such developments may materially and adversely affect the profitability or viability of our *Local Deals* and *Getaways*.

If we are required to materially increase the estimated liability recorded in our financial statements with respect to unredeemed Local Deals and Getaways vouchers due to application of certain gift card laws, our net income could be materially and adversely affected.

In certain states and foreign jurisdictions, our *Local Deals* and *Getaways* vouchers may be considered a gift card. Some of these states and foreign jurisdictions include gift cards under their unclaimed and abandoned property laws which require companies to remit to the government the value of the unredeemed balance on the gift cards after a specified period of time (generally between one and five years) and impose certain reporting and record keeping obligations. The analysis of the potential application of the unclaimed and abandoned property laws to our vouchers is complex, involving an analysis of constitutional and statutory provisions and factual issues, including our relationship with members and merchants and our role as it relates to the issuance and delivery of a voucher. In the event that one or more states or foreign jurisdictions successfully challenges our position on the application of its unclaimed and abandoned property laws to vouchers, or if the estimates that we use in projecting the likelihood of vouchers being redeemed prove to be inaccurate, our liabilities with respect to unredeemed vouchers may be materially higher than the amounts shown in our financial statements. If we are required to materially increase the estimated liability recorded in our financial statements with respect to unredeemed gift cards, our net income could be materially and adversely affected. Moreover, a successful challenge to our position could subject us to penalties or interest on unreported and unremitted sums, and any such penalties or interest would have a further material adverse impact on our net income.

New tax treatment of companies engaged in Internet commerce may adversely affect the commercial use of our services and our financial results.

Due to the global nature of the Internet, it is possible that various states or foreign countries might attempt to regulate our transmissions or levy sales, income or other taxes relating to our activities. Tax authorities at the international, federal, state and local levels are currently reviewing the appropriate treatment of companies engaged in Internet commerce. New or revised international, federal, state or local tax regulations may subject us or our members to additional sales, income and other taxes. We cannot predict the effect of current attempts to impose sales, income or other taxes on commerce over the Internet. New or revised taxes and, in particular, sales taxes, Valued Added Tax ("VAT") and similar taxes would likely increase the cost of doing business online and decrease the attractiveness of advertising and selling goods and services over the Internet. In June 2018, the U.S. Supreme Court decided the *South Dakota v. Wayfair, Inc.* sales tax nexus case. As a result of the Supreme Court ruling, states now have the ability to adopt laws requiring taxpayers to collect and remit sales tax on a basis of economic nexus, even in states in which the taxpayer has no presence. For example, due to media sales for travel agents, clients or partners in certain states with economic nexus provisions (including but not limited to New Mexico, South Dakota, West Virginia and Hawaii), we could have potential tax exposure pursuant to the *Wayfair* decision. We are continuing to evaluate states where we could have such exposure, as well as the impact of the ruling on our financial position, results of operations and cash flows. New taxes could also create significant increases in internal costs necessary to capture data and collect and remit taxes. Any of these events could have an adverse effect on our business and results of operations.

We may suffer liability as a result of information retrieved from or transmitted over the Internet and claims related to our service offerings.

We may be sued for defamation, civil rights infringement, negligence, patent, copyright or trademark infringement, invasion of privacy, personal injury, product liability, breach of contract, unfair competition, discrimination, antitrust or other legal claims relating to information that is published or made available on our websites or service offerings we make available (including provision of an application programming interface platform for third parties to access our website, mobile device services and geolocation applications). These types of claims have been brought, sometimes successfully, against online services in the past. The fact that we distribute information via email may subject us to potential risks, such as liabilities or claims resulting from unsolicited email or spamming, lost or misdirected messages, security breaches, illegal or fraudulent use of email or interruptions or delays in email or mobile service. These risks are enhanced in certain jurisdictions outside the U.S., where our liability for such third-party actions may be less clear and we may be less protected. In addition, we could incur significant costs in investigating and defending such claims, even if we ultimately are not found liable. If any of these events occurs, our business could be materially and adversely affected.

We are subject to risks associated with information disseminated through our websites and applications, including consumer data, content that is produced by our editorial staff and errors or omissions related to our product offerings. Such information, whether accurate or inaccurate, may result in our being sued by our advertisers, merchants, members or third parties and as a result our revenue and reputation could be materially and adversely affected.

In addition, we may acquire personal or confidential information, including credit card information, from users of our websites and mobile applications, related to our *Local Deals* and hotel booking platform. Our existing security measures may not be successful in preventing security breaches. For example, outside parties may attempt to fraudulently induce employees, merchants or customers to disclose sensitive information in order to gain access to our secure systems and networks. Outside parties may also attempt to takeover customer accounts by using passwords, usernames and other personal information obtained elsewhere to attempt to login to customer accounts on our websites. A party (whether internal, external, an affiliate or unrelated third party) that is able to circumvent our security systems could steal consumer information or transaction data or other proprietary information. In the last few years, several major companies, such as Target, Home Depot, Zappos, LinkedIn and Sony, have experienced high-profile security breaches that exposed their customers' personal information and it is expected that these types of events will continue to occur. A security breach at any travel service provider, hotel, payment processor, GDS or other third-party travel supplier, such as the security breach experienced by Sabre, could result in negative publicity and exposure, as well as damage to the reputations of the hotels impacted by the incident.

While we strive to use commercially acceptable means to protect personal data, no method of transmission over the Internet, or method of electronic storage, is 100% secure. Cyberattacks by individuals, groups of hackers and state-sponsored organizations are increasing in frequency and sophistication and are constantly evolving. Further, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. We have experienced and responded to cyberattacks, which we believe have not had a significant impact on the integrity of our systems or the security of data, including customer data maintained by us. These issues are likely to become more difficult to manage as we expand the number of places where we operate and as the tools and techniques used in such

attacks become more advanced. Security breaches or the unauthorized disclosure of customer personal information could result in negative publicity, damage our reputation, expose us to risk of loss or litigation and possible liability and subject us to regulatory penalties and sanctions. Any failure or perceived failure by us, or our service providers, to comply with the privacy policies, privacy-related obligations to users or other third parties, or privacy related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other user data, may result in governmental enforcement actions, litigation or public statements against the company by consumer advocacy groups or others and could cause our customers and members to lose trust in the company, which could have an adverse effect on our business. If our security measures are breached, or if our services are subject to attacks that degrade or deny the ability of users to access our products and services, our products and services may be perceived as not being secure, users and customers may curtail or stop using our products and services, and we may incur significant legal and financial exposure.

We could also be adversely affected if legislation or regulations are expanded to require changes in our business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business, results of operations or financial condition. For example, the European Union has adopted the GDPR, which went into effect in May 2018 and has harmonized and enhanced data privacy laws across Europe, which has resulted and will continue to result in significantly greater compliance burdens and costs for us. The California Consumer Privacy Act was recently passed and creates new data privacy rights for users effective in 2020. There are a number of proposals for data privacy laws pending or proposed in other jurisdictions, including at both the state and federal level of the United States. Complying with these varying national and international requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business. In addition, compliance with these laws may restrict our ability to provide services to our customers that they may find to be valuable. To the extent that European regulatory authorities impose fines on the Company or require changes to the Company's business practices, the Company's business and results of operations could be materially and adversely affected. We also could be adversely affected if legislation or regulations are expanded to require additional changes in our business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business, results of operations or financial condition.

We post on our websites our privacy policies and practices concerning the collection, use and disclosure of user data. We may need to increase our security-related expenditures to maintain or increase our systems' security. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any regulatory requirements or orders or other federal, state or international privacy or consumer protection-related laws and regulations could result in proceedings or actions against us by governmental entities or others (e.g., class action privacy litigation), and subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs and adversely affect our business. If Internet and mobile users were to reduce their use of our websites, mobile platforms, products, and services as a result of these privacy concerns, our business could be harmed. As noted above, we are also subject to the possibility of security breaches, which themselves may result in a violation of these laws.

Claims have been asserted against us relating to shares not issued in our 2002 merger.

The Company was formed as a result of a combination and merger of entities founded by the Company’s principal stockholder, Ralph Bartel. In 2002, Travelzoo.com Corporation was merged into Travelzoo. Under and subject to the terms of the merger agreement, holders of promotional shares of Travelzoo.com Corporation (“Netsurfers”) who established that they had satisfied certain prerequisite qualifications were allowed a period of 2 years following the effective date of the merger to receive one share of Travelzoo in exchange for each share of common stock of Travelzoo.com Corporation. In 2004, two years following the effective date of the merger, certain promotional shares remained unexchanged. As the right to exchange these promotional shares expired, no additional shares were reserved for issuance. Thereafter, the Company began to offer a voluntary cash program for those who established that they had satisfied certain prerequisite qualifications for Netsurfer promotional shares as further described below.

Beginning in 2010, the Company became subject to unclaimed property audits of various states in the United States related to the above unexchanged promotional shares. The Company recorded charges for the estimated settlements with these states of $20.0 million, $3.0 million and $22.0 million in 2011, 2012 and 2013, respectively. In 2014, the Company released $7.6 million of the reserve related to the completion of settlements with the states.

Although the Company has settled the states' unclaimed property claims with all states, the Company may still receive inquiries from certain potential Netsurfer promotional stockholders that had not provided their state of residence to the Company by April 25, 2004. Therefore, the Company is continuing its voluntary program under which it makes cash payments to individuals related to the promotional shares for individuals whose residence was unknown by the Company and who establish that they satisfy the original conditions required for them to receive shares of Travelzoo.com Corporation, and who failed to submit requests to convert their shares into shares of Travelzoo within the required time period. This voluntary program is not available for individuals whose promotional shares have been escheated to a state by the Company, except those

individuals for which their residence was unknown to the Company. The Company did not make any material payments under this voluntary program in 2019 and 2018.

The total cost of this voluntary program is not reliably estimable because it is based on the ultimate number of valid requests received and future levels of the Company's common stock price. The Company's common stock price affects the potential liability because the amount of cash payments under the program is based in part on the recent level of the stock price at the date valid requests are received. The Company does not know how many of the requests for shares originally received by Travelzoo.com Corporation in 1998 were valid, but the Company believes that only a portion of such requests were valid. In order to receive payment under this voluntary program, a person is required to establish that such person validly held shares in Travelzoo.com Corporation.

Federal laws and regulations, such as the Bank Secrecy Act and the USA PATRIOT Act and similar foreign laws, could be expanded to include Local Deals and Getaways vouchers.

Various federal laws, such as the Bank Secrecy Act and the USA PATRIOT Act and foreign laws and regulations, such as the European Directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, impose certain anti-money laundering requirements on companies that are financial institutions or that provide financial products and services. For these purposes, financial institutions are broadly defined to include money services businesses such as money transmitters, check cashers and providers of prepaid access cards. Examples of anti-money laundering requirements imposed on financial institutions include customer identification and verification programs, suspicious activity monitoring and reporting, record retention policies and procedures and transaction reporting. We do not believe that we are a financial institution subject to these laws and regulations based, in part, upon the closed loop nature and other characteristics of vouchers and our role with respect to the distribution of vouchers to members. However, the Financial Crimes Enforcement Network, a division of the U.S. Department of the Treasury tasked with implementing the requirements of the Bank Secrecy Act, recently issued final rules regarding the scope and requirements for non-bank parties involved in stored value or prepaid access cards, including obligations on sellers or providers of "prepaid access". Under the final rule, providers or sellers of closed loop vouchers, such as those offered through the *Local Deals* and *Getaways* programs, would only be subject to registration if the vouchers exceed $2,000 in total value or if they are sold in aggregate amounts exceeding $10,000 to any single person in one day. Should the $2,000 limit be exceeded or should more than $10,000 in aggregate vouchers be sold to any individual person (sales to businesses for resale or distribution are excluded) then we may be deemed either a seller or provider of prepaid access subject to regulation. In the event that we become subject to the requirements of the Bank Secrecy Act or any other anti-money laundering law or regulation imposing obligations on us as a money services business, our regulatory compliance costs to meet these obligations would likely increase which could reduce our net income. In addition, the costs for third parties to sell vouchers would increase, which may restrict our ability to enlist third parties to issue vouchers.

Our internal control over financial reporting may not be effective, and our independent registered public accounting firm may not be able to attest as to the effectiveness of such internal controls, which could have a significant and adverse effect on our business.

We are obligated to evaluate our internal control over financial reporting in order to allow management to report on, and our independent registered public accounting firm to opine on, our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC, which we collectively refer to as Section 404. In our Section 404 evaluation, we may identify areas of internal control that may need improvement and may require remediation efforts where necessary. Currently, none of our identified areas that need improvement has been categorized as material weaknesses. We may identify conditions that may result in material weaknesses in the future.

We may be unable to protect our registered trademark or other proprietary intellectual property rights.

Our success depends to a significant degree upon the protection of the *Travelzoo* brand name. We rely upon a combination of copyright, trade secret and trademark laws, as well as non-disclosure and other contractual arrangements to protect our intellectual property rights. The steps we have taken to protect our proprietary rights, however, may not always succeed in deterring misappropriation of proprietary information.

We have registered the *Travelzoo* trademark in the U.S., Australia, Canada, China, Hong Kong, Japan, South Korea, Taiwan, the European Union, the U.K. and other jurisdictions. If we are unable to protect our rights in the mark in North America, Europe, and Asia Pacific, a key element of our strategy of promoting *Travelzoo* as a brand could be disrupted and our business could be adversely affected. We may not always be able to detect unauthorized use of our proprietary information or take appropriate steps to enforce our intellectual property rights. In addition, the validity, enforceability, and scope of protection of intellectual property in Internet-related industries are uncertain and still evolving. The laws of countries in which we may market our services in the future are uncertain and may afford little or no effective protection of our intellectual property. The unauthorized reproduction or other misappropriation of our proprietary technology could enable third parties to benefit from

our technology and brand name without paying us for them. If this were to occur, our business could be materially adversely affected.

We may face liability from intellectual property litigation that could be costly to prosecute or defend and distract management's attention with no assurance of success.

We cannot be certain that our products, content and brand names do not or will not infringe valid patents, copyrights or other intellectual property rights held by third parties. We expect that infringement claims in our markets will increase in number as more participants enter the markets. We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. We may incur substantial expenses in defending against these third-party infringement claims, regardless of their merit, and such claims could result in a significant diversion of the efforts of our management personnel. Successful infringement claims against us may result in monetary liability or a material disruption in the conduct of our business. We endeavor to defend our intellectual property rights diligently, but intellectual property litigation is extremely expensive and time consuming, and has and is likely to continue to divert managerial attention and resources from our business objectives. Successful infringement claims against us could result in monetary liability and resolution of claims may require us to obtain licenses to use intellectual property rights belonging to third parties, which may be expensive to procure.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

We are headquartered in New York, New York, where we occupy approximately 13,500 square feet of leased office space. We have leased offices in Asia Pacific for operations in China, Australia, Hong Kong, Singapore, and Japan, including offices in Beijing, Hong Kong, Shanghai, Singapore, Sydney, and Tokyo. We also have leased offices for our Europe operations in France, Germany, Spain, and the U.K., including offices in Barcelona, Berlin, Hamburg, London, Manchester, Munich, and Paris. In addition to our New York office, we have several leased offices throughout the U.S. and Canada for our North America operations, including offices in Chicago, Illinois; Austin, Texas; Las Vegas, Nevada; Los Angeles, California; Miami, Florida; Mountain View, California; San Francisco, California; Toronto, Ontario; and Vancouver, British Columbia.

We believe that our leased facilities are adequate to meet our current needs; however, we intend to expand our operations and therefore may require additional facilities in the future. We believe that such additional facilities are available.

Item 3. ***Legal Proceedings***

The information set forth under "Note 4 - Commitments and Contingencies" to the accompanying consolidated financial statements included in Part II, Item 8 of this report is incorporated herein by reference.

Item 4. ***Mine Safety Disclosure***

Not applicable.

PART II

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

Market Information

Since August 18, 2004, our common stock has been trading on the NASDAQ Global Select Market under the symbol "TZOO." The following table sets forth, for the periods indicated, the high and low sales prices per share of our common stock as reported by NASDAQ.

	High	Low
2019:		
Fourth Quarter	$ 11.44	$ 9.47
Third Quarter	$ 14.96	$ 10.26
Second Quarter	$ 20.91	$ 12.61
First Quarter	$ 18.19	$ 8.87
2018:		
Fourth Quarter	$ 12.16	$ 7.43
Third Quarter	$ 20.60	$ 10.95
Second Quarter	$ 18.30	$ 6.70
First Quarter	$ 7.35	$ 6.00

On March 3, 2020, the last reported sales price of our common stock on the NASDAQ Global Select Market was $8.64 per share.

As of March 3, 2020, there were approximately 197 stockholders of record of our shares.

Dividend Policy

Travelzoo has not declared or paid any cash dividends since inception and does not expect to pay cash dividends for the foreseeable future. The payment of dividends will be at the discretion of our board of directors and will depend upon factors such as future earnings, capital requirements, our financial condition and general business conditions.

Sales of Unregistered Securities

There were no unregistered sales of equity securities during fiscal year 2019.

Repurchases of Equity Securities

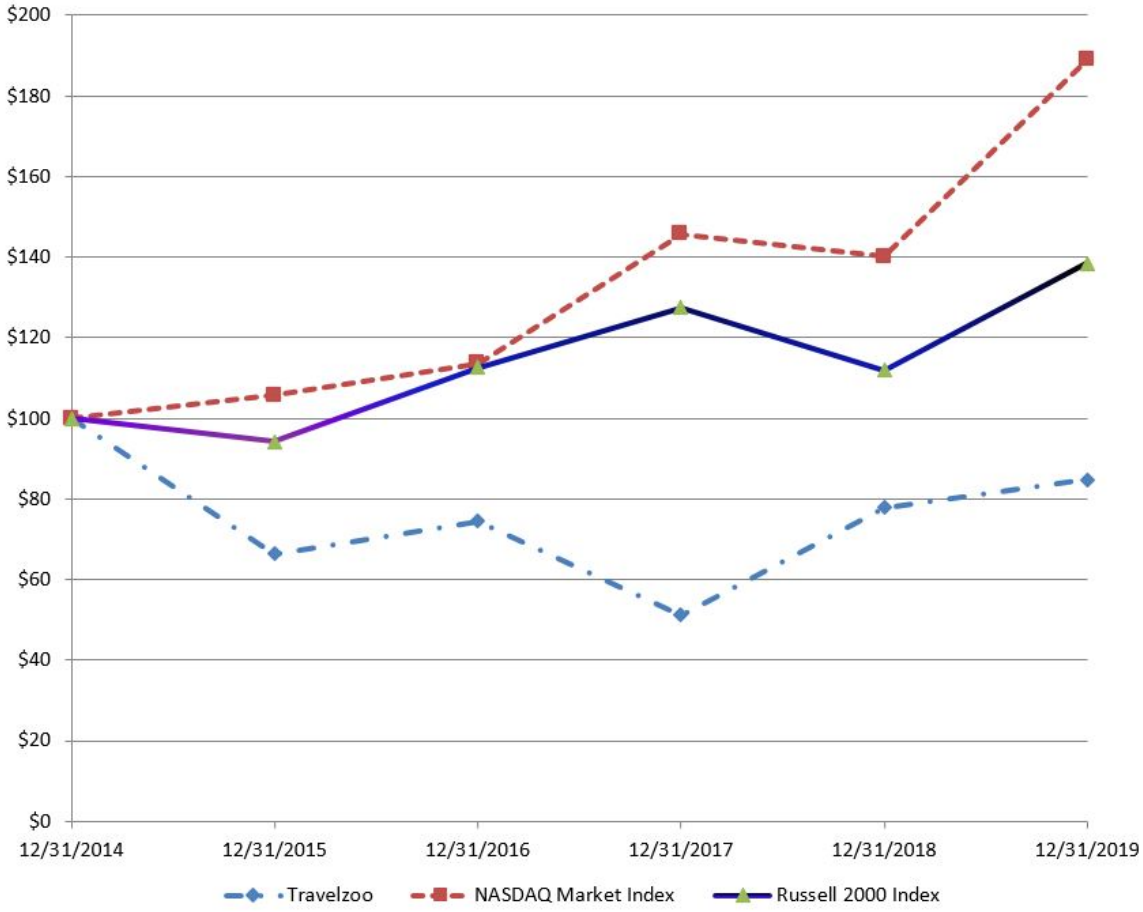
We repurchased 200,000 shares of our equity securities during the three months ended December 31, 2019.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Shares that May Yet be Purchased Under the Programs (1)
October 1, 2019 - October 31, 2019	—	$ —	—	—
November 1, 2019 - November 30, 2019	200,000	$ 10.20	200,000	—
December 1, 2019 - December 31, 2019	—	$ —	—	—
	200,000		200,000	

(1) On November 6, 2019, the Company entered into a Stock Repurchase Agreement (the "SRA") with Holger Bartel to repurchase an aggregate of 200,000 shares of the Company's common stock at a price of $10.20 per share based on the 10-day volume weighted average price calculated using the VWAP function on Bloomberg, from the dates of October 22, 2019 through and including November 4, 2019, less 4.4%. The aggregate purchase price was $2.0 million.

Performance Graph

The following graph compares, for the dates specified, the cumulative total stockholder return for Travelzoo, the NASDAQ Stock Market (U.S. companies) Index (the "NASDAQ Market Index"), and the Standard & Poor's 500 Publishing Index (the "S&P 500 Publishing"). Measurement points are the last trading day of each of the Company's fiscal years ended December 31, 2015, December 31, 2016, December 31, 2017, December 31, 2018, and December 31, 2019. The graph assumes that $100 was invested on December 31, 2014 in the Common Stock of the Company, the NASDAQ Market Index and the S&P 500 Publishing and assumes reinvestment of any dividends. The stock price performance on the following graph is not indicative of future stock price performance.



Measurement Point	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Travelzoo	$ 100	$ 66	$ 74	$ 51	$ 78	$ 85
NASDAQ Market Index	$ 100	$ 106	$ 114	$ 146	$ 140	$ 189
Russell 2000 Index	$ 100	$ 94	$ 113	$ 127	$ 112	$ 139

Item 6. ***Selected Consolidated Financial Data***

The following table presents selected consolidated financial data as of and for the five-year period ended December 31, 2019. Our past results of operations are not necessarily indicative of our future results of operations. The following selected consolidated financial data is qualified in its entirety by, and should be read in conjunction with, “Management's Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and the notes thereto included elsewhere herein.

Consolidated Statement of Operations Data:

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(In thousands, except per share data)				
Revenues	$ 111,412	$ 111,322	$ 106,524	$ 114,263	$ 123,961
Income from operations	9,464	8,238	4,545	10,186	3,820
Income from continuing operations, net of taxes	4,155	4,661	1,592	6,007	8,523
Income from discontinued operations, net of taxes	—	—	1,938	624	2,341
Net income	$ 4,155	$ 4,661	$ 3,530	$ 6,631	$ 10,864
Income per share—basic:					
Continuing operations	$ 0.35	$ 0.38	$ 0.12	$ 0.43	$ 0.58
Discontinued operations	—	—	0.15	0.04	0.16
Net income per share	$ 0.35	$ 0.38	$ 0.27	$ 0.47	$ 0.74
Income per share—diluted:					
Continuing operations	$ 0.35	$ 0.37	$ 0.12	$ 0.43	$ 0.58
Discontinued operations	—	—	0.15	0.04	0.16
Net income per share	$ 0.35	$ 0.37	$ 0.27	$ 0.47	$ 0.74
Shares used in per share calculation from continuing operations—basic	11,809	12,323	12,882	13,997	14,722
Shares used in per share calculation from discontinued operations—basic	11,809	12,323	12,882	13,997	14,722
Shares used in per share calculation from continuing operations—diluted	12,035	12,510	12,894	13,997	14,722
Shares used in per share calculation from discontinuing operations—diluted	12,035	12,510	12,894	13,997	14,722

Consolidated Balance Sheet Data:

	As of December 31,				
	2019	2018	2017	2016	2015
	(In thousands)				
Cash and cash equivalents	$ 19,505	$ 18,017	$ 22,553	$ 26,838	$ 35,128
Working capital	$ 1,116	$ 6,356	$ 7,646	$ 14,643	$ 16,046
Total assets	$ 54,538	$ 43,424	$ 45,672	$ 53,530	$ 68,579
Stockholders' equity	$ 10,863	$ 14,059	$ 13,078	$ 18,064	$ 21,387

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

The information in this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based upon current expectations, assumptions, estimates and projections about Travelzoo and our industry. These forward-looking statements are subject to the many risks and uncertainties that exist in our operations and business environment that may cause actual results, performance or achievements of Travelzoo to be different from those expected or anticipated in the forward-looking statements. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as "may", "will", "should", "estimates", "predicts", "potential", "continue", "strategy", "believes", "anticipates", "plans", "expects", "intends", and similar expressions are intended to identify forward-looking statements. Travelzoo's actual results and the timing of certain events could differ significantly from those anticipated in such forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those discussed elsewhere in this report in the section entitled "Risk Factors" and the risks discussed in our other SEC filings. The forward-looking statements included in this report reflect the beliefs of our management on the date of this report. Travelzoo undertakes no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other circumstances occur in the future.

Overview

Travelzoo® provides our 30 million members insider deals and one-of-a-kind experiences personally reviewed by one of our deal experts around the globe. With 22 offices worldwide, we have our finger on the pulse of outstanding travel, entertainment, and lifestyle experiences. For over 20 years we have worked in partnership with more than 5,000 top travel suppliers–our long-standing relationships give Travelzoo members access to irresistible deals.

Our publications and products include the *Travelzoo* website (travelzoo.com), the *Travelzoo* iPhone and Android apps, the *Travelzoo Top 20* email newsletter, and the *Newsflash* email alert service. We operate the *Travelzoo* Network, a network of third-party websites that list deals published by Travelzoo. The *Travelzoo* website includes *Local Deals* and *Getaway* listings that allow our members to purchase vouchers for deals from local businesses such as spas, hotels and restaurants. We receive a percentage of the face value of the voucher from the local businesses.

More than 5,000 companies use our services, including Air France, Air New Zealand, Alaska Airlines, British Airways, Cathay Pacific Airways, Emirates, Etihad, Fairmont Hotels and Resorts, Gate 1 Travel, Hawaiian Airlines, Hilton Hotels & Resorts, Hyatt Corporation, InterContinental Hotels Group, Lion World Travel, Lufthansa, Nexus Holidays, Princess Cruises, Royal Caribbean, Singapore Airlines, Starwood Hotels & Resorts, Tourism Australia, Tourism Ireland, and United Airlines.

In April 2018, we entered into an agreement with WeekenGO, a start-up company in Germany. WeekenGO uses new technology to promote vacation packages. We originally invested $3.0 million in WeekenGO for a 25% ownership interest in April 2018. In April 2019, the Company invested an additional $673,000 in WeekenGO and increased the Company's ownership interest to 26.6%. On February 11, 2020,Travelzoo signed an amended investment agreement with WeekenGO and agreed to invest an additional $1.7 million to increase the Company's ownership interest to 33.7% if WeekenGO meets certain internal targets. See "Note 1: Summary of Significant Accounting Policies" to the accompanying consolidated financial statements for further information.

We have three operating segments based on geographic regions: Asia Pacific, Europe and North America. Asia Pacific consists of our operations in Australia, China, Hong Kong, Japan, Taiwan, and Southeast Asia. Europe consists of our operations in France, Germany, Spain, and the U.K. North America consists of our operations in Canada and the U.S. For the year ended December 31, 2019, Asia Pacific operations were 6% of revenues, European operations were 33% of revenues and North American operations were 61% of our total revenues. Financial information with respect to our business segments and certain financial information about geographic areas appears in Note 10 to the accompanying consolidated financial statements.

When evaluating the financial condition and operating performance of the Company, management focuses on financial and non-financial indicators such as growth in the number of members to the Company's newsletters, operating margin, growth in revenues in the absolute and relative to the growth in reach of the Company's publications measured as revenue per member and revenue per employee as a measure of productivity.

How We Generate Revenues

Our revenues are advertising revenues, consisting primarily of listing fees paid by travel, entertainment and local businesses to advertise their offers on Travelzoo's media properties. Listing fees are based on audience reach, placement, number of listings, number of impressions, number of clicks, number of referrals, or percentage of the face value of vouchers sold. Insertion orders are typically for periods between one month and twelve months and are not automatically renewed. Merchant agreements for *Local Deals* and *Getaways* advertisers are typically for twelve months and are not automatically renewed. We have two separate groups of our advertising products: Travel and Local.

Our Travel category of revenue includes the publishing revenue for negotiated high-quality deals from travel companies, such as hotels, airlines, cruises or car rentals and includes products such as *Top 20*, the Travelzoo website, *Newsflash*, Travelzoo Network as well as *Getaways* vouchers. The revenues generated from these products are based upon a fee for number of e-mails delivered to our audience, a fee for clicks delivered to the advertisers, a fee for placement of the advertising on our website or a fee based on a percentage of the face value of vouchers sold, hotel booking stays or other items sold. We recognize revenue upon delivery of the e-mails, delivery of the clicks, over the period of placement of the advertising, upon hotel booking stays and upon the sale of the vouchers or other items sold.

Our Local category of revenue includes the publishing revenue for negotiated high-quality deals from local businesses, such as restaurants, spas, shows, and other activities and includes *Local Deals* vouchers and entertainment offers (vouchers and direct bookings). The revenues generated from these products are based upon a percentage of the face value of vouchers or items sold or a fee for clicks delivered to the advertisers. We recognize revenue upon the sale of the vouchers, when we receive notification of the direct bookings or upon delivery of the clicks. The Company earns a fee for acting as an agent in these transactions, which is recorded on a net basis and is included in revenue upon completion of the voucher sale. Certain merchant contracts in foreign locations allow us to retain fees related to vouchers sold that are not redeemed by purchasers upon expiration, which we recognize as revenue based upon estimates at the time of sale.

Trends in Our Business

Our ability to generate revenues in the future depends on numerous factors such as our ability to sell more advertising to existing and new advertisers, our ability to increase our audience reach and advertising rates, our ability to have sufficient supply of hotels offered at competitive rates, and our ability to develop and launch new products.

Our current revenue model primarily depends on advertising fees paid primarily by travel, entertainment and local businesses. A number of factors can influence whether current and new advertisers decide to advertise their offers with us. We have been impacted and expect to continue to be impacted by external factors such as the shift from offline to online advertising, the relative condition of the economy, competition and the introduction of new methods of advertising, and the decline in consumer demand for vouchers. A number of factors will have impact on our revenue, such as the reduction in spending by travel intermediaries due to their focus on improving profitability, the trend towards mobile usage by consumers, the willingness of consumers to purchase the deals we advertise, and the willingness of certain competitors to grow their business unprofitably. In addition, we have been impacted and expect to continue to be impacted by internal factors such as introduction of new advertising products, hiring and relying on key employees for the continued maintenance and growth of our business and ensuring our advertising products continue to attract the audience that advertisers desire.

Existing advertisers may shift from one advertising service (e.g. *Top 20*) to another (e.g. *Local Deals* and *Getaways*). These shifts between advertising services by advertisers could result in no incremental revenue or less revenue than in previous periods depending on the amount purchased by the advertisers, and in particular with *Local Deals* and *Getaways*, depending on how many vouchers are purchased by members. In addition, we are anticipating a shift from our existing hotel revenue to commission-based hotel revenue as we expand the use of our hotel platform, which may result in lower revenue depending on volume of hotel bookings.

Local revenues have been and may continue to decline over time due to market conditions driven by competition and declines in consumer demand. In the last several years, we have seen a decline in the number of vouchers sold and a decrease in the average take rate earned by us from the merchants for voucher sold.

Our ability to continue to generate advertising revenue depends heavily upon our ability to maintain and grow an attractive audience for our publications. We monitor our members to assess our efforts to maintain and grow our audience reach. We obtain additional members and activity on our websites by acquiring traffic from Internet search companies. The costs to grow our audience have had, and we expect will continue to have, a significant impact on our financial results and can vary from period to period. We may have to increase our expenditures on acquiring traffic to continue to grow or maintain our reach of our publications due to competition. We continue to see a shift in the audience accessing our services through mobile

devices and social media. We are addressing this growing channel of our audience through development of our mobile applications and through marketing on social media channels. However, we will need to keep pace with technological change and this trend to further address this shift in the audience behavior in order to offset any related declines in revenue.

We believe that we can increase our advertising rates only if the reach of our publications increases. We do not know if we will be able to increase the reach of our publications. If we are able to increase the reach of our publications, we still may not be able to or want to increase rates given market conditions such as intense competition in our industry. We have not had any significant rate increase in recent years due to intense competition in our industry. Even if we increase our rates, the increased price may reduce the number of advertisers willing to advertise with us and, therefore, decrease our revenue. We may need to decrease our rates based on competitive market conditions and the performance of our audience in order to maintain or grow our revenue.

We do not know what our cost of revenues as a percentage of revenues will be in future periods. Our cost of revenues may increase if the face value of vouchers that we sell for *Local Deals* and *Getaways* increases or the total number of vouchers sold increases because we have credit card fees based upon face value of vouchers sold, customer service costs related to vouchers sold and refunds to members on vouchers sold. Our cost of revenues is also expected to increase due to our effort to develop our hotel booking platform. We expect fluctuations in cost of revenues as a percentage of revenues from quarter to quarter. Some of the fluctuations may be significant and have a material impact on our results of operations.

We do not know what our sales and marketing expenses as a percentage of revenue will be in future periods. Increased competition in our industry may require us to increase advertising for our brand and for our products. In order to increase the reach of our publications, we have to acquire a significant number of new members in every quarter and continue to promote our brand. One significant factor that impacts our advertising expenses is the average cost per acquisition of a new member. Increases in the average cost of acquiring new members may result in an increase of sales and marketing expenses as a percentage of revenue. We believe that the average cost per acquisition depends mainly on the advertising rates which we pay for media buys, our ability to manage our member acquisition efforts successfully, the regions we choose to acquire new members and the relative costs for that region, and the degree of competition in our industry. We may decide to accelerate our member acquisition for various strategic and tactical reasons and, as a result, increase our marketing expenses. We expect the average cost per acquisition to increase with our increased expectations for the quality of the members we acquire. We may see a unique opportunity for a brand marketing campaign that will result in an increase of marketing expenses. In addition, there may be a significant number of members that cancel or we may cancel their subscription for various reasons, which may drive us to spend more on member acquisition in order to replace the lost members. Further, we expect to continue our strategy over time to replicate our business model in selected foreign markets to result in a significant increase in our sales and marketing expenses and have a material adverse impact on our results of operations. For example, in August of 2015 we acquired our Asia Pacific business, since we intend on increasing our investment in audience in this region. Due to the continued desire to grow our business in Asia Pacific, Europe and North America, we expect relatively high level of sales and marketing expenses in the foreseeable future. We expect fluctuations in sales and marketing expenses as a percentage of revenue from year to year and from quarter to quarter. Some of the fluctuations may be significant and have a material impact on our results of operations. We expect increased marketing expense to spur continued growth in members and revenue in future periods; however, we cannot be assured of this due to the many factors that impact our growth in members and revenue. We expect to adjust the level of such incremental spending during any given quarter based upon market conditions, as well as our performance in each quarter. We have increased and may continue to increase our spending on sales and marketing to increase the number of our members and address the growing audience from mobile and social media channels, as well as to increase our analytic capabilities to continuously improve the presentation of our offerings to our audience.

We do not know what our product development expenses as a percentage of revenue will be in future periods. There may be fluctuations that have a material impact on our results of operations. Product development changes may lead to reductions of revenue based on changes in presentation of our offerings to our audience. We expect our efforts on developing our product and services will continue to be a focus in the future, which may lead to increased product development expenses. This increase in expense may be the result of an increase in headcount, the compensation related to existing headcount and the increased use of professional services. We expect our continued expansion into foreign markets and development of new advertising formats to result in a significant additional increase in our product development expenses. We expect to incur additional costs related to the development of our hotel platform capabilities, which we are developing, in part, to address the shift to mobile devices. We also may increase our investment in product development to ensure our products are suited for different regions such as Asia Pacific. In addition, we expect to incur additional costs related to the development of our search capabilities of our website and mobile applications.

We do not know what our general and administrative expenses as a percentage of revenue will be in future periods. There may be fluctuations that have a material impact on our results of operations. We expect our headcount to continue to increase in the future. The Company’s headcount is one of the main drivers of general and administrative expenses. Therefore, we expect our absolute general and administrative expenses to continue to increase. We expect our continued expansion into foreign markets to result in an increase in our general and administrative expenses. We expect an increase in professional fees for various initiatives.

We do not know what our income taxes will be in future periods. There may be fluctuations that have a material impact on our results of operations. Our income taxes are dependent on numerous factors such as the geographic mix of our taxable income, federal and state and foreign country tax law and regulations and changes thereto, the determination of whether valuation allowances for certain tax assets are required or not, audits of prior years' tax returns resulting in adjustments, resolution of uncertain tax positions and different treatment for certain items for tax versus books, such as the disposition of our Asia Pacific business in 2009 and the acquisition of our Asia Pacific business in 2015. We expect fluctuations in our income taxes from year to year and from quarter to quarter. Some of the fluctuations may be significant and have a material impact on our results of operations.

With respect to the 2019 Novel Coronavirus outbreak specifically, we currently expect that our first quarter 2020 financial results may be negatively impacted. Additionally, we expect the 2019 Novel Coronavirus will continue to negatively impact our business beyond the first quarter of 2020, but the extent and duration of such impact in the long term is largely uncertain as it is dependent on future developments that cannot be accurately predicted at this time, including but not limited to the severity and transmission rate of the virus, the extent and effectiveness of containment actions taken, including mobility restrictions, and the impact of these and other factors on travel behavior.

The key elements of our growth strategy include building a travel and lifestyle brand with a large, high-quality user base and offering our users products that keep pace with consumer preference and technology, such as the trend toward mobile usage by consumers. We expect to continue our efforts to grow; however, we may not grow or we may experience slower growth. Some examples of our efforts to expand our business internationally since our inception in the U.S. have been expansion to the U.K. in 2005, Canada in 2006, Germany in 2006, France in 2007, and Spain in 2008. In addition, from 2007 through 2009 we began operations in Asia Pacific, including in Australia, China, Hong Kong, Japan, Taiwan, and Southeast Asia. We also have launched new products to grow our revenue, such as *Local Deals* in 2010, *Getaways* in 2011, as well as our mobile application launches in 2011 and 2012. In late 2012, we bought an online hotel platform to assist in our development of a product to better serve hotels and to facilitate the development of our hotel platform. We have also increased our spending on addressing the shift of our audience to mobile devices and social media.

In April 2018, the Company entered into an agreement with WeekenGO, a startup company in Germany. WeekenGO uses technology to promote vacation packages. Travelzoo originally invested $3.0 million in WeekenGO for a 25% ownership interest in April 2018. In April 2019, the Company invested an additional $673,000 in WeekenGO and increased the Company's ownership interest to 26.6%. On February 11, 2020,Travelzoo signed an amended investment agreement with WeekenGO and agreed to invest an additional $1.7 million to increase the Company's ownership interest to 33.7% if WeekenGO meets certain internal targets.

We believe that we can sell more advertising if the market for online advertising continues to grow and if we can maintain or increase our market share. We believe that the market for advertising continues to shift from offline to online. We do not know if we will be able to maintain or increase our market share. We do not know if we will be able to increase the number of our advertisers in the future. We do not know if we will have market acceptance of our new products or whether the market will continue to accept our existing products.

Results of Operations

The following table sets forth, as a percentage of total revenues, the results from our operations for the periods indicated.

	2019	2018
Revenues	100.0%	100.0%
Cost of revenues	10.6	11.0
Gross profit	89.4	89.0
Operating expenses:		
Sales and marketing	54.2	52.6
Product development	6.2	8.1
General and administrative	20.5	20.9
Total operating expenses	80.9	81.6
Income from operations	8.5	7.4
Other income (loss), net	(0.5)	—
Income before income taxes	8.0	7.4
Income tax expense	4.3	3.2
Net income	3.7%	4.2%

Operating Metrics

The following table sets forth operating metrics in Asia Pacific, Europe and North America:

	Years Ended December 31,	
	2019	2018
Asia Pacific		
Total members (1)	3,645,000	3,629,000
Average cost per acquisition of a new member	$ 3.67	$ 2.51
Revenue per member (2)	$ 1.79	$ 2.17
Revenue per employee (3)	$ 79	$ 92
Mobile application downloads	834,000	774,000
Social media followers	613,000	598,000
Europe		
Total members (1)	9,077,000	8,762,000
Average cost per acquisition of a new member	$ 3.16	$ 2.59
Revenue per member (2)	$ 4.21	$ 4.24
Revenue per employee (3)	$ 251	$ 244
Mobile application downloads	2,076,000	1,853,000
Social media followers	898,000	885,000
North America		
Total members (1)	17,705,000	17,469,000
Average cost per acquisition of a new member	$ 2.84	$ 2.10
Revenue per member (2)	$ 3.89	$ 3.87
Revenue per employee (3)	$ 360	$ 356
Mobile application downloads	3,693,000	3,430,000
Social media followers	3,263,000	3,138,000
Consolidated		
Total members (1)	30,308,000	29,732,000
Average cost per acquisition of a new member	$ 3.04	$ 2.16
Revenue per member (2)	$ 3.75	$ 3.79
Revenue per employee (3)	$ 267	$ 264
Mobile application downloads	6,603,000	6,057,000
Social media followers	4,774,000	4,621,000

(1) Members represent individuals who are signed up to receive one or more of our free email publications that present our travel, entertainment and local deals.

(2) Annual revenue divided by number of members at the beginning of the year.

(3) Annual revenue divided by number of employees at the end of the year (in thousands).

Revenues

The following table sets forth the breakdown of revenues (in thousands) by category and segment. Travel revenue includes travel publications (*Top 20*, *Website*, *Newsflash*, *Travelzoo Network*), *Getaways* vouchers, and hotel platform and vacation packages. Local revenue includes *Local Deals* vouchers and entertainment offers (vouchers and direct bookings).

	Year Ended December 31,	
	2019	2018
Asia Pacific		
Travel	$ 6,274	$ 7,351
Local	216	508
Total Asia Pacific revenues	6,490	7,859
Europe		
Travel	32,081	30,856
Local	4,817	5,293
Total Europe revenues	36,898	36,149
North America		
Travel	57,863	56,145
Local	10,161	11,169
Total North America revenues	68,024	67,314
Consolidated		
Travel	96,218	94,352
Local	15,194	16,970
Total revenues	$ 111,412	$ 111,322

Asia Pacific

Asia Pacific revenues decreased $1.4 million or 17% in 2019 compared to 2018. This decrease was primarily due to the decrease in Travel revenues, the decrease in Local revenues and a $206,000 negative impact from foreign currency movements relative to the U.S. dollar. The decrease in Travel revenues of $887,000 was primarily due to a decrease of number of emails sent. The decrease in Local revenues of $276,000 was primarily due to the decreased number of *Local Deals* vouchers sold.

Europe

Europe revenues increased $749,000 or 2% in 2019 compared to 2018. This increase was primarily due to the increase in Travel revenues, the decrease in Local revenues and a $1.8 million negative impact from foreign currency movements relative to the U.S. dollar. The increase in Travel revenue of $2.9 million was primarily due to the increased number of emails sent. The decrease in Local revenues of $292,000 was primarily due to the decreased number of *Local Deals* vouchers sold.

North America

North America revenues increased $710,000 or 1% in 2019 compared to 2018. This increase was primarily due to the increase in Travel revenues offset by the decrease in Local revenue. The increase in Travel revenue of $1.7 million was primarily due to the increased number of emails sent. The decrease in Local revenues of $1.0 was primarily due to the decreased number of *Local Deals* vouchers sold.

For 2019 and 2018 , none of our customers accounted for 10% or more of our revenue.

Cost of Revenues

Cost of revenues consists primarily of network expenses, including fees we pay for co-location services and depreciation and maintenance of network equipment, payments made to third-party partners of the *Travelzoo Network*, amortization of capitalized website development costs, credit card fees, certain estimated refunds to members and customer service costs associated with vouchers we sell and hotel bookings, and salary expenses associated with network operations and customer

service staff. Cost of revenues was $11.9 million and $12.3 million for the years ended December 31, 2019 and 2018, respectively.

Cost of revenue decreased $379,000 in 2019 compared to 2018. This decrease was primarily due to the decrease in payments made to third-party partners of the *Travelzoo Network*.

Operating Expenses

Sales and Marketing

Sales and marketing expenses consist primarily of advertising and promotional expenses, salary and related expenses associated with sales, marketing and production staff, expenses related to our participation in industry conferences, and public relations expenses. Sales and marketing expenses were $60.3 million and $58.5 million for 2019, and 2018, respectively. Advertising expenses accounted for 17% and 14%, respectively, of total sales and marketing expenses and consisted primarily of online advertising, which we refer to as traffic acquisition cost and member acquisition costs. The goal of our advertising was to acquire new members for our e-mail products, increase the traffic to our websites and increase brand awareness.

Sales and marketing expenses increased $1.8 million in 2019 compared to 2018. The increase was primarily due to a $2.1 million increase in member acquisition costs, offset partially by a $462,000 decrease in facility costs.

Product Development

Product development expenses consist primarily of salary and related expenses for software development staff, fees for professional services, software maintenance and amortization and facilities costs. Product development expenses were $6.9 million and $9.0 million for 2019 and 2018, respectively.

Product development expenses decreased $2.1 million in 2019 compared to 2018 primarily due to the decrease in salary and employee related expenses as the result of a decrease in headcount.

General and Administrative

General and administrative expenses consist primarily of salary and related expenses for administrative and executive staff, fees for professional services, rent, bad debt expense, amortization of intangible assets, and general office expense. General and administrative expenses were $22.8 million and $23.3 million for each of the years ended 2019 and 2018, respectively.

General and administrative expenses decreased $480,000 in 2019 compared to 2018, reflecting a $836,000 decrease in professional service expenses which was offset by a $218,000 increase in software and license costs.

Other Income (Loss)

Other income (loss) consisted primarily of foreign exchange transactions gains and losses, our share of investment gains and losses and amortization of basis differences, interest income earned on cash, cash equivalents and restricted cash as well as interest expense.

Other income (loss) was ($515,000) and $48,000 for 2019 and 2018, respectively. Other income decreased $563,000 from 2018 to 2019 primarily due to our share of investment losses and amortization of basis differences from our equity investment in WeekenGO in 2019, offset partially by the sublease income from our Austin office.

Income Taxes

Our income is generally taxed in the U.S., Canada and U.K. Our income tax provision reflects federal, state and country statutory rates applicable to our worldwide income, adjusted to take into account expenses that are treated as having no recognizable tax benefit. Income tax expense was $4.8 million and $3.6 million for 2019 and 2018, respectively. Our effective tax rate was 54% and 44% for 2019 and 2018, respectively.

Our effective tax rate increased for the year ended December 31, 2019 compared to the year ended December 31, 2018, primarily due to the geographical mix of income of worldwide taxable income including foreign net operating losses from Asia Pacific that are not benefited. See Note 5 to the accompanying consolidated financial statements for more information on our effective tax rate.

Segment Information

Asia Pacific

	Year Ended December 31,	
	2019	2018
	(In thousands)	
Revenues	$ 6,490	$ 7,859
(Loss) from operations	$ (7,488)	$ (6,322)
(Loss) from operations as a % of revenues	(115)%	(80)%

Asia Pacific net revenues decreased $1.4 million in 2019 compared to 2018 (see “Revenues” above). Asia Pacific expenses decreased $203,000 from 2018 to 2019. This decrease was primarily due to a $503,000 decrease of salary expense, offset partially by a $303,000 increase in member acquisition costs.

Foreign currency movements relative to the U.S. dollar negatively impacted our local currency loss from our operations in Asia Pacific by approximately $136,000 for 2019. Foreign currency movements relative to the U.S. dollar positively impacted our local currency loss from our operations in Asia Pacific by approximately $127,000 for 2018.

Europe

	Year Ended December 31,	
	2019	2018
	(In thousands)	
Revenues	$ 36,898	$ 36,149
Income from operations	$ 4,461	$ 4,973
Income from operations as a % of revenues	12%	14%

Europe net revenues increased $749,000 in 2019 compared to 2018 (see “Revenues” above). Europe expenses increased $1.3 million from 2018 to 2019 primarily due to increased marketing costs.

Foreign currency movements relative to the U.S. dollar negatively impacted our local currency income from our operations in Europe by approximately $207,000 and $181,000 for 2019 and 2018, respectively.

North America

	Year Ended December 31,	
	2019	2018
	(In thousands)	
Revenues	$ 68,024	$ 67,314
Income from operations	$ 12,491	$ 9,587
Income from operations as a % of revenues	18%	14%

North America net revenues increased $710,000 in 2019 compared to 2018 (see “Revenues” above). North America expenses decreased $2.2 million from 2018 to 2019 primarily due to a $1.7 million decrease in salary and employee related expenses, $742,000 decrease in professional service expenses, a $584,000 decrease in customer service costs and a $498,000 decrease in trade and brand marketing expenses, offset partially by a $1.2 million increase in member acquisition costs.

Liquidity and Capital Resources

As of December 31, 2019, we had $19.5 million in cash and cash equivalents, of which $14.8 million was held outside the U.S. in certain of our foreign operations. If these assets are distributed to the U.S., we may be subject to additional U.S. taxes in certain circumstances. We have not provided for any repatriation taxes and currently have the intent to leave such cash and cash equivalents in the foreign countries. Cash and cash equivalents increased from $18.0 million as of December 31, 2018 primarily as a result of cash provided by operating activities, offset partially by cash used for repurchases of our common stock and our equity investment in WeekenGO. We expect that cash on hand will be sufficient to provide for working capital needs for at least the next twelve months.

	Year Ended December 31,	
	2019	2018
	(In thousands)	
Net cash provided by operating activities	$ 11,236	$ 5,317
Net cash used in investing activities	(1,147)	(3,685)
Net cash used in financing activities	(9,106)	(5,292)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	266	(880)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 1,249	$ (4,540)

Net cash provided by operating activities is net income adjusted for certain non-cash items and changes in assets and liabilities. Net cash provided by operating activities was $11.2 million for 2019, which consisted of net income of $4.2 million, adjustments for non-cash items of $3.8 million and a $3.2 million increase in cash from changes in operating assets and liabilities. Adjustments for non-cash items primarily consisted of a $1.3 million of depreciation and amortization expense on property and equipment, a $993,000 of stock-based compensation expense and $821,000 for our share of WeekenGO losses, amortization of basis differences and currency translation adjustment. The increase in cash from changes in operating assets and liabilities primarily consisted of a $3.1 million increase in accounts payable.

Net cash provided by operating activities was $5.3 million for 2018, which consisted of a net income of $4.7 million, adjustments for non-cash items of $2.5 million, offset partially a $1.9 million decrease in cash from changes in operating assets and liabilities. Adjustments for non-cash items primarily consisted of a $1.8 million of depreciation and amortization expense on property and equipment and a $915,000 of stock-based compensation expense. The decrease in cash from changes in operating assets and liabilities primarily consisted of a $1.5 million increase in accounts receivable.

Cash paid for income taxes, net of refunds received in 2019 and 2018, was $4.7 million and $4.3 million, respectively.

Net cash used in investing activities for 2019 and 2018 was $1.1 million and $3.7 million, respectively. The cash used in investing activities in 2019 was primarily due to $673,000 investment in WeekenGO and $474,000 in purchases of property and equipment. The cash used in investing activities in 2018 was primarily due to $3.1 million investment in WeekenGO and $752,000 in purchases of property and equipment, offset partially by $150,000 proceeds from sale of property and equipment.

Net cash used in financing activities for 2019 and 2018 was $9.1 million and $5.3 million, respectively. Net cash used in financing activities for the year ended December 31, 2019 was primarily due to $10.8 million used in repurchases of our common stock, offset partially by $1.7 million of proceeds from the issuance of common stock, net of tax paid for the net share settlement. Net cash used in financing activities for the year ended December 31, 2018 was primarily due to $5.3 million cash used in repurchases of our common stock.

See Note 4 to the accompanying consolidated financial statements for information on the unexchanged promotional share settlements and related cash program.

Although we have settled the states unclaimed property claims with all states, we may still receive inquiries from certain potential Netsurfers promotional stockholders that had not provided their state of residence to us by April 25, 2004. Therefore, we are continuing our voluntary program under which we make cash payments to individuals related to the promotional shares for individuals whose residence was unknown by us and who establish that they satisfied the conditions to receive shares of Netsurfers, and who failed to submit requests to convert their shares into shares of Travelzoo within the required time period. This voluntary program is not available for individuals whose promotional shares have been escheated to a state by us.

Our capital requirements depend on a number of factors, including market acceptance of our products and services, the amount of our resources we devote to the development of new products, cash payments related to former stockholders of Netsurfers, expansion of our operations, and the amount of resources we devote to promoting awareness of the Travelzoo brand. Since the inception of the voluntary program under which we make cash payments to people who establish that they were former stockholders of Netsurfers, and who failed to submit requests to convert their shares into shares of Travelzoo within the required time period, we have incurred expenses of $2.9 million. While future payments for this program are expected to decrease, the total cost of this voluntary program is still undeterminable because it is dependent on our stock price and on the number of valid requests ultimately received.

Consistent with our growth, we have experienced fluctuations in our cost of revenues, sales and marketing expenses and our general and administrative expenses, including increases in product development costs, and we anticipate that these increases will continue for the foreseeable future. We believe cash on hand will be sufficient to pay such costs for at least the next twelve months. In addition, we will continue to evaluate possible investments in businesses, products and technologies, the consummation of any of which would increase our capital requirements.

Although we currently believe that we have sufficient capital resources to meet our anticipated working capital and capital expenditure requirements for at least the next twelve months, unanticipated events and opportunities or a less favorable than expected development of our business with one or more of advertising formats may require us to sell additional equity or debt securities or establish new credit facilities to raise capital in order to meet our capital requirements.

If we sell additional equity or convertible debt securities, the sale could dilute the ownership of our existing stockholders. If we issue debt securities or establish a new credit facility, our fixed obligations could increase, and we may be required to agree to operating covenants that would restrict our operations. We cannot be sure that any such financing will be available in amounts or on terms acceptable to us.

Failure to secure necessary financing in order to complete a purchase or applicable transaction. For example, we may be unable to secure the financing necessary to pay off the promissory notes for the JFC transaction by their due date. This would mean we would have to use our operating cash or would be subject to the Sellers' rights of recourse pursuant to the promissory notes.

If the development of our business is less favorable than expected, we may decide to significantly reduce the size of our operations and marketing expenses in certain markets with the objective of reducing cash outflow.

The information set forth under "Note 4 — Commitments and Contingencies" and "Note 13: Leases" to the accompanying consolidated financial statements included in Part II, Item 8 of this report is incorporated herein by reference. Litigation and claims against the Company may result in legal defense costs, settlements or judgments that could have a material impact on our financial condition.

The following summarizes our principal contractual commitments as of December 31, 2019 (in thousands):

	Gross Operating Lease Commitments	Sublease Income	Net Operating Lease Commitments	Purchase Obligations	Total Commitments
2020	$ 5,440	$ (344)	$ 5,096	$ 4	$ 5,100
2021	3,790	(351)	3,439	27	3,466
2022	2,426	(357)	2,069	19	2,088
2023	1,927	(271)	1,656	—	1,656
2024	1,038	—	1,038	—	1,038
Thereafter	—	—	—	—	—
Total	$ 14,621	$ (1,323)	$ 13,298	$ 50	$ 13,348

We also have contingencies related to net unrecognized tax benefits, including interest, of approximately $359,000 as of December 31, 2019. See Note 5 to the accompanying consolidated financial statements for further information.

Critical Accounting Policies and Estimates

We believe that there are a number of accounting policies that are critical to understanding our historical and future performance, as these policies affect the reported amounts of revenue and the more significant areas involving management's judgments and estimates. These significant accounting policies relate to revenue recognition, reserve for member refunds,

allowance for doubtful accounts, income taxes and loss contingencies. These policies, and our procedures related to these policies, are described in detail below.

Revenue Recognition

On January 1, 2018, the Company adopted Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" (Topic 606), using the modified retrospective transition method applied to those contracts which were not completed as of January 1, 2018.

Under Topic 606, revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

The Company generates revenues primarily by delivering advertising on the *Travelzoo* website, in the *Top 20* email newsletter, in *Newsflash* and from the *Travelzoo Network*. The Company also generates transaction-based revenues from the sale of vouchers through our *Local Deals* and *Getaways* products and operation of hotel booking platform and vacation packages. The Company's disaggregated revenues are included in "Note 10: Segment Reporting and Significant Customer Information".

For fixed-fee website advertising, the Company recognizes revenues ratably over the contracted placement period.

For *Top 20* email newsletter and other email products, the Company recognizes revenues when the emails are delivered to its members.

The Company offers advertising on a cost-per-click basis, which means that an advertiser pays the Company only when a user clicks on an ad on Travelzoo properties or *Travelzoo Network* members' properties. For these customers, the Company recognizes revenues each time a user clicks on the ad.

The Company also offers advertising on other bases, such as cost-per-impression, which means that an advertiser pays the Company based on the number of times their advertisement is displayed on Travelzoo properties, email advertisement, *Travelzoo Network* properties, or social media properties. For these customers, the Company recognizes revenues each time an ad is displayed or email delivered.

For transaction based revenues, including products such as *Local Deals*, *Getaways*, hotel platform and vacation packages, the Company evaluates whether it is the principal (i.e., report revenue on a gross basis) versus an agent (i.e., report revenue on a net basis). The Company reports transaction revenue on a net basis because the supplier is primarily responsible for providing the underlying service and we do not control the service provided by the supplier prior to its transfer to the customer.

For *Local Deals* and *Getaways* products, the Company earns a fee for acting as an agent for the sale of vouchers that can be redeemed for services with third-party merchants. Revenues are presented net of the amounts due to the third-party merchants for fulfilling the underlying services. Certain merchant contracts allow the Company to retain the proceeds from unredeemed vouchers. With these contracts, the Company estimates the value of vouchers that will ultimately not be redeemed and records the estimate in the same period as the voucher sale.

Commission revenue related to our hotel platform is recognized ratably over the period of guest stay, net of an allowance for cancellations based upon historical patterns. For arrangements for booking non-cancelable reservations where the Company's performance obligation is deemed to be the successful booking of a hotel reservation, we record revenue for the commissions upon completion of the hotel booking.

The Company's contracts with customers may include multiple performance obligations in which the Company allocates revenues to each performance obligation based on its standalone selling price. The Company determines standalone selling price based on its overall pricing objectives, taking into consideration the type of services, geographical region of the customers, normal rate card pricing and customary discounts. Standalone selling price is generally determined based on the prices charged to customers when the product is sold separately.

The Company relies upon the following practical expedients and exemptions allowed for in the Accounting Standards Codification ("ASC") 606. The Company expenses sales commissions when incurred because the amortization period would be one year or less. These costs are recorded in sales and marketing expenses. In addition, the Company does not disclose the value of unsatisfied performance obligations for (a) contracts with an original expected length of one year or less and (b) contracts for which it recognizes revenues at the amount to which it has the right to invoice for services performed.

Reserve for Member Refunds

We record an estimated reserve for member refunds based on our historical experience at the time revenue is recorded for *Local Deals* and *Getaway* voucher sales. We accrue costs associated with refunds in accrued expenses on the consolidated balance sheets. We consider many key factors such as the historical refunds based upon the time lag since the sale, historical reasons for refunds, time period that remains until the deal expiration date, any changes in refund procedures and estimates of redemptions and breakage. Should any of these factors change, the estimates made by management will also change, which could impact the level of our future reserves for member refunds. Specifically, if the financial condition of our advertisers, the businesses that are providing the vouchered services, were to deteriorate, affecting their ability to provide the services to our members, additional reserves for member refunds may be required.

Estimated member refunds that are determined to be recoverable from the merchant and the portion of which represents our fee from the merchant are recorded in the consolidated statements of operations as a reduction to revenue. Estimated member refunds that are determined not to be recoverable from the merchant are presented as a cost of revenue. If our judgments regarding estimated member refunds are inaccurate, reported results of operations could differ from the amount we previously accrued.

Allowance for Doubtful Accounts

We record a provision for doubtful accounts based on our historical experience of write-offs and a detailed assessment of our accounts receivable and allowance for doubtful accounts. In estimating the provision for doubtful accounts, management considers the age of the accounts receivable, our historical write-offs, the creditworthiness of the advertiser, the economic conditions of the advertiser’s industry, and general economic conditions, among other factors. Should any of these factors change, the estimates made by management will also change, which could impact the level of our future provision for doubtful accounts. Specifically, if the financial condition of our advertisers were to deteriorate, affecting their ability to make payments, additional provision for doubtful accounts may be required.

Income Taxes

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given that the final tax outcome of these matters will not be different. We adjust these reserves in light of changing facts and circumstances, such as the progress or closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest. In addition to local country tax laws and regulations, our income tax rate depends on the extent that our foreign earnings are taxed by the U.S. through new provisions under the Tax Act such as the new GILTI tax and BEAT or as a result of our indefinite reinvestment assertion. Indefinite reinvestment is determined by management’s judgment about and intentions concerning our future operations.

Our effective tax rates have differed from the statutory rate primarily due to the tax impact of foreign operations, state taxes, certain benefits realized related to stock option activities, credits, the extent that our earnings are indefinitely reinvested outside the U.S. and tax asset valuation allowance determinations, including on certain loss carryforwards. For the years ended December 31, 2019 and 2018, our effective tax rates were 54% and 44% , respectively. Our future effective tax rates could be materially impacted by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates, changes in the deferred tax assets or liabilities, existing or new uncertain tax matters that may arise and require changes in tax reserves, changes in tax asset valuation allowance determinations, changes in our judgment about whether certain foreign earnings are indefinitely reinvested outside the U.S., or changes in tax laws, regulations, and accounting principles. In addition, we are subject to the continuous examination of our income tax returns by the IRS and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. See Note 5 to the accompanying consolidated financial statements for further information.

Loss Contingencies

We are involved in claims, suits, and proceedings arising from the ordinary course of our business. We record a provision for a liability when we believe that it is both probable that a liability has been incurred, and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. Such claim proceedings are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. Should any of these

estimates and assumptions change or prove to have been incorrect, it could have a material impact on our results of operations, financial position and cash flows. Please refer to Note 4 to the accompanying consolidated financial statements for further information regarding our loss contingencies.

Recent Accounting Pronouncements

See “Note 1 — Summary of Significant Accounting Policies” to the accompanying consolidated financial statements included in this report, regarding our significant accounting policies and any impact of certain recent accounting pronouncements on our consolidated financial statements.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

We believe that our potential exposure to changes in market interest rates is not material. The Company is not a party to any derivative transactions. We invest in highly liquid investments with short maturities. Accordingly, we do not expect any material loss from these investments.

Our operations in Canada expose us to foreign currency risk associated with agreements being denominated in Canadian Dollars. Our operations in Europe expose us to foreign currency risk associated with agreements being denominated in British Pound Sterling and Euros. Our operations in Asia Pacific expose us to foreign currency risk associated with agreements being denominated in Australian dollars, Chinese Yuan, Hong Kong dollar, Japanese Yen and Taiwanese Yuan. We are exposed to foreign currency risk associated with fluctuations of these currencies as the financial position and operating results of our operations in Asia Pacific, Canada and Europe are translated into U.S. dollars for consolidation purposes. We do not use derivative instruments to hedge these exposures. We have performed a sensitivity analysis as of December 31, 2019, using a modeling technique that measures the change in the fair values arising from a hypothetical 10% adverse movement in the levels of foreign currency exchange rates relative to the U.S. dollar with all other variables held constant. The foreign currency exchange rates we used were based on market rates in effect at December 31, 2019. The sensitivity analysis indicated that a hypothetical 10% adverse movement in foreign currency exchange rates would result in an incremental $131,000 foreign exchange loss for the year ended December 31, 2019.

Item 8. ***Financial Statements and Supplementary Data***

TRAVELZOO

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Travelzoo

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Travelzoo and its subsidiaries (the Company) as of December 31, 2019, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framewor*k issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 20, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 to the accompanying financial statements, the Company has changed its method of accounting for leases in 2019 due to the adoption of Accounting Standard Update (ASU) 2016-02, *Leases* (Topic 842) and the related amendments.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ RSM US LLP

We have served as the Company's auditor since 2019.

San Jose, California
March 20, 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Travelzoo

Opinion on the Internal Control Over Financial Reporting

We have audited Travelzoo's (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2019, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the year then ended and the related notes to the consolidated financial statements, and our report dated March 20, 2020 expressed an unqualified opinion.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying *Management’s Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ RSM US LLP

San Jose, California
March 20, 2020

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Travelzoo

Opinion on the Financial Statements

We have audited the consolidated balance sheet of Travelzoo and its subsidiaries (the “Company”) as of December 31, 2018, and the related consolidated statements of operations, comprehensive income, stockholders’ equity and cash flows for the year then ended, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
San Jose, California
March 8, 2019

We served as the Company's auditor from 2016 to 2019.

TRAVELZOO
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,505	$ 18,017
Accounts receivable, less allowance for doubtful accounts of $1,126 and $692 as of December 31, 2019 and 2018, respectively	13,006	12,646
Income tax receivable	989	389
Deposits	114	167
Prepaid expenses and other	2,496	1,947
Total current assets	36,110	33,166
Deposits and other	820	685
Deferred tax assets	2,051	1,645
Restricted cash	1,205	1,444
Operating lease right-of-use assets	8,886	—
Property and equipment, net	2,982	3,790
Investment in WeekenGO	2,484	2,694
Total assets	$ 54,538	$ 43,424
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 20,406	$ 17,129
Accrued expenses and other	7,477	7,853
Deferred revenue	896	1,339
Operating lease liabilities	5,301	—
Income tax payable	914	489
Total current liabilities	34,994	26,810
Long-term tax liabilities	359	418
Long-term operating lease liabilities	8,238	—
Long-term deferred rent and other	84	2,137
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value per share (5,000 shares authorized; none issued)	—	—
Common stock, $0.01 par value (20,000 and 40,000 shares authorized as of December 31, 2019 and 2018, respectively; 11,479 and 11,962 shares issued and outstanding as of December 31, 2019 and 2018, respectively)	115	120
Additional paid-in capital	—	—
Retained earnings	14,200	18,153
Accumulated other comprehensive loss	(3,452)	(4,214)
Total stockholders' equity	10,863	14,059
Total liabilities and stockholders' equity	$ 54,538	$ 43,424

See accompanying notes to consolidated financial statements.

TRAVELZOO
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended December 31,	
	2019	**2018**
Revenues	$ 111,412	$ 111,322
Cost of revenues	11,889	12,268
Gross profit	99,523	99,054
Operating expenses:		
Sales and marketing	60,350	58,519
Product development	6,885	8,993
General and administrative	22,824	23,304
Total operating expenses	90,059	90,816
Income from operations	9,464	8,238
Other income (loss), net	(515)	48
Income before income taxes	8,949	8,286
Income tax expense	4,794	3,625
Net income	$ 4,155	$ 4,661
Net income per share—basic	$ 0.35	$ 0.38
Net income per share—diluted	$ 0.35	$ 0.37
Shares used in computing basic net income per share	11,809	12,323
Shares used in computing diluted net income per share	12,035	12,510

See accompanying notes to consolidated financial statements.

TRAVELZOO
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,	
	2019	2018
Net income	$ 4,155	$ 4,661
Other comprehensive income (loss):		
Foreign currency translation adjustment	762	(617)
Total comprehensive income	$ 4,917	$ 4,044

See accompanying notes to consolidated financial statements.

TRAVELZOO

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balances, January 1, 2018	12,462	$ 125	$ —	$ 16,550	$ (3,597)	$ 13,078
Stock-based compensation expense	—	—	915	—	—	915
Repurchase and retirement of common stock	(500)	(5)	(915)	(4,372)	—	(5,292)
Foreign currency translation adjustment	—	—	—	—	(617)	(617)
Net income	—	—	—	4,661	—	4,661
Cumulative effect adjustment from the adoption of ASC 606	—	—	—	1,314	—	1,314
Balances, December 31, 2018	11,962	120	—	18,153	(4,214)	14,059
Stock-based compensation expense	—	—	993	—	—	993
Repurchase and retirement of common stock	(737)	(5)	(2,703)	(8,108)	—	(10,816)
Proceeds from exercise of stock options, net of share settlement	254	—	1,710	—	—	1,710
Foreign currency translation adjustment	—	—	—	—	762	762
Net income	—	—	—	4,155	—	4,155
Balances, December 31, 2019	11,479	$ 115	$ —	$ 14,200	$ (3,452)	$ 10,863

See accompanying notes to consolidated financial statements.

TRAVELZOO
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,	
	2019	**2018**
Cash flows from operating activities:		
Net income	$ 4,155	$ 4,661
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,318	1,828
Stock-based compensation	993	915
Deferred income tax	258	(336)
Loss on equity investment in WeekenGO	821	218
Net foreign currency effect	80	42
Other	325	(119)
Changes in operating assets and liabilities:		
Accounts receivable	(728)	(1,519)
Income tax receivable	(600)	129
Prepaid expenses and other	(626)	104
Accounts payable	3,061	(25)
Accrued expenses and other	(242)	—
Income tax payable	373	(392)
Other long-term liabilities	2,048	(189)
Net cash provided by operating activities	11,236	5,317
Cash flows from investing activities:		
Purchases of property and equipment	(474)	(752)
Proceeds from sale of property and equipment	—	150
Investment in WeekenGO	(673)	(3,083)
Net cash used in investing activities	(1,147)	(3,685)
Cash flows from financing activities:		
Proceeds from exercise of stock options, net of share settlement	1,710	—
Repurchase of common stock	(10,816)	(5,292)
Net cash used in financing activities	(9,106)	(5,292)
Effect of exchange rate changes on cash and cash equivalents	266	(880)
Net increase (decrease) in cash, cash equivalents and restricted cash	1,249	(4,540)
Cash, cash equivalents and restricted cash at beginning of year	19,461	24,001
Cash, cash equivalents and restricted cash at end of year	$ 20,710	$ 19,461
Supplemental disclosure of cash flow information:		
Cash paid for income taxes, net	$ 4,720	$ 4,276
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 4,066	$ —
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows	$ 5,625	$ —

See accompanying notes to consolidated financial statements.

Note 1: Summary of Significant Accounting Policies

(a) The Company and Basis of Presentation

Travelzoo® provides our 30 million members insider deals and one-of-a-kind experiences personally reviewed by one of our deal experts around the globe. With 22 offices worldwide, we have our finger on the pulse of outstanding travel, entertainment, and lifestyle experiences. For over 20 years we have worked in partnership with more than 5,000 top travel suppliers–our long-standing relationships give Travelzoo members access to irresistible deals. Travelzoo's revenues are generated primarily from advertising fees.

Our publications and products include the *Travelzoo* website, the *Travelzoo* iPhone and Android apps, the *Travelzoo Top 20* email newsletter, the *Newsflash* email alert service, and the *Travelzoo Network*, a network of third-party websites that list travel deals published by Travelzoo. The *Travelzoo* website includes *Local Deals* and *Getaway* listings that allow our members to purchase vouchers for deals from local businesses such as spas, hotels and restaurants. We receive a percentage of the face value of the voucher from the local businesses.

Ralph Bartel, who founded Travelzoo (the "Company") and who is a Director of the Company is the sole beneficiary of the Ralph Bartel 2005 Trust, which is the controlling shareholder of Azzurro Capital Inc. ("Azzurro"). As of December 31, 2019, Azzurro is the Company's largest stockholder, holding approximately 47.8% of the Company's outstanding shares. Azzurro currently holds a proxy given to it by Holger Bartel that provides it with a total of 48.2% of the voting power.

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles (“GAAP”) in the United States (“U.S.”). The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the U.S. Significant estimates included in the consolidated financial statements and related notes include revenue recognition, income taxes, stock-based compensation, loss contingencies, and useful lives of property and equipment. Actual results could differ materially from those estimates.

In April 2018, the Company entered into an agreement with WeekenGO GmbH ("WeekenGo"), a start-up company in Germany. WeekenGO uses new technology to promote vacation packages. Travelzoo originally invested $3.0 million in WeekenGO for a 25% ownership interest in April 2018. The Company accounts for this private company investment using the equity method of accounting by recording its share of the results of WeekenGO in Other income (expense), net on a one-quarter lag basis. In accounting for the investment, the Company allocated $1.0 million of its purchase price to net tangible assets and allocated approximately $485,000 of the purchase to technology-related intangible assets to be amortized over a three-year life. The remaining $1.5 million of the purchase price was allocated to goodwill. In April 2019, the Company invested an additional $673,000 in WeekenGO and increased the Company's ownership interest to 26.6%. On February 11, 2020, Travelzoo signed an amended investment agreement with WeekenGO and agreed to invest an additional $1.7 million to increase the Company's ownership interest to 33.7% if WeekenGO meets certain internal targets.

The Company recorded $882,000 and $218,000 in 2019 and 2018, respectively, for its share of WeekenGO losses, amortization of basis differences and currency translation adjustment.

(b) Revenue Recognition

On January 1, 2018, the Company adopted Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" (Topic 606), using the modified retrospective transition method applied to those contracts which were not completed as of January 1, 2018. The cumulative effect of the revenue accounting changes made to the Company's consolidated balance sheet as of January 1, 2018 primarily consists of a decrease in accounts payable related to the merchant payable of $1.6 million and a decrease of $270,000 of net deferred tax assets for a net cumulative effect increase of retained earnings of $1.3 million. These changes were due primarily to the new revenue guidance requirement to recognize revenue related to unredeemed Local Deals and Getaway vouchers for selected deals, included in our Europe segment, based upon estimates at the time of sale of the vouchers rather than the Company's past practice of waiting to recognize this revenue until expiration of the legal obligation.

Under Topic 606, revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

The Company generates revenues primarily by delivering advertising on the *Travelzoo* website, in the *Top 20* email newsletter, in *Newsflash* and from the *Travelzoo Network*. The Company also generates transaction-based revenues from the sale of vouchers through our *Local Deals* and *Getaways* products and operation of hotel booking platform and vacation packages. The Company's disaggregated revenues are included in "Note 10: Segment Reporting and Significant Customer Information".

For fixed-fee website advertising, the Company recognizes revenues ratably over the contracted placement period.

For *Top 20* email newsletter and other email products, the Company recognizes revenues when the emails are delivered to its members.

The Company offers advertising on a cost-per-click basis, which means that an advertiser pays the Company only when a user clicks on an ad on Travelzoo properties or *Travelzoo Network* members' properties. For these customers, the Company recognizes revenues each time a user clicks on the ad.

The Company also offers advertising on other bases, such as cost-per-impression, which means that an advertiser pays the Company based on the number of times their advertisement is displayed on Travelzoo properties, email advertisement, *Travelzoo Network* properties, or social media properties. For these customers, the Company recognizes revenues each time an ad is displayed or email delivered.

For transaction based revenues, including products such as *Local Deals*, *Getaways*, hotel platform and vacation packages, the Company evaluates whether it is the principal (i.e., report revenue on a gross basis) versus an agent (i.e., report revenue on a net basis). The Company reports transaction revenue on a net basis because the supplier is primarily responsible for providing the underlying service and we do not control the service provided by the supplier prior to its transfer to the customer.

For *Local Deals* and *Getaways* products, the Company earns a fee for acting as an agent for the sale of vouchers that can be redeemed for services with third-party merchants. Revenues are presented net of the amounts due to the third-party merchants for fulfilling the underlying services. Certain merchant contracts allow the Company to retain the proceeds from unredeemed vouchers. With these contracts, the Company estimates the value of vouchers that will ultimately not be redeemed and records the estimate in the same period as the voucher sale.

Commission revenue related to our hotel platform is recognized ratably over the period of guest stay, net of an allowance for cancellations based upon historical patterns. For arrangements for booking non-cancelable reservations where the Company's performance obligation is deemed to be the successful booking of a hotel reservation, the Company records revenue for the commissions upon completion of the hotel booking.

The Company's contracts with customers may include multiple performance obligations in which the Company allocates revenues to each performance obligation based on its standalone selling price. The Company determines standalone selling price based on its overall pricing objectives, taking into consideration the type of services, geographical region of the customers, normal rate card pricing and customary discounts. Standalone selling price is generally determined based on the prices charged to customers when the product is sold separately.

The Company relies upon the following practical expedients and exemptions allowed for in the Topic 606. The Company expenses sales commissions when incurred because the amortization period would be one year or less. These costs are recorded in sales and marketing expenses. In addition, the Company does not disclose the value of unsatisfied performance obligations for (a) contracts with an original expected length of one year or less and (b) contracts for which it recognizes revenues at the amount to which it has the right to invoice for services performed.

Deferred revenue primarily consists of customer prepayments and undelivered performance obligations related to the Company's contracts with multiple performance obligations. At December 31, 2018, $1.3 million was recorded as deferred revenue, of which $1.1 million was recognized as revenue in 2019. At December 31, 2019, the deferred revenue balance was $896,000.

(c) Reserve for Refunds to Members

The Company records an estimated reserve for refunds to members based on our historical experience at the time revenue is recorded for *Local Deals* and *Getaway* voucher sales. We accrue costs associated with refunds in accrued expenses on the consolidated balance sheets. We consider many key factors such as the historical refunds based upon the time lag since the sale, historical reasons for refunds, time period that remains until the deal expiration date, any changes in refund procedures and estimates of redemptions and breakage. Should any of these factors change, the estimates made by management will also change, which could impact the level of our future reserve for refunds to member. Specifically, if the financial condition of our advertisers, the business that is providing the vouchered service, were to deteriorate, affecting their ability to provide the services to our members, additional reserves for refunds to members may be required.

Estimated member refunds that are determined to be recoverable from the merchant are recorded in the consolidated statements of operations as a reduction to revenue. We accrue costs associated with refunds in accrued expenses on the consolidated balance sheets. Estimated member refunds that are determined not to be recoverable from the merchant, are presented as a cost of revenue. If our judgments regarding estimated member refunds are inaccurate, reported results of operations could differ from the amount we previously accrued.

(d) Allowance for Doubtful Accounts

The Company records a provision for doubtful accounts based on its historical experience of write-offs and a detailed assessment of our accounts receivable and allowance for doubtful accounts. In estimating the provision for doubtful accounts, management considers the age of the accounts receivable, historical write-offs, the creditworthiness of the advertiser, the economic conditions of the advertiser's industry, and general economic conditions, among other factors. Should any of these factors change, the estimates made by management will also change, which could impact the level of the future provision for doubtful accounts. Specifically, if the financial condition of our advertisers were to deteriorate, affecting their ability to make payments, additional provision for doubtful accounts may be required.

(e) Advertising Costs

Advertising costs are expensed as incurred. Online advertising is expensed as incurred over the period the advertising is displayed. Advertising costs amounted to $10.3 million and $8.5 million for years ended December 31, 2019 and 2018, respectively.

(f) Operating Leases

The Company determines if an arrangement contains a lease at inception. Operating lease right-of-use ("ROU") assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The lease payments used to determine the operating lease assets may include lease incentives and stated rent increases. The Company does not include options to extend or terminate until it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term. The Company uses its incremental borrowing rate based on the information available at the commencement date in determining the lease liabilities as the Company's leases generally do not provide an implicit rate. The Company elected not to recognize leases with an initial term of 12 months or less on its consolidated balance sheets.

The Company's leases are reflected in operating lease ROU assets, operating lease liabilities and long-term operating lease liabilities in our accompanying consolidated balance sheet as of December 31, 2019. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The Company also has a real estate lease agreement which is subleased to a third party. The Company recognizes sublease income in Other income (expense), net on a straight-line basis over the lease term in its consolidated statements of operations.

(g) Stock-Based Compensation

The Company accounts for its employee stock options under the fair value method, which requires stock-based compensation to be estimated using the fair value on the date of grant using an option-pricing model. The value of the portion of the award that is expected to vest is recognized as expense over the related employees' requisite service periods in the Company's consolidated statements of operations. See Note 8 to the accompanying consolidated financial statements for a further discussion on stock-based compensation.

(h) Foreign Currency

All foreign subsidiaries use the local currency of their respective countries as their functional currency. Assets and liabilities are translated into U.S. dollars at exchange rates prevailing at the balance sheet dates. Revenues, costs and expenses are translated into U.S. dollars at average exchange rates for the period. Gains and losses resulting from translation are recorded as a component of accumulated other comprehensive income (loss). Realized gains and losses from foreign currency transactions are recognized as gain or loss on foreign currency in the consolidated statements of operations. Total foreign currency transaction losses of $64,000 for 2019, and total foreign currency transaction net gain of $135,000 for 2018, are included in Other income (loss), net in the Company’s consolidated statements of operations.

(i) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognized for deductible temporary differences, along with net operating loss carryforwards and credit carryforwards, if it is more likely than not that the tax benefits will be realized. To the extent a deferred tax asset cannot be recognized under the preceding criteria, valuation allowances must be established. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Significant judgment is required in evaluating the Company's uncertain tax positions and determining the Company's provision for income taxes. Although the Company believes it has adequately reserved for its uncertain tax positions, no assurance can be given that the final tax outcome of these matters will not be different. The Company adjusts these reserves in light of changing facts and circumstances, such as the progress or closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest.

(j) Comprehensive Income

Comprehensive income consists of two components, net income and other comprehensive income (loss). Other comprehensive income (loss) refers to certain changes in equity that are excluded from net income. For the Company, other comprehensive income (loss) includes foreign currency translation adjustments. Total comprehensive income (loss) for all periods presented has been disclosed in the consolidated statements of comprehensive loss.

(k) Certain Risks and Uncertainties

Our business is subject to risks associated with our ability to attract and retain advertisers and offer products or services on compelling terms to our members. We are exposed to the risk of the travel and tourism industry and the risk of online commerce and payment security systems.

The Company’s cash, cash equivalents and accounts receivable are potentially subject to concentration of credit risk. Cash and cash equivalents are placed with financial institutions that management believes are of high credit quality. The accounts receivable are derived from revenue earned from customers located in the U.S. and internationally. As of December 31, 2019 and 2018, the Company did not have any customers that accounted for 10% or more of accounts receivable.

(l) Cash, Cash Equivalents and Restricted Cash

Cash equivalents consist of highly liquid investments with maturities of three months or less on the date of purchase. Restricted cash includes cash and cash equivalents that is restricted through legal contracts, regulations or our intention to use the cash for a specific purpose. Our restricted cash primarily relates to refundable deposits and funds held in escrow.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets to the total amounts shown in the statements of cash flows (in thousands):

	December 31, 2019	December 31, 2018
Cash and cash equivalents	$ 19,505	$ 18,017
Restricted cash	1,205	1,444
Total cash, cash equivalents and restricted cash in the consolidated statements of cash flows	$ 20,710	$ 19,461

(m) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. The Company also includes in fixed assets the capitalized cost of internal-use software and website development, including software used to upgrade and enhance its website and processes supporting the Company's business in accordance with the framework established by the FASB accounting guidance for accounting for the cost of computer software developed or obtained for internal use and accounting for website development costs. Costs incurred in the planning stage and operating stage are expensed as incurred while costs incurred in the application development stage and infrastructure development stage are capitalized, assuming such costs are deemed to be recoverable.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are 3 to 5 years for computer hardware and software, capitalized internal-use software and website development costs, and office equipment and office furniture. The Company depreciates leasehold improvements over the term of the lease or the estimated useful life of the asset, whichever is shorter.

(n) Impairment of Long-Lived Assets

The Company accounts for long-lived assets in accordance with the accounting standard relating to impairment of long-lived assets, which requires an impairment loss to be recognized on assets to be held and used if the carrying amount of a long-lived asset group is not recoverable from its undiscounted cash flows. The amount of the impairment loss is measured as the difference between the carrying amount and the fair value of the asset group. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. No impairment loss was recognized during years ended December 31, 2019 and 2018.

(o) Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which provides new guidance on the measurement of credit losses for financial assets measured at amortized cost, which includes accounts receivable. The new guidance replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. This update is effective for public business entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For Smaller Reporting Companies, the standard will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Entities are required to apply this update on a modified retrospective basis with a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact on its financial position and results of operations.

In August 2018, the FASB issued ASU No. 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract." The new guidance required a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. The guidance is effective for calendar-year public business entities in 2020. Early adoption is permitted. The Company does not expect the adoption to have a material impact on its financial position, results of operations and cash flows.

(p) Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued an ASU 2016-02, "Leases," codified in Accounting Standard Codification 842 ("ASC 842"), which requires that lease arrangements longer than 12 months result in an entity recognizing an asset and liability on its balance sheet. The Company adopted ASC 842 on January 1, 2019, using the alternative modified transition method with no restatement of prior periods or cumulative adjustment to retained earnings. Upon adoption, the Company elected the package of transition practical expedients: (i) not to reassess prior conclusions related to whether any expired or existing contracts are or contain leases; (ii) not to reassess the lease classification for any expired or existing leases; (iii) not to reassess initial direct costs for existing leases; and (iv) not to reassess certain land easements. Upon adoption of the standard effective January 1, 2019, the Company recognized an operating lease right-of-use assets of approximately $13.4 million and a corresponding operating lease liability of approximately $16.0 million, which included reclassifying existing deferred rent liability of $2.6 million to operating lease right-of-use assets.

Note 2: Net Income Per Share

Basic net income per share is computed using the weighted-average number of common shares outstanding for the period. Diluted net income per share is computed by adjusting the weighted-average number of common shares outstanding for the effect of dilutive potential common shares outstanding during the period. Potential common shares included in the diluted calculation consist of incremental shares issuable upon the exercise of outstanding stock options calculated using the treasury stock method.

The following table sets forth the calculation of basic and diluted net income per share (in thousands, except per share amounts):

	Year Ended December 31,	
	2019	2018
Net income	$ 4,155	$ 4,661
Weighted average common shares—basic	11,809	12,323
Effect of dilutive securities: stock options	226	187
Weighted average common shares—diluted	12,035	12,510
Net income per share—basic	$ 0.35	$ 0.38
Net income per share—diluted	$ 0.35	$ 0.37

For the years ended December 31, 2019 and 2018, options to purchase 200,000 and 200,000 shares of common stock, respectively, were not included in the computation of diluted net income per share because the effect would have been anti-dilutive.

Note 3: Balance Sheet Components

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

	December 31,	
	2019	2018
Prepaid expenses	$ 2,303	$ 1,780
Other current assets	193	167
Total prepaid expenses and other	$ 2,496	$ 1,947

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

	December 31,	
	2019	2018
Computer hardware and software	$ 3,427	$ 3,353
Office equipment and office furniture	8,148	7,814
Capitalized internal-use software and website development	4,390	4,383
Leasehold improvements	6,247	6,140
	22,212	21,690
Less accumulated depreciation and amortization	(19,230)	(17,900)
Total	$ 2,982	$ 3,790

Depreciation expense was $1.2 million and $1.6 million for the years ended December 31, 2019 and 2018, respectively.

Amortization of capitalized internal-use software and website development costs was $157,000 and $247,000 for the years ended December 31, 2019 and 2018, respectively.

Changes to the allowance for doubtful accounts and reserve for member refunds are as follows (in thousands):

	Allowance for doubtful accounts	Reserve for member refunds
Balance at January 1, 2018	$ 315	$ 530
Additions — charged to costs and expenses, or contra revenue	482	688
Deductions — recoveries of amounts previously reserved	(104)	—
Deductions — write-offs or refunds	(1)	(839)
Balance at December 31, 2018	692	379
Additions — charged to costs and expenses, or contra revenue	610	1,007
Deductions — recoveries of amounts previously reserved	(147)	—
Deductions — write-offs or refunds	(29)	(1,093)
Balance at December 31, 2019	$ 1,126	$ 293

Local Deals and *Getaway* merchant payable included in accounts payable was $13.7 million and $11.8 million, as of December 31, 2019 and 2018, respectively.

Accrued expenses and other consist of the following (in thousands):

	December 31,	
	2019	2018
Accrued advertising expense	$ 1,774	$ 1,875
Accrued compensation expense	2,955	2,813
Reserve for member refunds	293	382
Other accrued expenses	2,455	2,266
Deferred rent	—	517
Total accrued expenses and other	$ 7,477	$ 7,853

At December 31, 2019 and 2018, accounts receivable, accounts payable and accrued expenses are not measured at fair value; however, the Company believes that the carrying amounts of these assets and liabilities are a reasonable estimate of their fair value because of their relative short maturity.

Note 4: Commitments and Contingencies

From time to time, the Company is subject to various claims and legal proceedings, either asserted or unasserted, that arise in the ordinary course of business. The Company accrues for legal contingencies if the Company can estimate the potential liability and if the Company believes it is probable that the case will be ruled against it. If a legal claim for which the Company did not accrue is resolved against it, the Company would record the expense in the period in which the ruling was made. The Company believes that the likelihood of an ultimate amount of liability, if any, for any pending claims of any type (alone or combined) that will materially affect the Company's financial position, results of operations or cash flows is remote. The ultimate outcome of any litigation is uncertain, however, and unfavorable outcomes could have a material negative impact on the Company's financial condition and operating results. Regardless of outcome, litigation can have an adverse impact on the Company because of defense costs, negative publicity, diversion of management resources and other factors.

The Company was formed as a result of a combination and merger of entities founded by the Company's principal stockholder, Ralph Bartel. In 2002, Travelzoo.com Corporation was merged into Travelzoo. Under and subject to the terms of the merger agreement, holders of promotional shares of Travelzoo.com Corporation ("Netsurfers") who established that they had satisfied certain prerequisite qualifications were allowed a period of 2 years following the effective date of the merger to receive one share of Travelzoo in exchange for each share of common stock of Netsurfers. In 2004, two years following the effective date of the merger, certain promotional shares remained unexchanged. As the right to exchange these promotional shares expired, no additional shares were reserved for issuance. Thereafter, the Company began to offer a voluntary cash program for those who established that they had satisfied certain prerequisite qualifications for Netsurfers promotional shares as further described below.

During 2010 through 2014, the Company became subject to unclaimed property audits of various states in the United States related to the above unexchanged promotional shares and completed settlements with all states. Although the Company has settled the unclaimed property claims with all states, the Company may still receive inquiries from certain potential Netsurfers promotional stockholders that had not provided their state of residence to the Company by April 25, 2004. Therefore, the Company is continuing its voluntary program under which it makes cash payments to individuals related to the promotional shares for individuals whose residence was unknown by the Company and who establish that they satisfy the original conditions required for them to receive shares of Netsurfers, and who failed to submit requests to convert their shares into shares of Travelzoo within the required time period. This voluntary program is not available for individuals whose promotional shares have been escheated to a state by the Company, except those individuals for which their residence was unknown to the Company. The Company did not make any material payments for 2019 and 2018.

The total cost of this program cannot be reliably estimated because it is based on the ultimate number of valid requests received and future levels of the Company's common stock price. The Company's common stock price affects the liability because the amount of cash payments under the program is based in part on the recent level of the stock price at the date valid requests are received. The Company does not know how many of the requests for shares originally received by Netsurfers in 1998 were valid, but the Company believes that only a portion of such requests were valid. In order to receive payment under this voluntary program, a person is required to establish that such person validly held shares in Netsurfers.

The Company leases office space in Australia, Canada, China, France, Germany, Hong Kong, Japan, Singapore, Spain, the U.K., and the U.S. under operating leases which expire between February 2020 and November 2024. Rent expense was $5.8 million for each of the years ended December 31, 2019 and 2018, respectively. The Company's rental income from sublease was approximately $347,000 and $123,000 for the years ended December 31, 2019 and 2018. See Note 13 - Leases for more information.

The Company has purchase commitments aggregating approximately $50,000 as of December 31, 2019, which represent the minimum obligations the Company has under agreements with certain suppliers. These minimum obligations are less than the Company's projected use for those periods. Payments may be more than the minimum obligations based on actual use.

Note 5: Income Taxes

On December 22, 2017, the U.S. government enacted the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act includes significant changes to the U.S. corporate income tax system including: a federal corporate rate reduction from 35% to 21%; limitations on the deductibility of interest expense and executive compensation; creation of the base erosion anti-abuse tax ("BEAT"), a new minimum tax; and the transition of U.S. international taxation from a worldwide tax system to a modified territorial tax system. The change to a modified territorial tax system resulted in a one-time U.S. tax liability on those earnings which have not previously been repatriated to the U.S. (the "Transition Tax"), with future distributions not subject to U.S. federal income tax when repatriated. A majority of the provisions in the Tax Act are effective January 1, 2018.

In response to the Tax Act, the SEC staff issued guidance on accounting for the tax effects of the Tax Act. The guidance provides a one-year measurement period for companies to complete the accounting. The Company reflected the income tax effects of those aspects of the Tax Act for which the accounting is complete. To the extent a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, a company should record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

In connection with the Company's initial analysis of the impact of the Tax Act, the Company has recorded a provisional estimate of discrete net tax expense of $508,000 for the period ended December 31, 2017. This discrete expense consists of provisional estimates of zero expense for the Transition Tax, $173,000 net benefit for the decrease in the Company's deferred tax liability on unremitted foreign earnings, and $681,000 net expense for remeasurement of the Company's deferred tax assets and liabilities for the corporate rate reduction.

During the year ended December 31, 2018, we completed our accounting for the income tax effects of the Tax Act. We did not recognize any additional discrete net tax expense in addition to the provisional amounts recorded at December 31, 2017 for the enactment-date effects of the Tax Act, for a total of $508,000 of discrete net tax expense.

As of December 31, 2019, the Company is permanently reinvested in certain Non-U.S. subsidiaries and does not have a deferred tax liability related to its undistributed foreign earnings. The estimated amount of the unrecognized deferred tax liability attributed to future withholding taxes on dividend distributions of undistributed earnings for certain non-U.S. subsidiaries, which the Company intends to reinvest the related earnings indefinitely in its operations outside the U.S., is approximately $484,000 at December 31, 2019.

The components of income before income tax expense are as follows (in thousands):

	Year Ended December 31,	
	2019	2018
U.S.	$ 11,553	$ 8,677
Foreign	(2,604)	(391)
	$ 8,949	$ 8,286

Income tax expense consists of current and deferred components categorized by federal, state and foreign jurisdictions, as shown below. The current provision is generally that portion of income tax expense that is currently payable to the taxing authorities. The Company makes estimated payments of these amounts during the year. The deferred tax provision (benefit) results from changes in the Company’s deferred tax assets (future deductible amounts) and tax liabilities (future taxable amounts), which are presented in the table below:

	Current	Deferred	Total
	(In thousands)		
Year Ended December 31, 2019			
Federal	$ 2,399	$ 257	$ 2,656
State	516	47	563
Foreign	1,539	36	1,575
	$ 4,454	$ 340	$ 4,794
Year Ended December 31, 2018			
Federal	$ 1,938	$ (260)	$ 1,678
State	650	22	672
Foreign	1,461	(186)	1,275
	$ 4,049	$ (424)	$ 3,625

Income tax expense differed from the amounts computed by applying the U.S. federal statutory tax rate applicable to the Company's level of pretax income as a result of the following (in thousands):

	Year Ended December 31,	
	2019	2018
Federal tax at statutory rates	$ 1,879	$ 1,738
State taxes, net of federal income tax benefit	453	586
Change of valuation allowance	2,032	1,565
Uncertain tax positions	61	(177)
Foreign income taxed at different rates	(261)	(273)
Foreign equity investment	172	—
Non-deductible expenses and other	458	186
Total income tax expense	$ 4,794	$ 3,625

The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2019	2018
Deferred tax assets:		
Net operating loss carryforwards	$ 11,634	$ 9,805
Operating lease liabilities	2,632	—
State income taxes	100	82
Accruals and allowances	327	292
Stock-based compensation	643	910
Unrealized foreign exchange losses	900	151
Deferred revenue	—	377
Total deferred tax assets	16,236	11,617
Valuation allowance	(11,634)	(9,723)
Total deferred tax assets net of valuation allowance	4,602	1,894
Deferred tax liabilities:		
Deferred revenue	(72)	—
Deferred rent	—	(80)
Operating lease right-of-use assets	(2,423)	—
Property, equipment and intangible assets	(56)	(169)
Total deferred tax liabilities	(2,551)	(249)
Net deferred tax assets	$ 2,051	$ 1,645

Changes in the deferred tax assets valuation allowance for the years ended December 31, 2018 and 2019 are as follows (in thousands):

	Balance at the beginning of the year	Charged (Credited) to expenses	Charged (Credited) to other account (*)	Balance at end of year
Deferred tax assets valuation allowance				
2018	$ 9,249	1,565	(1,091)	$ 9,723
2019	$ 9,723	2,032	(121)	$ 11,634

(*) Amounts not charged (credited) to expenses are charged (credited) to stockholder's equity or deferred tax assets (liabilities).

As of December 31, 2019, the Company has a valuation allowance of approximately $11.6 million related to foreign net operating loss ("NOL") carryforwards of approximately $47.3 million for which it is more likely than not that the tax benefit will not be realized. The amount of the valuation allowance represented an increase of approximately $1.9 million over the

amount recorded as of December 31, 2018, and was due to the increase in foreign operating losses. If not utilized, the foreign NOL of $26.6 million may be carried forward indefinitely, and $20.7 million will expire at various times between 2020 and 2028.

The total amount of gross unrecognized tax benefits was $178,000 as of December 31, 2019, of which up to $152,000 would affect the Company's effective tax rate if realized. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits in 2018 and 2019 is as follows (in thousands):

Gross unrecognized tax benefits balance at January 1, 2018	$	725
Increase related to current year tax positions		15
Settlements		(501)
Gross unrecognized tax benefits balance at December 31, 2018		239
Increase related to current year tax positions		7
Settlements		(68)
Gross unrecognized tax benefits balance at December 31, 2019	$	178

The Company's policy is to include interest and penalties related to unrecognized tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction in the overall income tax provision in the period that such determination is made. At December 31, 2019, the Company had approximately $207,000 in accrued interest.

The Company files income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company is subject to U.S. federal and certain state tax examinations for certain years after 2011 and is subject to California tax examinations for years after 2006. The material foreign jurisdictions where the Company is subject to potential examinations by tax authorities are the France, Germany, Spain and United Kingdom for tax years after 2010.

Although the timing of initiation, resolution and/or closure of audits is highly uncertain, it is reasonably possible that the balance of the gross unrecognized tax benefits related to the method of computing income taxes in certain jurisdictions and losses reported on certain income tax returns could significantly change in the next 12 months. These changes may occur through settlement with the taxing authorities or the expiration of the statute of limitations on the returns filed. The Company is unable to estimate the range of possible adjustments to the balance of the gross unrecognized tax benefits.

Note 6: Accumulated Other Comprehensive Loss

The following table summarizes the changes in accumulated balances of other comprehensive loss (in thousands):

	Year Ended December 31,	
	2019	2018
Beginning balance	$ (4,214)	$ (3,597)
Other comprehensive income (loss) due to foreign currency translation, net of tax	762	(617)
Ending balance	$ (3,452)	$ (4,214)

There were no amounts reclassified from accumulated other comprehensive income (loss) for the years ended December 31, 2019 and 2018. Accumulated other comprehensive income (loss) consists of foreign currency translation gain or loss.

Note 7: Employee Benefit Plan

The Company maintains a 401(k) Profit Sharing Plan & Trust (the "401(k) Plan") for its employees in the United States. The 401(k) Plan allows employees of the Company to contribute up to 80% of their eligible compensation, subject to certain limitations. Since 2006, the Company matches employee contributions up to $1,500 per year. Employee contributions are fully vested upon contribution, whereas the Company's matching contributions are fully vested after the first year of service. The Company also has various defined contribution plans for its international employees. The Company's contributions to these benefit plans were approximately $2.1 million and $2.0 million for the years ended December 31, 2019 and 2018, respectively.

Note 8: Stock-Based Compensation and Stock Options

The Company accounts for its employee stock options under the fair value method, which requires stock-based compensation to be estimated using the fair value on the date of grant using an option-pricing model. The value of the portion of the award that is expected to vest is recognized on a straight-line basis as expense over the related employees' requisite service periods in the Company's consolidated statements of income.

In January 2012, the Company granted certain executives stock options to purchase 100,000 shares of common stock with an exercise price of $28.98, of which 25,000 options vest and become exercisable annually starting on January 23, 2013. The options expire in January 2022. During 2014, 25,000 options were canceled and 25,000 options were forfeited upon the departure of an executive. During 2019, the remaining 50,000 options were canceled upon the departure of an executive. Stock-based compensation related to these options was fully expensed.

In September 2015, the Company granted an executive stock options to purchase 400,000 shares of common stock with an exercise price of $8.07, of which 50,000 options became exercisable quarterly starting March 31, 2016. The options expire in September 2025. As of December 31, 2019, 400,000 options were vested and outstanding.

In March 2016, the Company granted certain executives stock options to purchase 150,000 shares of common stock with an exercise price of $8.55, of which 37,500 options vest and become exercisable annually starting on March 7, 2017. The options expire in March 2026. In 2017, 37,500 options were forfeited and 12,500 options were canceled upon the departure of an executive and the compensation expense of $19,000 was reversed. In 2018, 50,000 options were forfeited upon the departure of an executive and the compensation expense of $59,000 was reversed. During 2019, the remaining 50,000 options were net exercised for 4,000 shares of common stock.

In October 2017, the Company granted an executive stock options to purchase 400,000 shares of common stock with an exercise price of $6.95, of which 50,000 shares are exercisable quarterly starting March 31, 2018 and ending on December 31, 2019. The options expire in October 2027. During 2019, 250,000 options were exercised. As of December 31, 2019, 150,000 options were vested and outstanding. Total stock-based compensation related to these option grants was $573,000 for 2019. Stock-based compensation related to these options was fully expensed as of December 31, 2019.

In April 2018, the Company granted an employee stock options to purchase 50,000 shares of common stock with an exercise price of $10.50. The options vest in twelve equal installments. The first installment vested on April 26, 2018, and the remaining eleven installments vest from June 30, 2018 to December 31, 2020. During 2019, the Company recognized $34,000 stock-based compensation and canceled the 50,000 options upon the departure of the employee.

In May 2018, the Company granted an employee options to purchase 50,000 shares of common stock with an exercise price of $14.70, of which 12,500 options will vest and become exercisable annually starting on May 2019. As of December 31, 2019 , 50,000 options were outstanding and 12,500 of these options was vested. As of December 31, 2019, there was approximately $213,000 of unrecognized stock-based compensation expense relating to these options. This amount is expected to be recognized over 2.4 years.

In June 2018, the Company granted a nonemployee consultant options to purchase 100,000 shares of common stock with an exercise price of $17.75, of which 20,000 options vested and became exercisable on June 8, 2018, 30,000 shares vest no later than July 31, 2018 if certain performance targets were met, and 50,000 shares vest no later than June 30, 2019 if certain performance targets are met. The Company used the contractual life when determining the value of this option. The performance targets for the 30,000 share options were not met by July 31, 2018 and the nonemployee consultant ceased to provide services to the Company. As a result, 80,000 unvested shares of options were forfeited and 20,000 vested options were canceled in 2018.

In June 2018, the Company granted an employee options to purchase 50,000 shares of common stock with an exercise price of $16.65, of which 12,500 options will vest and become exercisable annually starting on June 2019. As of December 31, 2019, 50,000 options were outstanding and 12,500 of these options was vested. As of December 31, 2019, there was approximately $206,000 of unrecognized stock-based compensation expense relating to these options. This amount is expected to be recognized over 2.5 years.

In May 2019, the Company granted an employee options to purchase 100,000 shares of common stock with an exercise price of $19.28, of which 10,000 options vested and became exercisable in May 2019, 15,000 options vested and become exercisable in September 2019, and the remaining 75,000 will vest in three equal installments starting on May 20, 2021 and ending on May 20, 2023. As of December 31, 2019, 100,000 options were outstanding and 25,000 of these options were vested. As of December 31, 2019, there was approximately $420,000 of unrecognized stock-based compensation expense relating to these options. This amount is expected to be recognized over 3.4 years.

The Company recorded $993,000 and $915,000 of stock-based compensation in general and administrative expenses for fiscal years 2019 and 2018, respectively.

The Company utilized the Black-Scholes option pricing model to value the stock options. The Company used an expected life as defined under the simplified method, which is using an average of the contractual term and vesting period of the stock options. The risk-free interest rate used for the award is based on the U.S. Treasury yield curve in effect at the time of grant. The Company accounted for forfeitures as they occur. The historical volatility was calculated based upon implied volatility of the Company's historical stock prices.

The fair value of 2019 and 2018 stock options was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2019	2018
Weighted-average fair value of options granted per share	$ 8.78	$ 6.63
Historical volatility	60%	46%
Risk-free interest rate	2.10%	2.84%
Dividend yield	—	—
Expected life in years	3.6	5.7

As of December 31, 2019, there was approximately $419,000 of unrecognized stock-based compensation expense related to outstanding 2019 stock options, expected to be recognized over 3.4 and approximately $418,000 of unrecognized stock-based compensation expense related to outstanding 2018 stock options, expected to be recognized over 2.4 years. There was no unrecognized stock-based compensation expense relating stock options granted prior to 2018.

Option activities during the years ended December 31, 2018 and 2019 were as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
				(In thousands)
Outstanding at January 1, 2018	950,000	$ 8.75	8.48 years	
Option Granted	250,000	$ 15.47		
Options forfeited and canceled	(150,000)	$ 14.68		
Outstanding at December 31, 2018	1,050,000	$ 9.50	7.53 years	
Option Granted	100,000	$ 19.28		
Exercised options	(300,000)	$ 7.22		
Options forfeited and canceled	(100,000)	$ 19.74		
Outstanding at December 31, 2019	750,000	$ 10.35	6.01 years	$ 1,615
Exercisable and fully vested at December 31, 2019	600,000	$ 8.57	6.22 years	$ 1,615
Outstanding at December 31, 2019 and expected to vest thereafter	150,000	$ 17.48	5.15 years	$ —

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company’s closing stock price on the last trading day of years ended December 31, 2019 and 2018 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2019 and 2018. This amount changes based on the fair value of the Company’s stock. The Company’s policy is to issue shares from the authorized shares to fulfill stock option exercises.

Outstanding options at December 31, 2019 were as follows:

Exercise Price	Options Outstanding	Options Outstanding Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Options Outstanding and Exercisable	Options Exercisable Weighted-Average Remaining Contractual Life
$ 8.07	400,000	5.75 years	$ 8.07	400,000	5.75 years
$ 6.95	150,000	7.84 years	$ 6.95	150,000	7.84 years
$ 14.70	50,000	8.37 years	$ 14.70	12,500	8.37 years
$ 16.65	50,000	3.47 years	$ 16.65	12,500	3.47 years
$ 19.28	100,000	4.39 years	$ 19.28	25,000	4.39 years
	750,000			600,000	

Note 9: Stock Repurchase Program

The Company's stock repurchase programs assist in offsetting the impact of dilution from employee equity compensation and assist with capital allocation. Management is allowed discretion in the execution of the repurchase program based upon market conditions and consideration of capital allocation.

In March 2018, the Company announced a stock repurchase program authorizing the repurchase of up to 500,000 shares of the Company’s outstanding common stock. During the year ended December 31, 2018, the Company repurchased 500,000 shares of common stock for an aggregate purchase price of $5.3 million, which were retired and recorded as a reduction of additional paid-in capital until extinguished with the remaining amount reflected as a reduction of retained earnings.

In February 2019, the Company entered into a Stock Repurchase Agreement with Azzurro, a significant shareholder of the Company and repurchased 100,000 shares of the Company’s common stock for an aggregate purchase price of $1.6 million, which were retired and recorded as a reduction of additional paid-in capital until extinguished with the remaining amount reflected as a reduction of retained earnings.

In May 2019, the Company announced a stock repurchase program authorizing the repurchase of up to 1,000,000 shares of the Company’s outstanding common stock. During the year ended December 31, 2019, the Company repurchased 436,369 shares of common stock for an aggregate purchase price of $7.2 million, which were retired and recorded as a reduction of additional paid-in capital until extinguished with the remaining amount reflected as a reduction of retained earnings.

In November 2019, the Company entered into a SRA with Holger Bartel to repurchase an aggregate of 200,000 shares of the Company’s common stock for an aggregate purchase price of $2.0 million, which were retired and recorded as a reduction of additional paid-in capital until extinguished with the remaining amount reflected as a reduction of retained earnings.

Note 10: Segment Reporting and Significant Customer Information

The Company manages its business geographically and has three reportable operating segments: Asia Pacific, Europe and North America. Asia Pacific consists of the Company's operations in Australia, China, Hong Kong, Japan, and Southeast Asia. Europe consists of the Company’s operations in France, Germany, Spain, and the U.K. North America consists of the Company’s operations in Canada and the U.S.

Management relies on an internal management reporting process that provides revenue and segment operating income for making financial decisions and allocating resources. Management believes that segment revenues and operating income are appropriate measures of evaluating the operational performance of the Company’s segments.

The following is a summary of operating results and assets by business segment (in thousands):

Year Ended December 31, 2019	Asia Pacific	Europe	North America	Consolidated
Revenues from unaffiliated customers	$ 6,402	$ 39,556	$ 65,454	$ 111,412
Intersegment revenues	88	(2,658)	2,570	—
Total net revenues	$ 6,490	$ 36,898	$ 68,024	$ 111,412
Operating income (loss)	$ (7,488)	$ 4,461	$ 12,491	$ 9,464

Year Ended December 31, 2018	Asia Pacific	Europe	North America	Consolidated
Revenues from unaffiliated customers	$ 7,869	$ 36,468	$ 66,985	$ 111,322
Intersegment revenues	(10)	(319)	329	—
Total net revenues	$ 7,859	$ 36,149	$ 67,314	$ 111,322
Operating income (loss)	$ (6,322)	$ 4,973	$ 9,587	$ 8,238

As of December 31, 2019	Asia Pacific	Europe	North America	Elimination	Consolidated
Long-lived assets	$ 121	$ 263	$ 2,598	$ —	$ 2,982
Total assets	$ 3,215	$ 74,604	$ 66,803	$ (90,084)	$ 54,538

As of December 31, 2018	Asia Pacific	Europe	North America	Elimination	Consolidated
Long-lived assets	$ 145	$ 313	$ 3,332	$ —	$ 3,790
Total assets	$ 3,811	$ 62,942	$ 62,433	$ (85,762)	$ 43,424

Revenue for each segment is recognized based on the customer location within a designated geographic region. Property and equipment are attributed to the geographic region in which the assets are located.

For the years ended December 31, 2019 and 2018, the Company did not have any customers that accounted for 10% or more of revenue. As of December 31, 2019 and 2018, the Company did not have any customers that accounted for 10% or more of accounts receivable.

The following table sets forth the breakdown of revenues by category and segment. Travel revenue includes travel publications (*Top 20*, *Website*, *Newsflash*, *Travelzoo Network*), *Getaway* vouchers and hotel platform. Local revenue includes *Local Deals* vouchers and entertainment offers (vouchers and direct bookings) (in thousands).

	Year Ended December 31,	
	2019	2018
Asia Pacific		
Travel	$ 6,274	$ 7,351
Local	216	508
Total Asia Pacific revenues	6,490	7,859
Europe		
Travel	32,081	30,856
Local	4,817	5,293
Total Europe revenues	36,898	36,149
North America		
Travel	57,863	56,145
Local	10,161	11,169
Total North America revenues	68,024	67,314
Consolidated		
Travel	96,218	94,352
Local	15,194	16,970
Total revenues	$ 111,412	$ 111,322

Revenue by geography is based on the billing address of the advertiser. Long-lived assets attributed to the U.S. and international geographies are based upon the country in which the asset is located or owned.

The following table sets forth revenue for individual countries that were 10% or more of total revenue (in thousands):

	Year Ended December 31,	
	2019	2018
Revenue		
United States	$ 61,375	$ 61,257
United Kingdom	19,961	21,034
Germany	12,176	12,257
Rest of the world	17,900	16,774
Total revenues	$ 111,412	$ 111,322

The following table sets forth long lived assets by geographic area (in thousands):

	December 31,	
	2019	2018
United States	$ 2,359	$ 3,035
Rest of the world	623	755
Total long lived assets	$ 2,982	$ 3,790

Note 11: Related Party Transactions

Ralph Bartel, who founded Travelzoo and who is a Director of the Company is the sole beneficiary of the Ralph Bartel 2005 Trust, which is the controlling shareholder of Azzurro Capital Inc.("Azzurro"). As of December 31, 2019, Azzurro is the Company's largest stockholder, holding approximately 47.8% of the Company's outstanding shares. Azzurro currently holds a proxy given to it by Holger Bartel that provides it with a total of 48.2% of the voting power.

The Company granted Holger Bartel 400,000 stock options that vest through December 31, 2017 on September 28, 2015 and granted 400,000 stock options that vest through December 31, 2019 on October 30, 2017. On September 5, 2019, the Company granted 400,000 stock options that vest through December 31, 2021 on September 5, 2019. This grant is subject to approval by the shareholders of the Company at the 2020 annual meeting of shareholders and may be unwound if approval is not received. See Note 8 for further information. Holger Bartel is the brother of Ralph Bartel and is our Global Chief Executive Officer.

In April 2018, the Company entered into an agreement with WeekenGO, a start-up company in Germany. The Company originally invested $3.0 million in WeekenGO for a 25% ownership interest in April 2018. In April 2019, the Company invested an additional $673,000 in WeekenGO and increased the Company's ownership interest to 26.6%. On February 11, 2020,Travelzoo signed an amended investment agreement with WeekenGO and agreed to invest an additional $1.7 million to increase the Company's ownership interest to 33.7% if WeekenGO meets certain internal targets.

WeekenGO signed a $2.1 million insertion order for advertising with the Company in 2018. The Company’s advertising revenues from WeekenGO in the years ended December 31, 2019 and 2018 were $1.2 million and $319,000, respectively. Accounts receivable from WeekenGO as of December 31, 2019 and 2018 were $230,000 and $58,000, respectively, included in Accounts Receivable in the Consolidated Balance Sheets.

On February 13, 2019, the Company entered into a SRA with Azzurro to repurchase an aggregate of 100,000 shares of the Company’s common stock for an aggregate purchase price of $1.6 million. The SRA provides that the purchase price is based on the five (5) day volume weighted average price calculated using the VWAP function on Bloomberg, from the dates of February 6, 2019 through and including February 12, 2019, minus a five percent (5%) discount. The Company’s board of directors established a special committee (the “Special Committee”), consisting of independent and disinterested directors who engaged independent legal counsel and an independent financial advisor, to authorize the transaction.

On November 9, 2019, the Company entered into a SRA with Holger Bartel to repurchase an aggregate of 200,000 shares of the Company’s common stock for an aggregate purchase price of $2.0 million. The SRA provides that the purchase price is based on the 10-day volume weighted average price calculated using the VWAP function on Bloomberg, from the dates of October 22, 2019 through and including November 4, 2019, less 4.4%.

Note 12: Leases

The Company has operating leases for real estate and certain equipment. The Company leases office space in Australia, Canada, China, France, Germany, Hong Kong, Japan, Singapore, Spain, the U.K., and the U.S. under operating leases. Our leases have remaining lease terms ranging from less than one year to November 2024. Certain leases include one or more options to renew. In addition, we sublease certain real estate to a third party. All of our leases qualify as operating leases.

The following table summarizes the components of lease expense for the year ended December 31, 2019 (in thousands):

	Year Ended December 31, 2019
Operating lease cost	$ 4,768
Short-term lease cost	815
Variable lease cost	1,242
Sublease income	(336)
Total lease cost	$ 6,489

For the year ended December 31, 2019, cash payments against the operating lease liabilities totaled $5.6 million. ROU assets obtained in exchange for lease obligations was $4.1 million for the year ended December 31, 2019.

The following table summarizes the presentation in our consolidated balance sheet of our operating leases (in thousands):

	As of December 31, 2019
Assets:	
Operating lease right-of-use assets	$ 8,886
Liabilities:	
Operating lease liabilities	$ 5,301
Long-term operating lease liabilities	8,238
Total operating lease liabilities	$ 13,539
Weighted average remaining lease term (years)	3.42
Weighted average discount rate	4.4%

Maturities of lease liabilities were as follows (in thousands):

Years ending December 31,	
2020	$ 5,440
2021	3,790
2022	2,426
2023	1,927
2024	1,038
Thereafter	—
Total lease payments	14,621
Less interest	(1,082)
Present value of operating lease liabilities	$ 13,539

Note 13: Unaudited Quarterly Information

The following represents unaudited quarterly financial data for 2019 and 2018 (in thousands, except per share amounts):

	Quarter Ended							
	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
Revenues	$ 26,898	$ 25,505	$ 28,184	30,825	$ 27,062	$ 25,301	$ 28,075	$ 30,884
Cost of revenues	3,206	2,980	2,757	2,946	2,880	2,987	3,016	3,385
Gross profit	23,692	22,525	25,427	27,879	24,182	22,314	25,059	27,499
Operating expenses:								
Sales and marketing	15,154	14,233	15,357	15,606	13,974	13,375	15,628	15,542
Product development	1,905	1,478	1,799	1,703	1,799	2,297	2,386	2,511
General and administrative	5,778	5,600	5,847	5,599	5,620	5,928	5,967	5,789
Total operating expenses	22,837	21,311	23,003	22,908	21,393	21,600	23,981	23,842
Income from operations	855	1,214	2,424	4,971	2,789	714	1,078	3,657
Other income (loss), net	(135)	(138)	(143)	(99)	(52)	(91)	30	161
Income from operations before income taxes	720	1,076	2,281	4,872	2,737	623	1,108	3,818
Income tax expense	1,319	770	953	1,752	1,173	505	631	1,316
Net income (loss)	$ (599)	$ 306	$ 1,328	$ 3,120	$ 1,564	$ 118	$ 477	$ 2,502
Net income (loss) per share—basic:	$ (0.05)	$ 0.03	$ 0.11	$ 0.26	$ 0.13	$ 0.01	$ 0.04	$ 0.20
Net income (loss) per share—diluted	$ (0.05)	$ 0.03	$ 0.11	$ 0.26	$ 0.13	$ 0.01	$ 0.04	$ 0.20

Note 14: Subsequent Events

On January 13, 2020, Travelzoo (the "Company") entered into a Stock Purchase Agreement (the "SPA") with JFC Travel Group Co. ("JFC"), which owns and operates Jack's Flight Club, and the sellers identified on the signature pages thereto (the "Sellers"), for the purchase of up to 100% of the outstanding capital stock of JFC (the "Shares"). Pursuant to the SPA, on January 13, 2020, the Sellers sold 60% of the Shares to the Company for an aggregate purchase price of $12,000,000, payable in cash and promissory notes. The promissory notes contain an interest rate of 1.6% per annum and a due date of January 31, 2020, with a one-time right to extend the maturity date up to April 30, 2020, which the Company elected to do. The remaining 40% of the Shares are subject to a call/put option exercisable by the Company or the Sellers, as applicable, on or around January 1, 2021, subject to the terms and conditions set forth in the SPA.

The acquisition will be accounted for using the purchase method of accounting in accordance with the business acquisition guidance. Under the purchase accounting method, the total estimated purchase consideration of the acquisition will be allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their relative fair values. The excess of the purchase consideration over the net tangible and identifiable intangible assets acquired and liabilities will be recorded as goodwill. As of the date of the filing of this Form 10-K, the purchase price allocation has not been prepared as there has not been enough time to complete the related activities.

On February 28, 2020, Travelzoo entered into an agreement with Adobe Inc. whereby Adobe will provide certain on-demand, managed and professional services for a total consideration of approximately $1.6 million annually for three years, with the first year payable in October 2020 (the “Adobe Agreement”). Travelzoo has a one-time right to terminate the Adobe Agreement at the end of year one, pursuant to the terms and conditions set forth in the Adobe Agreement.

On March 3, 2020 (the “New Premises Commencement Date”), Travelzoo moved its New York headquarters from the 37th floor to the 35th floor of the same building, pursuant to that certain Second Amendment to Lease, dated as of August 8, 2019, by and between 590 Madison Avenue, LLC and the Company (the “New York Lease”). Pursuant to the New York Lease, upon the New Premises Commencement Date, the annual fixed rent as provided for in the original lease agreement will continue for 10 years until March 2030, with no increases. Additionally, the landlord performed the construction, renovation and relocation work and paid Travelzoo $5.0 million as an incentive, of which $2.5 million was received in November 2019 and $2.5 million was received in March 2020. The Company accounted for the lease incentives as a reduction to the right-of-use asset. The additional lease payments under the New York Lease are approximately $7.4 million.

On March 10, 2020, the Company approved its plan to exit its business in Asia Pacific. The Asia Pacific operating segment has incurred losses for several years. Management is evaluating its options to exit the business which could include a sale or disposal of the business or related assets. The Company is also in the process of evaluating the impact on its financial statements for any restructuring or disposal costs that might be incurred as a result of this action but an estimate of such costs cannot be made at this time.

As a result of the 2019 Novel Coronavirus outbreak in the first quarter of 2020, the Company expects that its financial results may be negatively impacted in the first quarter of 2020 and beyond, but the extent and duration of such impact in the long-term is uncertain as it is dependent on future developments that can not be reasonably estimated at this time, including but not limited to the severity and transmission rate of the virus, the extent and effectiveness of containment actions taken, including mobility restrictions, and the impact of these and other factors on travel behavior. A significant adverse change in the business climate could affect the value of the Company’s long-lived assets, including its equity method investment in WeekenGO.

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

None

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

Based on management's evaluation (with the participation of the Company's Chief Executive Officer (CEO) and Chief Accounting Officer (CAO)), as of December 31, 2019, our CEO and CAO have concluded that our 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)), are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in U.S. Securities and Exchange Commission (SEC) rules and forms, and that such information is accumulated and communicated to management, including our CEO and CAO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the quarter ended December 31, 2019, there were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Management's Report on Internal Control Over Financial Reporting

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

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019, the end of our fiscal year. Management based its assessment on criteria established in *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2019 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with generally accepted accounting principles.

Our independent registered public accounting firm, RSM US LLP, audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, as stated in the firm's audit report, which is included within Part II, Item 8 of this Form 10-K.

/s/ HOLGER BARTEL
Holger Bartel
Global Chief Executive Officer

/s/ LISA SU
Lisa Su
Chief Accounting Officer

March 20, 2020

Item 9B. ***Other Information***

Not applicable.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Information required by this item is incorporated by reference to Travelzoo's Definitive Proxy Statement for the 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of Travelzoo's fiscal year ended December 31, 2019 and is incorporated herein by reference.

Item 11. ***Executive Compensation***

Information regarding executive compensation and compensation committee interlocks is incorporated by reference to the information in the definitive Proxy Statement relating to our 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2019, which is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information regarding security ownership of certain beneficial owners and management and related stockholder matters is incorporated by reference to the information in the definitive Proxy Statement relating to our 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2019, which is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

Information regarding certain relationships and related transactions, and director independence is incorporated by reference to the information set forth in the definitive Proxy Statement relating to our 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2019, which is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

Information regarding principal accountant fees and services is set forth in the definitive Proxy Statement relating to our 2020 Annual Meeting of Stockholders, which is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

The following documents are filed as part of this report:

(1) Our Consolidated Financial Statements are included in Part II, Item 8:

	Page
Reports of RSM US LLP - Independent Registered Public Accounting Firm	50
Report of PricewaterhouseCoopers LLP - Independent Registered Public Accounting Firm	52
Consolidated Balance Sheets	53
Consolidated Statements of Operations	54
Consolidated Statements of Comprehensive Income	55
Consolidated Statements of Stockholders' Equity	56
Consolidated Statements of Cash Flows	57
Notes to Consolidated Financial Statements	58

(2) Supplementary Consolidated Financial Statement Schedules:

All schedules are omitted because of the absence of conditions under which they are required or because the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits:

See attached Exhibit Index

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRAVELZOO

By: /s/ LISA SU
Lisa Su
Chief Accounting Officer

Date: March 20, 2020

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Lisa Su as his or her attorney-in-fact, with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Form 10-K, with all exhibits and any and all documents required to be filed with respect thereto, with the Securities and Exchange Commission or any regulatory authority, granting unto such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in order to effectuate the same as fully to all intents and purposes as he or she might or could do if personally present, hereby ratifying and confirming all that such attorney-in-fact and agent or his substitute or substitutes, may lawfully do or cause to be done.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title(s)	Date
/s/ RALPH BARTEL Ralph Bartel	Chairman of the Board of Directors	March 20, 2020
/s/ HOLGER BARTEL Holger Bartel	Global Chief Executive Officer	March 20, 2020
/s/ LISA SU Lisa Su	Chief Accounting Officer	March 20, 2020
/s/ CHRISTINA SINDONI CIOCCA Christina Sindoni Ciocca	Director	March 20, 2020
/s/ CARRIE LIQUN LIU Carrie Liqun Liu	Director	March 20, 2020
/s/ MARY REILLY Mary Reilly	Director	March 20, 2020
/s/ BEATRICE TARKA Beatrice Tarka	Director	March 20, 2020

EXHIBIT INDEX

Exhibit Number		Description
3.1	—	Certificate of Incorporation of Travelzoo (Incorporated by reference to our Pre-Effective Amendment No. 6 to our Registration Statement on Form S-4 (File No. 333-55026), filed February 14, 2002).
3.2	—	Certificate of Amendment of Certificate Incorporation of Travelzoo (File No. 000-50171), filed May 10, 2017)
3.3	—	Certificate of Amendment of Certificate of Incorporation of Travelzoo (Incorporated by reference to our Schedule 14A (File No. 000-50171), filed April 1, 2019)
3.4	—	By-laws of Travelzoo (Incorporated by reference to our Pre-Effective Amendment No. 6 to our Registration Statement on Form S-4 (File No. 333-55026), filed February 14, 2002).
10.1	—	Form of Director and Officer Indemnification Agreement (Incorporated by reference to Exhibit 10.1 on Form 10-Q (File No. 000-50171), filed November 9, 2007)
10.2	—	Agreement of Lease, effective as of February 1, 2008, between Travelzoo and 590 Madison Avenue, LLC (Incorporated by reference to Exhibit 10.1 on Form 8-K (File No. 000-50171), filed February 7, 2008)
10.3	—	Asset Purchase Agreement, dated September 30, 2009, among Travelzoo, Travelzoo K.K., Azzurro Capital Inc. and a buyer entity to be designated by Azzurro Capital Inc., with Exhibits (Incorporated by reference to Exhibit 10.1 on Form 8-K (File No. 000-50171), filed October 5, 2009)
10.4	—	Asset Purchase Agreement, dated September 30, 2009, among Travelzoo, Travelzoo (Asia Pacific) Limited, Azzurro Capital Inc. and a buyer entity to be designated by Azzurro Capital Inc., with Exhibits (Incorporated by reference to Exhibit 10.2 on Form 8-K (File No. 000-50171), filed October 5, 2009)
10.5	—	Option Agreement, dated September 30, 2009, between Travelzoo and Azzurro Capital Inc. (Incorporated by reference to Exhibit 10.3 on Form 8-K (File No. 000-50171), filed October 5, 2009)
10.6*	—	Employment Agreement, dated September 28, 2015, between Travelzoo and Holger Bartel (Incorporated by reference to Exhibit 10.23 on Form 8-K (File No. 000-50171), filed October 1, 2015)
10.7*	—	Nonqualified Stock Option Agreement, dated September 28, 2015, between Travelzoo and Holger Bartel (Incorporated by reference to Exhibit 10.24 on Form 8-K (File No. 000-50171), filed October 1, 2015)
10.8	Security Purchase Agreement, dated August 20, 2015, among Travelzoo (Europe) Limited, and Travelzoo (Asia Pacific) with Exhibits (Incorporated by reference to Exhibit 10.1 on Form 8-K (File No. 000-50171), filed August 26, 2015)	

10.9*	—	Nonqualified Stock Option Agreement, dated October 30, 2017, between Travelzoo and Holger Bartel dated October 30, 2017. (Incorporated by reference to Exhibit 10.3 on Form 8-K (File No. 000-50171), filed November 2, 2017)
10.12	—	Employment Agreement, dated June 28, 2018 between Michael Peterson and Travelzoo (Incorporated by reference to Exhibit 10.22 on Form 8-K (File No. 000-50171), filed June 28, 2018)
10.13*	—	Nonqualified Stock Option Agreement, dated June 22, 2018, between Travelzoo and Michael Peterson (Incorporated by reference to Exhibit 10.23 on Form 8-K (File No. 000-50171), filed June 28, 2018)
10.15	—	Stock Repurchase Agreement, dated February 13, 2019, between Travelzoo and Azzurro Capital Inc. on Form 8-K (File No. 000-50171), filed February 13, 2019)
10.16‡	—	Second Amendment to Lease, dated August 8, 2019, between 590 Madison Avenue, LLC and Travelzoo.
10.17*‡	—	Nonqualified Stock Option Agreement, dated September 5, 2019, between Travelzoo and Holger Bartel (Incorporated by reference to Exhibit 10.3 on Form 8-K (File No. 000-50171), filed September 10, 2019)
10.18‡	—	Stock Repurchase Agreement, dated November 6, 2019, between Travelzoo and Holger Bartel (Incorporated by reference to Exhibit 10.4 on Form 8-K (File No. 000-50171), filed November 12, 2019.
10.19‡	—	Stock Purchase Agreement, dated January 13, 2020, among Travelzoo, JFC Travel Group Co., Mikhail Mayzenberg and Philip Wintermantle.
21.1‡	—	Subsidiaries of Travelzoo
23.1‡	—	Consent of RSM US LLP, Independent Registered Public Accounting Firm
23.2‡	—	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm
24.1‡	—	Power of Attorney (included on signature page)
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 Section 906 of the Sarbanes-Oxley Act of 2002
32.2†	—	Certification of Chief Financial Officer 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.DEF‡	—	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB‡	—	XBRL Taxonomy Extension Label Linkbase Document
101.PRE‡	—	XBRL Taxonomy Extension Presentation Linkbase Document

* This exhibit is a management contract or a compensatory plan or arrangement.
‡ Filed herewith
† Furnished herewith

EXHIBIT 10.16

SECOND AMENDMENT TO LEASE

THIS SECOND AMENDMENT TO LEASE (this "**Amendment**") is made as of the 8th day of August, 2019, by and between **590 MADISON AVENUE, LLC**, a Delaware limited liability company having an office at 275 East Broad Street, Columbus, Ohio 43215-3771 ("**Landlord**") and **TRAVELZOO** (formerly Travelzoo Inc.), a Delaware corporation, having an office at 590 Madison Avenue, 37th Floor, New York, New York 10022 ("**Tenant**").

W I T N E S S E T H:

WHEREAS, by Agreement of Lease dated as of January 31, 2008 between Landlord and Tenant (the "**Original Lease**"), as amended by that certain First Amendment to Lease dated as of August 14, 2013 (the "**First Amendment**"; the Original Lease, as amended by the First Amendment, the "**Original Amended Lease**"; the Original Amended Lease, as further amended by this Amendment, the "**Lease**"), Landlord is leasing to Tenant certain premises consisting of a portion of the thirty-seventh (37th) floor (see attached Exhibit C) (the "**Existing Premises**") in the building known by the street address of 590 Madison Avenue, New York, New York (the "**Building**"), as more particularly identified in the Original Amended Lease; and

WHEREAS, Landlord is currently negotiating a lease which covers and includes the Existing Premises with a third-party tenant (the "**Third-Party Lease**"); and

WHEREAS, if and when the Third-Party Lease is executed, Landlord and Tenant desire to modify and amend the Original Amended Lease to provide for a relocation of Tenant to the "**New Premises**" (as hereinafter defined) (see attached Exhibit A), subject to its "**Substantial Completion"** (as hereinafter defined), in order to accommodate the Third-Party Lease, to extend the term of the Lease and to otherwise amend the Original Amended Lease as set forth herein; and

WHEREAS, Landlord and Tenant agree that the amendments and modifications provided for herein shall only become effective if and when Landlord and the third-party tenant execute the Third-Party Lease, and, except with respect to Paragraph 7(b), (c), (d) and (f), Paragraph 8 and Paragraph 9(a) herein, neither party shall have any obligations hereunder unless and until the Third-Party Lease is executed (the date upon which the Third-Party Lease is executed being, the "**Amendment Effective Date**"); and

WHEREAS, Landlord and Tenant agree that if the Third-Party Lease is not executed before that date that is three (3) months from the date of this Amendment (the "**Contingency Deadline**"), except with respect to Paragraph 7(b), (c), (d) and (f), Paragraph 8 and Paragraph 9(a) herein, this Amendment shall be rendered null and void, unless Landlord sends Tenant written notice that the Third-Party Lease negotiations remain ongoing, in which event, the Contingency Deadline shall automatically be extended to the date that is six (6) months from the date of this Amendment (the "**Extended Deadline**"); and

WHEREAS, Landlord and Tenant agree that notwithstanding the execution of this Amendment, the terms of the Original Amended Lease, unmodified, shall govern Tenant's tenancy at the Building until the New Premises Commencement Date (as hereinafter defined), and shall continue to govern Tenant's tenancy at the Building if the Third-Party Lease is not executed prior to the Contingency Deadline or Extended Deadline, as applicable.

NOW, THEREFORE, in consideration of the foregoing recitals, which are incorporated into the operative provisions of this Amendment by this reference, the mutual covenants herein contained, and for other good and valuable consideration, the receipt and adequacy of which are hereby conclusively acknowledged, the parties hereto, for themselves, their legal representatives, successors and assigns, agree as follows:

1. Definitions. **(1)** Generally. All capitalized terms used herein shall have the respective meanings ascribed to them in the Original Amended Lease unless otherwise defined in this Amendment.

(a) New Terms. The following terms shall have the following respective meanings:

(i) "**Amendment Effective Date**" shall have the meaning ascribed to it in the Recitals.

(ii) "**Consultant's Allowance**" shall have the meaning ascribed to it in Paragraph 4(g).

(iii) "**Contingency Deadline**" shall have the meaning ascribed to it in the Recitals.

(iv) "**Decorative Allowance**" shall have the meaning ascribed to it in Paragraph 5.

(v) "**Demising Plan**" shall have the meaning ascribed to it in Paragraph 4(b).

(vi) "**Design Documents**" shall have the meaning ascribed to it in Paragraph 4(b).

(vii) "**Extended Deadline**" shall have the meaning set forth in the Recitals.

(viii) "**First Amendment**" shall have the meaning ascribed to it in the Recitals.

(ix) "**Inspection List**" shall have the meaning ascribed to it in Paragraph 4(c).

(x) "**Inspections**" shall have the meaning ascribed to it in Paragraph 4(c).

(xi) "**Landlord's Architect**" shall have the meaning ascribed to it in Paragraph 4(b).

(xii) "**Landlord's Corridor Work**" shall have the meaning ascribed to it in Paragraph 4(a).

(xiii) "**Landlord's Work**" shall have the meaning ascribed to it in Paragraph 4(a).

(xiv) **"New Premises Expiration Date**" shall mean the last day of the month in which the ten (10) year anniversary of the New Premises Commencement Date occurs.

(xv) "**Original Amended Lease**" shall have the meaning ascribed to it in the Recitals.

(xvi) "**Punch List**" shall have the meaning ascribed to it in Paragraph 4(c).

(xvii) "**Relocation Notice**" shall have the meaning ascribed to it in Paragraph 2.

(xviii) "**Relocation Work**" shall have the meaning ascribed to it in Paragraph 4(a).

(xix) "**Tenant's Changes**" shall have the meaning ascribed to it in Paragraph 4(e).

(xx) "**Tenant's Consultant**" shall have the meaning ascribed to it in Paragraph 4(g).

(xxi) "**Tenant's Plans and Specifications**" shall have the meaning ascribed to it in Paragraph 4(b).

(xxii) **"Tenant's Representative**" shall have the meaning ascribed to it in Paragraph 4(b).

(xxiii) "**Third-Party Lease**" shall have the meaning ascribed to it in the Recitals.

(xxiv) "**Third-Party Lease Extension Notice**" shall have the meaning set forth in Paragraph 2.

(b) Existing Terms. The following terms used in Original Amended Lease shall be amended and modified or restated, as applicable, as follows:

(i) "**Amendment**" shall have the meaning ascribed to it in the Preamble.

(ii) "**Amendment Broker**" shall have the meaning ascribed to it in Paragraph 8.

(iii) "**Commencement Date**" shall have the meaning set forth in the Original Amended Lease until 11:59 P.M. on the calendar day immediately preceding the New Premises Commencement Date, and from and after the New Premises Commencement Date, Commencement Date shall mean the New Premises Commencement Date.

(iv) "**Expiration Date**" shall mean the New Premises Expiration Date.

(v) "**Landlord's Contribution**" shall have the meaning ascribed to it in Paragraph 4(e).

(vi) "**Lease**" shall have the meaning ascribed to it the Recitals.

(vii) "**Premises**" shall mean (i) the Existing Premises until 11:59 P.M. on the calendar day immediately preceding the New Premises Commencement Date, and (ii) effective as of 12:00 A.M. on the New Premises Commencement Date, the Premises shall only mean the New Premises.

(viii) "**Existing Premises**" shall mean the Premises demised under the Original Amended Lease.

(ix) "**Landlord's New Premises Work**" shall have the meaning ascribed to it in Paragraph 4(a).

(x) "**New Premises**" shall mean that portion of the 35th floor of the Building depicted on Exhibit A, consisting of Thirteen Thousand Five Hundred (13,500) rentable square feet.

(xi) "**New Premises Commencement Date**" shall have the meaning ascribed to it in Paragraph 6(a).

(xii) "**New Premises Delivery Date**" shall have the meaning ascribed to it in Paragraph 4(c).

(xiii) "**Original Lease**" shall have the meaning ascribed to it in the Recitals.

(xiv) **"Substantial Completion**" or "**Substantially Complete**" or words of similar import shall have the meaning ascribed to them in Paragraph 4(c).

2. **Demise and Term.**

(a) Effective as of the New Premises Commencement Date, Landlord leases to Tenant and Tenant leases from Landlord the New Premises commencing on the New Premises Commencement Date through the New Premises Expiration Date. Within five (5) Business Days

following the Amendment Effective Date, Landlord shall send written notice thereof to Tenant (the "**Relocation Notice**"). If the Amendment Effective Date has not occurred by the Contingency Deadline, then Landlord shall have the option of extending the Contingency Deadline to the Extended Deadline by sending written notice thereof to Tenant within five (5) Business Days following the expiration of the Contingency Deadline (the "**Third-Party Lease Extension Notice**"). If Landlord does not send a Relocation Notice or a Third-Party Lease Extension Notice within five (5) Business Days following the expiration of the Contingency Deadline, then this Amendment shall be null and void and of no further force or effect, except with respect to Paragraph 7(b), (c), (d) and (f), Paragraph 8 and Paragraph 9(a).

3. **Rental**. Subject to Section 7(f), Tenant shall continue to pay all items of Fixed Rent and Additional Rent uninterrupted as provided for in the Original Amended Lease during the Lease Term regardless of whether the Amendment Effective Date occurs. The parties agree that on September 18, 2019 the annual Fixed Rent for the Premises will not increase and will continue to be One Million Three Hundred Fifty Thousand and 00/100 U.S. Dollars ($1,350,000.00) annually, payable in twelve (12) equal monthly installments of One Hundred Twelve Thousand Five Hundred and 00/100 U.S. Dollars ($112,500.00). If the Amendment Effective Date occurs, for avoidance of doubt, subject to Section 7(f), Tenant shall continue to pay all items of Fixed Rent and Additional Rent as set forth in the Original Amended Lease for all periods of the continuing Lease Term, beginning on the New Premises Commencement Date and ending on the New Premises Expiration Date.

4. **Work Letter**.

(a) **Landlord's Work.** Landlord at Landlord's sole cost and expense shall perform or cause to be performed (i) construction and completion of the New Premises in accordance with the Tenant's Plans and Specifications as defined in Paragraph 4(b) below (the **"Landlord's New Premises Work"**); (ii) the renovation of the 35th floor common area elevator vestibule and corridors in accordance with current building standards (See attached Exhibit B) (the **"Landlord's Corridor Work"**); and (iii) the relocation and professional move and reinstallation of Tenant's furniture, fixtures and equipment from the Existing Premises to the New Premises (the **"Relocation Work"**). Collectively, the foregoing (i) through (iii), inclusive shall be referred to as (the "**Landlord's Work"**). For the avoidance of doubt, Landlord shall be responsible for coordinating, entering into contracts with and paying all applicable suppliers and contractors necessary to complete the Landlord's Work.

(b) **Tenant's Plans.** Attached hereto as Exhibit A is the demising plan for the New Premises (the "**Demising Plan**"). As soon as reasonably practicable but not later than ten (10) business days following full execution and delivery of this Amendment, Tenant by its representative with authority to dictate Tenant's desired plans and specifications, who shall be any of Christina Sindoni Ciocca, General Counsel or Tenant's Consultant (as defined below) (either of such persons, the "**Tenant's Representative**") shall meet with an architect designated by Landlord (the **"Landlord's Architect"**) for the purpose of Tenant communicating to Landlord's Architect its space and layout requirements within the Demising Plan. Tenant's space requirements will be reasonably consistent with a typical office layout and the finishes will be

reasonably consistent with the finishes of the Existing Premises. In addition, Tenant's entrance to the New Premises shall be directly in front of the elevators to achieve maximum elevator identification. Following this meeting, Landlord's Architect will prepare initial schematic design documents and design development documents (the **"Design Documents"**) and submit to Tenant's Representative, Tenant's Consultant (if any) and Landlord for review and approval, whereupon Landlord, Tenant's Representative and Tenant's Consultant shall each provide its comments and feedback concerning the Design Documents to Landlord's Architect within ten (10) business days following receipt thereof (the parties acknowledging that email delivery of Design Documents is deemed delivery for this purpose). Landlord's Architect will incorporate each of Landlord's, Tenant's Representative's and Tenant's Consultant's feedback (as reasonably and mutually agreed to between the parties) into the Design Documents and will then generate a final set of Design Documents for approval by Tenant's Representative, Tenant's Consultant and Landlord (the **"Tenant's Plans and Specifications"**) whereupon Landlord, Tenant's Representative and Tenant's Consultant shall each provide its feedback or sign off to the Tenant's Plans and Specifications within ten (10) business days following receipt thereof (the parties acknowledging that email delivery of Tenant's Plans and Specifications is deemed delivery for this purpose). If Tenant's Representative and/or Tenant's Consultant do not timely respond to Landlord's Architect delivery of either Design Documents or Tenant's Plans and Specifications, then Landlord shall send email notice to Tenant's Representative and/or Tenant's Consultant notifying Tenant of its failure to respond, whereupon, Tenant's Representative and/or Tenant's Consultant, as applicable, will have five (5) calendar days to submit any comments or feedback to the Landlord's Architect. If Tenant's Representative and/or Tenant's Consultant, as applicable does not respond within such five (5) calendar day period, then Tenant is deemed to have approved the Design Documents and/or Tenant's Plans and Specifications, as applicable, and shall no longer have any right to comment or approve with respect thereto.

(c) **Substantial Completion.** The Landlord's Work shall be performed in a professional, good and workmanlike manner in accordance with all applicable codes, statutes, laws, rules and regulations. During the course of construction, Tenant's Representative and Tenant's Consultant agree to attend bi-weekly construction meetings and site inspections with Landlord for the purpose of monitoring that Landlord's performance of the Landlord's Work is being effectuated consistent with the Tenant's Plans and Specifications in accordance with industry standard ("**Inspections**"). Landlord shall reasonably cooperate with Tenant's Representative and Tenant's Consultant to schedule Inspections at times that are mutually convenient for all sides and will set forth the items to be reviewed during the Inspections in writing (email being acceptable) in advance (the "**Inspection List**"). If either Tenant's Representative or Tenant's Consultant discovers any deviation from the Tenant's Plans and Specifications during an Inspection, Tenant shall advise Landlord in writing (email to Jeffrey Sussman <JSussman@ejmequities.com> being acceptable) within two (2) business days following the discovery thereof, and Landlord shall correct any such deviation as expeditiously as reasonably possible in accordance with industry standard. If Tenant's Representative or Tenant's Consultant do not attend such Inspections and/or attends such Inspections and do not raise any discrepancy to Landlord regarding the performance of the Landlord's Work, then Tenant is deemed to have waived its right to object to the portion of the work that was included as part of the Inspection List. Landlord shall deliver the New Premises to Tenant in turnkey

condition substantially complete and ready for use and occupancy by Tenant. The New Premises shall be deemed substantially complete upon the occurrence of all of the following: (i) Landlord's delivery to Tenant's Representative and Tenant's Consultant of self-certification letters by Landlord's Architects and engineers certifying that the Landlord's Work built pursuant to Tenant's Plans and Specifications is substantially complete in accordance with industry standard and that Tenant can use all of the New Premises for the permitted uses therein; and only minor and insubstantial details of decoration and mechanical adjustment remain (subject to industry accepted Punch List items defined below); and (ii) the thorough and professional cleaning of the New Premises and corridor so that each are ready for Tenant's use and occupancy; and (iii) walk-through of the New Premises by Landlord, Tenant's Representative and Tenant's Consultant confirming the substantial completion of the Landlord's Work and identifying any punch list items of Landlord's Work to be performed by Landlord following Tenant's occupancy of the New Premises (a "**Punch List**"). The foregoing (i) through (iii) inclusive shall be deemed **"Substantial Completion"**. Landlord will provide fifteen (15) days prior written notice to Tenant's Representative and Tenant's Consultant of the estimated date of Substantial Completion and during such fifteen (15) day period, Landlord, Tenant's Representative and Tenant's Consultant will perform a walk-through of the New Premises for the purpose of establishing the Punch List. Upon the New Premises Commencement Date, Tenant shall accept the New Premises in its "as is" condition but excluding latent defects and the Punch List items, which Landlord shall correct. Landlord shall endeavor to complete all Punch List items within thirty (30) days following receipt of the Punch List (subject to items of Long Lead Work). Landlord shall coordinate the performance of any Punch List items with Tenant's Representative in an effort to minimize interference with Tenant's business and where reasonably requested by Tenant, Landlord shall perform Punch List items outside of normal work hours which are Monday through Friday 8 a.m. to 6 p.m. excluding federal holidays.

(d) **Warranty.** Landlord shall cause the general contractor performing Landlord's New Premises Work to warrant said work against defects in workmanship, installation, materials and equipment for a period of one (1) year from the Substantial Completion date. The one (1) year limitation of the foregoing warranty shall not limit Landlord's obligations under the Lease during the Term.

(e) **Landlord's Contribution.** Landlord shall perform Landlord's New Premises Work and the Relocation Work at Landlord's sole cost and expense, which the parties anticipate will be Two Hundred and 00/100 U.S. Dollars ($200.00) per rentable square foot of the New Premises or Two Million Seven Hundred Thousand and 00/100 U.S. Dollars ($2,700,000.00) (the "**Landlord's Contribution**"). The Landlord's Contribution does not include sums necessary to perform the Landlord's Corridor Work, which shall also be performed at Landlord's sole cost and expense. Landlord shall apply the Landlord's Contribution to all of the actual costs incurred as part of Landlord's New Premises Work and Relocation Work as the same become due and payable (but not to the Landlord's Corridor Work). If the actual costs of the Landlord's New Premises Work and Relocation Work exceeds the Landlord's Contribution, then Landlord shall nonetheless be obligated to bear the cost therefor unless the increase in costs is due to a change requested by Tenant in writing after Tenant's final approval or deemed approval of the Tenant's Plans and Specifications (the **"Tenant's Changes"**) in which case

Tenant shall be responsible for the cost of the Tenant's Changes. In order for Tenant to be responsible for the cost of the Tenant's Changes, Tenant must approve the cost of said change in advance in writing to Landlord. Tenant shall pay the cost of the Tenant's Changes within ten (10) business days following Landlord's written request therefor.

(f) **General Cooperation.** The parties acknowledge that both desire the Landlord's Work to be completed as quickly and efficiently as possible and Landlord and Tenant will cooperate and coordinate with each other to achieve such mutual goal.

(g) **Tenant's Consultant.** Tenant may engage an architectural consultant and/or a construction project manager of Tenant's choosing to represent Tenant's interests during the design and construction of the Landlord's Work (the **"Tenant's Consultant"**). The Tenant's Consultant may (but does not have to) be Tenant's Representative. Landlord and Tenant each agree to cause its consultants to cooperate and coordinate with each other to achieve the most efficient design and construction schedule necessary to achieve the common goals for all parties. Landlord agrees that in addition to the Landlord Contribution, Landlord will provide an allowance of up to One Hundred Thousand U.S. Dollars ($100,000.00) to pay for the actual costs incurred for such Tenant's Consultant as and when said costs become due and payable throughout the process (the **"Consultant Allowance"**). Landlord shall send written notice to Tenant if Landlord reasonably believes that the Tenant's Consultant is causing unreasonable delay in the project schedule and Tenant shall have five (5) business days to correct the same.

(h) **Cost of Landlord's Work.** If the actual costs of Landlord's New Premises Work and Relocation Work as evidenced by final invoices by all of Landlord's contractors, vendors, materialmen, agents, movers, architects and engineers is less than the Landlord's Contribution, then Landlord shall pay the difference to Tenant in a lump sum payment within ten (10) business days following Landlord's calculation of the actual costs (which shall be no later than thirty (30) days after the New Premises Commencement Date).

(i) **Early Entry By Tenant.** Landlord agrees to allow Tenant entry and access to the New Premises up to thirty (30) days prior to the date of the anticipated substantial completion of the New Premises for the purpose of Tenant's installation of any items of personal property, furniture, fixtures and equipment, if any such items are to be installed by Tenant and not Landlord, at appropriate times as reasonably determined by Landlord.

5. **Decorative Allowance**. Landlord shall provide Tenant with a Five Million and 00/100 Dollar ($5,000,000.00) payment (the "**Decorative Allowance**"), which Tenant may use for any purpose at its sole discretion. Landlord shall pay the Decorative Allowance to Tenant as follows:

(a) Two Million Five Hundred Thousand and 00/100 Dollars ($2,500,000.00) within five (5) Business Days following the Amendment Effective Date; and

(b) Two Million Five Hundred Thousand and 00/100 Dollars ($2,500,000.00) within five (5) Business Days following the New Premises Commencement Date.

In each instance, Tenant shall provide written notice to Landlord (requesting such amounts pursuant to this Amendment. Tenant shall not be required to provide any back-up or supporting documentation to Landlord concerning the use of the Decorative Allowance.

6. **Surrender of Existing Premises**.

(a) Subject to Substantial Completion of the New Premises pursuant to Paragraph 4(c), by the Friday immediately following the New Premises Delivery Date, Tenant shall leave the Existing Premises in such a manner that Landlord will be able to complete Tenant's Relocation Work over the weekend. At Tenant's option, Tenant shall have the right to engage its own mover for the Relocation Work and oversee the Relocation Work to its satisfaction, which mover shall be knowledgeable in office moves within New York City and charge industry standard pricing. Landlord will reimburse Tenant for the commercially reasonable costs therefor or pay such costs directly as set forth in Paragraph 4(e). The date of which Landlord or Tenant completes the Relocation Work shall be the "**New Premises Commencement Date**". Tenant acknowledges that possession of the Existing Premises must be surrendered to Landlord on such date. Notwithstanding anything in the Original Amended Lease to the contrary, if possession of the Existing Premises is not surrendered to Landlord in accordance with the terms of this Paragraph 6 subject to Substantial Completion of the New Premises, Article 20 of the Original Amended Lease shall apply with respect to Tenant's holding over of the Existing Premises and Landlord may pursue all rights and remedies available at law, in equity and pursuant to the Lease. In addition to any other rights or remedies Landlord may have under the Original Amended Lease, at law or in equity and without limiting Landlord's right to collect damages on account of Tenant's failure to surrender the Existing Premises on or before the Friday immediately following the New Premises Delivery Date, Tenant shall pay to Landlord the sums set forth in Article 20 of the Original Amended Lease on account of Tenant's use and occupancy of the Existing Premises through but not including the date on which surrender of the Existing Premises is made in accordance with the terms of the Original Amended Lease.

(b) Tenant has not done or suffered, and shall not do or suffer, anything whereby the Existing Premises or any fixtures, equipment or personalty incorporated therein have been, or shall be, encumbered in any way whatsoever. On or before the New Premises Commencement Date, Tenant shall: (i) remove from the Existing Premises all personal property that will not be moved by the professional movers located in the Existing Premises; (ii) surrender the Existing Premises in broom-clean condition and free of all debris, ordinary wear and tear and damage for which Tenant is not responsible under the terms of the Lease excepted; and (iii) deliver possession of the Existing Premises to Landlord free and clear of all occupants and rights of occupancy. Notwithstanding anything in the Original Amended Lease to the contrary, as of the New Premises Commencement Date, Tenant shall not be obligated to remove any Alterations and Specialty Alterations or any other improvement that it or Landlord, on Tenant's behalf, may have installed in the Existing Premises.

(c) Effective as of the New Premises Commencement Date, Tenant and Landlord, as applicable, shall for themselves and any and all of their respective successors and

assigns, release and forever discharge each other and their respective, distributees, personal representatives, successors and assigns, officers, agents and representatives from all manner of actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, acknowledgments, extents, executions, claims and demands whatsoever, in law, admiralty or in equity, that either party or their successors or assigns or any person claiming by or through either party, as applicable, ever had, now have, or may have, now or hereafter, for, upon or by reason of any matter, cause or thing whatsoever in connection with the leasing by Tenant of the Existing Premises, from the beginning of the world through and including the New Premises Commencement Date, including any claims for audits of Operating Expenses and Taxes, except for Operating Expenses and Taxes due under the Lease with respect to the Existing Premises through the New Premises Commencement Date, which amounts have not yet been billed and/or reconciled by Landlord.

(d) Tenant shall perform all of its obligations to be performed under the Lease with respect to the Existing Premises, including the payment of Fixed Rent and Additional Rent payable and/or allocable for the period to and including the New Premises Commencement Date, it being further agreed that Tenant's liability for any and all amounts due under the Lease with respect to the Existing Premises through the New Premises Commencement Date, shall survive the New Premises Commencement Date and shall be due and payable when determined and billed by Landlord.

(e) For the avoidance of doubt, Tenant shall not be obligated to vacate the Existing Premises until the New Premises are Substantially Complete pursuant to Paragraph 4(c) hereof.

7. **Technical Amendments**. The following provisions of the Original Amended Lease are amended as set forth below:

(a) As of the Amendment Effective Date, (i) Section 9 of the First Amendment and the Termination Option contained therein is deleted in its entirety and of no further force or effect, (ii) Section 5 of the First Amendment and the provisions relating to premises located on the 37th floor of the Building contained therein is deleted in its entirety and of no further force or effect and (iii) Section 8 of the First Amendment and the provisions relating to surrender contained therein is deleted in its entirety and of no further force or effect.

(b) Modifying Article 26, Landlord's address for notices is replaced with the following:

"If to Landlord: (a) 275 East Broad Street, Columbus, Ohio 43215-3771, Attention: Director, Real Estate Assets, with a copy to (b) Edward J. Minskoff Equities, Inc., 1325 Avenue of the Americas, New York, New York 10019, Attention: Chief Financial Officer, and a copy to (c) Arent Fox LLP, 1301 Avenue of the Americas, 42nd Floor, New York, New York 10019, Attention: Faige Klein, Esq., and a copy to (d) each Mortgagee and Lessor that shall have requested the

same by notice given in accordance with the provisions of this Article 26 at the address designated by such Mortgagee or Lessor."

(c) Within thirty (30) days following the Amendment Effective Date, Tenant shall provide to Landlord evidence reasonably satisfactory to Landlord, which may include an amendment to the Letter of Credit under the Original Lease, that the Letter of Credit has been amended to take into account the New Premises Expiration Date. For the avoidance of doubt but without limitation of any of the provisions of Article 31 of the Original Lease, it is the intention of Landlord and Tenant that the amounts drawable under any Letter of Credit must be available at a date that is at least ninety-one (91) days after the Fixed Expiration Date. At Tenant's sole cost and expense, Landlord shall cooperate with Tenant to effectuate such amendment in any reasonable respect that does not invalidate or call into question the validity or effectiveness of the Letter of Credit or Landlord's ability to negotiate the same at all times.

(d) The first sentence of Schedule C of the Original Lease is hereby deleted in its entirety and replaced with the following:

"1. The base building interior zone air conditioning system serving each full floor of the Building shall deliver a nominal 8,000 CFM at 57° F± supply air discharge temperature (Building Standard). Tenant system must meet building design criteria and air distribution system must meet building standard VAV criteria."

(e) Clause (b) of Schedule D (additional insureds) of the Original Lease is hereby deleted as the following is inserted in lieu thereof:

"Additional Insureds:

590 Madison Avenue, LLC
Edward J. Minskoff
Edward J. Minskoff Equities, Inc.
590 Madison Avenue Associates, L.P.
OTR-590 Madison Avenue LLC
The State Teachers Retirement Systems of Ohio
OTR, an Ohio general partnership
Goldman Sachs Mortgage Company and its successors and/or assigns as their interests may appear"

(f) Section 2 of the First Amendment is hereby deleted as the following is inserted in lieu thereof:

"**Fixed Rent**. Modifying and supplementing the definition of "Fixed Rent" as set forth in Section 1.1 of the Original Lease, effective as of the New Premises Rent Commencement Date, the term "**Fixed Rent**" as it applies to the New Premises shall mean from the New Premises Rent Commencement Date through the day immediately preceding the tenth (10^{th}) anniversary of the New Premises Rent Commencement Date an

annual sum of One Million Three Hundred Fifty Thousand and 00/100 U.S. Dollars ($1,350,000.00) per annum, payable in twelve (12) monthly installments of One Hundred Twelve Thousand Five Hundred and 00/100 U.S. Dollars ($112,500.00)."

8. **Brokerage**. Each of Landlord and Tenant represents and warrants to the other that it has not dealt with any broker or agent in connection with this Amendment other than Edward J. Minskoff, Equities, Inc., CBRE, Inc. and Cushman & Wakefield, Inc., and referring Broker Wiedman Real Estate Advisors, Ltd. (collectively, the "**Amendment Broker**"). The execution and delivery of this Amendment by each party shall be conclusive evidence that such party has relied upon the foregoing representation and warranty. Tenant and Landlord shall each indemnify and hold the other harmless from and against any and all claims for commissions, fees or other compensation by any broker or agent (other than Amendment Broker) who shall claim to have dealt with indemnitor in connection with such claims, including reasonable attorneys' fees and disbursements. Landlord agrees that it shall be responsible for the payment of any commission due Amendment Broker pursuant to separate agreement. The provisions of this Paragraph 9 shall survive the expiration or earlier termination of the Lease.

9. **Miscellaneous**.

(a) **THIS AMENDMENT IS CONTINGENT ON LANDLORD EXECUTING THE THIRD-PARTY LEASE PRIOR TO THE CONTINGENCY DEADLINE OR EXTENDED DEADLINE. EXCEPT FOR THE TERMS AND OBLIGATIONS PROVIDED IN PARAGRAPH 7(B), (C), (D) AND (F), PARAGRAPH 8 AND IN THIS PARAGRAPH 9(a), (I) NEITHER PARTY SHALL HAVE ANY OBLIGATIONS UNDER THIS AMENDMENT UNLESS AND UNTIL THE AMENDMENT EFFECTIVE DATE, AND (II) THE TERMS OF THIS AMENDMENT SHALL HAVE NO FORCE AND EFFECT UNLESS AND UNTIL THE AMENDMENT EFFECTIVE DATE. IN THE EVENT THAT LANDLORD DOES NOT EXECUTE THE THIRD-PARTY LEASE PRIOR TO THE CONTINGENCY DEADLINE OR EXTENDED DEADLINE, WITH THE EXCEPTION OF PARAGRAPH 7(B), (C), (D) AND (F), PARAGRAPH 8 AND THIS PARAGRAPH 9(A), THE TERMS OF THIS AGREEMENT SHALL BE NULL AND VOID. UNLESS AND UNTIL THE THIRD-PARTY LEASE BECOMES EFFECTIVE, THE ORIGINAL AMENDED LEASE SHALL CONTINUE IN FULL FORCE AND EFFECT UPON ALL OF ITS TERMS, UNMODIFIED, AND SHALL CONTINUE TO GOVERN TENANT'S TENANCY OF THE BUILDING UNTIL THE NEW PREMISES COMMENCEMENT DATE. LANDLORD AND TENANT HEREBY RATIFY AND CONFIRM ALL OF THE TERMS, CONDITIONS, AND COVENANTS OF THE ORIGINAL AMENDED LEASE, ON A CONTINUING BASIS, AT ALL TIMES PRIOR TO THE NEW PREMISES COMMENCEMENT DATE.**

(b) Landlord and Tenant acknowledge and agree that except as specifically set forth in this Amendment, all items of work to be performed in respect of the Existing Premises have been fully performed and all items of Landlord's contribution, if any, have been fully expended in complete satisfaction of Landlord's obligations set forth in the Original Amended Lease. Except as specifically set forth in this Amendment, Landlord shall have no additional or

further obligations to perform any work or expend any Landlord's contribution with respect to any portion of the Existing Premises.

(c) The Lease shall continue in full force and effect upon all of its terms except as expressly modified by this Amendment, and Landlord and Tenant hereby ratify and confirm all of the terms, conditions and covenants of the Lease as amended hereby.

(d) In the event of any conflict or inconsistency between the terms of the Original Amended Lease and this Amendment, the terms of this Amendment shall control.

(e) Each of Landlord and Tenant represents and warrants to the other that it has full right, power and authority to enter into this Amendment and that the Person or Persons executing this Amendment on its behalf are authorized to do so.

(f) Tenant represents and warrants to Landlord that, there exist no defenses by Tenant against the enforcement of the Original Amended Lease or the Lease as amended by this Amendment or any rights to offset against any sums due by Tenant to Landlord under the Original Amended Lease or the Lease as amended by this Amendment, and Tenant has no knowledge of any event that, with the giving of notice, the passage of time, or both, would constitute a default by Landlord under the Lease as amended by this Amendment. Landlord represents and warrants to Tenant that, to Landlord's knowledge, there exist no defenses by Landlord against the enforcement of the Original Amended Lease or the Lease as amended by this Amendment, and Landlord has no knowledge of any event that, with the giving of notice, the passage of time, or both, would constitute a default by Tenant under the Lease as amended by this Amendment. This Amendment shall not be binding upon Landlord or Tenant until both parties have executed and delivered it to the other.

(g) This Amendment may not be amended or modified unless such amendment or modification shall be in writing duly executed and delivered by the parties hereto.

(h) This Amendment together with the Original Amended Lease as modified by this Amendment, contains the entire agreement between Landlord and Tenant with respect to the subject matter hereof and supersedes all prior agreements or understandings between Landlord and Tenant with respect to the matters contained herein. Neither Landlord nor Tenant shall be bound by any warranties, guaranties or representations that are not specifically set forth in the Lease.

(i) If any term or provision of this Amendment or the application thereof to any Person or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of this Amendment, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Amendment shall be valid and be enforced to the fullest extent permitted by law.

(j) This Amendment shall inure to the benefit of, be enforceable by and against, and be binding upon, the successors and assigns of Landlord and the permitted successors and assigns of Tenant.

(k) This Amendment may be executed in one or more counterparts, each of which shall constitute an original and all of which taken together, constitute one and the same instrument. Signatures exchanged via ".pdf" or other electronic transmission shall be deemed originals.

(l) This Amendment was negotiated in the State of New York, which State the parties agree has a substantial relationship to the parties and to the underlying transactions embodied hereby, and in all respects, including, without limiting the generality of the foregoing, matters of construction, validity, enforcement and performance, this Amendment and the obligations arising hereunder shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and performed wholly within such State, without giving effect to the principles of conflicts of law of such jurisdiction. To the fullest extent permitted by law, the parties hereby unconditionally and irrevocably waive and release any claim that the law of any other jurisdiction governs this Amendment, and this Amendment shall be governed and construed in accordance with the laws of the State of New York as aforesaid pursuant to Section 5-1401 of the New York General Obligations Law.

(m) To the maximum extent permitted by applicable law, any legal suit, action, or proceeding against any of the parties hereto arising out of or relating to this Amendment shall be instituted in any federal or state court in New York County, New York, pursuant to Section 5-1402 of the New York General Obligations Law, and each party hereby irrevocably submits to the exclusive jurisdiction of any such court in any such suit, action, or proceeding. Each party agrees to venue in such courts and hereby waives, to the fullest extent permitted by law, any claim that any such action or proceeding was brought in an inconvenient forum.

(n) Paragraph headings have been inserted for the convenience of reference only and shall not be construed as parts of the particular articles or paragraphs to which they refer. References to "Paragraphs" are to paragraphs in this Amendment and to "Articles" "Sections" or "Subsections" are to articles, sections or subsections in the Original Amended Lease. The term "including" shall mean "including, without limitation," unless the contest expressly requires otherwise. Unless otherwise stated, references to Exhibits are to Exhibits attached to this Amendment.

(o) Exhibits A and Exhibit B, to the Original Amended Lease shall apply only to the Existing Premises and Exhibit A annexed to this Amendment, which shall be deemed incorporated into the Lease for such purposes, shall apply only to the New Premises. Effective on the New Premises Commencement Date, Exhibits A and Exhibit B shall be replaced by Exhibit A, annexed to this Amendment.

[The balance of this page is intentionally left blank.]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment by their respective duly authorized representatives as of the day and year first above written.

LANDLORD:

590 MADISON AVENUE, LLC, a Delaware limited liability company

By: **590 MADISON AVENUE ASSOCIATES, L.P.**, a Delaware limited partnership, its managing member

By: **OTR-590 MADISON AVENUE LLC**, an Ohio limited liability company, its managing partner

By:_____
Name:
Title:

TENANT:

By: **TRAVELZOO**, a Delaware corporation

By:_____
Name: Lisa Su
Title: Chief Accounting Officer

Fed. Id. No. 36-4415727

EXHIBIT A

NEW PREMISES

[Attached]

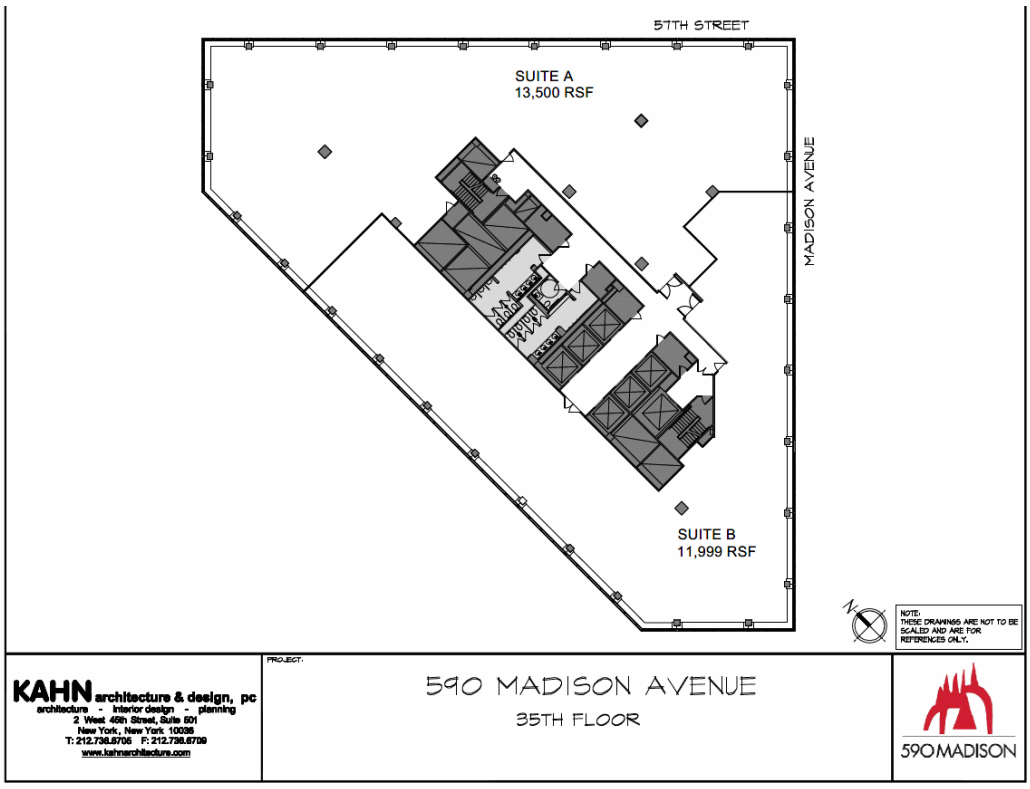


EXHIBIT B

LANDLORD'S CORRIDOR WORK

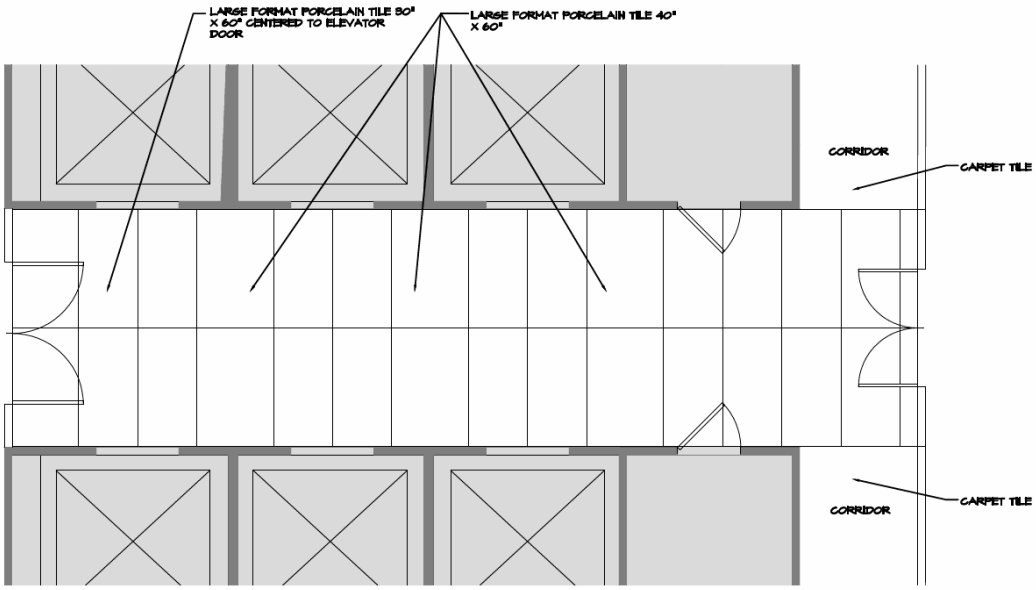
Renovate the common area elevator vestibule area in accordance with current building standard, consistent with the attached renderings.

KAHN architecture

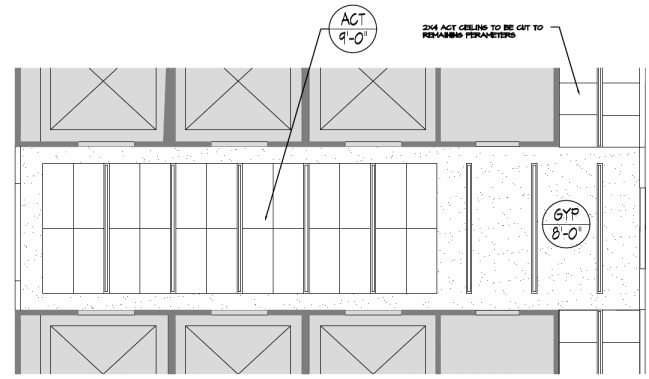
590 MADISON

590 MADISON AVENUE
NEW YORK, NEW YORK
35TH FLOOR LOBBY
DATE: 07.17.19

KAHN architecture



1 FLOOR PLAN - ELEVATOR LOBBY
SCALE = 1/4" = 1'-0"

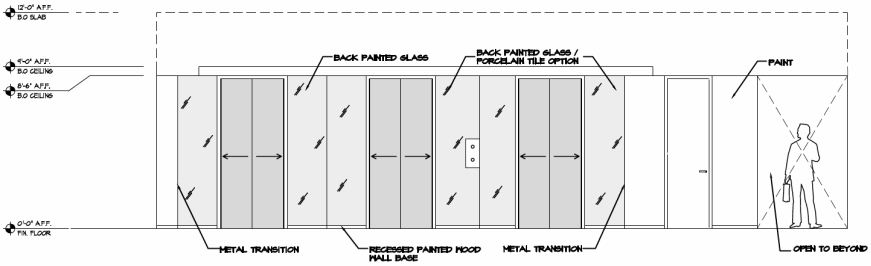


1 REFLECTED CEILING PLAN - ELEVATOR LOBBY
SCALE = 1/4" = 1'-0"

LINEAR RECESSED LIGHT

LINEAR RECESSED LIGHT

KAHN architecture



1 ELEVATION - ELEVATOR LOBBY
SCALE = 1/4" = 1'-0"

590 MADISON

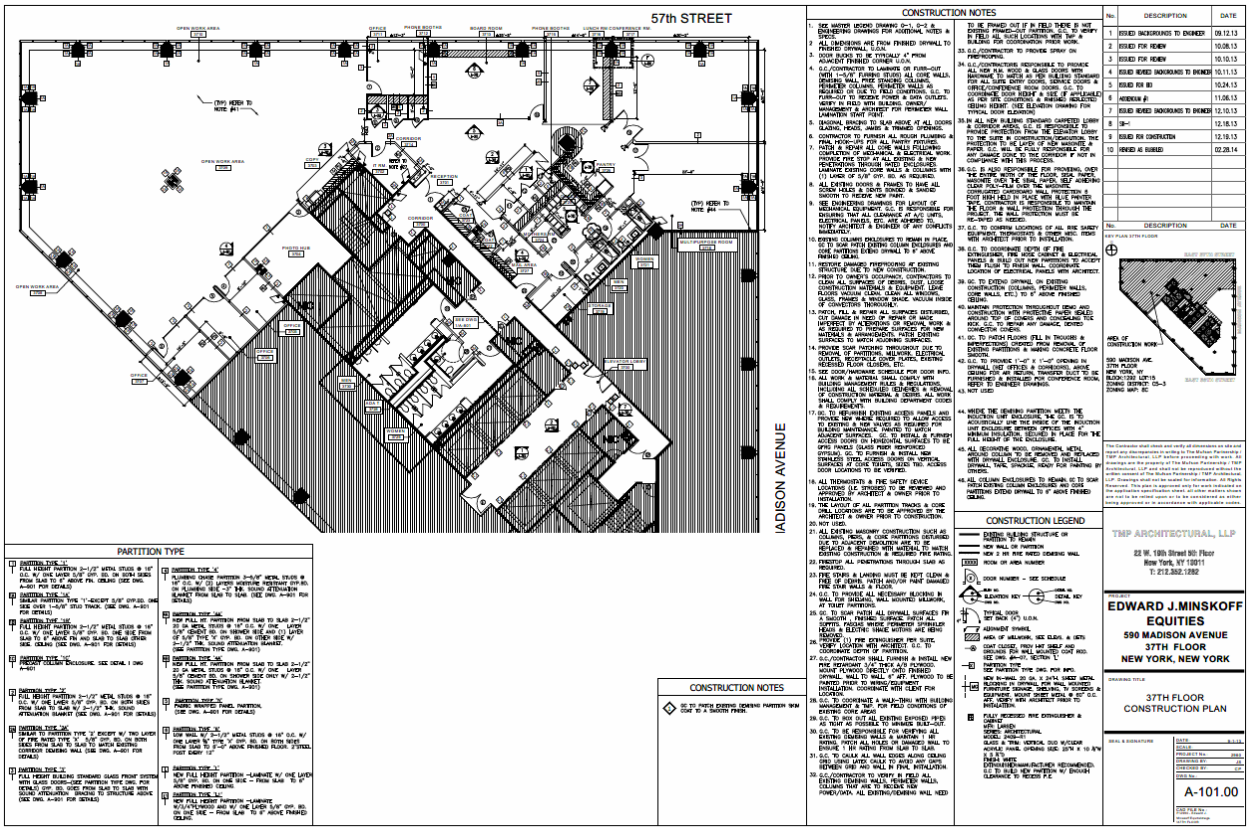
590 MADISON AVENUE
NEW YORK, NEW YORK
35TH FLOOR LOBBY

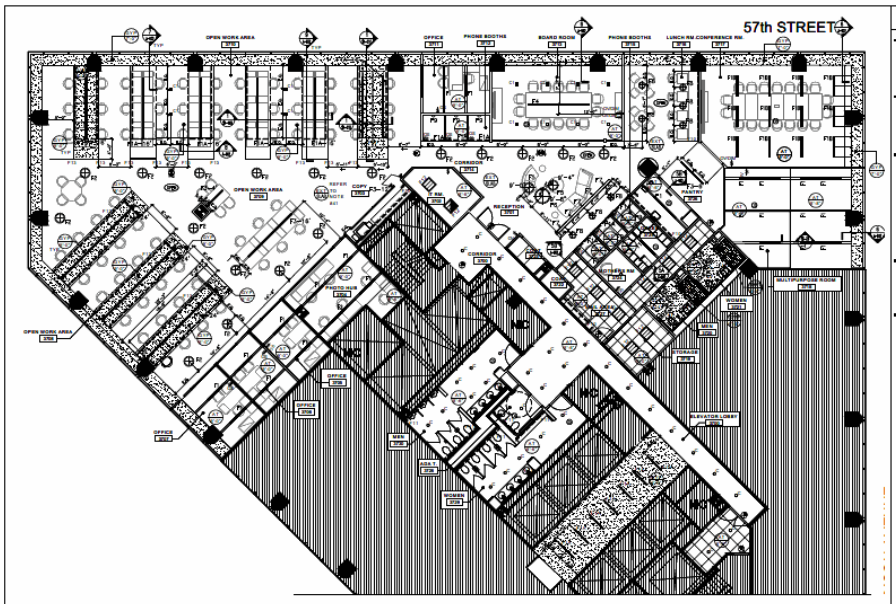
FINISHES
PROJ. NO: 19062
07.17.19

EXHIBIT C

TENANT'S EXISTING PREMISES

[*see attachment*]





REFLECTED CEILING NOTES

1. REFER TO GN-1 FOR FURTHER INFORMATION.
2. REFER TO ENGINEERING DRAWINGS FOR HVAC DIFFUSERS, RETURN AIR GRILLS, EXHAUST FANS & ACCESS DOORS.
3. CEILING HEIGHTS SHALL BE MAXIMUM HEIGHT U.O.N. AS SHOWN ON THE CEILING PLAN. NOTIFY THE G.C. IF FIELD CONDITIONS REPRESENT A CHANGE IN CEILING HEIGHTS OTHER THAN THAT SHOWN ON DRAWINGS PRIOR TO INSTALLATION.
4. CEILINGS IN CLOSETS SHALL BE OF THE SAME HEIGHT & CONSTRUCTION OF ADJOINING SPACE, U.O.N.
5. ALL HVAC DIFFUSERS & RETURN AIR GRILLS SHALL BE LOCATED AS PER TMP DIRECTION.
6. PROVIDE THE NECESSARY FRAMING, BLOCKING AND/OR BLACK IRON TO PROVIDE THE CEILING HEIGHTS AS SHOWN ON PLAN.
7. AN INTEGRATED CONTRACTOR SHALL INSTALL FIRE RATED GYPSUM BOARD ASSEMBLIES FOR WOOD & CLASSIC PARTITIONS AS INDICATED ON DRAWINGS, BY 20 GA. METAL STUD FRAMING & BRACED TO THE DECK ABOVE.
8. REFER TO ELECTRICAL DRAWINGS FOR LIGHT FIXTURE SCHEDULE, LAMPING, CIRCUITING, SWITCHING, PHOTO CONTROL TIMERS & ALL ELECTRICAL RELATED INSTALLATIONS & COORDINATION REQUIREMENTS WITH THE GENERAL CONTRACTOR. LIGHT FIXTURE SYSTEM TO BE INTENDED FOR SPECIFICATION & REQUIRED LAMPS.
9. PAINT ALL GYPSUM BOARD CEILINGS & SOFFITS WITH BENJAMIN MOORE "CEILING WHITE" FLAT FINISH. REFER TO FINISH PLANS.
10. THE G.C. MUST SUBMIT ALL SHOP DRAWINGS & LIGHT FIXTURE SUBMITTALS TO TMP FOR APPROVAL PRIOR TO FABRICATION & ORDERING.
11. THE G.C./CONTRACTOR IS TO PROVIDE A BALANCING REPORT & TEMPERATURE REPORT SHOWING ALL VELOCITIES & TEMPERATURES OF ALL AIR DIFFUSERS. THIS BALANCING REPORT SHALL BE PREPARED BY AN INDEPENDENT AIR BALANCER COUNCIL.
12. ALL DIMENSIONS ARE FROM CENTERLINE OF FIXTURE U.O.N.
13. ALL FLUORESCENT LAMPS SHALL HAVE A TRUE COLOR TEMPERATURE OF 3500K, U.O.N.
14. INSTALL ALL SWITCHES AT 3'-0" A.F.F. TO CENTERLINE, MOUNTED VERTICALLY. COORDINATE LOCATIONS WITH ARCHITECT PRIOR TO INSTALLATION.
15. ALL SWITCHES TO BE GANG PLATED TOGETHER WHERE TWO OR MORE ARE SHOWN ON DRAWINGS.
16. REFER TO ENGINEER'S DRAWINGS & NOTES FOR MOTION SENSOR, THE CLOCK AND OVERHEAD SWITCH INFORMATION.
17. G.C./CONTRACTOR MUST SUBMIT ALL LIGHT CUT SHEET/SPECS. & CEILING TILES/GRIDS.
18. G.C./CONTRACTOR SHALL PROVIDE NEW DUCTWORK. (SEE ENGINEERING DRAWING FOR DETAILS)
19. G.C. TO INSTALL NEW BUILDING STANDARD WHITE SPEAKER/STROBES WHERE INDICATED ON ENGINEERING DRAWINGS, AT 80" A.F.F. CENTER OVER LIGHT FIXTURES. COORDINATE LOCATIONS WITH ARCHITECT PRIOR TO INSTALLATION.
20. ALL FLUORESCENT FIXTURES THAT UTILIZE (DOUBLE-ENDED) LAMPS AND/OR CONTAIN BALLASTS THAT CAN BE DERANGED IN PLACE SHALL BE PROVIDED WITH A BALLAST DISCONNECTING MEANS TO SIMULTANEOUSLY DISCONNECT ALL CONDUCTORS FROM THE POWER SUPPLY.
21. NOT USED.
22. SEE HVAC PLANS FOR SCOPE OF WORK FOR INSTALLATION OF EXHAUST FANS.
23. G.C. TO COORDINATE REMOVAL/RELOCATION OF ALL ITEMS ABOVE CEILING TO MAINTAIN SCHEDULE CEILING HEIGHTS.
24. NOT USED.
25. USE 2'X2' BUILDING STANDARD SQUARE PANEL DIFFUSERS TO BE USED WITH ACOUSTIC TILE CEILING & 24" SQ. CEILING, REFER TO ENGINEERING DRAWINGS.
26. LIGHT SWITCHES IN PERIMETER OFFICES, TO BE LOCATED AS SHOWN. REUSE EXISTING LIGHT SWITCH LOCATION IN OFFICES.
27. VOID
28. CEILING IN OFFICES TO BE INSTALLED IN EXISTING GRID LOCATION TO AVOID ANY SPRINKLER RELOCATIONS OF DIFFUSER IN OPEN AREAS. GRID TO BE INSTALLED EQUAL EQUAL WITH NO SLIVERS LESS THAN 4" ON EITHER SIDE OF THE ROOM. G.C. TO COORDINATE LAYOUT AND PLENUM AND INSTALL 2'-0" OR 4'-0" LONG LIGHT FIXTURES AS REQUIRED.
29. CONTRACTOR MUST SUBMIT FINAL MECHANICAL AS-BUILT DRAWINGS & APPROVED BALANCING REPORT AFTER MECHANICAL SYSTEM ARE INSTALLED & BALANCED.
30. CEILING TO BE INSTALLED AS PER CODES & REQUIREMENTS. CEILING TO BE LAY-OUT CENTRAL TO ROOM U.O.N.
31. VERIFY VOLTAGE REQUIREMENTS WITH ENGINEER.
32. INSTALL WALL SENSORS IN EXISTING LIGHT SWITCH LOCATIONS
33. G.C./CONTRACTOR TO INFORM ARCHITECT OF ANY DISCREPANCIES OR CEILING HEIGHT CHANGES TO COORDINATE EXIT LIGHT HEIGHTS.
34. G.C./CONTRACTOR TO CAULK ALL WALL EDGES ALONG CEILING GRID USING LATEX CAULK TO AVOID ALL GAPS BETWEEN GRID & WALL IN FINAL INSTALLATION.
35. G.C. TO FIELD VERIFY LOCATIONS OF CEILING MOUNTED SPEAKERS & STROBES & RECEIVE ARCHITECT APPROVAL BEFORE INSTALLATION. REFER TO ENGINEERING DRAWINGS.
36. LOCATIONS OF ALL DEVICES, SWITCHES, STROBES, THERMOSTATS, OCCUPANCY SENSORS ARE TO BE COORDINATED WITH ARCHITECT PRIOR TO INSTALLATION
37. OPEN AREA LIGHTS ARE TO TAKE CLOCK WITH OVERRIDE SWITCH. REFER TO ENG. DRAWINGS.
38. GC. TO PROVIDE ANY TAP & BOOTS AS REQUIRED FOR LAYOUT OF NEW CEILING GRID IN OPEN AREA.
39. AT ALL SHOWER AREA LOCATIONS, G.C. TO INSTALL 5/8" CEMENT BOARD ON CEILING AND PREPARE WALL TO RECEIVE NEW FINISHES. SEE FINISH PLAN FOR NEW FINISHES.
40. GC. TO REFURBISH EXISTING ACCESS PANELS AND PROVIDE NEW WHERE REQUIRED TO ALLOW ACCESS TO EXISTING & NEW VALVES AS REQUIRED FOR BUILDING MAINTENANCE. PAINTED TO MATCH ADJACENT SURFACE. GC. TO INSTALL & FURNISH ACCESS DOORS ON NEW PARTITIONS TO BE LOCATED AS SHOWN. GC. TO FURNISH & INSTALL OPTIMUM GC. TO FURNISH & INSTALL NEW STAINLESS STEEL ACCESS DOORS AT ALL VERTICAL SURFACES AT CORE TOILETS. NEED TRD. ACCESS DOOR LOCATIONS TO BE VERIFIED.
41. FIREPROOFING AT CEILING AT ALL EXPOSED AREAS (AT 1 STRIP ADJACENT TO MATERIAL TO THE UNDERSIDE OF METAL DECK, TYP.) TO BE 2'S. DO NOT REMOVE THE EXISTING SPRAY ON FIREPROOFING. INSTALL AS PER MANUFACTURER'S RECOMMENDATIONS.
42. EXPOSED HVAC DUCTS, PIPES, CONDUITS, JOISTS AT CEILING TO RECEIVE PAINT FINISH. REFER TO FINISH PLAN FOR MORE INFORMATION.

FIXTURE SCHEDULE

F1 — RECESSED LINEAR LED FIXTURE, GRID
MFR: CORONET
ITEM: ERGOLED-4FT x CONTINUOUS ROW
MOUNTING: 4'X2' SLOT +UNV
LAMP: (1) FY28/830/ECO
FINISH: WHITE POWDER COATED
WATT: 28W
LAMP COLOR: 3500K

F1A — RECESSED LINEAR LED FIXTURE, GYP BD
MFR: CORONET
ITEM: ERGOLED-4FT CONTINUOUS ROW
MOUNTING: 4'X2' SLOT +UNV
LAMP: (1) FY28/830/ECO—OVERLAPPING LAMPS
FINISH: WHITE POWDER COATED
WATT: 28W
LAMP COLOR: 3500K

F1B — RECESSED LINEAR LED FIXTURE, GRID
MFR: CORONET
ITEM: ERGOLED-4FT x CONTINUOUS ROW
MOUNTING: 4'X2' SLOT +UNV
LAMP: (1) FY28/830/ECO DIMMING BALLAST
FINISH: WHITE POWDER COATED
WATT: 28W
LAMP COLOR: 3500K

F2 — 24" PENDANT FIXTURE
MFR: EUREKA
ITEM: AREA 48120-24-WH-MW
LAMP: 2X27Z, 3444-30
FINISH: WHITE ARCHITECT CABLE
SHADE: -

F3 — LINEAR LED DIRECT/INDIRECT 4'-0" W/ PENDANT
MFR: CORONET
ITEM: ERGOPEN-WPT-10W-1UP-TRUED-LWW-AC-UNV
LAMP: (2) FY28/830/ECO CONTINUOUS
FINISH: WHITE
WATT: 28W
LAMP COLOR: 3500K
LENGTH OF CABLE TBD

F4 — LED LINEAR FLUORESCENT PENDANT 4'
MFR: RELUX
ITEM: RELI-T5HO-W-HE-RUN-4ST2/SE/SDC2
120 VOLTS
DRIVER: DIMMING (ED0010)
LENGTHS WILL VARY
BOTTOM OF PENDANT, APPROX. 7' AFF

F5 — DECORATIVE 24" DIA. PENDANT
MFR: MEGAHERTZ
ITEM: RP009 PENDANT
SIZE: 24"
LAMPS: LED STRIP
FINISH: WHITE PAINTED IN MIL
LENGTH OF CABLE 36"+/-

F6 — DECORATIVE 30" DIA. PENDANT
MFR: MEGAHERTZ
ITEM: RP009 PENDANT
SIZE: 30"
LAMPS: LED STRIP
FINISH: WHITE PAINTED IN MIL
LENGTH OF CABLE 36"+/-

F7 — WALL MOUNTED
MFR: SPECTRUM
ITEM: SINGLE COACH RUN SERIES
SW100TSF-36-GW-F2T-WH15-MW(BRUSHED)
ALUMINUM FINISH
STYLE: SINGLE COACH RUN SERIES
3000K

F8 — 12" DIA. PENDANT FIXTURE
MFR: EUREKA
ITEM: SHIRT 4255-UCR 18"
LAMP: LED 8.3W
FINISH: WHITE
CLEAR FROSTED DIFFUSER
3000K
AIRCRAFT CABLE LENGTH TBD

F9 — WALL MOUNTED PHONE BOOTH FIXTURE
MFR: ARTEMIDE
ITEM: PLATEA WALL
LAMP: FLU 39/840-4 1X42W
FINISH: WHITE
MOUNTING HEIGHT TBD

F10 — NARROW BODY STRIP, ONE LAMP, LIGHT FOR UNDERCABINET
MFR: RELUX LED LIGHTING
ITEM: RELI-T5HO-W-HE-RUN-4ST2/SE/SDC2
LAMP: LED 8.3W
FINISH: WHITE
GC TO FIELD VERIFY LENGTHS REQUIRED TO COVER ENTIRE SURFACE. CONTINUOUS RUN & COMPLETE COVERAGE OF AREA. - 3500K

F11 — WALL WASH WALL MOUNT STRIP, BATHROOMS
MFR: INDUSTRIAL LIGHTING & MATERIALS
SERIES: ROSH MINI SIDE MOUNT STRIP
ITEM: ROSH-MINI-SIDE-MOUNT-STRIP
GC TO FIELD VERIFY LENGTHS REQUIRED TO COVER ENTIRE SURFACE. CONTINUOUS RUN & COMPLETE COVERAGE OF AREA.
3500K

F12 — RECESSED 2'X2' FLUORESCENT
MFR: PROGRESS LIGHTING
ITEM: PROGRESS LIGHTING SERIES
LAMP: (4) LAMP, 4FT, T8, 3500K
3500K

F13 — NARROW BODY STRIP, ONE LAMP, LIGHT FOR UNDERCABINET
MFR: RELUX FLUORESCENT
SERIES: 2
ITEM: RL25
LAMP: T5HO-54
GC TO FIELD VERIFY LENGTHS REQUIRED TO COVER ENTIRE SURFACE. CONTINUOUS RUN & COMPLETE COVERAGE OF AREA.

RCP LEGEND

MAXIMUM DEMAND HEIGHT
DENOTES CEILING MATERIALS
AT: ACOUSTICAL TILE
GB: GYP. BOARD / CT: CERAMIC TILE
DENOTES CEILING HEIGHT

INDICATES EXPOSED WALL SLAB, SPRAY PAINTED, ALL DUCTS/PIPES PAINTED
SEE FINISH PLAN

NEW BUILDING STANDARD FLUSH SEAMLESS ACCESS DOOR
MFR: DOOR ACCESS
ITEM: GLASS RACK REINFORCED GYPSUM, FU
18"X18" ACCESS DOOR

NEW 2'X2' SUSPD ACOUSTICAL CEILING SYSTEM
MFR: ARMSTRONG CEILING
ITEM: #1911WH CEILING (CEILING W/ REVEAL)
TEEBAR 24" x 24" x 3/4"
GRID: 9/16" NL SLOTTED BOLT-SIZE, 1/8"
REVEAL: 9/16" NL SLOTTED BOLT-SIZE, 1/8"
PROVIDE ALL SUPPORT, ACCESSORIES & EDGE CONDITIONS TO FIT INTO LIGHT FIXTURES.

NEW GYPSUM BOARD CEILING

GYP. CEMENT BOARD ON CEILING
NEW 5/8" CEMENT BOARD AT SHOWER AREA. FULL PERIMETER CEILING FOR NEW SHOWER. SEE FINISH PLAN FOR ADDITIONAL INFORMATION.

EXISTING SLAB —OPEN CEILING
PAINTED AS REQUIRED. SEE FINISH PLAN.

FIXTURE SCHEDULE CONT.

C — 6" HORIZONTAL FLUORESCENT SHALLOW
MOUNTING: FLUSH TRIMLESS
MFR: SPECTRUM LIGHTING, INC.
ITEM: SLIM-LINE SERIES, SLS6315-WH
LAMP: (1) 32-ELECTRONIC MULTI-VOLT
120V THRU 277V
FINISH: WHITE TRIM, 3500K

C1 — DOWNLIGHT LED FIXTURE
MFR: SPECTRUM
ITEM:
SDR6SQLED-10W-316-C1-EWLD-WHDHOLED-WH-90
(MICRO PRISM)

C2 — DOWNLIGHT FIXTURE SHOWER
MFR: SPECTRUM
ITEM:
SDR6SQLED-10W-316-C1-EWLD-WHDHOLED-WH-WL
(WET LOCATION)

CONTROL LEGEND

OS — RECESSED CEILING MTD. OCCUPANCY SENSOR
MFR: LEVITON
ITEM: CEILING MOUNT OCCUPANCY SENSOR
MOD #: OSSMD-MOD
FINISH: WHITE, MOUNTED @ 9'-0" A.F.F. / INSTALL CENTER OF TILES
COORDINATE TO COMPLY W/ A
ILLUMINANCE AND LOCATIONS

REFER TO ENGINEERING DRAWINGS FOR TIME DELAYS AND OVERRIDE SWITCH INFORMATION.

EL — EMERGENCY LIGHT FIXTURES(SEE ENGINEER'S DRAWINGS)
WDW — WINDOW SENSOR (FIELD WITH ILLUMINATED LED EXIT LIGHT RECESSED EMERGENCY BATTERY BACK
MFR: SENSOR SWITCH
ITEM: WSDW WALL MOUNTED
FINISH: MATCH W/ BUILDING STANDARD
FINISH: MATCH W/ BUILDING STANDARD
LAMP: LED 120 V
ARROWS INDICATE DIRECTION(S)

S — NEW RECESSED WALL MTD. LIGHT SWITCH
MFR: LEVITON
ITEM: DECORA SERIES
FINISH: DECORA WHITE W/ WHITE COVER PLATE
MOUNTED @ 3'-0" A.F.F.

S/OS — RECESSED WALL MTD. OCCUPANCY SENSOR
MFR: LEVITON
ITEM: DECORA WALL SWITCH
MOD #: OSSMD-MOD
FINISH: WHITE, MOUNTED @ 3'-0" A.F.F.
COLOR: SEE NOTE #22

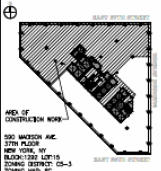
DV — RECESSED WALL MTD. LIGHT SWITCH
MFR: LEVITON
ITEM: DECORA WALL SWITCH
FINISH: WHITE, MOUNTED @ 3'-0" A.F.F.

DM — RECESSED WALL MTD. W/ DIMMER SWITCH
MFR: LEVITON
ITEM: DECORA WALL SWITCH
FINISH: WHITE, MOUNTED @ 3'-0" A.F.F.
COLOR: SEE NOTE #22

THE CLOCK RELAY PANEL FOR ALL OPEN AREAS. REFER TO ENG DRAWINGS FOR DETAILS

No.	DESCRIPTION	DATE
1	ISSUED BACKGROUNDS TO ENGINEER	09.12.13
2	ISSUED FOR REVIEW	10.08.13
3	ISSUED FOR REVIEW	10.10.13
4	ISSUED REVISED BACKGROUNDS TO ENGINEER	10.11.13
5	ISSUED FOR BID	10.24.13
6	ADDENDUM #1	11.06.13
7	ISSUED REVISED BACKGROUNDS TO ENGINEER	12.10.13
8	SB-1	12.18.13
9	ISSUED FOR CONSTRUCTION	12.19.13
10	REVISED AS BUILT	02.28.14

KEY PLAN 37TH FLOOR



AREA OF CONSTRUCTION WORK

590 MADISON AVE.
37TH FLOOR
NEW YORK, NY
BLOCK:1289 LOT:15
ZONING DISTRICT: C5-3
ZONING MAP: 8C

The Contractor shall check and verify all dimensions on site and report any discrepancies in writing to The Mohsen Partnership / TMP Architectural LLP before proceeding with work. All drawings are the property of The Mohsen Partnership / TMP Architectural, LLP, and shall not be reproduced without the written consent of The Mohsen Partnership / TMP Architectural, LLP. Drawings shall not be scaled for information. All Rights Reserved. This plan is approved only for work indicated on the application specification sheet; all other matters shown are not to be noted upon or to be considered as either being approved or in accordance with applicable codes.

TMP ARCHITECTURAL, LLP
22 W. 19th Street 9th Floor
New York, NY 10011
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PROJECT
EDWARD J.MINSKOFF EQUITIES
590 MADISON AVENUE
37TH FLOOR
NEW YORK, NEW YORK

DRAWING TITLE
37TH FLOOR
REFLECTED CEILING PLAN

SEAL & SIGNATURE

DATE	9.1.13
SCALE	
PROJECT No.	3993
DRAWING BY	JS
CHECKED BY	CP
DWG No.	A-201.00

CAD FILE No.: Master Drawings and Revisions with Notes

POWER & DATA NOTES

1. REFER TO GN-1, G-2 & ENGINEER'S DRAWINGS FOR ADDITIONAL NOTES, SPECS, DETAILS AND INFORMATION.
2. ALL ELECTRICAL & TELEPHONE WORK SHALL BE PERFORMED STRICTLY IN ACCORDANCE WITH ALL FEDERAL, STATE & CITY ELECTRICAL CODES AND BUILDING MANAGEMENT'S CONSTRUCTION GUIDELINES.
3. THIS PLAN IS FOR LOCATIONS AND GENERAL DESCRIPTIONS OF CONNECTIONS ONLY. REFER TO ELECTRICAL DRAWINGS, SCHEDULES AND SPECS FOR DEVICES, LOCATIONS AND ALL RELATED EQUIPMENT FOR THE COMPLETE POWER DISTRIBUTION SYSTEM.
4. CONTRACTOR SHALL INCLUDE AND COORDINATE ALL ELECTRICAL WORK FOR ELEVATORS, ESCALATORS AND AV SYSTEMS.
5. THE CONTRACTOR SHALL CONNECT, DISCONNECT AND PROVIDE NECESSARY WIRING AND CIRCUITS TO CONFORM WITH THE PLANS, ENGINEERING DRAWINGS AND SPECIFICATIONS.
6. THE CONTRACTOR SHALL PROVIDE DOUBLE GANGED J-BOX AND 4" DIA. EMPTY CONDUIT STUB-UP WITH DRAG LINE 5" ABV. WITH 90 DEGREE ELBOW FOR EACH WALL MOUNTED TELEPHONE AND DATA RECEPTACLE, TYP.
7. ALL RECEPTACLES SHALL BE SET FLUSH AND WIRING SHALL BE CONCEALED IN RATED ENCLOSURES FOR ALL CAPPED, CONCEALED AND ON EMERGENCY POWER. NO EXPOSED WIRING OR MOLDING SHALL BE PERMITTED
8. ALL DIMENSIONS TO RECEPTACLES ARE TO THE CENTERLINE OF A SINGLE RECEPTACLE OR TO THE CENTERLINE OF A PAIR OR GROUP OF RECEPTACLES.
9. TYPICAL DIMENSION FROM CENTERLINE TO CENTERLINE OF ADJACENT OUTLET BOXES SHALL BE 6" U.O.N.
10. ALL BACK TO BACK RECEPTACLES IN ADJOINING ROOMS TO BE STAGGERED.
11. ALL WALL MOUNTED RECEPTACLES TO BE MOUNTED VERTICALLY AT 15"AFF ALL OUTLETS ABOVE 15" AFF TO BE MOUNTED HORIZONTALLY.
12. TELEPHONE & DATA RECEPTACLES AND ALL ELECTRICAL OUTLETS SHALL BE PROVIDED BY A SEPARATE CONTRACTOR. THE CONTRACTOR SHALL COORDINATE THIS WORK.
13. CONTRACTOR SHALL MARK ALL LOCATIONS OF DEVICES IN THE FIELD AND COORDINATE THE VERIFICATION OF LOCATIONS WITH TMP PRIOR TO INSTALLATION. G.C. IS RESPONSIBLE TO PROVIDE A TYPE WRITTEN DIRECTORY OF FINAL LOCATIONS IN TEN ELECTRICAL BREAKER PANEL. SEE ENGINEERING DRAWINGS FOR DETAILS AND SPECIFICATIONS.
14. REFER TO ELECTRICAL DRAWINGS FOR CABLE TYPES, WIRING METHODS, GROUNDING AND INSTRUCTIONS WHERE APPLICABLE.
15. G.C. SHALL FURNISH AND INSTALL ALL PANTRY EQUIPMENT IN ROOM SHAD W/ MEPA COMPLIANCE, INCLUDE NECESSARY BLOCKING, BRACING, POWER AND FINAL HOOK-UP AS REQUIRED.
16. ALL CONDUIT LOCATIONS AND LAYOUTS SHALL BE REVIEWED BY TMP PRIOR TO INSTALLATION IN ALL AREAS WHERE THEY WILL BE EXPOSED.
17. G.C. SHALL VERIFY WITH TMP ALL LOCATIONS OF POWER/DATA OUTLETS BEFORE INSTALLATION OF OUTLET BOXES.
18. ALL PANTRY OUTLETS TO BE DERIVED ON SPEC FOR LOCATION AND HEIGHT OF ALL PANTRY OUTLETS IN ELEVATION DRAWINGS.
19. ELECTRICAL RECEPTACLES TO BE LEVITON DECORA SERIES, 15 AMP, WALL MOUNTED AT 15" AFF U.O.N.
20. ALL TEL/DATA RECEPTACLES TO RECEIVE CONNECTION BY VENDOR WITH BUILDING WIRE FOR CONDITIONS.
21. CONTRACTOR SHALL COORDINATE SECURITY SYSTEM WITH VENDOR. (DRAWINGS ISSUED SEPARATELY) SEE ELECTRICAL DRAWINGS FOR POWER PROVISIONS FOR THIS SYSTEM. REFER TO SECURITY SYSTEM DOCUMENTS FOR WIRING DIAGRAMS AND ALL RELATED COMPONENTS.
22. ALL COVERPLATES AND RECEPTACLES TO BE IN LEVITON DECORA SERIES. WHITE DEDICATED OUTLETS TO BE RED.
23. WHERE REQUIRED, G.C. TO PUNCH OUT EXISTING WALLS AS REQUIRED TO RECEIVE NEW POWER AND DATA OUTLETS. VERIFY IN FIELD WITH BUILDING OWNER/MANAGEMENT AND ARCHITECT.
24. ELECTRICIAN IS RESPONSIBLE TO PROVIDE PROPER CIRCUITING FOR ALL NEW ELECTRICAL REQUIREMENTS INCLUDING NEW ELECTRICAL PANELS AS REQUIRED. SUBMIT CIRCUITING PLAN FOR REVIEW AND APPROVAL.
25. ALL WORK SHALL COMPLY WITH BUILDING MANAGEMENT RULES AND REGULATIONS. VERIFY AND COORDINATE WITH ALL BUILDING VENDORS AND SUPERINTENDENT PRIOR TO WORK.
26. G.C. SHALL RELOCATE ALL EXISTING FIRE SPEAKER/STROBE FACE PLATES TO WHITE U.O.N. ALL NEW FIRE SPEAKER /STROBE TO BE WHITE. CONFIRM LOCATIONS OF ALL FIRE SAFETY EQUIPMENT, THERMOSTATS AND OTHER MISC. ITEMS WITH ARCHITECT PRIOR TO INSTALLATION.
27. G.C. SHALL REMOVE ALL POWER/DATA & LIGHT SWITCH FACE PLATES PRIOR TO INSTALLATION OF WALLCOVERING.
28. G.C. TO VERIFY IN FIELD EXISTING COLUMNS/DEMISING WALLS THAT ARE TO RECEIVE NEW POWER/DATA. ALL EXISTING COLUMNS/DEMISING WALLS NEED TO BE FRAMED OUT IF IN FIELD THERE IS NOT EXISTING FRAMED OUT PARTITION. G.C. TO VERIFY IN FIELD ALL SUCH LOCATIONS WITH TMP PRIOR TO ANY WORK.
29. G.C. TO PROVIDE NEW COVER/FACE PLATES FOR ALL NEW DATA OUTLETS.
30. G.C. TO ENSURE ALL COVERPLATES TO BE LEVEL AND FLUSH WITH FINISHED WALL.
31. G.C. TO COORDINATE DEPTH OF BOX, EXTINGUISHER AND ELECTRICAL PANELS AND BUILD OUT NEW PARTITIONS TO ACCOMMODATE THEM FLUSH TO FINISH WALL. COORDINATE WITH ARCHITECT FOR LOCATIONS.

LEGEND

NEW WALL MOUNTED DUPLEX ELECTRICAL OUTLET MTD. @ 15" AFF (U.O.N.)
ITEM: DECORA SERIES
COLOR: SEE NOTE #22(U.O.N.)

NEW ALL MOUNTED QUAD ELECTRICAL OUTLET MTD @ 15" AFF (U.O.N.)
(2) DEDICATED COMPUTER EQUIP. OUTLETS
(2) CONVENIENCE OUTLETS
MFR: LEVITON
ITEM: DECORA SERIES
COLOR: SEE NOTE #22

NEW WALL MOUNTED DUPLEX ELECTRICAL GROUND FAULT INTERRUPTED OUTLET

NEW WALL MOUNTED DUPLEX ELECTRICAL OUTLET ON 20 AMP DEDICATED CIRCUIT MTD. @ 15" AFF (U.O.N.)
MFR: LEVITON
ITEM: DECORA SERIES
COLOR: SEE NOTE #22

NEW WALL MOUNTED COMBINATION TEL./DATA OUTLET MTD. @15" AFF (U.O.N.)
PROVIDE BACK BOX W/ 1" DIA. CONDUIT STUB-UP 4" ABOVE FIN. CEILING. PROVIDE DRAG LINES AS REQUIRED. WIRING (ADSS AND ROCK-UP) ARE BY OTHERS. (COVERED) REQUIRED AT CONNECTION TO STUB UP. (FURNITURE MOUNTED AS REQUIRED).

NEW FLUSHMOUNTED FLOOR OUTLET

CABLE CONNECTION G.C. TO FURNISH AND INSTALL CABLE BOX WITH STUB ABOVE CEILING AND COVER PLATE IN WALL.

NEW WALL MOUNTED JUNCTION BOX FOR POWER/TEL/DATA FURNITURE USE. PROVIDE TYC-TAL FOR FURNITURE WORKSTATION CONNECTIONS. LOCATION TO BE VERIFIED IN FIELD W/ ARCHITECT. EACH LOCATION TO HAVE POWER AND STUB-UPS. FINAL CONNECTION TO WORKSTATION PANEL BY TENANT.

NEW IN FLOOR JUNCTION BOX FOR POWER/TEL/DATA FURNITURE USE. PROVIDE TYC-TAL FOR FURNITURE WORKSTATION CONNECTIONS. EACH LOCATION TO BE VERIFIED IN FIELD WITH FURNITURE VENDOR. EACH LOCATION TO HAVE POWER & STUB-UPS. FINAL CONNECTION TO WORKSTATION PANEL BY TENANT.

RECESSED FLOOR MOUNTED DUPLEX/QUAD ELECTRICAL AND TEL/DATA OUTLETS. OUTLETS TO BE FLUSH WITH SLAB W/ METAL COVERPLATE. PROVIDE 1-1/4" CONDUIT AND DRAG LINES FOR DATA. CHOP SLAB AS FAILING POWER FROM CLOSEST COLUMN AS SHOWN.
MFR: WIREMOLD, ITEM: RFPA 4- COMPARTMENT COMBINATION BOX (SEE ENGINEERING DWGS FOR ADDITIONAL INFORMATION AND SPECS).

WALL MOUNTED PROXIMITY CARD KEY READER BUILDING STANDARD. G.C. SHALL FURNISH AND INSTALL IN WALL JUNCTION BOX. STUB-UP FROM JUNCTION BOX RECESSED 6" ABOVE CEILING. WIRING TO BE BY BUILDING VENDOR. INSTALL CONDUIT. CONDUIT PLATE CARD READER TO BE FURNISHED AND INSTALLED BY SECURITY VENDOR.

MAGNETIC LOCK, DOOR RELEASE TO BE FURNISHED AND INSTALLED BY G.C. PROVIDE JUNCTION BOX ABOVE CEILING MOUNTED ON SECURE SIDE OF SPACE. TIE INTO GLASS E PROF. ALARM SYSTEM.

NEW WALL MOUNTED DOOR RELEASE EXIT BUTTON TO FURNISH & INSTALL IN WALL JUNCTION BOX. STUB-UP 6" ABOVE FINISHED CEILING. DOOR RELEASE TO BE INSTALLED BY SECURITY VENDOR. COORDINATE WITH ARCHITECT

G.C. TO FURNISH AND INSTALL GROUND BAR 12" BELOW FINISHED CEILING ON TOP LEFT CORNER OF CHECCO.

NEW POWER POLE FOR FURNITURE FEED

EQUIPMENT SCHEDULE

A — STAINLESS STEEL SINK
MFR: ELKAY
ITEM: ELUHAD-2115
BOWL DEPTH: 7-1/2"
GRADE: 18-99

B — FAUCET
MFR: MOEN
ITEM: 7594
FINISH: POLISHED CHROME
BY TENT WALL

C — COOKTOP
BY OTHERS

D — FULL HEIGHT REFRIGERATOR
MFR: SUB ZERO
ITEM: BI-36RID/S
COLOR: STAINLESS STEEL
DIM: 36 (W) X 84-(H) X 32-(D)

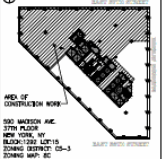
E — DISHWASHER
MFR: BOSCH
MODEL: SHU9T65UC
COLOR: STAINLESS STEEL
DIM: 24"W X 32.5"H X 24"D
NOISE: 39DB

F — MICROWAVE
MFR: SHARP
ITEM: R-1421 (KS)
COLOR: STAINLESS STEEL
DIM: 24"W X 17"H X 13"D

G — COFFEE MAKER CONNECTION
G.C. TO FURNISH AND INSTALL WATER LINE FOR COFFEE MAKER AND ELECTRICAL CONNECTIONS IN AL PANTRIES MARKED LINE TO BE @ 42" AFF TIGHT WALL

No.	DESCRIPTION	DATE
1	ISSUED BACKGROUNDS TO ENGINEER	09.12.13
2	ISSUED FOR REVIEW	10.08.13
3	ISSUED FOR REVIEW	10.10.13
4	ISSUED REVISED BACKGROUNDS TO ENGINEER	10.11.13
5	ISSUED FOR BID	10.24.13
6	ADDENDUM #1	11.06.13
7	ISSUED REVISED BACKGROUNDS TO ENGINEER	12.10.13
8	SB-1	12.18.13
9	ISSUED FOR CONSTRUCTION	12.19.13
10	REVISED AS BUILT	02.28.14

KEY PLAN 37TH FLOOR



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PROJECT
EDWARD J.MINSKOFF EQUITIES
590 MADISON AVENUE
37TH FLOOR
NEW YORK, NEW YORK

DRAWING TITLE
37TH FLOOR
POWER & DATA PLAN

SEAL & SIGNATURE

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SCALE	
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DRAWING BY	JS
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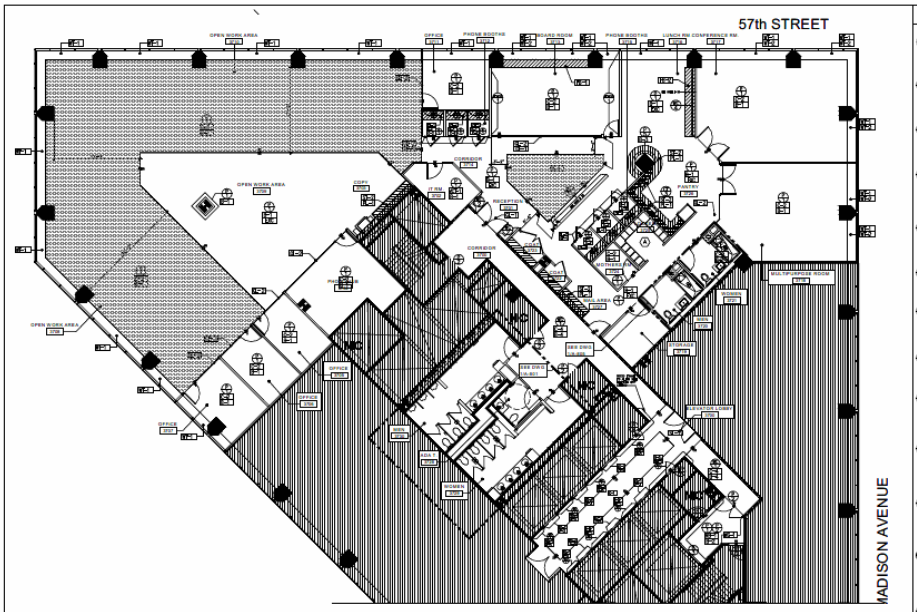
DWG No.	A-301.00

CAD FILE No.: Master Drawings and Revisions with Notes



FINISH NOTES

1. ALL NOTES ON THIS SHEET ARE IN ADDITION TO NOTES ON SHEET G0-1 & G0-2 IF ANY DISCREPANCIES OCCUR IT IS THE GENERAL CONTRACTORS RESPONSIBILITY TO CONTACT THE ARCHITECT FOR CLARIFICATION PRIOR TO COMMENCEMENT OF WORK.
2. ALL DRYWALL & CEILINGS TO BE PAINTED "P-1", EGS SHALL FINISH, UNLESS OTHERWISE NOTED.
3. ALL HOLLOW METAL DOORS, FRAMES & CONNECTOR ENCLOSURES SHALL BE PAINTED "P-2", SEMI-GLOSS FINISH, UNLESS OTHERWISE NOTED.
4. ALL SURFACES WHICH ARE TO BE PAINTED SHALL RECEIVE (1) COAT OF PRIMER AND (2) COATS OF FINISH PAINT. (3) COATS TOTAL.
5. GENERAL CONTRACTOR TO VERIFY ALL FIELD CONDITIONS PRIOR TO INSTALLATION
6. ALL FINISHES TO BE INSTALLED AS PER MANUFACTURERS SPECIFICATION.
7. NO SUBSTITUTIONS WILL BE ACCEPTED WITHOUT PRIOR APPROVAL FROM ARCHITECT. SAMPLES OF ALL FINISHES MUST BE SUBMITTED FOR APPROVAL PRIOR TO INSTALLATION.
8. GC TO VERIFY ALL STONE FLOORING PRIOR TO INSTALLATION. ON ALL (G) FOUR TILES IS NOT ACCEPTABLE. SEE FLOOR PLANS AFTER INSTALLATION IS COMPLETED.
9. GENERAL CONTRACTOR TO SUBMIT SAMPLES OF ALL FINISHES FOR ARCHITECT'S APPROVAL.
10. ALL INTERIOR CHIMNEYS TO BE BRICK FACED.
11. PROVIDE CONTINUOUS 4-1/4" RUBBER BASE TO ALL NEW & EXISTING PAINTED SURFACES, U.O.N.
12. GC SHALL CLEAN ALL WINDOWS & FRAMES AFTER COMPLETION OF PAINTING
13. SEE DETAILS SHEET FOR MILLWORK DETAILS & FINISHES
14. G.C. TO PAINT ALL CEILING DIFFUSERS, REGISTERS SUPER WHITE FLAT PAINT.
15. PROVIDE RUBBER REDUCER STRIP AT ALL JUNCTIONS BETWEEN CARPET & VCT. NO REDUCER AT CARPET FACE.
16. G.C. SHALL COORDINATE PREPARATION OF TOP ALL EXISTING SURFACES TO RECEIVE NEW FINISHES. PROTECT ALL EXISTING SURFACES NOT INDICATED INCLUDING BUT NOT LIMITED TO, CEILING GRIDS, LIGHTS & SCHEDULED & REMAINING ITEMS UNAME.
17. G.C. SHALL PATCH, CUT & MAKE ALL EXISTING SURFACES SMOOTH PRIOR TO PAINTING, UNLESS OTHERWISE NOTED.
18. NOT USED.
19. G.C. TO CLEAN & SEAL ALL HARD FLOORING.
20. EXISTING WINDOW FRAME FINISH TO REMAIN & NOT CLEAN. G.C. TO THOROUGHLY CLEAN & POLISH FINISH.
21. CARPET CONTRACTOR SHALL SUBMIT THREE (3) SETS OF REPRODUCIBLE CARPET SEAMING DRAWING SHOP DRAWINGS TO THE ARCHITECT'S OFFICE FOR REVIEW & APPROVAL PRIOR TO ORDERING OR INSTALLATION OF ANY MATERIALS.
22. INSTALL ALL NEW FLOORING AS PER MANUFACTURER'S DIRECTIONS. PARTY FLOORING TO BE INSTALLED PRIOR TO MILLWORK INSTALLATION.
23. G.C. TO SUBMIT SCRAMBLE/TILE PATTERN SHOP DRAWING FOR ALL STONE FLOORING ARCHITECT TO APPROVE LAYOUT PRIOR TO INSTALLATION.
24. G.C. TO CLEAN, PREP AND PROVIDE TWO COAL COATS ON STONE COUNTERTOPS - 1ST COAT FOR A DAY DAYS AND RETURN TO APPLY TWO MORE COATS.
25. GC IS TO ALLOCATE TIME IN SCHEDULE FOR ARCHITECT TO APPROVE STONE FLOOR TILE LOCATIONS, AS WELL AS PROVIDE A DRY LAYOUT IN FIELD FOR ARCHITECT'S FINAL APPROVAL PRIOR TO FINAL INSTALLATION.
26. GC TO ALLOW FOR 10% OVERAGE FOR NATURAL STONES TO ACHIEVE A CONSISTENT INSTALLATION.
27. GC SHALL SUBMIT ACTUAL STONE SAMPLES FOR APPROVAL AND ARRANGE VISIT TO STONE YARD FOR ARCHITECT TO APPROVE STONE RANGE AND VARIATION IF APPLICABLE.
28. GC TO SUBMIT PHOTOS OR ARRANGE FIELD VISIT OF ACTUAL SLABS AND ARCHITECT SHALL MADE SECTIONS OF SLAB INTENDED FOR USE.
29. G.C. TO UPGRADE EXISTING OVERALL PARTITION TO A LEVEL 5 FINISH. GC TO PROVIDE A THIN SKIM COAT OF JOINT COMPOUND AS APPLIED TO THE ENTIRE SURFACE SURFACE TO BE COATED WITH A DRYWALL PRIMER PRIOR TO APPLICATION OF FINAL PAINT.
30. EXPOSED HVAC DUCTS, PIPES, CONDUITS, JOISTS AT CEILING TO RECEIVE PAINT FINISH. REFER TO FINISH PLAN FOR MORE INFORMATION.

FINISH LEGEND

- WD1 — PAINT GRADE WOOD BASE
- WD2 — STAIN GRADE WOOD BASE
- WD3 — PAINT GRADE WOOD CROWN MOLDING
- WD4 — STAIN GRADE WOOD CROWN MOLDING
- WD5 — PAINT GRADE WOOD CHAIR RAIL
- WD6 — STAIN GRADE WOOD CHAIR RAIL
- WD7 — PAINT GRADE WOOD WINDOW TRIM
- WD8 — STAIN GRADE WOOD WINDOW TRIM
- WD9 — PAINT GRADE WOOD DOOR TRIM
- WD10 — STAIN GRADE WOOD DOOR TRIM
- WD11 — PAINT GRADE WOOD PANELING
- WD12 — STAIN GRADE WOOD PANELING
- WD13 — PAINT GRADE WOOD WAINSCOT
- WD14 — STAIN GRADE WOOD WAINSCOT
- WD15 — PAINT GRADE WOOD SHELVING
- WD16 — STAIN GRADE WOOD SHELVING
- WD17 — PAINT GRADE WOOD MISC.
- WD18 — STAIN GRADE WOOD MISC.

FROM OR AREA NUMBER
WALL FINISH FLOOR
FLOOR FINISH
BASE FINISH

TRANSITION TYPES
ALL FLOOR MATERIAL TRANSITIONS TO BE ADA COMPLIANT.
- —#— — BRAKE OR ROOM RIGHT FLOOR FINISH TRANSITION. PROVIDE MOUNTING STRIPS AS REQUIRED
- SS— — REQUIRED FULL GROUT RAISED MOUNTING STRIP BETWEEN CARPET/VCT AND CONCRETE FLOOR, MATCH COLOR TO CARPET/VCT FLOOR.
- MF— MITERED FULL GROUT RAISED MARBLE MATE MOUNTED EDGES IN MITER CASES
- 2"— RAISED FULL LENGTH 1/4" THK ZINC INSERT STRIP.
- D— RECESSED CARPET TO CARPET, CARPET TO BE SEAMED.

LOCKERS

- A — LOCKER ROOM — MFR: HOLLMAN — STYLE: STACK "2" AND "4" SEE ELEVATION A-703. FINISHES: MECHANICAL LOCK — COLOR: SEE PLAN — SIZE: 15"D X 18"W — LOCATION: VERTICAL INSTALLATION. SUBMIT SHOP DRAWINGS FOR APPROVAL

FINISH SCHEDULE

UPHOLSTERY

- UPH1 — FABRIC UPHOLSTERY — MANUFACTURER: KNOLL — STYLE: 12901-10-440 CAMELOT — COLOR: KENNEDY STRIPE — SIZE: 54" WIDE — LOCATION: VERTICAL INSTALLATION
- UPH2 — FABRIC UPHOLSTERY — LUMBAR BOLSTER — MFR: SHELL TEXTILES — STYLE: PITCH/1 — COLOR: OPHEN — SIZE: 18" WIDE — LOCATION: VERTICAL INSTALLATION

FINISH SCHEDULE

WALL BASE

- WB1 — CARPET TILE BASE WALL BASE — ORIGINAL — MFR: INTERFACE — COLOR: TOUCH OF GREEN — STYLE: STRAIGHT RUBBER BASE (SAMPLE) — CONTACT ANY INTERFACE 877-414-8326
- WB2 — COVE 4-1/4" H. STRAIGHT RUBBER BASE — STRAIGHT FLAT — MFR: JOHNSONITE — STYLE: MODEL — COLOR: 31 TERRA
- WB3 — CUT - FLAT STRAIGHT RUBBER BASE — ROUND COLUMN — MFR: JOHNSONITE — STYLE: MODEL — COLOR: 140 Portobello
- WB4 — CARPET TILE BASE WALL BASE — ORIGINAL — MFR: INTERFACE — STYLE: 12901-10-440 CAMELOT — COLOR: KENNEDY STRIPE — SIZE: 54" WIDE — LOCATION: VERTICAL INSTALLATION
- WB5 — FABRIC UPHOLSTERY — LUMBAR BOLSTER — MFR: SHELL TEXTILES — STYLE: PITCH/1 — COLOR: OPHEN — SIZE: 18" WIDE — LOCATION: VERTICAL INSTALLATION

FINISH SCHEDULE

FLOORING & BASE

- FC1 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC2 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN
- FC3 — RUBBER BASE — MFR: ROPPE — STYLE: 4" COVE — COLOR: 130 BLACK — SIZE: 4" H — INSTALLATION: SHOP FABRICATED INSIDE AND OUTSIDE CORNERS — FIELD FINISH: 1/8" TO FLOOR
- FC4 — RUBBER BASE — MFR: ROPPE — STYLE: 4" COVE — COLOR: 130 BLACK — SIZE: 4" H — INSTALLATION: SHOP FABRICATED INSIDE AND OUTSIDE CORNERS — FIELD FINISH: 1/8" TO FLOOR — SEAMLESS AT DOORWAY
- FC5 — RUBBER BASE — MFR: ROPPE — STYLE: 4" COVE — COLOR: 130 BLACK — SIZE: 4" H — INSTALLATION: SHOP FABRICATED INSIDE AND OUTSIDE CORNERS — FIELD FINISH: 1/8" TO FLOOR — SEAMLESS AT DOORWAY
- FC6 — RUBBER BASE — MFR: ROPPE — STYLE: 4" COVE — COLOR: 130 BLACK — SIZE: 4" H — INSTALLATION: SHOP FABRICATED INSIDE AND OUTSIDE CORNERS — FIELD FINISH: 1/8" TO FLOOR — SEAMLESS AT DOORWAY
- FC7 — RUBBER BASE — MFR: ROPPE — STYLE: 4" COVE — COLOR: 130 BLACK — SIZE: 4" H — INSTALLATION: SHOP FABRICATED INSIDE AND OUTSIDE CORNERS — FIELD FINISH: 1/8" TO FLOOR — SEAMLESS AT DOORWAY
- FC8 — RUBBER BASE — MFR: ROPPE — STYLE: 4" COVE — COLOR: 130 BLACK — SIZE: 4" H — INSTALLATION: SHOP FABRICATED INSIDE AND OUTSIDE CORNERS — FIELD FINISH: 1/8" TO FLOOR — SEAMLESS AT DOORWAY
- FC9 — RUBBER BASE — MFR: ROPPE — STYLE: 4" COVE — COLOR: 130 BLACK — SIZE: 4" H — INSTALLATION: SHOP FABRICATED INSIDE AND OUTSIDE CORNERS — FIELD FINISH: 1/8" TO FLOOR — SEAMLESS AT DOORWAY
- FC10 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC11 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC12 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC13 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC14 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC15 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC16 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC17 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC18 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC19 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC20 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC21 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC22 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC23 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC24 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC25 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC26 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC27 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC28 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC29 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC30 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC31 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC32 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC33 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC34 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC35 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC36 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC37 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC38 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC39 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC40 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC41 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC42 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC43 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC44 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC45 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC46 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC47 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC48 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC49 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC50 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC51 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC52 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC53 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC54 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC55 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC56 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC57 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC58 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC59 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC60 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC61 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC62 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC63 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC64 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC65 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC66 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC67 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC68 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC69 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC70 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC71 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC72 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC73 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC74 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC75 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC76 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC77 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC78 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC79 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC80 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC81 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC82 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC83 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC84 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC85 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC86 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC87 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC88 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC89 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC90 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC91 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC92 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC93 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC94 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC95 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC96 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC97 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC98 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC99 — CARPET — BRANDON LOBBY — MFR: INTERFACE — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439
- FC100 — CARPET — MONTAGE BOARD ROOM — MFR: MOHAWK — STYLE: TBM 09 — COLOR: 4E700 — WIDTH: 12' — INSTALLATION: DIRECT GLUE DOWN — CONTACT: SALLY BRANDON 212-453-7439

WINDOW TREATMENT

- WT1 — ROMAN SHADES — MOTORIZED BLACK OUT SHADE — MFR: SILENT GLISS — STYLE: 5100 (3% OPEN WEAVE) — COLOR: 5100 — FABRIC: SEE ELEVATIONS — MOUNTING: WALL-MOUNTED WITH SIDE CHANNELS TO CONCEAL ALL HARDWARE
- WT2 — ROMAN SHADES — DAYTIME SUNLIGHT FILTERING SHADE — MFR: INTERNATIONAL LEVOLOR — STYLE: 7000 BLACKOUT PRIME — COLOR: SEE SAMPLES — MOUNTING: WALL-MOUNTED WITH SIDE CHANNELS TO CONCEAL ALL HARDWARE
- WT3 — ROMAN SHADES — DAYTIME SUNLIGHT FILTERING SHADE — MFR: INTERNATION

NON-QUALIFIED STOCK OPTION AGREEMENT

THIS NON-QUALIFIED STOCK OPTION AGREEMENT (this “Agreement”) is made this day of September 5, 2019, by and between Travelzoo, a Delaware corporation (the "Company") and Holger Bartel ("Optionee").

WHEREAS, Optionee has been providing services for the Company pursuant to an Employment Agreement, dated as of September 28, 2015, as amended, by and between Optionee and the Company (“Employment Agreement”); and

WHEREAS, the Company desires to grant to Optionee the option to purchase certain shares of its stock, in accordance with the terms of this Agreement, with such option intended to be a nonstatutory stock option that is not an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements hereinafter set forth, it is covenanted and agreed as follows:

1. Grant and Terms of Option. Pursuant to action of the Compensation Committee (the “Committee”) of the Board of Directors of the Company (the “Board”), the Company grants, effective September 5, 2019 (“Date of Grant”) to Optionee the option to purchase all or any part of Four Hundred Thousand (400,000) shares of the common stock of the Company, par value of $0.01 each ("Common Stock"), to vest quarterly over a period of two (2) years as set forth in the table below, at the purchase price of $10.79 per share, which is the fair market value of the Common Stock determined as the official NASDAQ closing share price on the Date of Grant; provided, however, that the right to exercise such option shall be, and is hereby, restricted as follows:

(a) No shares may be purchased prior to March 31, 2020. Subject to the terms of this Agreement, the 400,000 stock options shall vest in eight (8) quarterly installments, beginning on January 1, 2020, as follows:

Vesting Date	*Percentage of Stock Options Vesting*
On March 31, 2020	12.5%
On June 30, 2020	12.5%
On September 30, 2020	12.5%
On December 31, 2020	12.5%
On March 31, 2021	12.5%
On June 30, 2021	12.5%
On September 30, 2021	12.5%
On December 31, 2021	12.5%

On or after December 31, 2021, during the term hereof, Optionee will become entitled to purchase the entire number of shares (400,000 shares) to which this option relates.

(b) In no event may this option or any part thereof be exercised after the expiration of five (5) years from the Date of Grant, which shall be the term of the option.

(c) The purchase price of the shares subject to the option may be paid for (i) in cash, (ii) in the discretion of the Board, by tender of shares of Common Stock

already owned by Optionee, or (iii) in the discretion of the Board, by such other method as the Board may determine.

(d) The option may not be exercised for a fraction of a share.

(e) The option may not be exercised if Optionee is no longer employed by the Company subject to the provisions of section 4 of this Agreement.

(f) The option may not be exercised if shareholder approval is not received and may not be exercised prior to the registration of the shares being offered under the Agreement, which registration shall be filed by the Company with the United States Securities and Exchange Commission following the Company's next annual shareholder meeting.

(g) The Board or the Committee shall also determine the methods by which shares of stock shall be delivered or deemed to be delivered to Optionee.

2. Anti-Dilution Provisions. In the event that, during the term of this Agreement, there is any change in the number of shares of outstanding Common Stock of the Company by reason of stock dividends, recapitalizations, mergers, consolidations, split-ups, combinations or exchanges of shares and the like, not including any issuances of shares for consideration or capital increases by the Company, the number of shares covered by this option agreement and the price thereof shall be adjusted, to the same proportionate number of shares and price as in this original agreement.

3. Non-Transferability. Neither the option hereby granted nor any rights thereunder or under this Agreement may be assigned, transferred or in any manner encumbered except by will or the laws of descent and distribution, and any attempted assignment, transfer, mortgage, pledge or encumbrance except as herein authorized, shall be void and of no effect.

The option may be exercised during Optionee's lifetime only by Optionee or his guardian or legal representative as set forth herein.

4. Termination of Employment. In the event of the termination of the Employment Agreement prior to its expiration, or to the extent the Company terminates employment of Optionee, including upon death or disability, Optionee's (or, in the event of death, the legatee or legatees of Optionee under his last will, or his personal representatives or distributees) right to exercise the option, only to the extent it was vested and he was entitled to exercise it on the date of termination of services or employment, shall continue for 90 days after such termination but not after five (5) years from the Date of Grant. If Optionee (or, in the event of death, the legatee or legatees of Optionee under his last will, or his personal representatives or distributees) does not exercise the option within 90 days following such termination of Employment, any unexercised vested option shall be null and void.

5. Method of Exercise/Shares Issued on Exercise of Option. The option may be exercised (in whole or in part) at any time during the period specified in this Agreement, by delivering to the Secretary of the Company not less than thirty (30) days prior to the date of exercise (or such shorter period as the Company shall approve) (a) a written notice of exercise designating the number of shares to be purchased, signed by Optionee, and (b) payment of the full amount of the purchase price of the shares with respect to which the option is exercised. If the written notice of exercise is delivered by mail, or by any other means of delivery, the date of delivery and the date of exercise shall be the date the written notice is actually received by the Secretary. It is the intention of the Company that on any exercise of this option it will transfer to Optionee shares of its authorized but unissued stock or transfer Treasury shares or utilize any combination of Treasury shares and authorized but unissued shares, to satisfy its obligations to deliver shares on any exercise hereof. No rights of a shareholder shall exist with respect to the Common Stock under this option as a result of the mere grant of this option.

6. Board Administration. The Board, the Committee, or any successor or other committee authorized by the Board, subject to the express terms of this option, shall have plenary authority to interpret any provision of this option and to make any determinations necessary or advisable for the administration of this option and the exercise of the rights herein granted, and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to Optionee by the express terms hereof.

7. Option not an Incentive Stock Option. It is intended that this option shall not be treated as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended, or otherwise qualify for any special tax benefits to Optionee.

8. No Contract of Employment. Nothing contained in this Agreement shall be considered or construed as creating a contract of employment for any specified period of time.

9. Restrictions on Exercise. This option may not be exercised if the issuance of Common Stock upon Optionee's exercise or the method of payment of consideration for such Common Stock would constitute a violation of any applicable Federal or state securities law or other applicable law or regulation. As a condition to the exercise of this option, the Company may require Optionee to make any representations and warranty to the Company as may be required by any applicable law or regulation.

10. Termination of Option. Notwithstanding anything to the contrary herein, this option shall not be exercisable after the expiration of the term of five (5) years from the Date of Grant, as set forth in section 1(b) hereof.

11. Withholding upon Exercise. The Company reserves the right to withhold, in accordance with any applicable laws, from any consideration payable to Optionee any taxes required to be withheld by Federal, state or local law as a result of the grant or exercise of this option. If the amount of any consideration payable to Optionee is insufficient to pay such taxes or if no consideration is payable to Optionee, upon request of the Company, Optionee shall pay to the Company in cash an amount sufficient for the Company to satisfy any Federal, state or local tax withholding requirements it may incur as a result of the grant or exercise of this option.

12. Severability. Any word, phrase, clause, sentence or other provision herein which violates or is prohibited by any applicable law, court decree or public policy shall be modified as necessary to avoid the violation or prohibition and so as to make this Agreement enforceable as fully as possible under applicable law, and if such cannot be so modified, the same shall be ineffective to the extent of such violation or prohibition without invalidating or affecting the remaining provisions herein.

13. Non-Waiver of Rights. The Company's failure to enforce at any time any of the provisions of this agreement or to require at any time performance by Optionee of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this agreement, or any part hereof, or the right of the Company thereafter to enforce each and every provision in accordance with the terms of this agreement.

14. Entire Agreement; Amendments. No modification, amendment or waiver of any of the provisions of this agreement shall be effective unless in writing specifically referring hereto and signed by the parties hereto. This agreement supersedes all prior agreements and understandings between Optionee and the Company to the extent that any such agreements or understandings conflict with the terms of this agreement.

15. Assignment. This agreement shall be freely assignable by the Company to and shall inure to the benefit of, and be binding upon, the Company, its successors and assigns and/or any other entity which shall succeed to the business presently being conducted by the Company.

16. Governing Law. To the extent that Federal laws do not otherwise control, all determinations made, or actions taken pursuant hereto shall be governed by the laws of the state of New York, without regard to the conflict of laws rules thereof.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by the undersigned officer pursuant to due authorization, and Optionee has signed this Agreement to evidence his acceptance of the option herein granted and of the terms hereof, all as of the date hereof.

COMPANY:

TRAVELZOO

By: _____

Name: Ralph Bartel

Title: Chairman

Date: September 5, 2019

OPTIONEE:

By: _____

Name: Holger Bartel

Title: Global Chief Executive Officer

Date:

EXHIBIT 10.18

STOCK REPURCHASE AGREEMENT

THIS STOCK REPURCHASE AGREEMENT (this "Agreement") is entered into as of November 6, 2019, by and between Travelzoo, a Delaware corporation (the "Company"), and Holger Bartel (the "Selling Stockholder").

Recitals

WHEREAS, the Selling Stockholder desires to sell to the Company, and the Company desires to repurchase from the Selling Stockholder, an aggregate of 200,000 shares of the Company's common stock (the "Shares") at a price of $10.05 per Share, for an aggregate purchase price of $2,010,000 for the Shares (such aggregate purchase price, the "Purchase Price"), upon the terms and subject to the conditions set forth in this Agreement (the "Repurchase").

WHEREAS, the parties acknowledge that the Purchase Price is based on the 10-day volume weighted average price based on trading activity on October 22, 2019 through and including November 4, 2019, calculated using the VWAP function on Bloomberg, minus a 4.4% discount.

WHEREAS, as Mr. Bartel is the Company's Global Chief Executive Officer, the Compensation Committee of the Board of Directors (the "Board") of the Company, being comprised of independent members of the Board, was authorized by the Board to evaluate the Repurchase and has determined that the terms and conditions of the Repurchase, as set forth in this Agreement, are fair, reasonable and in the best interests of the Company.

NOW, THEREFORE, in consideration of the mutual covenants herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned hereby agree as follows:

Agreement

1. Repurchase.

(a) Purchase and Sale. At the Closing (as defined below), the Company hereby agrees to repurchase from the Selling Stockholder, and the Selling Stockholder hereby agrees to sell and deliver, or cause to be delivered, to the Company, the Shares. The Purchase Price shall be paid in two installments by the Company, with $1,010,000 payable at the Closing (the "First Payment") and the remaining $1,000,000 payable thereafter at such time as is mutually agreed upon by the Company, with the approval of the Compensation Committee, and the Selling Stockholder.

(b) Closing. Subject to the terms and conditions of this Agreement and the delivery of the deliverables contemplated by Section 1(c) of this Agreement, the closing of the sale of the Shares (the "Closing") will take place on November 6, 2019, via the exchange of deliverables, or such other time, date or place as shall be agreed upon by the parties.

(c) Closing Deliveries and Actions. At the Closing, the Selling Stockholder shall deliver, or cause to be delivered, the Shares to the Company in the manner directed in writing by the Company and the Company shall deliver to the Selling Stockholder by wire transfer, in accordance with written instructions to be provided by the Selling Stockholder prior to the Closing, immediately available funds in an amount equal to the First Payment.

(d) Other Payments. The Selling Stockholder agrees to pay all stamp, stock transfer and similar duties, if any, in connection with the Repurchase.

2. Representations of the Company. The Company represents and warrants to the Selling Stockholder that, as of the date hereof and at the Closing:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) The Company has the full power and authority to execute, deliver and carry out the terms and provisions of this Agreement and to consummate the transactions contemplated hereby, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement.

(c) This Agreement has been duly and validly authorized, executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that (i) such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to certain equitable defenses and to the discretion of the court before which any proceedings thereof may be brought. The execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby, have been approved by the Audit Committee of the Company's Board in accordance with the Company's policies and procedures for identifying and approving related person transactions and by the Compensation Committee of the Company's Board.

(d) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not conflict with, result in the breach of any of the terms or conditions of, constitute a default under or violate, accelerate or permit the acceleration of any other similar right of any other party under, the Certificate of Incorporation or Bylaws of the Company, any law, rule or regulation or any agreement, lease, mortgage, note, bond, indenture, license or other document or undertaking, to which the Company is a party or by which the Company or its properties may be bound, nor will such execution, delivery and consummation violate any order, writ, injunction or decree of any federal, state, local or foreign court, administrative agency or governmental or regulatory authority or body (each, an "Authority") to which the Company or any of its properties is subject, the effect of any of which, either individually or in the aggregate, would have, or reasonably be expected to have, a material adverse effect on the consolidated financial

position, stockholders' equity or results of operations of the Company and its subsidiaries, taken as a whole or materially impact the Company's ability to consummate the transactions contemplated by this Agreement (a "Material Adverse Effect"); and no consent, approval, authorization, order, registration or qualification of or with any such Authority is required for the consummation by the Company of the transactions contemplated by this Agreement, except such consents, approvals, authorizations and orders as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(e) There has been no act or omission by the Company which would give rise to any valid claim against any of the parties hereto for a brokerage commission, finder's fee, or other like payment in connection with the transactions contemplated hereby.

3. Representations of the Selling Stockholder. The Selling Stockholder represents and warrants to the Company that, as of the date hereof and at the Closing:

(a) The Selling Stockholder has full legal right and capacity to execute, deliver and carry out the terms and provisions of this Agreement and consummate the transactions contemplated hereby.

(b) This Agreement has been duly and validly executed and delivered by the Selling Stockholder, and constitutes a legal, valid and binding agreement of the Selling Stockholder, enforceable against the Selling Stockholder in accordance with its terms, except to the extent that (i) such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to certain equitable defenses and to the discretion of the court before which any proceedings therefor may be brought.

(c) The sale of the Shares to be sold by the Selling Stockholder hereunder and the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not conflict with, result in the breach of any of the terms or conditions of, constitute a default under or violate, accelerate or permit the acceleration of any other similar right of any other party under, any law, rule or regulation, or any agreement, lease, mortgage, note, bond, indenture, license or other document or undertaking, to which the Selling Stockholder is a party or by which the Selling Stockholder or its properties may be bound, nor will such execution, delivery and consummation violate any order, writ, injunction or decree of any Authority to which the Selling Stockholder or any of its properties is subject, the effect of any of which, either individually or in the aggregate, would affect the validity of the Shares to be sold by the Selling Stockholder or reasonably be expected to materially impact the Selling Stockholder's ability to perform its obligations under this Agreement; and no consent, approval, authorization, order, registration or qualification of or with any such Authority is required for the performance by the Selling Stockholder of its obligations under this Agreement and the consummation by the Selling Stockholder of the transactions contemplated by this Agreement in connection with the Shares to be sold by the Selling

Stockholder hereunder, except such consents, approvals, authorizations and orders as would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Selling Stockholder's ability to consummate the transactions contemplated by this Agreement.

(d) The Selling Stockholder has, and immediately prior to the delivery of the Shares to the Company at the Closing, the Selling Stockholder will have, valid and unencumbered title to the Shares to be sold by the Selling Stockholder hereunder at such time of delivery, free and clear of all security interests, liens, encumbrances, equities and other charges.

(e) The Selling Stockholder has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the proposed sale of the Shares to the Company and that it has made an independent decision to sell the Shares to the Company based on the Selling Stockholder's knowledge about the Company and its business and other information available to the Selling Stockholder, which it has determined is adequate for that purpose. The Selling Stockholder acknowledges that it has not relied upon any express or implied representations or warranties of any nature made by or on behalf of the Company, whether or not any such representations, warranties or statements were made in writing or orally, except as expressly set forth for the benefit of the Selling Stockholder in this Agreement. The Selling Stockholder has received all of the information that it considers necessary or appropriate for deciding whether to sell the Shares and has had the opportunity to ask questions and receive answers from the Company. The Selling Stockholder acknowledges that the Company and its affiliates, officers and directors may possess material non-public information not known to the Selling Stockholder regarding or relating to the Company, including, but not limited to, information concerning the business, financial condition, results of operations or prospects of the Company. The Selling Stockholder acknowledges and confirms that it is aware that future changes and developments in (i) the Company's business and financial condition and operating results, (ii) the industry in which the Company competes and (iii) overall market and economic conditions, may have a favorable impact on the value of the Company's common stock after the sale by the Selling Stockholder of the Shares to the Company pursuant to terms of this Agreement. Without limiting the generality of the foregoing, except as set forth in this Agreement, the Company makes no representations with respect to the information provided to the Selling Stockholder in connection with this Agreement or the transactions contemplated herein or therein, including any current or projected financial information.

(f) There has been no act or omission by Selling Stockholder which would give rise to any valid claim against any of the parties hereto for a brokerage commission, finder's fee, or other like payment in connection with the transactions contemplated hereby.

4. Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given when delivered personally, mailed by certified or registered mail, return receipt requested and postage prepaid, or sent via a nationally recognized overnight courier, or sent via

email (receipt of which is confirmed) to the recipient. Such notices, demands and other communications shall be sent as follows:

To the Selling Stockholder:

Holger Bartel
650 Castro Street
Suite 120 PMB 288
Mountain View, CA 94041

To the Company:

Travelzoo
590 Madison Avenue, 37th Floor
New York, New York
Attention: Mary Reilly
Email: maryreilly38@gmail.com

With a copy to (which shall not constitute notice):

Ballard Spahr LLP
1735 Market Street, 48th Floor
Philadelphia, PA 19103
Attention: Peter Jaslow
Email: JaslowP@ballardspahr.com

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party.

5. Miscellaneous.

(a) Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by any party in connection herewith shall survive the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby until the expiration of the applicable statute of limitations.

(b) Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal, or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed, and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

(c) Complete Agreement. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company and the Selling Stockholder with respect to the subject matter hereof.

(d) Counterparts. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

(e) Successors and Assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by either party without the prior written consent of the other party. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the Selling Stockholder and the Company and their respective successors and assigns.

(f) No Third Party Beneficiaries or Other Rights. This Agreement is for the sole benefit of the parties and their successors and permitted assigns and nothing herein express or implied shall give or shall be construed to confer any legal or equitable rights or remedies to any person other than the parties to this Agreement and such successors and permitted assigns.

(g) Governing Law. THIS AGREEMENT AND ANY MATTERS RELATED TO THIS TRANSACTION SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS THAT WOULD RESULT IN THE APPLICATION OF ANY LAW OTHER THAN THE LAWS OF THE STATE OF DELAWARE. The Company and the Selling Stockholder each agrees that any suit or proceeding arising in respect of this Agreement will be tried exclusively in the U.S. District Court for the State of Delaware or, if that court does not have subject matter jurisdiction, in any state court located in the State of Delaware, and the Company and the Selling Stockholder each agrees to submit to the jurisdiction of, and to venue in, such courts.

(h) Waiver of Jury Trial. The Company and the Selling Stockholder each hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

(i) Mutuality of Drafting. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of the Agreement.

(j) Remedies. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any

party may in its sole discretion apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance or other injunctive relief in order to enforce, or prevent any violations of, the provisions of this Agreement.

(k) Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and the Selling Stockholder.

(l) Expenses. Each of the Company and the Selling Stockholder shall bear its own expenses in connection with the drafting, negotiation, execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

[Signatures appear on following pages.]

IN WITNESS WHEREOF, the parties hereto have executed this Stock Repurchase Agreement as of the date first written above.

COMPANY:

TRAVELZOO

By: _____
Name: Mary Reilly
Title: Director

SELLING STOCKHOLDER:

By: _____
Name: Holger Bartel

EXHIBIT 10.19

STOCK PURCHASE AGREEMENT

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by and among

TRAVELZOO, as the Buyer,

JFC TRAVEL GROUP CO., as the Company,

MIKHAIL MAYZENBERG and PHILIP WINTERMANTLE, as the Sellers,

and

MIKHAIL MAYZENBERG, as the Sellers' Representative

* * * *

Dated as of January 13, 2020

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STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (this "Agreement") is entered into as of January 13, 2020 by and among Travelzoo, a Delaware corporation (the "Buyer"), JFC Travel Group Co., a Delaware corporation (the "Company"), Mikhail Mayzenberg and Philip Wintermantle, each an individual (collectively, the "Sellers"), and Mikhail Mayzenberg, an individual, in his capacity as representative of the Sellers (the "Sellers' Representative" and, together with the Buyer, the Company, and the Sellers, collectively, the "Parties").

RECITALS

WHEREAS, the Sellers collectively hold all of the issued and outstanding Shares (as hereinafter defined);

WHEREAS, each Seller desires to sell to the Buyer, and the Buyer desires to purchase from each Seller, the number of Shares set forth opposite such Seller's name on Schedule I under the heading "Initial Purchased Shares" (the "Initial Purchased Shares"), in exchange for cash and Promissory Notes, in accordance with the terms and subject to the conditions set forth herein; and

WHEREAS, the Parties desire to make certain representations, warranties, covenants, and agreements as set forth more particularly herein.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, covenants, and agreements herein contained, the Parties agree as follows:

1. Definitions; Interpretations.

(a) Definitions. The following terms shall have the meanings set forth below when capitalized (or not capitalized) in the manner set forth below, and when wholly-capitalized (and the same shall apply to other grammatical forms of the following terms):

"2020 EBITDA" has the meaning set forth on Exhibit B.

"Action" means any action, claim, counterclaim, demand, charge, complaint, suit, or other dispute resolution or proceeding, whether judicial, administrative or arbitrative, whether civil or criminal, whether brought at equity or at law, and whether brought by a Governmental Authority or any other Person, in each case, by or before a Governmental Authority.

"Affiliate" means, with respect to a specified Person, any other Person that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with such specified Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controls" and "controlled") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by Contract, or otherwise.

"Allocable Percentage" means, with respect to Mikhail Mayzenberg, 70%, and with respect to Philip Wintermantle, 30%.

"Ancillary Agreement" means each Employment Agreement, each Promissory Note, each Ancillary Certificate and each other agreement, document, or certificate executed and delivered by a Party in connection herewith or therewith.

"Ancillary Certificate" means each certificate or affidavit delivered, or to be delivered, under this Agreement, including pursuant to Section 2(d)(i) and Section 6.

"App" means a Computer Software application designed for a mobile device.

"Arbitrator" has the meaning set forth in Section 5(e)(vi).

"Banker" means Convex.

"Basket Amount" has the meaning set forth in Section 7(f)(i).

"Business" means the business of researching airfare data to identify flight deals and providing alerts for such flight deals and providing travel benefits to subscribers.

"Business Day" means any day other than a Saturday, Sunday, or a day on which banks in New York, New York are authorized or obligated by Law to close.

"Business Employees" has the meaning set forth in Section 4(r)(i).

"Business Intellectual Property" means, collectively, Company Intellectual Property, Licensed Intellectual Property, explicitly excluding other intangible assets that would otherwise constitute Intellectual Property but which are in the public domain, open source or the like.

"Buyer" has the meaning set forth in the Preamble.

"Buyer Indemnified Party" means the Buyer, the Company (to the extent the Buyer owns Equity Interests of the Company), and their respective Affiliates and Representatives, and the successors and permitted assigns of all the foregoing.

"Cap Amount" has the meaning set forth in Section 7(f)(i).

"Capitalized Lease Obligations" means obligations pursuant to a lease that is, or is required in accordance with GAAP to be, classified as a capitalized lease obligation.

"Card Association" means VISA International, Inc. and VISA U.S.A., Inc., MasterCard International, Inc., Discover Financial Services, LLC, American Express, Diners Club, Voyager, Carte Blanche and any other payment card association, debit card network or similar entity having clearing or oversight responsibilities.

"Cash" means, without duplication, the aggregate amount of cash and cash equivalents (including certificates of deposit, marketable securities, and short term investments), minus the aggregate amount of any such cash and cash equivalents consisting of security deposits or that are "restricted", held in escrow, or otherwise subject to a Lien, in each case of the Company as of the Determination Time, calculated in accordance with GAAP (as in effect as of the Determination Time). The calculation of Cash (i) shall be made without giving effect to Cash funded by or on behalf of the Buyer at the Closing, and (ii) may result in a positive or negative number.

"Cash Shortfall" means the amount, if any, by which (x) Cash is less than (y) $150,000 minus Working Capital. For the avoidance of doubt, Cash Shortfall may be positive or negative.

"Closing" has the meaning set forth in Section 2(c).

"Closing Date" has the meaning set forth in Section 2(c).

"Closing Distribution Amount" means an amount equal to (i) the Estimated Purchase Price, minus (ii) Estimated Funded Indebtedness, minus (iii) Estimated Company Transaction Expenses.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the Preamble.

"Company Intellectual Property" means the aggregate of (1) all of the Intellectual Property disclosed or required to be disclosed under Sections 4(n)(i) and 4(n)(iii) below, together with (2) all other Trademarks and Copyrights and all Trade Secrets, in each case used or held for use by the Company in the conduct of its Business, provided that this clause (2) shall not apply to Licensed Intellectual Property.

"Company Owned Software" has the meaning set forth in Section 4(n)(xiii).

"Company Permit" has the meaning set forth in Section 4(i)(ii).

"Company Service" has the meaning set forth in Section 4(w)(i).

"Company Transaction Expenses" means, without duplication, the aggregate amount of (i) fees, costs, expenses, commissions, liabilities, and similar amounts incurred by the Company prior to or at the Closing payable to brokers, finders, investment bankers, financial advisors, attorneys, accountants, or other agents, advisors, consultants, experts, or service providers (including the Banker) in connection with the Transaction or the process of selling the Company, (ii) transaction bonuses, change-of-control and success payments, severance rights, deferred compensation payments, salary continuation, retention payments, withdrawal liability under multiemployer plans, and other transaction-related compensatory payments payable or that will become payable (whether prior to, at, or following the Closing) by the Company to any current or former director, manager, officer, employee, or independent contractor of the Company, or any other Person, in each case, in connection with the Transaction, and (iii) the employer portion of any applicable Federal Insurance Contributions Act, state, local or foreign payroll Taxes imposed on the Company in respect of any payments made under the foregoing clause (ii), but in each case within the foregoing clauses (i) through (iii), excluding (A) fees, costs, expenses, commissions, bonuses, or other payments (including related to any debt financing) that are incurred, implemented, or become payable pursuant to actions taken or arrangements implemented following the Closing, (B) fees, costs, expenses, commissions, bonuses, or other payments that are paid prior

to the Closing or that otherwise reduce the amount included in Cash, and (C) any liabilities included in the calculation of Working Capital or Funded Indebtedness.

"Computer Hardware" means any computer hardware, equipment, and peripherals of any kind and of any platform, including desktop and laptop personal computers, handheld computerized devices, servers, mid-range and mainframe computers, process control and distributed control systems, and all network and other communications and telecommunications equipment and peripheral devices the operations of which are dependent upon the execution of Computer Software.

"Computer Software" means any and all computer programs, including operating system and applications software, implementations of algorithms, and program interfaces, whether in source code or object code form and all documentation, including user manuals relating to the foregoing.

"Conduct of the Business" means the conduct of the Business as currently conducted in the Ordinary Course of Business as of the date the applicable representation or warranty is made or tested.

"Confidential Information" has the meaning set forth in Section 5(d).

"Confidentiality Agreement" means that certain Confidentiality Agreement, dated as of October 31, 2019, between Buyer and Banker on behalf of the Company.

"Consent" means:

(i) with respect to any Governmental Authority, any consent or waiver required to be obtained, or notice, payment, or filing required to be made, in each case that if not obtained or made would (with or without notice, lapse of time, or both) (A) violate any Law promulgated or enforced by such Governmental Authority, or (B) conflict with, result in a breach of, give rise to any right to terminate, revoke, suspend, limit, or adversely modify, or result in the loss of any other rights under, any Permit issued by such Governmental Authority; and

(ii) with respect to any Contract (including any insurance policy), any consent or waiver required to be obtained, or notice, payment, or filing required to be made, in each case that if not obtained or made would (with or without notice, lapse of time, or both) conflict with, or result in a breach of, such Contract, or give rise to any right to terminate, accelerate, or adversely modify, or result in the loss of any other rights under such Contract.

"Contract" means, with respect to any Person, any contract, purchase order, lease, license, instrument, settlement agreement, or other agreement, commitment, or arrangement, whether written or oral, including amendments, supplements, or other modifications thereto, in each case (i) that is binding on such Person, (ii) to which such Person's assets are subject, and/or (iii) in which such Person has any right or interest.

"Copyrights" means all works of authorship, whether published or unpublished, and all copyrights therein, including Computer Software.

"Determination Time" means 12:01 a.m., Eastern Standard Time, on the Closing Date.

"Disabling Devices" means any Computer Software viruses, time bombs, logic bombs, Trojan horses, trap doors, back doors, ransomware, spyware, adware, scareware, or other computer instructions, intentional devices or techniques that are intentionally designed to threaten, infect, assault, vandalize, defraud, disrupt, damage, disable, maliciously encumber, hack into, incapacitate, infiltrate, slow or shut down a computer system or any component of such computer system, including any such device affecting system security or compromising, disrupting access to, or disclosing data, files or other information.

"Disclosure Schedules" means the Schedules attached hereto corresponding to the numbered and lettered subsections and clauses of Section 3(a) and Section 4. The disclosures set forth in any Disclosure Schedule shall qualify and apply only to (i) each representation and warranty (or portion thereof) within this Agreement that specifically refers to such Disclosure Schedule, and (ii) any other representations and warranties (or portions thereof) within this Agreement that refer to any Disclosure Schedule to the extent that it is reasonably apparent from the face of such disclosure that such disclosure also qualifies or applies to such other representations and warranties (or portions thereof).

"Domain Names" means a string of characters and/or numbers used to identify a particular internet protocol address or uniform resource locator.

"Employee Plan" means each "employee benefit plan" (as such term is defined in ERISA §3(3)), whether or not subject to ERISA, and each employment, individual consulting or independent contractor, restrictive covenant (including confidentiality, non-competition, and non-solicitation), bonus, incentive, option, equity purchase or other equity-based compensation, deferred compensation, loan, severance, termination, retention, change of control, collective bargaining or other agreement with any works council or association, profit sharing, pension, retirement, 401(k), vacation or other paid or unpaid leave, medical or other welfare, disability, fringe benefit, and any other employee or retiree benefit or compensation agreement, arrangement, plan, program, policy, funding mechanism, reimbursement arrangement or other arrangement, whether or not subject to ERISA or written or unwritten or legally binding or not, in each case, (i) that is maintained, sponsored, contributed to or entered into by the Company or any ERISA Affiliate for the benefit of any current or former employee, officer, director, or independent contractor of the Company, or the beneficiaries or dependents of any such individual, or (ii) under which the Company may have any material Liability.

"Employment Agreement" has the meaning set forth in Section 5(i).

"Entity" means a Person other than an individual.

"Equity Equivalents" means, with respect to any Person, (i) capital stock, membership or partnership interests or units, and any other equity interests issued by such Person, (ii) stock appreciation, phantom stock, profit participation, rights to be allocated or receive any profits, loss, income, dividends, or distributions, and similar rights with respect to such Person, and (iii) options, warrants, call rights, purchase rights, subscription rights, preemptive rights, conversion rights, exchange rights, or other Contracts that could require such Person to issue, sell, or otherwise cause to become outstanding any of the items referred to in the foregoing clauses (i) through (iii).

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any trade or business, whether or not incorporated, that, together with the Company, is or would have been, at any date of determination occurring within the preceding six (6) years, treated as a single employer within the meaning of §414 of the Code.

"Estimated Balance Sheet" has the meaning set forth in Section 2(d)(i).

"Estimated Cash" has the meaning set forth in Section 2(d)(i).

"Estimated Cash Shortfall" means the amount, if any, by which (x) Estimated Cash is less than (y) $150,000 minus Estimated Working Capital. For the avoidance of doubt, Estimated Working Capital may be positive or negative.

"Estimated Company Transaction Expenses" has the meaning set forth in Section 2(d)(i)(D).

"Estimated Funded Indebtedness" has the meaning set forth in Section 2(d)(i)(C).

"Estimated Purchase Price" means an amount equal to (i) $12,000,000, minus (iii) the Estimated Cash Shortfall, if any.

"Estimated Statement" has the meaning set forth in Section 2(d)(i).

"Estimated Working Capital" has the meaning set forth in Section 2(d)(i)(A).

"Expiration Date" has the meaning set forth in Section 7(a).

"Family Member" means, with respect to any natural person, such natural person's spouse, sibling, ancestor, descendant, cousin, uncle, aunt, nephew, niece, great-uncle, great-aunt, great-nephew, or great-niece (including "step" relationships, "in-law" relationships, and adoptive relationships).

"Financial Statements" has the meaning set forth in Section 4(f)(i).

"Fundamental Representations" means the representations and warranties set forth in Sections 3(a)(i) (Power and Authority; Execution and Delivery), 3(a)(iv) (Brokers) and 3(a)(v) (Shares); 3(b)(i) (Due Organization), 3(b)(ii) (Power and Authority; Execution and Delivery; Due Authorization), 3(b)(v) (Brokers), and 4(a) (Due Organization; Qualification; Corporate Power), 4(b) (Power and Authority; Execution and Delivery; Due Authorization), 4(d) (Brokers), 4(e) (Capitalization), 4(k) (Title to and Sufficiency of Assets), and 4(q) (Tax Matters).

"Funded Indebtedness" means, without duplication, the aggregate amount (including the current portions thereof) of (i) indebtedness for money borrowed or advanced and monetary obligations evidenced by bonds, debentures, notes, or similar debt securities, (ii) Capitalized Lease Obligations, (iii) obligations in respect of the deferred purchase price for property or services, but excluding payables that are taken into account in determining Working Capital, (iv) obligations in respect of letters of credit, acceptances, surety bonds, or similar instruments, and (v) any obligations of another Person that are guaranteed, or secured by any of the assets, of the Company in each case within the foregoing clauses (i) through (v), of the Company as of the Closing, including all interest, fees, expenses, prepayment premiums, and breakage costs accrued as of the Closing with respect to any such indebtedness or obligations, but excluding any undrawn amounts under standby letters of credit or similar instruments.

"GAAP" means generally accepted accounting principles as in effect in the United States applied on a basis consistent with procedures used in preparing the Year-End Financial Statements (to the extent not in contravention of generally accepted accounting principles as in effect in the United States).

"Governmental Authority" means any federal, state, local, or foreign government, governmental or quasi-governmental authority, regulatory or administrative agency, or governmental department, board, bureau, agency, or instrumentality, including independent agencies and commissions, courts, and tribunals, including arbitral bodies (whether private or governmental), in each case of competent jurisdiction.

"Inbound Intellectual Property License" has the meaning set forth in Section 4(n)(v).

"Indemnified Party" means any applicable Buyer Indemnified Party with respect to any indemnification obligation pursuant to Section 7(b), and any applicable Seller Indemnified Party with respect to any indemnification obligation pursuant to Section 7(c).

"Indemnified Party Representative" means the Buyer with respect to any indemnification obligation pursuant to Section 7(b), and the Sellers' Representative with respect to any indemnification obligation pursuant to Section 7(c).

"Indemnifying Party" means any applicable Seller with respect to any indemnification obligation pursuant to Section 7(b), and the Buyer with respect to any indemnification obligation pursuant to Section 7(c).

"Indemnifying Party Representative" means the Sellers' Representative with respect to any indemnification obligation pursuant to Section 7(b), and the Buyer with respect to any indemnification obligation pursuant to Section 7(c).

"Independent Contractor" has the meaning set forth in Section 4(r)(v).

"Information Incident" has the meaning set forth in Section 4(o)(iv).

"Information Technology" has the meaning set forth in Section 4(p)(i).

"Initial Purchased Shares" has the meaning set forth in the Preamble.

"Intellectual Property" means any or all of the following and all rights in, arising out of, or associated therewith: (i) Patents, (ii) Copyrights, (iii) Trademarks, (iv) Domain Names, (v) all rights of publicity and privacy under applicable Law, (v) Trade Secrets, (vi) any other proprietary, intellectual, or industrial property rights of any kind or nature, (vii) all copies and tangible embodiments of any of the foregoing (in whatever form or medium, such as instruction manuals, prototypes, samples, studies, and summaries), and (viii) registrations, renewals, and applications for registration of all of the foregoing, explicitly excluding other intangible assets that would otherwise constitute Intellectual Property but which are in the public domain.

"Intellectual Property License" has the meaning set forth in Section 4(n)(vi).

"IRS" means the Internal Revenue Service of the United States, or any successor agency thereto.

"Issuing Authority" has the meaning set forth in Section 4(n)(i).

"Knowledge" (i) with respect to the Company, means the actual knowledge of each Seller and the Chief Technology Officer of the Company, (ii) with respect to any other entity, means the actual knowledge of any director, manager, or officer of such entity, and (iii) with respect to any individual, means the actual knowledge of such individual.

"Law" means any law, constitutional provision, treaty, statute, code, regulation, ordinance, rule, common law, Order, or other requirement of a Governmental Authority.

"lease" means lease or sublease.

"Leased Real Property" means all real property (including all leasehold estates, land, buildings, structures, alterations, improvements, fixtures, easements, rights of way, and any other real property rights and/or interests) that the Company leases, licenses, or otherwise occupies or uses (whether as tenant, subtenant, licensee, or pursuant to any other use or occupancy arrangement), other than Owned Real Property.

"Liability" means any liability or obligation of any kind, character, or description, whether asserted or unasserted, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, matured or unmatured, due or to become due, vested or unvested, executory, determined, determinable, or otherwise.

"License" means license or sublicense.

"Licensed Intellectual Property" means all Intellectual Property which is owned by a Person other than the Company and which is used in the Business, explicitly excluding (i) intangible assets that would otherwise constitute Intellectual Property but which are in the public domain, open source or the like; and (ii) "shrink wrap," "click wrap" and other comparable standard form licenses, in each case for commercially available "off-the-shelf" Computer Software programs that have not been modified or customized specifically for the Company, cloud-based computing systems including, without limitation, software as a service (SaaS), infrastructure as a service (IaaS) and platform as a service (PaaS), and Apps.

"Lien" means any lien (statutory or otherwise), encumbrance, security interest, mortgage, deed of trust, pledge, hypothecation, charge, equitable interest, easement, encroachment, right of way, or any similar title exception (whether arising under Contract, Law, or otherwise).

"Losses" means all losses, damages, liabilities, Actions, judgments, awards, diminution in value, injunctions and other equitable remedies, Liens, settlements, Taxes, penalties, fines, interest, costs, court costs, and fees and expenses (including reasonable fees and expenses of legal counsel and other professional advisors and experts), which may include such fees and expenses incurred by the applicable Indemnified Party in connection with the enforcement of its rights hereunder, in each case, regardless of whether the possibility of such Losses had been disclosed in advance or could reasonably have been foreseen.

"made available" means made available via the virtual data room hosted by the Banker. When used in any representation or warranty, "made available" includes those materials made available (in accordance with the preceding sentence) at any time prior to the date hereof; the virtual data room materials meeting the foregoing standard shall be copied onto a DVD (or another electronic medium acceptable to the Buyer) and delivered by the Company to the Buyer promptly following the execution and delivery of this Agreement.

"Material" means material to the Conduct of the Business.

"Material Adverse Effect" means any effect, event, condition, change, state of facts, or group of related effects, events, conditions, changes, or states of facts (each, an "Effect") that is or would reasonably be expected to become, individually or in the aggregate, materially adverse to the business, assets, Liabilities, condition (financial or otherwise), operations, results of operations, or prospects of the Company, provided that none of the following shall be taken into account in determining whether there has been or may be a Material Adverse Effect: (i) Effects generally applicable to (A) the global economy, (B) financial, banking, or securities markets (including any disruption thereof, any decline in the price of any security or market index, and any change in prevailing interest rates), or (C) any economies, markets, and industries applicable to the Company; (ii) changes in GAAP, other applicable accounting standards, or any Laws applicable to the Company, or any Tax, regulatory, or political conditions applicable to the Company; and (iii) Effects arising as a result of acts of God (including earthquakes, hurricanes, floods, or other natural disasters or weather-related conditions) or the commencement, occurrence, continuation, or intensification of any war (whether or not declared), sabotage, armed hostilities, military attacks or acts of terrorism.

"Material Contract" means any Contract (or group of related Contracts) that is Material.

"Material Unregistered Copyright" means artistic, literary, inventive or creative works of authorship that: (a) have not been registered by or for which no application for registration before any Governmental Authority has been submitted; and (b) are material to the Business.

"Material Supplier" has the meaning set forth in Section 4(t)(i).

"Mitigating Payments" has the meaning set forth in Section 7(h).

"Most Recent Balance Sheet" has the meaning set forth in Section 4(f)(i).

"Most Recent Balance Sheet Date" has the meaning set forth in Section 4(f)(i).

"Most Recent Financial Statements" has the meaning set forth in Section 4(f)(i).

"Opt-out Notifications" has the meaning set forth in Section 4(o)(ii).

"Order" means any order, award, decision, injunction, judgment, ruling, subpoena, or verdict entered, issued, made, or rendered by any Governmental Authority.

"Ordinary Course of Business" means the ordinary course of business of the Company, consistent with past practice (including with respect to quantity and frequency).

"Organizational Documents" means the certificate of incorporation, formation, or limited partnership, and the bylaws, limited liability company operating agreement, or limited partnership agreement, or any analogous documents entered into, adopted, or filed in connection with the creation, formation, or organization, in each case, of the applicable entity.

"Outbound Intellectual Property License" has the meaning set forth in Section 4(n)(vi).

"Owned Real Property" means real estate and interests in real estate owned in fee.

"Parties" has the meaning set forth in the Preamble.

"Past Period" has the meaning set forth in Section 5(e)(i).

"Patents" means domestic and foreign patents, patent applications and patent rights, together will all reissuances, divisionals, continuations, continuations-in-part, revisions, renewals, extensions and reexaminations thereof.

"PCI Requirements" means the rules, regulations, standards, policies, manuals, and procedures of the Card Associations with whom the Company may directly or indirectly have a sponsorship or similar agreement and any legal successor organizations or association of any of them, including, with respect to the processing of credit card information, the Payment Card Industry Data Security Standards (PCI-DSS), in each case as applicable to the Company.

"Permit" means any permit, license, franchise, approval, authorization, registration, certificate, variance, clearance, or similar right that may be issued by any Governmental Authority or any accreditation or certification agency, body, or organization.

"Permitted Liens" means Liens set forth on Schedule 4(k) and Liens arising in the Ordinary Course of Business that do not materially impair the use or value of the assets to which they relate.

"Person" means an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a trust, any other business entity, or a Governmental Authority.

"Personal Information" means all data used, collected, stored or processed by or on behalf of the Company pertaining to an individual, including an individual's name, address, telephone number, email address, social media accounts, photographs, age, gender, identification or social insurance number, income, citizenship, employment, assets, liabilities, payment records, credit information, bank account information, investment activity, personal and professional references, health or medical records, any other data used or intended

to be used to identify, contact or locate such individual, and any other information that is considered personally identifiable information or personal data under applicable Laws. Personal Information includes all customers lists and customer databases used or held for use in the Business.

"Pre Closing Tax Period" means any taxable period, or portion thereof, ending on or before the Closing Date, including, for the avoidance of doubt, the portion of any Straddle Period ending on or before the Closing Date.

"Pre Closing Taxes" means (a) all Taxes of Sellers, (b) all Taxes imposed on the Company or asserted against the properties, income or operations of the Company for any Pre-Closing Tax Period, including, for the avoidance of doubt, the pre-Closing portion of any Straddle Period, (c) any transfer taxes and related costs for which Seller is responsible pursuant to Section 5(e) hereof; and (d) any penalties for late filing or failure to file any Tax Returns for any Pre-Closing Tax Period.

"Predecessor" shall mean the Person that was the legal predecessor of the Company.

"Preservation Period" has the meaning set forth in Section 5(c).

"Privacy Contracts" mean all provisions of Contracts between the Company and any Person that are applicable to the creation, collection, obtaining, tracking, retention, storage, processing, sharing, transmission, security, confidentiality protection, use and/or disclosure of Personal Information, including all such contracts required in the provision of any deliverables or services to third parties.

"Privacy Laws" mean any Laws that relate to and/or address privacy, security, data use, consumer tracking, consumer targeting, data protection and destruction, data breach notification or data transfer issues, including the California Consumer Privacy Act, Gramm-Leach-Bliley Act, the CAN-SPAM Act, the Telephone Consumer Protection Act, 2-1 C.M.R. 17.00 et. seq., and all current and former implementing Laws, rules, regulations, applicable industry regulations and guidelines, and any applicable foreign laws, regulations or guidelines including laws, regulations and/or guidance implementing the Data Protection Act 2018 and the General Data Protection Regulation (Regulation (EU) 2016/679 of the European Parliament).

"Privacy Policies" mean all written policies applicable to the Company relating to the collection, use, storage, processing, transfer, disclosure, and protection of Personal Information, including all website and mobile application privacy policies.

"Promissory Note Amount" means, with respect to each Seller, the dollar amount set forth opposite such Seller's name under the heading "Promissory Note Amount" on Schedule I.

"Promissory Notes" means the Promissory Notes issued as of the Closing Date by the Buyer in favor of each Seller in an original principal amount equal to such Seller's Promissory Note Amount.

"Put/Call Exercise Date" has the meaning set forth in Section 5(g)(i).

"Put/Call Exercise Notice" has the meaning set forth in Section 5(g)(ii).

"Put/Call Period" has the meaning set forth in Section 5(g)(ii).

"Put/Call Purchase Price" has the meaning set forth in Section 5(g)(i).

"Put/Call Transaction" has the meaning set forth in Section 5(g)(i).

"Registered Intellectual Property" has the meaning set forth in Section 4(n)(i).

"Registered Trademarks" has the meaning set forth in Section 4(n)(ii).

"Related Party" means, with respect to a specified Person, any other Person that is an Affiliate, a Family Member, a director, a manager, a trustee, an officer, a key employee, a direct or indirect beneficial owner of voting interests representing at least ten percent (10%) of the outstanding voting power, a primary beneficiary, or a trust for the primary benefit, of such specified Person, or any combination of the foregoing (for example, a trust for the primary benefit of the children of a Seller shall be considered a Related Party of such Seller).

"Releasing Party" has the meaning set forth in Section 8(n).

"Remaining Shares" means all of the Shares other than the Initial Purchased Shares.

"Representatives" means, with respect to any Person, the directors, managers, trustees, officers, employees, independent contractors, agents, attorneys, accountants, advisors, and other representatives of such Person and of such Person's Affiliates.

"Restricted Period" has the meaning set forth in Section 5(f)(i).

"Restricted Territory" has the meaning set forth in Section 5(f)(i).

"Securities Act" means the Securities Act of 1933.

"Security Measures" has the meaning set forth in Section 4(p)(v).

"Seller Indemnified Party" means each Seller, the Company (if the Company is then owned only by the Sellers) and their respective Affiliates and Representatives, and the successors and permitted assigns of all of the foregoing.

"Sellers" has the meaning set forth in the Preamble.

"Sellers' Representative" has the meaning set forth in the Preamble.

"Shares" has the meaning set forth in Section 4(e).

"Straddle Period" has the meaning set forth in Section 5(e)(i).

"Strong Open Source Materials" means Computer Software or other materials which are licensed or distributed in whole or in part pursuant to terms that require as a condition of use, modification and/or distribution of such materials that other materials incorporated into or which incorporate, are derived from, linked to, or compiled, assembled or distributed with such materials, be: (a) distributed or offered in source code form (in the case of Computer Software); or (b) be redistributed or offered to any Person at no charge.

"Subsidiary" means, with respect to any Person, (i) any corporation of which a majority of the total voting power of shares of capital stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time of determination owned, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof, and (ii) any limited liability company, partnership, association, or other entity (other than a corporation) of which a majority of voting and economic partnership, limited liability company, or other similar ownership interests thereof is at the time of determination owned, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof.

"Tax" means any (i) federal, state, local, or foreign income, gross receipts, escheat, unclaimed property, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether or not disputed, and (ii) Liability for amounts of the type described in clause (i) as a result of Treasury Regulations §1.1502-6, as a result of being a transferee or sucessor, or as a result of a Contract or otherwise.

"Tax Contest" has the meaning set forth in Section 5(e)(v).

"Tax Return" means any return, amended return, declaration, report, claim for refund, or information return or statement relating to Taxes filed or required to be filed with a Governmental Authority, including any schedule or attachment thereto, and including any amendment thereof.

"Third Party Claim" has the meaning set forth in Section 7(d)(ii)(A).

"Third Party Claim Notice" has the meaning set forth in Section 7(d)(ii)(A).

"Trade Secrets" means all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, inventions, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing, which derive independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another Person who can obtain economic value from the disclosure or use of the information.

"Trademarks" means any word, words, phrase, sound, slogan, icon, logo, graphic or image used as a designation for or identifier of goods or services, and all related registrations and applications for registration of any of the foregoing in any jurisdiction. "Trademarks" includes all goodwill associated therewith.

"Transaction" means the transactions contemplated by this Agreement and the Ancillary Agreements.

"Transfer" means transfer, sell, lease, license, grant any Lien upon, or otherwise dispose of.

"Treasury Regulations" means the regulations promulgated under the Code.

"WARN Act" means the federal Workers Adjustment and Retraining Notification Act of 1988.

"Working Capital" has the meaning set forth on Exhibit A.

"writing" and "written" means any writing, facsimile, or electronic mail.

"Year-End Financial Statements" has the meaning set forth in Section 4(f)(ii).

(b) Accounting Provisions

. All accounting terms used but not defined in this Agreement and/or any Ancillary Agreement shall have the respective meanings given to them in conformance with GAAP.

(c) Interpretation

. With respect to this Agreement and each Ancillary Agreement:

(i) Unless the context otherwise requires: (A) whenever the word "include", "includes", or "including" is used, it shall be deemed to be followed by the words "without limitation"; (B) the word "or" shall not be exclusive; (C) the words "hereof", "herein", "hereunder", "herewith", and words of similar import shall refer to this Agreement (or, if used in an Ancillary Agreement, to such Ancillary Agreement) as a whole and not to any particular provision of this Agreement (or such Ancillary Agreement, as applicable); (D) any references contained herein (or in any Ancillary Agreement) to a preamble, section, clause, exhibit, schedule, or other attachment shall refer to the preamble or such section, clause, exhibit, schedule, or other attachment to this Agreement (or, if such reference is contained in an Ancillary Agreement, to such Ancillary Agreement, as applicable); (E) the meaning assigned to each term defined herein or in any Ancillary Agreement shall be equally applicable to both the singular and the plural forms of such term; (F) references to any gender shall include the other gender; (G) a reference to any Person in a particular capacity shall refer to that Person solely in such capacity, and shall include such Person's permitted successors and assigns in such capacity; (H) a reference to any Law shall include all amendments thereto, all modifications and reenactment thereof, all Laws substituted therefor, and all rules, regulations, and statutory instruments promulgated thereunder or pursuant thereto; (I) a reference to any Contract (including this Agreement and any Ancillary Agreement) shall include all exhibits, schedules, and other attachments to such Contract, and shall refer to such Contract as amended, restated, supplemented, or otherwise modified as of the time of determination; (J) a reference to $ or dollars shall mean U.S. dollars; and (K) when calculating the period of time before which, within which, or following which any act is to be done or step taken pursuant to this Agreement or any Ancillary Agreement, the date that is the reference date in calculating such period shall be excluded and, if the last day of such period is not a Business Day, then the period shall end on the next succeeding Business Day.

(ii) Section headings are not to be considered part of this Agreement or any Ancillary Agreement, are included solely for convenience, are not intended to be full or accurate descriptions of the content of the sections of this Agreement or any Ancillary Agreement, and shall not affect the construction hereof or thereof.

(iii) The Parties have participated jointly in the negotiation and drafting of this Agreement and each Ancillary Agreement (with the benefit of their respective legal counsels) and, in the event an ambiguity or question of intent or interpretation arises, this Agreement and each Ancillary Agreement shall be construed as jointly drafted by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement or such Ancillary Agreement.

2. Purchase and Sale of Initial Purchased Shares; Closing.

(a) Purchase and Sale of Initial Purchased Shares. At the Closing, on and subject to the terms and conditions of this Agreement, the Buyer does hereby purchase and accept from each Seller, and each Seller does hereby sell and deliver to the Buyer, all of such Seller's Initial Purchased Shares, in exchange for the consideration specified herein, free and clear of all Liens.

(b) Payments at Closing. At the Closing, the Buyer shall make (or cause to be made) the following payments by wire transfer of immediately available funds to the bank accounts designated in writing by the Sellers' Representative to the Buyer:

(i) to each Seller, such Seller's Allocable Percentage of the Closing Distribution Amount, less such Seller's Promissory Note Amount;

(ii) to the holders of obligations constituting Estimated Funded Indebtedness, all such Estimated Funded Indebtedness that, by its terms, is required to be paid off at or prior to the Closing by virtue of the consummation of the Transaction (and any other portion of such Estimated Funded Indebtedness as may be determined by the Buyer); and

(iii) to the Company, all Estimated Company Transaction Expenses, which the Company, promptly following its receipt thereof, shall pay to the Persons entitled thereto (in the case of payments to employees, through its payroll system and net of applicable Taxes), and shall provide evidence reasonably satisfactory to the other Parties that such payments have been delivered.

For the avoidance of doubt, the Parties hereby authorize the Buyer to pay (or cause to be paid) the amounts described above to the Persons described above at the Closing in lieu of making such payments to the Sellers. In addition, the Parties hereby authorize the Buyer to withhold and deduct from any consideration that would otherwise be payable to any Person under this Section 2(b) or otherwise under this Agreement or any Ancillary Agreement the amount(s) so required under applicable Law, it being understood and agreed that any such withheld and deducted amount(s) shall be treated as having been paid to such Person for purposes of this Agreement and each Ancillary Agreement.

(c) Closing. The closing of the Transaction (the "Closing") shall take place remotely by electronic transmission simultaneously with the execution and delivery of this Agreement (the day on which the Closing takes place being referred to herein as the "Closing Date").

(d) Estimated Statement.

(i) The Company has delivered to the Buyer a good faith estimate of the balance sheet of the Company as of the Determination Time (the "Estimated Balance Sheet"), prepared in accordance with GAAP (as in effect as of the Determination Time), and a written statement (the "Estimated Statement") setting forth in reasonable detail the Company's good faith estimate of (A) Working Capital ("Estimated Working Capital"), (B) Cash ("Estimated Cash"), (C) Funded Indebtedness ("Estimated Funded Indebtedness"), and

(D) Company Transaction Expenses ("Estimated Company Transaction Expenses"), together with the resulting calculation of the Estimated Purchase Price and Closing Distribution Amount and a certificate by the Company stating that the Estimated Balance Sheet and Estimated Statement (as attached to such certificate), in the Company's good faith estimate, comply with the foregoing requirements.

(e) The Sellers' Representative.

(i) The Sellers' Representative shall have the authority to act as the agent for, and to bind and/or execute any documents as attorney-in-fact for, any and all Sellers in connection with this Agreement and each Ancillary Agreement. Such authority shall include the sole and exclusive authority to (A) assert, pursue, defend against, contest, and settle claims for indemnification hereunder, (B) exercise any other rights and remedies that may be available to any Seller hereunder, (C) defend against, contest, and settle the assertion of any other rights or remedies by the Buyer hereunder, and (D) execute and deliver amendments, consent, and waivers to and under this Agreement and each Ancillary Agreement. Each Seller shall retain the authority to act on its own behalf with respect to matter not covered by the preceding sentence and not otherwise expressly required or permitted to be taken solely by the Sellers' Representative.

(ii) The Buyer and the Company shall be entitled to rely on the authority granted pursuant to the foregoing clause (i) until the Sellers' Representative delivers written notice to the Buyer of the appointment of a successor Sellers' Representative approved in writing in advance by the Buyer (such approval not to be unreasonably withheld, conditioned, or delayed), in which case, effective upon the date specified in such notice, the Buyer and the Company shall be entitled to rely on the authority of such successor Sellers' Representative and such successor Sellers' Representative shall be deemed to be the Sellers' Representative for all purposes under this Agreement and each Ancillary Agreement. In the event that the Sellers' Representative becomes unable or unwilling to perform its responsibilities hereunder or under any Ancillary Agreement or resigns from such position, the Sellers, acting by joint consent, shall, as promptly as practicable, appoint a successor Sellers' Representative approved in writing in advance by the Buyer (such approval not to be unreasonably withheld, conditioned, or delayed) and deliver written notice thereof to the Buyer, in which case, effective upon the date specified in such notice, such successor Sellers' Representative shall be deemed to be the Sellers' Representative for all purposes under this Agreement and each Ancillary Agreement.

(iii) All of the powers, authorities, rights, and immunities granted to the Sellers' Representative under this Agreement or any Ancillary Agreement shall survive the Closing. The grant of authority provided to the Sellers' Representative under this Agreement and each Ancillary Agreement is coupled with an interest, shall be irrevocable, and shall survive the death, incompetency, bankruptcy, or liquidation of any Seller.

3. Representations and Warranties of the Sellers and the Buyer.

(a) Representations and Warranties of the Sellers. Each Seller, severally and not jointly and only with respect to itself, hereby represents and warrants to the Buyer as follows:

(i) Power and Authority; Execution and Delivery. Such Seller has full legal capacity to execute and deliver this Agreement and each Ancillary Agreement to which such Seller is a party and to perform its obligations hereunder and thereunder. This Agreement has been and each Ancillary Agreement to which such Seller is or is proposed to be a party has been (or, when executed and delivered, will have been) duly executed and delivered by such Seller and, assuming the due and valid authorization, execution, and delivery by each other party hereto or thereto, this Agreement constitutes and each Ancillary Agreement to which such Seller is a party constitutes (or, when executed and delivered, will constitute) a legal, valid, and binding obligation of such Seller, enforceable against such Seller in accordance with its terms and conditions.

(ii) Noncontravention. Neither the execution and delivery of this Agreement or any Ancillary Agreement by such Seller, nor the performance by such Seller of its obligations hereunder or thereunder, will (A) violate any Law to which such Seller is subject or require the Consent of any Governmental Authority (other than any Consent that has already been obtained or otherwise satisfied), in each case subject to compliance with the Securities Act and state securities Laws, (B) require Consent under any Contract of such Seller (other than any Consent that has already been obtained or otherwise satisfied), or (C) result in the imposition or creation of a Lien upon any of such Seller's Shares.

(iii) Legal Proceedings. There are no Actions pending or, to the Knowledge of such Seller, threatened by or against such Seller or any Affiliate thereof that challenge or seek to restrain or enjoin consummation of the Transaction or that challenge such Seller's record and beneficial ownership of the number of Shares set forth opposite its name on Schedule I.

(iv) Brokers. Other than the Banker, such Seller has not engaged, and does not and will not have any Liability for the payment of any fees or commissions to, any broker, finder, agent, investment banker, or financial advisor in connection with the Transaction.

(v) Shares. Such Seller holds of record, owns beneficially, and has good and marketable title to, the number of Shares set forth opposite its name on Schedule I, free and clear of any restrictions on Transfer or other Liens (other than restrictions and Liens arising under this Agreement), and holds no other direct or indirect Equity Equivalents of the Company. Such Seller is not a party to any option, warrant, purchase right, redemption right, or other Contract that could require such Seller to Transfer such Shares (other than this Agreement). Such Seller is not a party to any voting trust, proxy, or other Contract with respect to the voting of its Shares or any registration rights agreement or other Contract with respect to the registration of its Shares.

(vi) Investment in Promissory Notes. Such Seller is acquiring its Promissory Note for its own account as principal, for investment purposes, and is not acquiring its Promissory Note with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act. Such Seller acknowledges that its Promissory Note is not registered under the Securities Act or

any state securities Laws, and that its Promissory Note may not be transferred or sold except pursuant to the registration provisions of the Securities Act or pursuant to an applicable exemption therefrom and subject to state securities Laws, as applicable. Such Seller (A) is a sophisticated investor with knowledge and experience in business and financial matters, (B) has received sufficient information concerning the Buyer, and has had the opportunity to obtain additional information as desired, in each case in order to evaluate the merits and the risks inherent in holding its Promissory Note, (C) is able to bear the economic risk and lack of liquidity inherent in holding its Promissory Note, and (D) is an Accredited Investor within the meaning of Regulation D of the Securities Act.

(b) Representations and Warranties of the Buyer. The Buyer hereby represents and warrants to each Seller as follows:

(i) Due Organization. The Buyer is duly organized and validly existing under the laws of the jurisdiction of its incorporation.

(ii) Power and Authority; Execution and Delivery; Due Authorization. The Buyer has full power and authority (including full corporate power and authority) to execute and deliver this Agreement and each Ancillary Agreement to which it is or is proposed to be a party and to perform its obligations hereunder and thereunder. This Agreement has been and each Ancillary Agreement to which the Buyer is or is proposed to be a party has been (or, when executed and delivered, will have been) duly executed and delivered by the Buyer and, assuming the due and valid authorization, execution, and delivery by each other party hereto or thereto, this Agreement constitutes and each Ancillary Agreement to which the Buyer is or is proposed to be a party constitutes (or, when executed and delivered, will constitute) a legal, valid, and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms and conditions. The execution, delivery, and performance of this Agreement and each Ancillary Agreement to which the Buyer is or is proposed to be a party have been (or, when executed and delivered, will have been) duly authorized by all requisite corporate action on the part of the Buyer.

(iii) Noncontravention. Neither the execution and delivery of this Agreement or any Ancillary Agreement by the Buyer, nor the performance by the Buyer of its obligations hereunder or thereunder, will (A) violate the Organizational Documents of the Buyer, or (B) violate any Law to which the Buyer is subject or require the Consent of any Governmental Authority (other than any Consent that has already been obtained or otherwise satisfied), in each case subject to compliance with the Securities Act and state securities Laws.

(iv) Legal Proceedings. There are no Actions pending or, to the Knowledge of the Buyer, threatened by or against the Buyer or any Affiliate of the Buyer that challenge or seek to restrain or enjoin the consummation of the Transaction.

(v) Brokers. The Buyer has not engaged, and does not and will not have any Liability for the payment of any fees or commissions to, any broker, finder, agent, investment banker, or financial advisor in connection with the Transaction.

(vi) Pledged Shares. Upon Buyer's acquisition of the Initial Purchased Shares pursuant to this Agreement, such Initial Purchased Shares will not be subject to any Lien other than pursuant to the Promissory Notes.

4. Representations and Warranties of the Company. The Company hereby represents and warrants to the Buyer as follows:

(a) Due Organization; Qualification; Corporate Power. The Company is duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation and is qualified to do business as a foreign entity under the laws of each jurisdiction in which the failure to be so qualified would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, which jurisdictions are set forth on Schedule 4(a)(1). The Company has all requisite corporate power and authority to carry on the business in which it is engaged and to own and use the properties owned and used by it. The Company is not in material breach of or default under (with or without notice, lapse of time, or both) its Organizational Documents. Schedule 4(a)(2) sets forth a complete and correct list of all directors and officers of the Company.

(b) Power and Authority; Execution and Delivery; Due Authorization. The Company has full power and authority (including full corporate power and authority) to execute and deliver this Agreement and each Ancillary Agreement to which the Company is or is proposed to be a party and to perform its obligations hereunder and thereunder. This Agreement has been and each Ancillary Agreement to which the Company is or is proposed to be a party has been (or, when executed and delivered, will have been) duly executed and delivered by the Company and, assuming the due and valid authorization, execution, and delivery by each other party hereto or thereto, this Agreement constitutes and each Ancillary Agreement to which the Company is or is proposed to be a party constitutes (or, when executed and delivered, will constitute) a legal, valid, and binding obligation of the Company, enforceable against the Company in accordance with its terms and conditions. The execution, delivery, and performance of this Agreement and each Ancillary Agreement to which the Company is or is proposed to be a party have been (or, when executed and delivered, will have been) duly authorized by all requisite corporate action on the part of the Company.

(c) Noncontravention. Neither the execution and delivery of this Agreement or any Ancillary Agreement by the Company, nor the performance by the Company of its obligations hereunder or thereunder, will (i) violate the Organizational Documents of the Company, (ii) violate any Law to which the Company is subject or require the Consent of any Governmental Authority (other than any Consent that has already been obtained or otherwise satisfied), in each case subject to compliance with the Securities Act and state securities Laws, (iii) except as set forth on Schedule 4(c)(iii), require Consent under any Material Contract (other than any Consent that has already been obtained or otherwise satisfied), or (iv) result in the loss or impairment of any rights with respect to, or result in the imposition or creation of a Lien upon, any material assets of the Company.

(d) Brokers. The Company has not engaged, and does not and will not have any Liability for the payment of any fees or commissions to, any broker, finder, agent, investment banker, or financial advisor in connection with the Transaction, other than the Banker. The fees and commissions of the Banker shall be treated as Company Transaction Expenses.

(e) Capitalization. Schedule I, under the heading "Shares", sets forth the number and class of authorized, and issued and outstanding, shares of capital stock of the Company held by each Seller (collectively, the "Shares"). All of such issued and outstanding Shares have been duly authorized, are validly issued, fully paid, and nonassessable, and have been issued without violation of any applicable Laws (including securities Laws) or any Contracts or the Company's Organizational Documents as then in effect (including any preemptive and anti-dilution rights). The Company has no authorized, issued, or outstanding Equity Equivalents other than the Shares. The Company does not have any Subsidiaries. The Company does not hold of record or own beneficially, directly or indirectly, any Equity Equivalents of any Person.

(f) Financial Statements; Undisclosed Liabilities.

(i) Attached hereto as Schedule 4(f)(i) are the following financial statements of the Company or the Predecessor, as the case may be: (A) for the Predecessor, the U.S. Income Tax Return for an S Corporation for the fiscal years ended December 31, 2017 and December 31, 2018, which include the unaudited Schedule K Shareholders' Pro Rata Share Items, including a statement of ordinary business income, and Schedule L balance sheet per books, and (B) for the Company, the unaudited balance sheet and statements of income, changes in members' equity, and cash flows as of and for the fiscal year ended December 31, 2019 (collectively, the "Year-End Financial Statements") (December 31, 2019, the "Most Recent Balance Sheet Date", such balance sheet, the "Most Recent Balance Sheet", and such balance sheet and the statements of income, changes in members' equity, and cash flows for the fiscal year ended December 31, 2019, collectively, the "Most Recent Financial Statements" and, together with the Year-End Financial Statements, collectively, the "Financial Statements"). The Financial Statements (including the notes thereto, as applicable) are complete and correct in all material respects, have been prepared in accordance, and are consistent, with the books and records of the Company (which books and records are complete and correct in all material respects), and fairly and accurately present in all material respects the financial condition, results of operations, cash flows, and changes in financial position of the Company as of such dates and for such periods, in the case of the Most Recent Financial Statements in accordance with generally accepted accounting principles as in effect in the United States (as in effect as of the date the Most Recent Financial Statements were prepared, applied on a consistent (in all material respects) basis throughout the Financial Statements, except that the Predecessor Financial Statements were prepared on a cash basis for a subchapter S corporation, provided that the Most Recent Financial Statements are subject to normal year-end adjustments and lack footnotes (none of which adjustments or footnotes are or would be material in the aggregate) and other presentation items.

(ii) The Company does not have any Liabilities or commitments of a nature that would be required to be disclosed on a balance sheet in accordance with GAAP (as in effect as of the Most Recent Balance Sheet Date), except (A) those that are adequately reflected or reserved against on the Most Recent Balance Sheet, (B) those that have been incurred in the Ordinary Course of Business since the Most Recent Balance Sheet Date in an aggregate amount not in excess of $50,000, and/or (C) Company Transaction Expenses. The Company does not have any off-balance sheet Liabilities.

(g) Recent Events. Since December 31, 2018, no Material Adverse Effect has occurred, and, except as set forth on Schedule 4(g), the Company has not:amended its Organizational Documents;

(i) (A) issued or otherwise Transferred any of its Equity Equivalents, (B) redeemed or otherwise acquired any of its Equity Equivalents, (C) declared, set aside, or paid any dividend or other distribution in respect of any of its Equity Equivalents, or (D) split, combined, or reclassified any of its Equity Equivalents;

(ii) (A) acquired (by merger, consolidation, acquisition of stock or assets, or otherwise) any entity or business or division thereof, or otherwise acquired any assets for consideration in excess of $25,000, or (B) Transferred (or suffered any damage, destruction, or loss of, whether or not coverage by insurance) any assets with an aggregate value in excess of $25,000;

(iii) (A) made any change in the financial accounting, Tax accounting, Tax reporting, or cash or working capital management principles, methods, or practices used by it, except to the extent required by a change in applicable Law or United States generally accepted accounting principles that came into effect following December 31, 2018, (B) accelerated the collection of any accounts receivable, rights, claims, or other amounts owed to it, other than with respect to amounts that do not in the aggregate exceed $25,000, or (C) cancelled, postponed, or extended the payment of any accounts payable, Liabilities, or other amounts owed by it, other than with respect to amounts that do not in the aggregate exceed $25,000;

(iv) recognized any union or other labor organization, certificated any collective bargaining or similar Contract, entered into any collective bargaining or similar Contract, appraised or opposed any union organizing campaign, settled any material grievances or unfair labor practice charges, filed any unfair labor practice charges, or taken any similar action, in each case with respect to the Company or its current or former employees;

(v) (A) adopted, amended, otherwise modified, or terminated any Employee Plan except as required by applicable Law, (B) accelerated payment or vesting of amounts or benefits or amounts payable or to become payable under any Employee Plan, or (C) failed to make any required contribution to any Employee Plan;

(vi) (A) granted any increase in the compensation or benefits of any current or former director, manager, officer, employee, or independent contractor of the Company outside of the Ordinary Course of Business, (B) extended employment to, hired, or terminated any current or former director, manager, officer, employee, or independent contractor of the Company with annual compensation in excess of $30,000, or (C) made any loans or advances to, or entered into any other transactions with, any current or former director, manager, officer, employee, or independent contractor of the Company;

(vii) implemented any employee layoffs that could implicate the WARN Act;

(viii) incurred any Liabilities or commitments in respect of Funded Indebtedness (without regard to whether or not the same has been paid off or will be outstanding as of the Closing), other than in the Ordinary Course of Business under credit facilities in effect on December 31, 2018;

(ix) made any loans, advances, capital contributions, capital expenditures, or charitable or political contributions or pledges, in an aggregate amount for all cases in excess of $25,000;

(x) initiated any Action, or settled, had dismissed, or otherwise resolved any Action brought by or against it;

(xi) suffered or entered into any termination, revocation, suspension, nonrenewal, abandonment, material amendment, or material breach of any of its Permits, Material Contracts, Registered Intellectual Property, or insurance policies;

(xii) (A) made, revoked, or amended any Tax election, (B) executed any waiver of restrictions on assessment or collection of any Tax, (C) agreed to any extension of time with respect to a Tax assessment or deficiency, (D) entered into or amended any agreement or settlement with any Tax authority, or (E) failed to file any Tax Return required to be filed by it when due, or to pay any Taxes (including estimated Taxes) when due on any such Tax Return (or any Tax Return for which an extension has been granted) or otherwise;

(xiii) cancelled, waived, released, or written off any accounts receivable, rights, claims, or other amounts owed to it, or modified its credit, collection, or payment policies, in all cases other than in the Ordinary Course of Business with respect to amounts that do not in the aggregate exceed $25,000;

(xiv) taken any other action, or failed to take any action, outside the Ordinary Course of Business; or

(xv) entered into any term sheet, letter-of-intent, or legally binding commitment or Contract to take, or adopted any corporate or other resolution authorizing or approving, any of the foregoing actions.

(h) Litigation; Orders. Except as set forth set forth on Schedule 4(h)(1), there are not currently, and there have not been since the date that is three (3) years prior to the date hereof, any Actions (or, to the Knowledge of the Company, investigations by any Governmental Authority) pending (or, to the Knowledge of the Company, threatened) by or against, , otherwise materially affecting, the Company. To the Knowledge of the Company, no event has occurred or circumstance exists that would serve as a reasonable basis for the commencement of, or that would reasonably be expected to give rise to, any such Action or investigation. Except as set forth set forth on Schedule 4(h)(2), the Company is not subject to any unsatisfied payment obligations or ongoing equitable restrictions pursuant to any Order or settlement agreement or is subject to any Order or settlement agreement that does or would reasonably be expected to prevent or materially delay the consummation of the Transaction on or prior to the Outside Date. None of the Actions, investigations, and Orders set forth on Schedule 4(h) would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(i) Compliance with Laws and Permits.

(i) The Company is, and has been at all times since the date that is three (3) years prior to the date hereof, in compliance in all material respects with all applicable Laws. The Company has not, since the date that is three (3) years prior to the date hereof, received any written notice from any Governmental Authority regarding any actual or alleged violation by the Company or any director, manager, officer, employee, or independent contractor thereof acting in its capacity as such of any Law, or regarding any actual or potential investigation of the same.

(ii) Schedule 4(i)(ii) sets forth a complete and correct list of each Permit necessary or appropriate in all material respects for the Conduct of the Business (including any Permit required under applicable Laws and/or Material Contracts), and the issuance and expiration date with respect thereto (each Permit that is or should be set forth on such Schedule, a "Company Permit"). The Company (A) maintains and is in compliance in all material respects with each Company Permit, and (B) has timely and duly filed all applicable renewals and other filings required to have been filed with respect to each Company Permit. Each Company Permit is in full force and effect.

(j) Material Contracts.

(i) Schedule 4(j)(i) sets forth a complete and correct list of the following types of Contracts, solely to the extent they constitute Material Contracts of the Company:

(A) Any Contract (or group of related Contracts) with a Material Supplier;

(B) Any Contract under which the Company has made or has the right or obligation to make any (I) loans or advances to any of its current or former directors, managers, officers, employees, or other service providers, other than advances for expenses or in the Ordinary Course of Business, or (II) loans or advances to any other Persons;

(C) Any Contract under which the Company has any outstanding obligation or other Liability for any Funded Indebtedness (without regard to whether or not the same will be outstanding as of the Closing), or has the right or obligation to incur the same;

(D) Any Contract relating to the establishment of a joint venture, strategic alliance, revenue-sharing partnership, or similar arrangement, or an entity in which the Company holds of record or owns beneficially, directly or indirectly, any Equity

Equivalent;

(E) Any lease or other Contract pursuant to which the Company is granted, or grants to another Person, any rights with respect to any hardware, technology, or services related thereto, which hardware, technology, or services is or are material to the Conduct of the Business;

(F) Any collective bargaining Contract or other labor Contract or arrangement;

(G) Any Contract for the employment or engagement of any individual on a full time, part time, consulting, or other basis providing annual compensation (including base salary, commissions and bonuses) in excess of $30,000;

(H) Any profit sharing, equity option, equity appreciation, equity purchase, phantom equity, deferred compensation, severance, bonus, or other similar plans (whether in cash or otherwise) or arrangements for the benefit of the Company's current or former directors, managers, officers, employees, or other service providers;

(I) Any Contract under which the Company: (I) is bound (or is intended to be bound) by any non-competition, non-solicitation, or non-hire provisions, or any other provisions restricting its right to engage in any line of business or provide any goods or services; (II) has granted any exclusive rights; (III) has granted any options; (IV) has granted any rights of first offer or refusal; or (V) has granted any "most-favored-nation" right, special discount right, or similar right;

(J) Any Contract (or group of related Contracts) under which the Company: (I) has acquired, or has an ongoing right or obligation to acquire, any entity or business or division or material portion thereof (by merger, consolidation, acquisition of equity or assets, or otherwise), or any other assets that are material in amount or nature outside the Ordinary Course of Business; or (II) has Transferred, or has an ongoing right or obligation to Transfer, any assets that are material in amount or nature outside the Ordinary Course of Business, in each case within the foregoing clauses (I) and (II), which Contract was entered into since the date that is three (3) years prior to the date hereof or otherwise may contain any remaining rights or obligations, whether or not contingent;

(K) Any Contract (or group of related Contracts) under which the Company has or will have any minimum purchase obligations requiring purchases in an amount that would reasonably be expected to exceed in any year $10,000 individually for such Contract (or group of related Contracts) (including any such Contract that contains a penalty or "take-or-pay" provision for failure to purchase such amount); and

(L) Any other Contract (or group of related Contracts) that is material to the Conduct of the Business.

(ii) Each Material Contract constitutes a legal, valid, and binding obligation of the Company, in full force and effect and enforceable in accordance with its terms and conditions against the Company (and, to the Knowledge of the Company, each other party thereto). The Company is not (and, to the Knowledge of the Company, no other party to any such Material Contract is) in material breach of or default under any Material Contract, with or without the lapse of time or the giving of notice or both. Since the date that is twelve (12) months prior to the date hereof, no other party to any Material Contract has materially reduced or otherwise materially adversely modified the business conducted under such Material Contract, has communicated written notice threatening or stating its intention to do so or to terminate such Material Contract, or has provided written notice claiming a breach of or default under, or repudiating any material provision of, such Material Contract.

(k) Title to and Sufficiency of Assets. With respect to the assets (whether real or personal, and whether tangible or intangible) that are used in the Conduct of the Business or located on the Leased Real Property, (i) the Company has good and marketable title to, or a legal, valid, and binding leasehold interest in or license to use, all such assets, in each case free and clear of all Liens (other than Permitted Liens), (ii) such title, leasehold interest, or license is not shared by the Company with any other Person, and (iii) such assets constitute all assets necessary or appropriate for the Conduct of the Business, in all cases within the foregoing clauses (i) through (iii), excluding such assets that are not in the aggregate material. Without limiting the foregoing, the Company has good and marketable title to all Owned Intellectual Property, and a legal, valid, and binding leasehold interest in or license to use all all Leased Real Property and Licensed Intellectual Property, in each case free and clear of all Liens (other than Permitted Liens).

(l) Condition and Possession of Personal Tangible Assets. All personal tangible assets owned by or leased to the Company are in good operating condition and repair, are free from defect (patent or latent), and are adequate for their use in the Conduct of the Business, in each case except for (i) damage and defects that are not in the aggregate material, and (ii) ordinary wear and tear. All personal tangible assets used in the Conduct of the Business are under the possession and control of the Company, except for such assets as are in-transit, out for routine maintenance or repair, or in the warehouses and other locations set forth on Schedule 4(l), or that not in the aggregate Material.

(m) Real Property.

(i) The Company does not have, and has never had, any Owned Real Property.

(ii) The Company does not have, and has never had, any Leased Real Property.

(iii) Except as set forth on Schedule 4(m), the Compnay does not use, operate, occupy or have an option or right to acquire any real estate (including the use of any co-working space).

(n) Intellectual Property. Schedule 4(n)(i) sets forth a complete and correct list, as of the date hereof (including application number, registration number or equivalent identifying information, where applicable, and jurisdiction) of all Trademarks and Domain Names which are registered by, or with respect to which applications for registrations have been submitted to, a Government Authority or other organization or entity having authority over the issuance and maintenance thereof (collectively "Issuing Authority"), in the name of, or which have been assigned of record to, the Company (collectively "Registered Intellectual Property"). The Company does not have any Patents or Copyrights which are registered by, or with respect to which applications for registrations have been submitted to any Issuing Authority. With respect to the Registered Intellectual Property, the Company is listed in the records of the appropriate Issuing Authority as the sole current owner of, or registrant with respect to, each application or registration of such Registered Intellectual Property. No filing with nor payment to any Issuing Authority is due within ninety (90) days of the date hereof. The Company is currently in compliance in all material respects with all legal, regulatory, administrative or contractual requirements of the Issuing Authority with respect to each such registration or application.

(i) With respect to the Trademarks listed or required to be listed on such Schedule 4(n)(i), (collectively "Registered Trademarks"), each application therefor, affidavit of use relating thereto, and registration thereof, was true and accurate in all material respects when filed or issued, as applicable. Each of the Registered Trademarks has been and continues to be used in the country in which such Trademark is registered on all of the goods or in connection with all of the services identified in the applicable registration (or application).

(ii) Schedule 4(n)(iii) sets forth a true and complete list of all (1) Material unregistered Trademarks and (2) Material Unregistered Copyrights in each case used or held for use by the Company in the Business, provided that this clause (ii) shall not include or apply to any such asset constituting Licensed Intellectual Property.

(iii) All Company Intellectual Property is valid and enforceable and all right, title and interest therein is owned by the Company free and clear of all liens, claims, encumbrances or adverse interests. The Company has not taken any action (or failed to take any action), conducted its Business, or used or enforced any of the Company Intellectual Property constituting Trademarks, or failed to use or enforce any such Trademarks, in each case in a manner that would result in (i) the abandonment, cancellation, forfeiture, relinquishment, or unenforceability of any of such Trademarks, and (ii) a Material Adverse Effect; and the Company has taken all steps to protect the Company's rights in and to each of such Trademarks that are reasonable under the circumstances.

(iv) The Company has used Licensed Intellectual Property solely pursuant to one or more agreements or instruments, each of which is identified in Schedule 4(n)(v) (each an "Inbound Intellectual Property License").

(v) Schedule 4(n)(vi) contains a complete and accurate list of all licenses, sublicenses, agreements and other rights granted by the Company to any third party with respect to any Company Intellectual Property ("Outbound Intellectual Property License" and, collectively with Inbound Intellectual Property Licenses, "Intellectual Property Licenses"). Other than rights in Company Intellectual Property arising under an Intellectual Property License disclosed in Schedule 4(n)(vi), to the Knowledge of the Company, no Person has any rights in or to any Company Intellectual Property, including through grant of any option, license, assignment or agreement of any kind.

(vi) All Outbound Intellectual Property Licenses and, to the Company's Knowledge, all Inbound Intellectual Property Licenses, are valid and enforceable, and until and following the Closing, will remain, in full force and effect, and the Company has performed in all material respects all obligations imposed upon it under the Intellectual Property Licenses. The Company is not, and, to the Company's Knowledge, no other party thereto, is in breach of or default of any Intellectual Property License that would have a Material Adverse Effect nor, to the Company's Knowledge, is there any event which with notice or lapse of time or both would constitute a default thereunder and would have a Material Adverse Effect, and there are no written notices of any disputes or disagreements with respect to any Intellectual Property Licenses.

(vii) The rights of the Company in and to the Business Intellectual Property are sufficient to permit the Company to operate its Business after the Closing in all material respects substantially as operated immediately prior to the Closing. To the Company's Knowledge, the consummation of the transactions contemplated by this Agreement will not impair any right of the Company in or to any Business Intellectual Property in existence immediately prior thereto.

(viii) Since the date that is three (3) years prior to the date hereof, no third party has infringed, misappropriated, or otherwise violated any Company Intellectual Property in a manner that would have a Material Adverse Effect. The Company has the right to bring actions against any Person that is infringing any Company Intellectual Property and to retain for itself any damages recovered in any such action. The Company has not entered into any agreement granting any third party the right to bring infringement actions or otherwise to enforce rights with respect to the Company Intellectual Property.

(ix) The Company has taken reasonable steps to maintain the confidentiality of all Trade Secrets included within the definition of Company Intellectual Property, including the adoption and implementation of physical, administrative and electronic security measures and controls over physical and electronic assets. To the Company's Knowledge, there has been no misappropriation of any such Trade Secrets by any Person, and no such Trade Secrets have been used by, disclosed to or discovered by any Person, except pursuant to valid and appropriate non-disclosure, assignment and/or license agreements that have not been breached, that would have a Material Adverse Effect. The Company either owns or has adequate rights under an Inbound Intellectual Property License to use in its Business all Trade Secrets relating to all of its existing and currently planned products and services.

(x) Each present or past employee, officer, consultant or any other Person who is an inventor, author, contributor to, or creator of any Company Intellectual Property or portion thereof (i) is subject to a confidentiality obligations to Company, and (ii)

conveys ownership of all Intellectual Property developed by such Person within the scope of such Person's employment or engagement with the Company pursuant to a written agreement or applicable Laws.

(xi) To the Company's Knowledge, no employee or consultant of the Company is in violation of such agreement, nor of any similar agreement with any other Person. The Company has made available to the Buyer complete and correct copies of all such agreements.

(xii) The conduct of its Business as currently conducted and the use of the Business Intellectual Property do not infringe, misappropriate or otherwise violate or dilute the Intellectual Property of any other Person or any rights of publicity, privacy, or commercial exploitation of such Person's identity, nor within the previous three (3) years have infringed, misappropriated or otherwise violated or diluted, any Intellectual Property of any other Person or any rights of publicity, privacy, or commercial exploitation of such Person's identity. To the Company's Knowledge, no claims are pending or threatened, against the Company thereof by any Person, nor, within the previous three (3) years has any claim been asserted against the Company in any action or proceeding: (i) with respect to the ownership, validity, enforceability, effectiveness or use in its Business of any Company Intellectual Property, (ii) contesting the right of the Company to use any of its products, processes or services currently or previously used by the Company, or (iii) alleging infringement, misappropriation or violation of the Intellectual Property rights of any other Person. There is no pending, or, to the Company's Knowledge, threatened, opposition, interference or cancellation proceeding before any governmental entity in any jurisdiction against any registrations or applications relating to the Company Intellectual Property that would have a Material Adverse Effect. The Company has not entered into any agreement to indemnify any other Person against any charge of infringement of any third party Intellectual Property.

(xiii) No Company Intellectual Property that consists, in whole or in part, of Computer Software ("Company Owned Software") contains: (i) any Disabling Devices; or (ii) any Material errors or defects (other than those errors or defects that were timely remedied and which did not, individually or in the aggregate, cause Company or any licensee thereof to suffer any Material Adverse Effect), and do not have any Material recurring malfunctions; and (iii) any Strong Open Source Materials.

(xiv) The Company possesses a current, accurate and complete copy of the source code to all of Company Owned Software. No other Person has a copy of any Company Owned Software or any portion thereof. The Company has stored all Company Owned Software in accordance with adequate protocols and procedures designed to protect it from disclosure to unauthorized Persons, including maintaining a secure source code repository, and pursuant to adequate procedures for tracking access to, development and use of Company Owned Software by its own personnel and any other Person. The Company has not expressly authorized any Person to reverse engineer, disassemble, decompile or to take any other action that would allow such Person to discern or create source code of Company Owned Software

Neither this Agreement, nor the transactions contemplated hereby will result in (i) any third party being granted rights or access to, or the placement in or release from escrow, of any source code for any Company Owned Software, or (ii) the Company granting to any third party any right, title or interest to or with respect to any Company Owned Software.

(o) Privacy; Data Security.

(i) The Company is in compliance in all Material respects with all applicable Privacy Laws, Privacy Policies and Privacy Contracts, and has collected, processed, stored, maintained, transferred, disclosed, secured, shared, or otherwise used Personal Information in compliance in all material respects with all applicable Privacy Laws, Privacy Policies and Privacy Contracts. There has been no notice to, complaint against, or Action (or, to the Company's Knowledge, investigation) commenced against the Company by any Person (including any Governmental Authority) related to the collection, use, storage, distribution, transfer, or disclosure of, or unauthorized access to, Personal Information.

(ii) The Company has complete and accurate records of all Persons who have notified the Company of such Person's election not to receive any electronic communications or solicitations ("Opt-out Notifications") from or on behalf of the Company. The Company has complied with all such Opt-out Notifications.

(iii) To the Company's Knowledge, the execution, delivery, or performance of this Agreement and consummation of transactions contemplated hereby will not violate any applicable Privacy Laws, Privacy Policies or Privacy Contracts or result in or give rise to any right of termination or other right to impair or limit Buyer's rights to own or use any Personal Information used in or necessary for the conduct of the Business as presently conducted. Each Privacy Policy, and all materials distributed or marketed by the Company have at all times made all disclosures to employees, users, customers, prospective customers, and other applicable parties as the case may be, required by applicable Laws and none of such disclosures made or contained in any such materials have been inaccurate, misleading, or deceptive or in violation of any applicable Laws.

(iv) There has been no notice to, complaint against or audit, proceeding or investigation conducted or claim asserted with respect to the Company by any Person (including any Governmental Authority) related to the collection, processing, use, storage, distribution, transfer, or disclosure of Personal Information (each such event, an "Information Incident") that would have a Material Adverse Effect. To the Company's Knowledge: (i) no Information Incident has been overtly threatened, including the receipt of a demand for payment at the risk of losing access to data, and (ii) no event has occurred or circumstance exists that would have a Material Adverse Effect.

(v) The Company is, and for the past five (5) years has been, in compliance with applicable PCI Requirements.

(p) Information Technology.

(i) All Computer Software, databases, compilations, Computer Hardware, microprocessors, networks, firmware and other information technology and communications equipment used in connection with the operations of the Business as presently conducted (collectively, the "Information Technology") is either owned by, or leased or licensed to, the Company. All of the Information Technology owned by the Company is held by the Company as the sole, legal and beneficial owner and is held free and clear of Liens other than Permitted Liens.

(ii) To the Company's Knowledge, the Material Computer Hardware owned by the Company or used in the Business have not suffered any Material malfunction that that would have a Material Adverse Effect.

(iii) To the Company's Knowledge, no Computer Software that is used by the Company pursuant to Inbound Intellectual Property Licenses contains any recurring malfunctions that would have a Material Adverse Effect.

(iv) The Company has in place and maintains in effect business continuity plans, procedures and facilities appropriate for the nature of the risks associated with its Business. The Company also has in place and implements reasonable redundancy and disaster recovery plans and procedures designed to restore the Company's information and data processing services in the event of a disaster. All such plans have been periodically tested and no such test has revealed any material deviation or flaws in such plans, except for such deviation or flaws that have been remedied.

(v) The Company has in place, maintains, and complies with anti-virus and malware protection, and administrative, physical and technical security measures and safeguards, consistent with industry best practices, that are designed to protect Business data and Personal Information it receives against illegal or unauthorized access or use by its personnel or third parties (collectively, the "Security Measures"). Except as set forth in Schedule 4(p)(v), to the Company's Knowledge, no Person has gained unauthorized access to or made any unauthorized use of Personal Information collected or received by the Company.

(q) Tax Matters.

(i) The Company has timely filed all Tax Returns that it was required to file. All such Tax Returns are complete and correct in all respects. Except as reflected on the Estimated Balance Sheet, all Taxes owed by the Company (whether or not shown on any Tax Return) have been paid. The Company is not the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made by an authority in a jurisdiction in which the Company does not file Tax Returns that the Company is or may be subject to Taxation by that jurisdiction. There are no Liens on any of the assets of the Company that arose in connection with any failure (or alleged failure) to pay any Tax.

(ii) Except as reflected on the Estimated Balance Sheet, the Company has (A) withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third-party, and (B) materially complied with all filings required with respect thereto, including IRS Forms W-2 and 1099.

(iii) Except as reflected on the Estimated Balance Sheet, no dispute or claim concerning any Tax Liability of the Company or its assets or operations has been claimed, threatened, or raised by any authority in writing. Schedule 4(q)(iii) sets forth all jurisdictions in which federal, state, local, and foreign Tax Returns are filed with respect to the Company and indicates those Tax Returns that have been audited or that are currently the subject of audit. The Company has made available to the Buyer complete and correct copies of all federal income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by the Company for periods with respect to which the relevant statue of limitations has not yet expired.

(iv) There are no powers of attorney currently outstanding with respect to any Tax matter relating to the Company or its assets or operations.

(v) The Company has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(vi) Except as reflected on the Estimated Balance Sheet, the Company is not required to include any item in, or exclude any item of deduction from, Taxable income for any Taxable period (or portion thereof) (or pay a Tax) ending after the Closing Date as a result of (A) any adjustment pursuant to Code §481(a) by reason of a change in accounting method (and the Company does not have an application pending with the IRS or any other Tax authority requesting permission for any change in accounting method); (B) any "closing agreement" as described in Code §7121 (or any corresponding or similar provision of state, local, or non-U.S. income Tax Law) executed on or prior to the Closing Date; (C) any installment sale or open transaction disposition made on or prior to the Closing Date; (D) any prepaid amount received on or prior to the Closing Date; (E) an election under Code §108(i) (or any corresponding or similar provision of state, local, or non-U.S. income Tax law) made or existing on or prior to the Closing Date; (F) the use of an improper method of accounting for a Taxable period ending on or prior to the Closing Date; or (G) Code §951, §951A or §965 (or any corresponding or similar provision of state, local, or foreign Tax law) with respect to amounts earned on or before the Closing Date.

(vii) The Company (A) is not a party to any Tax allocation or Tax sharing agreement and does not have an obligation to make a payment under such an agreement; and (B) has not been a member of an affiliated group within the meaning of Code §1504 (or any similar group defined under a similar provision of state, local or foreign Law) filing a consolidated, combined, or unitary Tax Return.

(viii) Schedule 4(q)(viii) sets forth all closing agreements, Tax rulings, offer in compromise, gain recognition agreement, or other agreement in respect of Taxes with any Governmental Authority requested or received from any Governmental Authority with respect to the Company.

(ix) The unpaid Taxes of the Company (A) did not, as of the most recent fiscal month end, exceed the reserve for Tax liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth in the Most Recent Balance Sheet, and (B) do not exceed that reserve as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of the Company in filing its Tax Returns. Since the Most Recent Balance Sheet Date, the Company has not incurred any Liability for Taxes arising from extraordinary gains or losses, as such term is used in GAAP, outside the Ordinary Course of Business.

(x) The Company (A) has not been the distributing corporation or controlled corporation with respect to a transaction described in Code §§355 or 361; (B) does not have a permanent establishment or office or fixed place of business outside the United States; and (C) does not have an overall foreign loss described in Code §904(f).

(xi) The Company (A) has not participated in a Tax shelter or listed transaction within the meaning of Treasury Regulations §1.6011-4(c); and (B) is not and has not been party to any "reportable transactions" as defined in Code §6707A(c)(1) and Treasury Regulations §1.6011-4(b), and is not and has not been subject to any penalty under Code §6707A, in any case, for a taxable year for which the applicable statue of limitations has not yet expired.

(r) Labor Matters.

(i) Schedule 4(r)(i)(A) sets forth a list of each employee and independent contractor of the Company, and each such individual's name, date of hire or appointment, title or position (including whether full- or part-time), Fair Labor Standards Act designation, accrued and unused vacation, fringe benefits, immigration status, and a detailed description of each such individual's compensation, including current base salary or wages rates, commissions, bonus opportunities, severance obligations, notice rights, and deferred compensation (each, a "Business Employee"). Schedule 4(r)(i)(A) also lists each Business Employee who is on inactive status, including lay-off, approved or unpaid leaves of absence or salary continuation, long-term or short-term disability leave, pregnancy and parental leave, or other extended absences, or receiving benefits pursuant to workers' compensation legislation, and specifies the last date of active employment or engagement for such individual, the reason for such absence, and the expected return date of such individual. Except as set forth on Schedule 4(r)(i)(B), no Business Employee provides services in a jurisdiction other than the United States.

(ii) To the Knowledge of the Company, no employee of the Company is obligated under any Contract (including any license, covenant, or commitment of any nature), or is subject to any Order, that would materially interfere with such employee's ability to promote the interest of the Company or that would conflict with the Conduct of the Business. The Company is not party or subject to, or currently negotiating, any collective bargaining agreement, and there are no labor unions or other organizations representing, claiming to represent, or attempting to represent any employee employed by the Company. Within the three (3) years prior to the date hereof, there has not occurred or been threatened any strike, slowdown, picketing, work stoppage, concerted refusal to work overtime, or other similar labor activity with respect to any employee employed by the Company and, to the Knowledge of the Company, no event has occurred or circumstance exists that would serve as a reasonable basis for the commencement of, or that would reasonably be expected to give rise to, any strike, slowdown, picketing, work stoppage, concerted refusal to work overtime, or other similar labor activity that would cause a Material Adverse Effect. There are no employment disputes currently subject to any grievance procedure, arbitration, litigation or other proceeding. There are no pending or, to the Knowledge of the Company, threatened filings of any unfair labor practice charges or certification petitions regarding representation of employees at the National Labor Relations Board or other similar agencies.

(iii) The Company has complied in all material respects with all applicable Laws relating to the employment or termination of employment of employees and the employment of labor, including provisions thereof relating to immigration and citizenship (including completion and processing of Forms I-9 for all employees in accordance with applicable Laws), wages, hours, pay equity, equal opportunity, employment discrimination and practices, retaliation, "whistleblower" rights, civil rights, collective bargaining, the Fair Labor Standards Act, the WARN Act, occupational health and safety, workers' compensation, unemployment, and the payment of social security and other taxes.

(iv) All directors, managers, officers, employees, independent contractors, and other service providers of the Company are terminable at will by the Company upon not more than thirty (30) days' notice and without material cost or penalty to the Company. There is no officer, executive, key employee, or key group of employees of the Company who has indicated in writing an intention to terminate his, her, or their employment with the Company, and to the Knowledge of the Company, no officer, executive, key employee or key group of employees has any plans to terminate such employment. The Company has not, since the date that is three (3) years prior to the date hereof, effectuated a "plant closing" or "mass lay-off" (in each case as defined in the WARN Act), in either case affecting any site of employment or facility of the Company.

(v) Except as set forth on Schedule 4(r)(v), with respect to each Business Employee that provides services to the Company, either directly or indirectly, that is characterized by the Company as an individual independent contractor or service provider (each, an "Independent Contractor"), such Independent Contractor is party to a written agreement with the Company or, in the case of indirect Independent Contractors, with such Person that makes the services of such Independent Contractor available to the Company, as applicable, in substantially the form of such agreements as have been provided to Buyer. In addition, such Contracts constitute bona fide agreements whereby all Independent Contractors are independent contractors to, and are not employees of, the Company. There are no disputes, claims, charges or allegations pending or, to the Knowledge of the Company, threatened at law or in equity before any Governmental Authority that challenge (A) the Company's compliance under any applicable Law, (B) the independent contractor nature of such contracts or any Independent Contractor's work status, or (C) other understandings or arrangements with Independent Contractors of any nature whatsoever. Each Independent Contractor is and has been properly characterized as an independent contractor based on the applicable standards under applicable Law, and the Company is not required to pay or withhold employment or income Taxes in respect of any amounts paid to any Independent Contractor, or to permit such Independent Contractor to participate in any

Employee Plan or receive any benefits or remuneration under any Employee Plan in respect of such non-employee service, in either case as would be adverse to the operation of the Business. Except as set forth on Schedule 4(r)(v), no Independent Contractor or group of Independent Contractors has indicated an intention to cease providing services to the Seller and, to the Knowledge of Seller, no Independent Contractor or group of Independent Contractors has any plans to cease providing services to the Seller, in either case as would be adverse to the operation of the Business.

(vi) Within the three (3) years prior to the date hereof, no allegation of sexual harassment or sexual misconduct has been brought or threatened against (A) any current or former director, manager, or officer of the Company, or (B) any current or former employee or independent contractor of the Company who, directly or indirectly, supervises or has managerial oversight over (or supervised or had managerial oversight over) any other current or former employees or independent contractors of the Company and, to the Knowledge of the Company, no event has occurred or circumstance exists that would serve as a reasonable basis for any such allegation of sexual harassment or sexual misconduct. Within the six (6) years prior to the date hereof, the Company has not entered into any settlement agreement related to allegations or threatened allegations of sexual harassment or sexual misconduct by any current or former director, manager, officer, employee, independent contractor, or other service provider of the Company.

(s) Employee Benefits.

(i) Schedule 4(s)(i) sets forth a complete and correct list of each Employee Plan. With respect to each Employee Plan, the Company has made available to the Buyer complete and correct copies of: (A) such Employee Plan, if written, or a description of such Employee Plan, if not written; and (B) to the extent applicable to such Employee Plan, (I) all trust agreements, insurance contracts, or other funding arrangements, (II) the three (3) most recent Form 5500 (including all schedules thereto) required to have been filed with the IRS or the Department of Labor and all schedules thereto, (III) the most recent IRS determination, advisory, or opinion letter, (IV) all current employee handbooks or manuals, (V) all current summary plan descriptions, (VI) all material communications received from or sent to the IRS or the Department of Labor (including a written description of any oral communication) within the last calendar year, and (VII) all amendments and modifications to any such document.

(ii) Each Employee Plan has been operated and administered in material compliance with its terms and has been established, operated, and administered in material compliance with applicable Laws, including ERISA and the Code. All contributions (including all employer contributions and employee salary reduction contributions) and premiums required to have been paid to any Employee Plan under the terms of such Employee Plan (or its related trust, insurance contract or other funding arrangement) or pursuant to any Law have in all material respects been made within the time periods prescribed by such Employee Plan or Law, and all such contributions and premiums or other payments required to be made or paid for all periods ending on or before the Closing Date have in all material respects been or will be, as the case may be, paid or accrued with respect to each Employee Plan. There is no material Action pending or, to the Knowledge of the Company, threatened against any Employee Plan or the assets of any Employee Plan (other than routine claims for benefits) and, to the Knowledge of the Company, no event has occurred or circumstance exists that would reasonably be expected to give rise to the commencement of any such material Action.

(iii) Except as set forth on Schedule 4(s)(iii), no Employee Plan is subject to any Laws other than those of the United States or any state, county, or municipality in the United States.

(iv) Each Employee Plan intended to be qualified under §401(a) of the Code, and the trust (if any) forming a part thereof, is so qualified and has received a favorable determination, advisory, or opinion letter from the IRS as to its qualification under the Code and to the effect that each such trust is exempt from taxation under §501(a) of the Code and, to the Knowledge of the Company, nothing has occurred since the date of such determination, advisory, or opinion letter that could adversely affect such qualification or tax-exempt status.

(v) No Employee Plan is, or has been within the six (6) years prior to the date hereof, (A) a "multiple employer plan" for purposes of §§4063, 4064, or 4066 of ERISA, (B) a "multiemployer plan" within the meaning of §§3(37) or 4001(a)(3) of ERISA, (C) subject to §§412 or 302 of the Code or Title IV of ERISA, (D) a "multiple employer welfare arrangement" as defined in §3(40) of ERISA, (E) "voluntary employees' beneficiary association" (as defined in §501(c)(9) of the Code) or other funded arrangement for the provision of welfare benefits, or (F) a welfare benefit plan that is self-insured. Neither the Company nor any ERISA Affiliate has incurred any material Liability (including as a result of any indemnification obligation) under Title I or Title IV of ERISA for which the Company would reasonably be expected to be liable, and no condition exists that would reasonably be expected to subject the Company, either directly or by reason of affiliation with an ERISA Affiliate, to any material Tax, fine, Lien, or other Liability imposed by ERISA, the Code, or other applicable Law. No assets of the Company are subject to any Lien under ERISA or the Code. There has been no prohibited transaction described in §406 of ERISA or §4975 of the Code for which an exemption is not available with respect to any Employee Plan. To the Knowledge of the Company, no fiduciary, as described in §3(21) of ERISA, of any Employee Plan has any material Liability for breach of fiduciary duty or any other failure to act or comply in connection with the administration or investment of the assets of any Employee Plan.

(vi) The Company does not maintain, sponsor, contribute or have any obligation to contribute to, or have any Liability with respect to, and would not reasonably be expected to have any Liability with respect to, any Employee Plan providing health or life insurance or other welfare-type benefits for former, current, or future retired or terminated employees or service providers (or any spouse or other dependent thereof) other than as mandated by the group health plan continuation coverage requirements of Part 6 of Subtitle B of Title I of ERISA and §4980B of the Code, and of any similar state Law.

(vii) The Company (i) has complied, in all material respects, with the requirements of the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010, and the regulations and related guidance promulgated thereunder, (ii) has no, and has had no, Liability for a penalty or assessable payment under §4980H of the Code

and does not reasonably expect to, have any Liability for such a penalty or assessable payment, (iii) has timely and accurately filed and distributed Forms 1094-C and 1095-C in accordance with the requirements of §§6055 and 6056 of the Code and the regulations and related guidance promulgated thereunder, and (iv) for each month through the date hereof, has properly identified each employee who is a "full-time employee", as defined in §4980H of the Code and the regulations and related guidance promulgated thereto.

(viii) The Company does not have, and would not reasonably be expected to have, any material Liability for Taxes under §§4975 through 4980 or §§4980B through 4980H of the Code.

(ix) The consummation of the Transaction (either alone or in combination with another event) will not (A) entitle any current or former director, manager, officer, employee, or consultant of the Company to severance pay, change in control payments, or any other payment, (B) accelerate the time of payment or vesting, or increase the amount of compensation due any such individual, (C) require any contributions or payments to fund any obligations under any Employee Plan, or cause the Company to transfer or set aside any assets to fund any Employee Plan, (D) limit or restrict the right to amend, terminate, or transfer the assets of, any Employee Plan, or (E) result in any prohibited transaction described in §406 of ERISA or §4975 of the Code for which an exemption is not available. The consummation of the Transaction (either alone or in combination with another event) will not give rise to any payment (or acceleration of vesting of any amount or benefit) that will be an "excess parachute payment" as defined in §280G of the Code.

(x) Neither the Company, nor any current or former director, manager, officer, employee or service provider thereof, has incurred any material Liability (including as a result of any indemnification obligation) arising out of or related to §409A of the Code, and no event has occurred or circumstance exists that would reasonably be expected to give rise to any such material Liability. The Company is not a party to, nor otherwise obligated under, any Contract, agreement, plan, or arrangement that provides for the gross-up of Taxes imposed by §§409A(a)(1)(B) or 4999 of the Code.

(xi) The Company does not have any legally binding plan or commitment to create any additional Employee Plan or to modify or change any existing Employee Plan that would be reasonably expected to result in material Liability to the Company, except as may be required by applicable Law.

(t) Suppliers.

(i) Schedule 4(t)(i) sets forth a complete and correct list of the names of the ten (10) largest suppliers and/or vendors (with Affiliated supplier and/or vendor groups being aggregated as one supplier or vendor for such purpose) based on purchases (including their respective purchase amounts and percentages of total purchases for the applicable period), of the Company, in each case in each of the two most recently completed full fiscal years (each supplier or vendor that is (or should be) set forth on Schedule 4(t)(i), a "Material Supplier").

(ii) No Material Supplier has materially reduced or otherwise materially adversely modified the business it has conducted with the Company from the volume of business set forth on Schedule 4(t)(i) or provided written notice threatening or stating its intention to do so or to terminate its relationship with the Company (whether or not arising as a result of the contemplated Transaction). There are no existing disputes between the Company and any Material Supplier. To the Knowledge of the Company, no Material Supplier is contemplating or threatened with any bankruptcy, insolvency, or similar proceeding.

(u) Insurance.

(i) Schedule 4(u)(i) sets forth, with respect to each insurance policy issued to the Company, or to which the Company or any director, manager, officer, or employee thereof is a named insured or otherwise the beneficiary of coverage: (A) the type of policy; (B) the name of the insurer, policyholder, and each covered insured; (C) the name and address of the agent; and (D) the policy number, premiums, deductibles, limits, and period of coverage thereunder. The Company does not participate in any self-insurance or co-insurance programs.

(ii) With respect to each such insurance policy: (A) such policy is legal, valid, binding, enforceable, and in full force and effect; (B) the Company is not in breach of or default under such policy, with or without the lapse of time or the giving of notice or both, which breach or default would permit acceleration, material modification, termination, or material denial of coverage under such policy; and (C) the Company has not received written notice from the insurer threatening or stating its intention to materially increase the premiums under, repudiate any material provision of, otherwise materially adversely modify, or terminate, such policy.

(v) Related Party Transactions. Except as set forth on Schedule 4(v)(1), since the date that is two (2) years prior to the date hereof, no (x) Seller, or (y) current or former Related Party of the Company or any Seller, has done any of the following (or has been a partner, joint venturer, director, manager, trustee, officer, employee, independent contractor, agent or equityholder (excluding *de minimis* holdings in publicly traded companies) of any Person that has done any of the following), in each case whether directly or indirectly:

(i) been party to any Contract, transaction, or other relationship with the Company, other than the Sellers' receipt of dividends and distributions in cash;

(ii) owned, or held any leasehold interest in or license to, any assets that are material to the Conduct of the Business; or

(iii) participated or engaged in any business or enterprise that is or was competitive with the Business.

Except as set forth on Schedule 4(v)(2), each Contract, transaction, or other relationship that is or should be set forth on Schedule 4(v)(1)(i) has been made on an arm's-length basis on terms no less favorable to the Company than those that would have been obtained with a Person that is/was not a Seller or Related Party.

(w) Service Liability and Warranties.

(i) Since the date that is three (3) years prior to the date hereof, the Company has not incurred any Liabilities or received written notice of any claims, in all cases for amounts in excess of $25,000 in the aggregate (whether or not currently outstanding), arising from any actual or alleged breach of, or failure to meet, any express or implied warranty (including any warranty of merchantability or fitness), other Contractual commitment, any applicable standard, any applicable Law, or any specification of any Governmental Authority, in each case relating to any services that have been provided by the Company ("Company Service"). No such Liabilities or claims are currently outstanding, and no event has occurred or circumstance exists that would reasonably be expected to give rise to any such Liabilities, or that would serve as a reasonable basis for the commencement of any such claims. Since the date that is three (3) years prior to the date hereof, all Company Services have been sold in conformity with all express (and to the Knowledge of the Company, implied) warranties (including any warranty of merchantability or fitness) and other Contractual commitments.

(ii) Attached hereto as Schedule 4(w)(ii) are complete and correct copies of the warranty terms, if any, applicable to all Company Services. The Company has not issued or granted any warranty, guaranty, indemnity, or right of return with respect to any Company Service that deviates in any material respect from the warranty terms attached hereto as Schedule 4(w)(ii).

(x) Accounts Receivable. The outstanding accounts receivable set forth on the Most Recent Balance Sheet (excluding any such accounts receivable received, cancelled, waived, released, or written off as uncollectible since the Most Recent Balance Sheet Date and in each case disclosed, if so required, on Schedule 4(g)) (i) represent valid obligations arising from bona fide sales actually made, or services actually performed, in the Ordinary Course of Business on an arm's-length basis (which obligations, to the Knowledge of the Company, are valid and enforceable against the account debtor), (ii) are collectible in full in the Ordinary Course of Business, and (iii) are not subject to any reductions, rebates, claims, defenses, or offsets, in each case within the foregoing clauses (ii) and (iii), subject to any reserve for bad debts identified on the Most Recent Balance Sheet.

(y) Full Disclosure. The Company has made available to the Buyer a complete and correct copy of each of the Contracts, plans, insurance policies, and other documents set forth or referenced (or required to be set forth or referenced) on the Disclosure Schedules and all amendments, supplements, or other modifications thereto. Each description of any such Contract, plan, insurance policy, or other document on the Disclosure Schedules includes all such amendments, supplements, or other modifications thereto.

5. Covenants.

(a) Further Assurances. From and after the Closing, each Party shall, and shall cause its Affiliates and Representatives to, take such further actions and execute and deliver such further documents (in form and substance reasonably satisfactory to such Party) as may be reasonably requested by any other Party to carry out the purposes of this Agreement or any Ancillary Agreement, at the sole cost and expense of the requesting Party (unless the contesting or defending Party is entitled to indemnification therefor pursuant to the terms hereof). Without limiting the foregoing, from and after the Closing, the Sellers' Representative and each Seller shall, at its sole cost and expense, use its reasonable best efforts to assist the Company in obtaining or otherwise satisfying all Consents set forth on Schedule 4(c)(iii), including by paying any reasonable costs of, or reasonable consideration to, any third party in order to obtain or otherwise satisfy such Consents.

(b) Litigation Support. From and after the Closing, in the event and for so long as any Party or Affiliate thereof is contesting or defending any Action relating to either (i) a fact, event, or condition in existence or occurring at or prior to the Closing involving the Company, or (ii) the Transaction (in each case within the foregoing clauses (i) and (ii), other than any Action between any of the Buyer, the Company, and/or any of their Affiliates, on the one hand, and the Sellers' Representative, any Seller, and/or any of their Affiliates, on the other hand), each other Party shall, and shall cause its Affiliates and Representatives to, cooperate with such contesting or defending Party or Affiliate thereof and its counsel in such defense or contest, including by making available its personnel and providing such testimony and access to its books and records as shall be reasonably necessary or advisable in connection with such contest or defense, in each case at the sole cost and expense of the contesting or defending Party (unless the contesting or defending Party is entitled to indemnification therefor pursuant to the terms hereof).

(c) Preservation of Books and Records. From and after the Closing through the expiration of the Preservation Period, the Company shall (i) neither dispose of nor destroy any material portion of its insurance, financial reporting, accounting, or Tax books and records that existed prior to the Closing relating to periods prior to the Closing without first providing the Sellers' Representative at least sixty (60) days' advance written notice offering to turn possession thereof over to the Sellers' Representative, and (ii) provide the Sellers' Representative and its Affiliates and Representatives (including legal counsel and accountants) with reasonable access (including the right to make copies) to any portion of such books or records relating to periods prior to the Closing (in each case at the sole cost and expense of the Sellers' Representative (on behalf of the Sellers)), during normal business hours, upon reasonable notice, and otherwise in a manner so as to not unduly disrupt the business of the Company, provided that (A) such Tax books and records may be accessed and used by the Sellers' Representative and its Affiliates and Representatives (including legal counsel and accountants) solely for purposes of (I) the preparation and filing of any Tax return and/or the defense of any Tax claim or assessment, and (II) the exercise by any Party of its rights hereunder or under an Ancillary Agreement and (B) the foregoing clauses (i) and (ii) shall not apply to any portion of any books and records the disclosure of which could, in the reasonable judgment of the Company (or its legal counsel), result in the violation of any applicable Law or confidentiality obligation or the loss of any attorney-client privilege, work-product doctrine, or other applicable legal privilege. "Preservation Period" means, with respect to such Tax books

and records, the seventh (7th)-year anniversary of the Closing Date, and with respect to all other such books and records, the third (3rd)-year anniversary of the Closing Date, in each case, or such longer period as is required by applicable Law.

(d) Confidentiality.

(i) Effective automatically upon the Closing, the Confidentiality Agreement and all obligations thereunder shall terminate and be of no further force or effect. From and after the Closing, the Sellers' Representative and each Seller shall, and shall cause its Affiliates and Representatives to, neither disclose nor use any Confidential Information, except, (I) with respect to disclosure, to the extent such disclosure is otherwise required of any such Person (in the written opinion of legal counsel to such Person) by Order of any Governmental Authority or otherwise under applicable Law, in which case such Person shall provide the Buyer with written notice promptly upon receipt of such Order or otherwise upon becoming aware of such obligation under applicable Law (and in any event, in advance of making such disclosure), and shall cooperate with the Buyer's reasonable requests to seek a waiver or protective order or such other reasonable requests regarding the timing, scope, and/or manner of such disclosure, in each case to the extent permitted by applicable Law and (II) the exercise by any Party of its rights hereunder or under an Ancillary Agreement. "Confidential Information" means all information relating to (i) the Company, the Buyer, any of their Affiliates, or the Business, and/or (ii) the discussions and negotiations preceding, and the terms of, this Agreement and each Ancillary Agreement, but excluding, in each case within the foregoing clauses (i) and (ii), any information that is then generally available to the public other than as a result of a violation of this Section 5(d).

(ii) Effective automatically upon an Event of Default under the Note, the Buyer shall, and shall cause its Affiliates and Representatives to, neither disclose nor use any Company Confidential Information, except, (I) with respect to disclosure, to the extent such disclosure is otherwise required of any such Person (in the written opinion of legal counsel to such Person) by Order of any Governmental Authority or otherwise under applicable Law, in which case such Person shall provide the Buyer with written notice promptly upon receipt of such Order or otherwise upon becoming aware of such obligation under applicable Law (and in any event, in advance of making such disclosure), and shall cooperate with the Sellers' and/or the Company's reasonable requests to seek a waiver or protective order or such other reasonable requests regarding the timing, scope, and/or manner of such disclosure, in each case to the extent permitted by applicable Law and (II) the exercise by any Party of its rights hereunder or under an Ancillary Agreement. "Company Confidential Information" means all information relating to (i) the Company, any of its Affiliates, or the Business, and/or (ii) the discussions and negotiations preceding, and the terms of, this Agreement and each Ancillary Agreement, but excluding, in each case within the foregoing clauses (i) and (ii), any information that is then generally available to the public other than as a result of a violation of this Section 5(d)(ii).

(e) Tax Matters.

(i) Tax Return Filing. The Company shall prepare and timely file all Tax Returns of the Company for any Taxable period beginning on or before and ending after the Closing Date (a "Straddle Period") and all taxable periods ending on or before the Closing Date (a "Past Period") and shall pay and discharge all Taxes shown to be due on such Tax Returns, subject to the rights of the Buyer Indemnified Parties under Section 7(b). The Company shall cause a copy of any Tax Return that is required to be filed by it under this clause (i), together with all relevant workpapers and other information (to the extent such Tax Return, workpapers, and other information relate to the Company), to be made available to the Sellers' Representative for review and comment (such comments to be considered by the Company in good faith) no later than twenty (20) Business Days prior to the due date for the filing of such Tax Return (taking into account proper extensions). Notwithstanding anything to the contrary set forth in this Agreement, following the Closing, none of the Sellers or the Sellers' Representative shall file, or permit the Company to file, any amended Tax Return relating to the Company (or otherwise change such Tax Returns or make or change an election) with respect to Past Periods ending on or prior to the Closing Date, without the prior written consent of the Buyer.

(ii) Allocation for Straddle Period. For purposes of this Agreement, the amount of Taxes of the Company for the Straddle Period shall be determined based upon a hypothetical closing of the Taxable year on such Closing Date, with the Closing Date being included in the pre-Closing portion of such Straddle Period, provided that real and personal property and similar Taxes (which are not based on income, gains or sales) shall be determined by reference to the relative number of days in the pre-Closing and post-Closing portions of such Straddle Period.

(iii) Transfer Taxes. The Sellers' Representative shall be responsible for the preparation and filing of Tax Returns (including any documentation) with respect to all transfer, documentation, sales, use, stamp, registration, and similar Taxes incurred by the Sellers in connection with the Transaction. The Sellers, jointly and severally, shall pay and discharge the amount of such Taxes.

(iv) Cooperation. The Parties shall cooperate fully, as and to the extent reasonably requested, in connection with the preparation and filing of Tax Returns (in each case, with respect to any Past Period), at the sole cost and expense of the requesting Party (unless the contesting or defending Party is entitled to indemnification therefor pursuant to the terms hereof).

(v) Contests.

(A) If the Buyer or the Company receives written notice of any pending or threatened audit or other examination by any Governmental Authority, or any judicial or administrative proceedings relating to Taxes (each, a "Tax Contest") that would reasonably be expected to result in Losses that are indemnifiable under this Agreement, the Buyer shall promptly notify the Sellers' Representative. If the Sellers' Representative or any Seller receives written notice of a Tax Contest that would reasonably be expected to result in Losses that are indemnifiable under this Agreement, such Party shall promptly notify the Buyer. In each case within this clause (v), the failure or delay in delivering such notice shall not relieve a Party of its obligations hereunder except to the extent that such Party is actually and materially prejudiced by such failure or delay.

(B) If such Tax Contest relates solely to any Past Period, and not to the Straddle Period or any post-Closing period, the Sellers' Representative shall have the right (but not the obligation), to be exercised within ten (10) Business Days following its receipt of the written notice of such Tax Contest by delivering written notice to the Buyer, to assume and thereafter conduct and control the defense of such Tax Contest (with counsel of the Sellers' Representative's choice). For so long as the Sellers' Representative is conducting and controlling such defense, the Buyer shall have the right, but not the obligation, to participate in such defense with separate counsel of its choosing at its sole cost and expense. None of the Sellers or the Sellers' Representative shall be permitted to consent to the entry of any judgment or enter into any settlement of such Tax Context which may adversely impact the Buyer or the Company for a post-Closing period or the Tax attributes of the Company without the prior written consent of the Buyer (not to be unreasonably withheld, conditioned, or delayed).

(C) Unless and until the Sellers' Representative assumes the defense of such Tax Contest, the Buyer may defend against such Tax Contest in any manner it may reasonably deem appropriate (with counsel of the Buyer's choice), in which case the Sellers' Representative (I) shall cooperate with the Buyer in such defense and make available to the Buyer and its Representatives all witnesses, pertinent records, materials, and information in or under the Sellers' Representative's possession or control relating thereto as may be reasonably requested by the Buyer, and (II) shall have the right, but not the obligation, to participate in such defense with separate counsel of its choosing at its sole cost and expense. The conduct of such defense by the Buyer shall not be construed to be a waiver of the Buyer's right to indemnification with respect to such Tax Contest.

(D) For the avoidance of doubt, the procedures relating to any Tax Contest shall be governed by this clause (v) and not by Section 7(d)(ii).

(vi) Disputes. In the event that a dispute arises between the Buyer, on the one hand, and the Sellers' Representative or a Seller, on the other hand, as to the amount of Taxes or any other matter (including regarding indemnification) relating to Taxes attributable to the Company, the Parties shall attempt in good faith to resolve such dispute, and any agreed upon amount shall be paid to the appropriate Party. If such dispute is not resolved within thirty (30) calendar days thereafter, the Parties shall submit the dispute to a nationally-recognized accounting firm as is reasonably agreed to by the Sellers' Representative and the Buyer for resolution (the "Arbitrator"), which resolution shall be final, conclusive, and binding on the Parties. Notwithstanding anything to the contrary set forth in this Agreement, the Buyer shall pay half of the Arbitrator's fees and disbursements and the Sellers' Representative (on behalf of the Sellers shall pay half of the Arbitrator's fees and disbursements.

(vii) Survival. This Section 5(e) shall survive the Closing (and any claims for the breach thereof may be brought) until the expiration of the statute of limitations (as extended) with respect to the underlying matter giving rise to the applicable claim, plus thirty (30) days.

(f) Restrictive Covenants.

(i) Each of Sellers covenants and agrees that, during the period commencing at the Closing and continuing until the fourth (4^{th}) anniversary of the Closing Date (the "Restricted Period"), such Seller shall not (and shall cause its Affiliates not to) do any of the following, or serve as a partner, joint venturer, director, manager, trustee, officer, employee, independent contractor, agent or equityholder (excluding *de minimis* holdings in publicly traded companies) of any Person that does any of the following, in each case whether directly or indirectly:

(A) participate or engage in, or provide any financial or other assistance to any Person participating or engaging in, any business or enterprise that is similar to or competitive with the Business (as conducted historically and/or as of the Closing) anywhere in the United States, the United Kingdom, the European Union, Norway and Sweden (the "Restricted Territory"), provided that this clause (A) shall not apply (i) in the event that Sellers reacquire the Initial Purchased Shares from Buyer as a result of an Event of Default (as defined in the Promissory Notes) or (ii) to any Seller maintaining ownership in the Company or serving in any capacity on behalf of, or taking any action at the direction of, the Buyer or any of its Affiliates, pursuant to the Employment Agreements;

(B) induce or entice (or attempt to induce or entice) any customer, distributor, supplier, vendor, or any other Person having a business relationship with the Company or any Affiliate of the Company that then participates or engages in the Business (as conducted as of the Closing) to terminate or adversely modify its relationship with the Company or such Affiliate;

(C) solicit, contact, hire, engage, or enter into any other business relationship with (or attempt to do any of the foregoing) any Person who is then, or was within the twelve (12) months prior thereto, a director, manager, officer, employee, independent contractor, or agent of the Company, or induce or entice (or attempt to induce or entice) any such Person to terminate or adversely modify its relationship with the Company, provided that nothing in this clause (D) shall prohibit the publishing of general advertisements not specifically targeted to any directors, managers, officers, employees, independent contractors, or agents of the Company; or

(D) make or endorse any disparaging, derogatory, or otherwise negative written or oral communication regarding the Business, the Buyer, the Company, or any of their respective Affiliates or Representatives.

(ii) The Restricted Period with respect to any Seller shall be tolled during (and shall be deemed to be automatically extended by) any period during which such Seller is in violation of any provision set forth in clause (i) above.

(iii) Each Seller agrees that the Business is unique and irreparable damage would occur, and money damages would be inadequate, if any provision of clause (i) above were not performed in accordance with its terms and that the Buyer shall be entitled to injunctive relief and specific performance of the terms of clause (i) above, in addition to any other remedy to which it is entitled at law or in equity. Each Seller irrevocably waives any requirement for the securing or posting of any bond in connection with such remedy. Each Seller further agrees that the only permitted objection that it may raise in response to any Action for equitable relief is that it contests the existence of a breach or threatened breach of clause (i) above.

(iv) Each Seller agrees that all restrictions set forth in clause (i) above, including those relating to the duration of the Restricted Period and the scope of the Restricted Territory, are necessary and fundamental to the protection of the Company and its operation of the Business, are reasonable and valid, and constitute a material inducement for the Buyer to enter into this Agreement and each Ancillary Agreement and to consummate the Transaction. To the extent that any court of competent jurisdiction holds that the duration, scope, or area restrictions set forth in clause (i) above are unreasonable under circumstances then existing, the Parties agree that the maximum duration, scope, or area reasonable under such circumstances shall be substituted for the stated duration, scope, or area and that such court shall be permitted, and this Agreement shall automatically be revised, to modify the restrictions set forth in clause (i) above to cover the maximum period, scope and area permitted by law or equity.

(g) Remaining Shares.

(i) On the first Business Day following the date on which the Company's 2020 financial statements become available (which shall be no later than sixty (60) days following December 31, 2020) (the "Put/Call Exercise Date"), provided that 2020 EBITDA equals or exceeds $4,285,714.29, each of Buyer, on the one hand, and Sellers' Representative, on the other hand, shall have the right to elect to have the Buyer purchase all, but not less than all, and have the Sellers sell all, but not less than all, of the Remaining Shares (the "Put/Call Transaction") in consideration for an aggregate amount equal to forty percent (40%) of 2020 EBITDA *multiplied by* 3.5 (the "Put/Call Purchase Price"). The Put/Call Purchase Price shall be paid pro rata to each Seller based on each Seller's respective number of Remaining Shares.

(ii) If Buyer or Sellers' Representative desires to exercise such right, such Party shall, on or prior to the Put/Call Exercise Date, give notice in writing to the other Parties stating such election (a "Put/Call Exercise Notice"). Buyer and the Sellers shall act in good faith and use commercially reasonable efforts to consummate the Put/Call Transaction within 20 days (the "Put/Call Period") following the date of delivery of the Put/Call Exercise Notice, including using commercially reasonable efforts to obtain any required third party approvals as promptly as practicable and entering into a purchase agreement that provides Buyer with indemnification for the Remaining Shares. At the closing of the Put/Call Transaction, each of the Sellers shall sell, and Buyer shall purchase in cash, all of the Remaining Shares.

(iii) From the Closing until the end of the Put/Call Period (or, if a Put/Call Exercise Notice has been delivered, the consummation of the Put/Call Transaction), neither Seller shall sell, transfer, convey or pledge any of the Remaining Shares and Buyer shall not sell, transfer, convey or pledge any of the Initial Purchased Shares (other than the pledge of such shares to the Sellers pursuant to the Promissory Notes).

(iv) Solely in connection with and in addition to the payment of the Put/Call Purchase Price, the Sellers shall be entitled to a one-time payment equal to such Seller's Allocable Portion of 20% of the Company's 2020 net income *multiplied by* (352/365) to prorate from the date of Closing until December 31, 2020.

(h) Use of Name and Likeness. Mikhail Mayzenberg grants the Company the right to use his image, likeness, photographs, and the name "Jack Sheldon" and any likeness associated therewith, in connection with the promotion, marketing, advertising, distribution and any other exploitation of the Business as the Company may solely determine, in perpetuity, throughout the world and in any and all media, whether now known or hereafter devised.

(i) Employment Agreements. Promptly following the Closing, Buyer and each of the Sellers shall cooperate in good faith to execute customary employment or contractor agreements to ensure a continuity of services provided by Sellers, and to implement the intention of Buyer that Sellers shall continue working with the Company in the same manner or similar capacities as they have been working with the Company prior to the Closing; provided that the salaries shall be as set forth in Schedule 4(r)(v) (i.e., per the business plan the parties have discussed) and Sellers shall not be required to relocate their residence, shall not be required to travel an unreasonable distance to their daily office, and the agreement terms shall otherwise be customary (the "Employment Agreements").

(a) Predecessor Name Change. Prompty, and in any event within ten (10) Business Days following the Closing, Sellers shall take any and all actions necessary or advisable to cause the Predecssor's name to be changed to a name that does not include of the words "Jack's Flight Club," "JFC" or anything confusingly similar, including the filing of (i) an amendment to its certificate of organization or analogous document with the appropriate filing office of its jurisdiction of organization, and (ii) an amendment to its registration to do business as a foreign entity or analogous document in the appropriate filing office of each jurisdiction in which it is so registered.

6. Closing Deliverables.

(a) Deliverables of the Sellers' Representative, the Sellers, and the Company. At the Closing, the Sellers' Representative, the Sellers and the Company shall deliver to the Buyer the following documents, as applicable, in form and substance reasonably satisfactory to the Buyer:

(i) a new certificate representing all of the Initial Purchased Shares, registered in the name of Buyer (to be issued by the Company to the Buyer at Closing against delivery by the Sellers to Buyer at Closing of the original certificates representing the Shares held by each Seller prior to the Closing accompanied by duly executed stock powers in favor of the Buyer for the Initial Purchased Shares, and subsequent delivery of the same original certificates and duly executed powers to the Company for cancellation and reissue of the new certificate in the name of Buyer as aforesaid and replacement certificates in the names of the Sellers representing the remaining Shares then owned by the Sellers, all of the foregoing to take place at Closing);

(ii) to the extent requested by the Buyer, a complete and correct payoff letter with respect to all Funded Indebtedness and Company Transaction Expenses, setting forth the amounts required to be paid to (A) satisfy all such Funded Indebtedness and Company Transaction Expenses, and (B) terminate and release any related Liens and all other obligations of the Company in favor of such Person, together with any termination statements on Form UCC-3 or other releases reasonably necessary or desirable to evidence the termination and release of any such Liens and obligations, in each case in form ready for filing (if applicable);

(iii) to the extent requested by the Buyer, letter agreements or other documentation evidencing the termination (without any further obligation on the part of the Company) of the Contracts, transactions, and other relationships that are (or should be) set forth on Schedule 4(v)(1)(i);

(iv) to the extent requested by the Buyer, resignations from any directors, managers, and/or officers of the Company;

(v) (a) a certification in form and content reasonably acceptable to Purchaser, dated as of the Closing Date, signed by an officer of the Company to the effect that the shares are not "United States real property interests" within the meaning of §897 of the Code; and (b) an executed notice to the Internal Revenue Service (in each case, as contemplated by Treasury Regulations §§1.897-2(h) and 1.1445-2(c));

(vi) a Form W-9 or other applicable tax form, duly executed by each Seller;

(vii) a payment direction letter, duly executed by the Sellers' Representative, setting forth the amount and wire transfer instructions with respect to each payment to be made pursuant to Section 2(b) at the Closing and authorizing the Buyer to pay (or cause to be paid) such amounts using such wire transfer instructions in lieu of making such payments to the Sellers;

(viii) (A) a certificate of good standing or analogous status of the Company in its jurisdiction of organization and in each jurisdiction where it is or should be qualified to do business as a foreign entity, except where the failure to be so qualified would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and (B) to the extent offered in such jurisduction, a Tax clearance or analogous certificate of the Company in each jurisdiction in which it conducts material business;

(ix) a copy of the articles or certificate of incorporation of the Company, certified by the Secretary of State (or analogous office) of its jurisdiction of organization; and

(x) a certificate of a secretary or other authorized officer of the Company certifying as to (A) its Organizational Documents, (B) the resolutions duly adopted by all requisite Persons on its behalf authorizing and approving this Agreement, each Ancillary Agreement to which it is or is proposed to be a party, and the consummation of the Transaction, and (C) an incumbency setting forth the names, titles, and signatures of Persons authorized to execute and deliver on its behalf this Agreement and each Ancillary Agreement to which it is or is proposed to be a party.

(b) Deliverables of the Buyer. At the Closing, the Buyer shall deliver to the Sellers' Representative and the Sellers the following documents, as applicable, in form and substance reasonably satisfactory to the Sellers' Representative:

(i) a counterpart of each Promissory Note duly executed by the Buyer; and

(ii) the new certificate representing all of the Initial Purchased Shares, registered in the name of Buyer, accompanied by duly executed stock powers in blank, to be held by the Sellers, for the purpose of perfecting the security interest in the Initial Purchased Shares granted to the Sellers under ther terms of each Promissory Note.

7. Indemnification.

(a) Survival Periods. All representations and warranties made by the Parties in this Agreement and in any Ancillary Certificate shall survive the Closing (and any claims for the breach thereof may be brought) until the eighteen (18)-month anniversary of the Closing Date, provided that:

(i) the Fundamental Representations (other than in Section 4(q) (Tax Matters)) shall survive the Closing (and any claims for the breach thereof may be brought) indefinitely;

(ii) the representations and warranties contained in Section 4(q) (Tax Matters) and 4(s) (Employee Benefits) shall survive the Closing (and any claims for the breach thereof may be brought) until the expiration of the statute of limitations with respect to the underlying matter giving rise to the applicable claim, plus thirty (30) days; and

(iii) any claims based upon fraud, criminal activity, intentional misrepresentation, or willful concealment or misconduct may be brought anytime indefinitely.

The last date on which a claim for the breach of a representation or warranty contained in this Agreement or in any Ancillary Certificate may be brought in accordance with the foregoing is referred to herein as the "Expiration Date" of such representation or warranty. Any such claim must be asserted by a written notice, setting for the specific claim and the basis therefor in reasonable detail, on or before the applicable Expiration Date, provided that, notwithstanding anything to the contrary contained in this Section 7(a), if such a written notice is given with respect to any claim, such claim shall survive until fully resolved as provided herein.

Seller Indemnities. Subject to the provisions of this Section 7, from and after the Closing:

(iv) The Sellers, severally (pro rata in accordance with such Seller's number of Initial Purchased Shares) but not jointly, shall indemnify each Buyer Indemnified Party from and against any Losses such Buyer Indemnified Party shall suffer resulting from (A) the breach of any representation or warranty made by the Company in this Agreement or in any Ancillary Certificate, (B) the breach of any covenant or agreement with respect to obligations to be performed by the Company at or prior to the Closing set forth in this Agreement (C) the breach of any covenant or agreement with respect to obligations to be performed by the Sellers' Representative set forth in this Agreement, (D) any Funded Indebtedness and Company Transaction Expenses to the extent not paid at or prior to the Closing, (E) any Cash Shortfall, (F) any Pre Closing Taxes and (G) the characterization of any Business Employee as an independent contractor who should have been treated as an employee; (H) the failure of any customer list to contain bona fide names and email addresses.

(v) Each Seller individually, and not severally or jointly, shall indemnify each Buyer Indemnified Party from and against any Losses such Buyer Indemnified Party shall suffer resulting from (A) the breach of any representation or warranty made by such Seller in Section 3(a), and (B) the breach of any covenant or agreement with respect to obligations to be performed by such Seller set forth in this Agreement.

(b) Buyer Indemnities. Subject to the provisions of this Section 7, from and after the Closing, the Buyer shall indemnify each Seller Indemnified Party from and against any Losses such Seller Indemnified Party shall suffer resulting from (A) the breach of any representation or warranty made by the Buyer in this Agreement and Ancillary Agreements or in any Ancillary Certificate, (B) the breach of any covenant or agreement with respect to obligations to be performed by the Buyer set forth in this Agreement, and (C) the breach of any covenant or agreement with respect to obligations to be performed by the Company following the Closing set forth in this Agreement and Ancillary Agreements (other than the Promissory Notes which shall solely be governed the terms thereof).

(c) Direct Claims; Third Party Claims.

(i) Direct Claims. If an Indemnified Party incurs Losses for which it is entitled to indemnification under this Section 7, other than as a result of a Third Party Claim, then the Indemnified Party Representative may deliver written notice of its claim for such indemnification to the Indemnifying Party Representative describing its claim for indemnification with reasonable specificity and setting forth, to the extent known, an estimated amount of Losses. If, within thirty (30) days following its receipt of the notice described above, the Indemnifying Party Representative delivers written notice to the Indemnified Party Representative disputing the amount (or any portion thereof) of Losses claimed by such Indemnified Party or that such Indemnified Party is entitled to such indemnification and the Indemnifying Party Representative and the Indemnified Party Representative are not able to resolve such matter within such thirty (30)-day period, then the Indemnified Party Representative shall be entitled to submit such indemnification claim to any court or authority of competent jurisdiction described in Section 8(h), which claim shall be adjudicated in accordance with the limitations set forth in this Section 7. With respect to any amount (or portion thereof) of Losses claimed by such Indemnified Party that has not been disputed by the Indemnifying Party Representative within such thirty (30)-day period in accordance with the foregoing, such amount (or portion thereof) shall for all purposes under this Agreement conclusively be deemed to be indemnifiable Losses and the applicable Indemnifying Party(ies) shall be liable therefor (it being understood and agreed that, in accordance with the above, such amount (or portion thereof) may not constitute all indemnifiable Losses that may arise from the applicable matter in question).

(ii) Third Party Claims.

(A) If any Person which is not an Indemnified Party shall assert a claim against an Indemnified Party which claim gives rise to a claim for indemnification against an Indemnifying Party under this Section 7 (a "Third Party Claim"), then such Indemnified Party shall, within five (5) days after such non-Indemnified Party asserts such claim, deliver written notice of such Third Party Claim to the Indemnifying Party Representative (a "Third Party Claim Notice") (provided that the failure or delay to so notify such Indemnifying Party Representative shall not relieve any Indemnifying Party of its obligations hereunder except to the extent that such Indemnifying Party is actually and materially prejudiced by such failure or delay). Thereafter, each Indemnified Party shall deliver or cause to be delivered to such Indemnifying Party Representative, within five (5) Business Days after such Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by such Indemnified Party relating to the Third Party Claim.

(B) The Indemnifying Party Representative shall have the right (but not the obligation), to be exercised within ten (10) Business Days following its receipt of the Third Party Claim Notice by delivering written notice to the Indemnified Party Representative, to assume and thereafter conduct and control the defense of such Third Party Claim (with counsel of such Indemnifying Party Representative's choice that is reasonably satisfactory to the Indemnified Party Representative), but only if and for so long as (1) such Indemnifying Party Representative is conducting and controlling such defense diligently and in good faith, (2) if both an Indemnified Party and an Indemnifying Party are named (by impleader or otherwise) in such Third Party Claim, then there are no material legal defenses available to an Indemnified Party the assertion of which would be adverse to the interests of an Indemnifying Party, (3) such Third Party Claim does not allege fraud or criminal activity, (4) such Third Party Claim does not seek equitable remedies, and (5) such Third Party Claim does not seek monetary damages in an amount in excess

of the remaining amount for which the Indemnifying Party(ies) could be liable by virtue of the limitations set forth in Section 7(f)(i)(B), Section 7(g)(B), or any other limitations on indemnification set forth herein. If such Indemnifying Party Representative assumes the defense of such Third Party Claim, then, regardless of the outcome of such Third Party Claim, the Indemnifying Party(ies) shall bear all costs and expenses incurred by the Indemnifying Party Representative in connection with such defense. For so long as such Indemnifying Party Representative is conducting and controlling such defense, (I) each Indemnified Party shall have the right, but not the obligation, to participate in such defense with separate counsel of its choosing at its sole cost and expense (or at the Indemnifying Parties' sole cost and expense if there are any conflicts of interests with respect to such defense as between any Indemnified Party and any Indemnifying Party, provided that the Indemnifying Party shall not be required to pay for more than one such counsel (plus any appropriate local counsel) for all Indemfied Parties in connection with any Third Party Claim), and (II) each Indemnified Party shall cooperate with such Indemnifying Party Representative in such defense and make available to such Indemnifying Party Representative and its Representatives, at the Indemnifying Party's(ies') sole cost and expense, all witnesses, pertinent records, materials and information in or under such Indemnified Party's possession or control relating thereto as may be reasonably requested by such Indemnifying Party Representative. The Indemnifying Party Representative shall not be permitted to consent to the entry of any judgment or enter into any settlement with respect to such Third Party Claim without the prior written consent of the Indemnified Party Representative, provided that such consent shall not be unreasonably withheld unless such judgment or settlement (w) involves the admission of fraudulent or criminal wrongdoing on the part of any Indemnified Party, (x) imposes equitable relief upon any Indemnified Party, (y) imposes any monetary damages on any Indemnified Party except to the extent that the Indemnifying Parties are required under this Section 7 (after giving effect to all applicable limitations set forth herein), and have the funds available, to pay such damages in their entirety, or (z) does not contain a complete and unconditional release of each applicable Indemnified Party from all liability with respect to such Third Party Claim. Notwithstanding the foregoing, if a settlement offer solely for money damages is made by the applicable third party claimant, and the Indemnifying Party notifies the Indemnified Party in writing of the Indemnifying Party's willingness to accept the settlement offer and, subject to the applicable limitations herein, pay the amount called for by such offer, and the Indemnified Party declines to accept such offer, the Indemnified Party may continue to contest such Third Party Claim, free of any participation by the Indemnifying Party, and the amount of any ultimate liability with respect to such Third Party Claim that the Indemnifying Party has an obligation to pay hereunder shall be limited to the lesser of (A) the amount of the settlement offer that the Indemnified Party declined to accept plus the Losses of the Indemnified Party relating to such Third Party Claim through the date of its rejection of the settlement offer or (B) the aggregate Losses of the Indemnified Party with respect to such Third Party Claim.(C) Unless and until the Indemnifying Party Representative assumes the defense of any Third Party Claim as provided in Section 7(d)(ii)(B), each applicable Indemnified Party may defend against such Third Party Claim in any manner it may reasonably deem appropriate (with counsel of such Indemnified Party's choice), in which case each Indemnifying Party shall cooperate with such Indemnified Party in such defense and make available to such Indemnified Party and its Representatives all witnesses, pertinent records, materials, and information in or under such Indemnifying Party's possession or control relating thereto as may be reasonably requested by such Indemnified Party. The conduct of such defense by such Indemnified Party shall not be construed to be a waiver of such Indemnified Party's right to indemnification with respect to such Third Party Claim. No Indemnified Party shall be permitted to consent to the entry of any judgment or enter into any settlement with respect to such Third Party Claim without the prior written consent of such Indemnifying Party Representative.

(d) [INTENTIONALLY OMITTED].

(e) Limitations on Seller Indemnities. Notwithstanding anything to the contrary contained herein, no Seller shall be obligated to indemnify any Buyer Indemnified Party from or against: (i) any Losses arising under Section 7(b)(i)(A) or Section 7(b)(ii)(A) (other than Losses arising from fraud, criminal activity, intentional misrepresentation, willful concealment, or a breach of a Fundamental Representation): (A) until the Buyer Indemnified Parties shall have suffered such Losses in an aggregate amount equal to $50,000 (the "Basket Amount"), after which point the Sellers shall be obligated to indemnify each Buyer Indemnified from and against only such Losses in excess of such amount; and/or (B) to the extent that the Buyer Indemnified Parties shall have suffered (and received indemnity payments for) such Losses in an aggregate amount in excess of $2,000,000 (the "Cap Amount"); or (ii) arising under Section 7(b) arising from any matter to the extent that such matter was actually and expressly reflected in the calculation of Estimated Working Capital, Estimated Cash, Estimated Funded Indebtedness, or Estimated Company Transaction Expenses.

(f) Limitations on Buyer Indemnities. Notwithstanding anything to the contrary contained herein, the Buyer shall not be obligated to indemnify any Seller Indemnified Party from or against any Losses arising under Section 7(c)(A) (other than Losses arising from fraud, criminal activity, intentional misrepresentation, willful concealment, or a breach of a Fundamental Representation): (A) until the Seller Indemnified Parties shall have suffered such Losses in an aggregate amount equal to the Basket Amount, after which point the Buyer shall be obligated to indemnify the Seller Indemnified Parties from and against only such Losses in excess of such amount; and/or (B) to the extent that the Seller Indemnified Parties shall have suffered (and received indemnity payments for) such Losses in an aggregate amount in excess of the Cap Amount.Mitigation; Reductions of Losses.

(i) The Parties shall cooperate and use commercially reasonable efforts to mitigate any Losses for which an Indemnified Party is entitled to indemnification hereunder, including by using commercially reasonable efforts to recover under insurance policies for any Losses prior to seeking indemnification under this Agreement; provided that provided that, notwithstanding the requirements under applicable Law, no Party shall be required to take any action that would violate any Contract or applicable Law, seek recovery from its customers, suppliers, vendors, or other material business relations, or file any lawsuit to obtain recovery from any Person or under any insurance policy. All expenses incurred by or on behalf of an Indemnified Party in connection with its efforts to mitigate Losses shall be deemed Losses.

(ii) In calculating the amount of Losses of any Indemnified Party, there shall be a deduction for the amount of any insurance proceeds actually received by such Indemnified Party or any of its Affiliates ("Insurance Payments"). Without duplication of the foregoing, in the event that any Indemnified Party or any of its Affiliates actually receives any Insurance Payments in respect of any Losses subsequent to the receipt by such Indemnified Party of any indemnification payment hereunder in respect of such Losses, such Indemnified Party shall promptly make appropriate refunds to the appropriate Indemnifying Party in an aggregate amount equal to the lesser of (A) the amount of such subsequent Insurance Payments, and (B) the amount of such indemnification payments received hereunder in respect of such Losses.

(g) Effect of Knowledge. The rights of each Person to be indemnified and held harmless, and to exercise any other rights or remedies available to it, under the applicable provisions of this Agreement and any Ancillary Certificate shall not be affected or deemed waived by (A) any investigation made by such Person or its Representatives, or (B) the fact that such Person or its Representatives knew of or reasonably should have known of or reasonably could have foreseen, prior to the Closing, the matter or the breach of the representation, warranty, covenant, or agreement that gave rise to such right to indemnification, to be held harmless, or to exercise such other rights or remedies.Exclusive Remedy. Except (i) for any equitable remedies of the Parties expressly provided herein (including pursuant to Section 5(f) and Section 8(m)), and (ii) as expressly provided in Section 2(d)(iii) and Section 5(e)(vii), and (iii) with respect to claims based on fraud, criminal activity, intentional misrepresentation, or willful concealment or misconduct, the provisions in Section 5(e) and this Section 7 shall be the sole and exclusive remedy of all Persons following the Closing with respect to claims and other matters arising under this Agreement and any Ancillary Certificate.Manner of Payment.

(i) All obligations owed to any Buyer Indemnified Party pursuant to Section 5(e) or Section 7(b) shall be satisfied, within ten (10) Business Days following the final resolution of the claim giving rise to such obligation, by wire transfer of immediately available funds to account(s) designated in writing by the Buyer. Notwithstanding the foregoing, the Buyer may elect from time to time following the Closing, to be exercised by written notice delivered to the Sellers' Representative, to offset all or any portion of any payment(s) then owing under this Agreement or any Ancillary Agreement by any Seller to the Buyer or any other Buyer Indemnified Party against an equivalent amount of (A) principal and/or interest under any Promissory Note, in which case the amount of principal and/or interest under such Promissory Note shall automatically be deemed to be reduced accordingly, and/or (B) other payment(s) then owing under this Agreement or any Ancillary Agreement by any Seller to the Buyer or any other Buyer Indemnified Party against an equivalent amount of any payment then owing under this Agreement or any Ancillary Agreement by the Buyer or the Company to any Seller.

(ii) All obligations owed to the Sellers' Representative or any Seller Indemnified Party pursuant to Section 7(c) shall be satisfied, within ten (10) Business Days following the final determination of the claim giving rise to such obligation, by wire transfer of immediately available funds to one or more accounts designated in writing by the Sellers' Representative.

(h) Tax Treatment. The Parties agree to treat all payments made pursuant to Section 5(e) or this Section 7 as adjustments to the purchase price, and to allocate such payments among the appropriate Seller(s), in each case for all purposes hereunder and all Tax purposes.

(i) No Consequential Damages. Notwithstanding anything to the contrary elsewhere in this Agreement, no Party shall, in any event, be liable to any other Person for any consequential, incidental, indirect, special or punitive damages of such other Person, including loss of future revenue, income or profits, diminution of value or loss of business reputation or opportunity relating to the breach or alleged breach hereof; provided that nothing herein shall limit recovery of such damages to the extent awarded to a third party.

8. Miscellaneous.

(a) Press Releases and Public Announcements. The Parties shall issue a joint press release promptly following the Closing, in form and substance reasonably satisfactory to the Buyer and the Sellers' Representative. Other than the foregoing, no Party shall, or shall permit its Affiliates or Representatives to, issue any press release or make any public filing, announcement, or disclosure (whether written, oral, or electronic) relating to the Transaction without the prior written approval of the Buyer and the Sellers' Representative, except as required by applicable Law or the rules or regulations of any United States or foreign securities exchange, in which case the Party required to make such release, filing, announcement, or disclosure shall provide the Buyer and the Sellers' Representative with reasonably advance written notice of, and an opportunity to review, discuss, and comment on, such proposed release, filing, announcement, or disclosure.

(b) Third-Party Beneficiaries. Neither this Agreement nor any Ancillary Agreement shall confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns, provided that the Indemnified Parties shall constitute third-party beneficiaries solely for the purposes of Section 5(e) and Section 7.

(c) Entire Agreement. This Agreement and the Ancillary Agreements constitute the entire agreement among the Parties and supersede any prior understandings, agreements, representations, warranties, letters of intent, or term sheets by or among the Parties (as well as any Affiliate or Representative acting on behalf of any Party), written or oral, to the extent they relate in any way to the subject matter hereof or thereof.

(d) Successors and Assigns. This Agreement and each Ancillary Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. No Party may assign (by operation of law, merger (whether as surviving or disappearing entity), consolidation, dissolution, or otherwise) this Agreement, any Ancillary Agreement, or any of such Party's rights, interests, or obligations hereunder or thereunder without the prior written consent of the Buyer and the Sellers' Representative, and any such assignment in violation of the foregoing shall be null and void. Notwithstanding the foregoing,

following the Closing, without obtaining any such consent, the Buyer, the Company, and their respective successors or assigns shall be permitted to assign this Agreement, any Ancillary Agreements, and any of their rights and interests hereunder and thereunder to (i) any Affiliate of such Person, (ii) any acquirer of such Person (whether by sale of equity interests, by sale of all or substantially all assets, or by merger, consolidation, or otherwise), and/or (iii) any debt financing sources of the Buyer, the Company, or any of their respective successors or assigns (which, in the case of this clause (iii), shall be a collateral assignment until the exercise of remedies by such debt financing sources), provided that in each case within the foregoing clauses (i) through (iii), no such assignment shall relieve such Person of any of its obligations hereunder or thereunder.

(e) Counterparts. This Agreement and each Ancillary Agreement may be executed in two or more counterparts (including by means of facsimile, .pdf, or other electronic transmission), each of which shall be deemed an original and all of which together will constitute one and the same instrument.

(f) Notices. All notices, requests, demands, claims, and other communications made under this Agreement or any Ancillary Agreement shall not be effective unless in writing, and shall be deemed to be delivered and received (i) when delivered personally to the recipient, (ii) one Business Day after being sent to the recipient by reputable overnight courier service (charges prepaid), (iii) four Business Days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, or (iv) when successfully delivered to the recipient by electronic mail, or other electronic transmission, provided that such delivery is subsequently confirmed and that any such electronic mail, or other electronic transmission successfully delivered later than 5:00 p.m. in the recipient's local time shall be deemed to be delivered on the following Business Day, in each case, using the applicable contact information for such recipient set forth below:

If to the Sellers' Representative or any Seller:

Mikhail Mayzenberg
Address: [_____]
Email: [_____]

With a copy (which shall not constitute notice) sent contemporaneously to:

Sadis & Goldberg LLP
55a 5th Avenue, 21st Floor
New York, NY 10176
Attention: Steven Huttler, Esq.
Email: shuttler@sadis.com

If to the Buyer or the Company:

Travelzoo
590 Madison Avenue, 37th Floor
New York, NY 0022
Attention: Christina Sindoni Ciocca, General Counsel
Facsimile and/or Email: csindoni@travelzoo.com

With a copy (which shall not constitute notice) sent contemporaneously to:

Morrison Cohen LLP
909 Third Avenue, 27th Floor
New York, New York 10022
Attention: Michael L. Martell and Matthew B. Friedman
Email: mmartell@morrisoncohen.com; mfriedman@morrisoncohen.com

Any Party may change its contact information for such notices, requests, demands, claims, and other communications by giving the other Parties notice in the manner set forth above.

(g) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE DOMESTIC LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OR CONFLICT OF LAW PROVISION OR RULE (WHETHER OF THE STATE OF NEW YORK OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK.

(h) SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL. EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT OF THE STATE OF NEW YORK, COUNTY OF NEW YORK, FOR THE PURPOSES OF ANY ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY ANCILLARY AGREEMENT, OR THE TRANSACTION, AND AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION MAY BE HEARD AND DETERMINED IN ANY SUCH COURT. EACH PARTY AGREES TO COMMENCE ANY SUCH ACTION IN ANY STATE OR FEDERAL COURT OF THE STATE OF NEW YORK, COUNTY OF NEW YORK. EACH PARTY WAIVES ANY DEFENSE OF IMPROPER VENUE OR INCONVENIENT FORUM TO THE MAINTENANCE OF ANY ACTION SO BROUGHT. ANY PARTY MAY MAKE SERVICE ON ANY OTHER PARTY BY SENDING OR DELIVERING A COPY OF THE PROCESS TO THE PARTY TO BE SERVED AT THE ADDRESS AND IN THE MANNER PROVIDED FOR THE DELIVERY OF NOTICES IN SECTION 8(f), PROVIDED THAT NOTHING IN THIS SECTION 8(h) SHALL AFFECT

THE RIGHT OF ANY PARTY TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AT EQUITY. EACH PARTY HEREBY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY ANCILLARY AGREEMENT, OR THE TRANSACTION. EACH PARTY (A) CERTIFIES THAT NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, (B) UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) MAKES THIS WAIVER VOLUNTARILY, AND (D) ACKNOWLEDGES THAT EACH OTHER PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND EACH ANCILLARY AGREEMENT BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS CONTAINED HEREIN. THIS SECTION 8(h) SHALL NOT APPLY TO ANY DISPUTE UNDER SECTION 2(d) OR SECTION 5(e)(vii) THAT IS TO BE RESOLVED BY THE ARBITRATOR IN ACCORDANCE WITH THE TERMS THEREOF.

(i) Amendments. No amendment of any provision of this Agreement shall be valid or effective unless in a writing executed by the Buyer and the Sellers' Representative, and any such written executed amendment shall be binding and effective on all Parties. No consent under any provision of this Agreement or waiver of any provision of this Agreement or of any default under or breach of any representation, warranty, covenant, or agreement set forth herein, whether or not intentional, shall be valid or effective unless in a writing executed by the Buyer (if the Party seeking to enforce such consent or waiver is the Sellers' Representative or any Seller) or the Sellers' Representative (if the Party seeking to enforce such consent or waiver is the Buyer), nor shall any such waiver be deemed to extend to any prior, subsequent, or similar default or breach or affect in any way any rights arising by virtue of any such prior, subsequent, or similar default or breach. No failure by any Party to take any action with respect to any such default or breach shall constitute a waiver of such Party's rights to take any such action or to enforce any provision of this Agreement or any Ancillary Agreement.

(j) Severability. Any term or provision of this Agreement or any Ancillary Agreement that is invalid, illegal, or unenforceable shall be deemed to be limited or modified in its application to the minimum extent necessary to avoid such invalidity, illegality, or unenforceability. The invalidity, illegality, or unenforceability of any such term or provision in any situation in any jurisdiction shall not affect the validity, legality, or enforceability of the remaining terms and provisions of this Agreement and each Ancillary Agreement or the validity, legality, or enforceability of such term or provision in any other situation or in any other jurisdiction.

(k) Expenses. Except as otherwise provided in this Agreement or any Ancillary Agreement, each Party shall bear its own costs and expenses (including attorneys' fees) incurred in connection with this Agreement, the Ancillary Agreements, and the Transaction, whether or not the Closing shall have occurred.

(l) Incorporation of Exhibits, Schedules, and Annexes. The Exhibits, Schedules, and Annexes identified in this Agreement are incorporated herein by reference and made a part hereof.

(m) Specific Performance; Remedies Cumulative. Each Party agrees that the Business is unique and irreparable damages would occur, and money damages would be inadequate, if any provision of this Agreement or any Ancillary Agreement were not performed in accordance with the terms hereof or thereof and that, in the event of a breach or threatened breach of this Agreement or any Ancillary Agreement, the Parties shall be entitled to injunctive relief and specific performance of the terms hereof and thereof, in addition to any other remedy to which they are entitled at law or in equity. Each Party irrevocably waives any requirement for the securing or posting of any bond, or for the proving of any actual or special damages, in connection with any injunctive relief or specific performance described within this Section 8(m). Each Party further agrees that the only permitted objection that it may raise in response to any Action for any injunctive relief or specific performance described within this Section 8(m) is that it contests the existence of a breach or threatened breach of this Agreement or such Ancillary Agreement. Except as otherwise provided herein or in any Ancillary Agreement, the remedies provided herein and therein shall be cumulative and shall not preclude the assertion by any Party of any other rights or the seeking of any other remedies against any other Party.

(n) Release. Effective as of the Closing, the Sellers' Representative and each Seller, individually and not severally or jointly, on behalf of itself and each of its Affiliates (each such Person or Affiliate, a "Releasing Party") hereby (i) agrees that the Company does not and shall not have any obligation or Liability to such Releasing Party arising out of or relating to the period up to and including the Closing, (ii) unconditionally and irrevocably releases, and covenants not to bring any Action against, the Company (and its former, current, and future Affiliates, and its and their former, current, and future Representatives and the insurers of any of the foregoing Persons) from and with respect to any Actions, obligations, or Liabilities, whether existing or hereafter discovered, arising in equity or at law, that arise out of or relate to the ownership, organization, management, or operation of the businesses of the Company, or the breach of any Contract entered into with such Releasing Party, occurring at any time up to and including the Closing, (iii) represents and warrants that it has not assigned or otherwise Transferred any of its rights with respect to any obligations and Liabilities of the Company of the type described in the foregoing clause (i), or with respect to any Actions of the type described in the foregoing clause (ii), and covenants and agrees that it shall not assign or otherwise Transfer (or attempt to assign or otherwise Transfer) any of such rights, and (iv) waives the benefits of, and any rights that it may have under, any Law regarding the release of unknown claims in any jurisdiction in connection with the matters covered in this Section 8(n); in each case within the foregoing clauses (i) through (iv), subject to and excluding such Releasing Party's rights expressly provided for under this Agreement and the Ancillary Agreements.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

BUYER:

TRAVELZOO

By: _____
Name: Christina Sindoni Ciocca
Title: Authorized Person

COMPANY:

JFC TRAVEL GROUP CO.

By: _____
Name:
Title:

SELLERS' REPRESENTATIVE:

_____
MIKHAIL MAYZENBERG

SELLERS:

_____
MIKHAIL MAYZENBERG

_____
PHILIP WINTERMANTLE

Schedule I

SHARES; PROMISSORY NOTE AMOUNTS

Seller	Shares	Initial Purchased Shares	Promissory Note Amount
Mikhail Mayzenberg	350	210	$7,700,000
Philip Wintermantle	150	90	3,300,00
Total:	**500**	**300**	**$11,000,000**

Exhibit A

WORKING CAPITAL METHODOLOGY

The following definitions and accounting principles apply to the preparation and determination of Working Capital. All capitalized terms used but not defined herein shall have the meanings set forth in the Agreement.

"Included Accounts" means the Included Asset Accounts and the Included Liability Accounts.

"Included Asset Accounts" means the accounts of the Company listed under the heading "Current Assets" on Annex A-1 to this Exhibit A.

"Included Liability Accounts" means the accounts of the Company listed under the heading "Current Liabilities" on Annex A-1 to this Exhibit A.

"Working Capital" means an amount (which may be positive or negative) equal to (a) the sum of the Included Asset Accounts minus (b) the sum of the Included Liability Accounts, in each case as of the Determination Time, calculated in accordance with GAAP (as in effect as of the Determination Time), subject to any exceptions reflected in the calculation of the Included Accounts for the month ended November 30, 2019 attached as Annex A-1 to this Exhibit A (in each case regardless of whether there exist alternative methodologies for calculating the Included Accounts). For the avoidance of doubt, notwithstanding the foregoing or anything to the contrary contained herein, Working Capital shall not include any accounts not included on Annex A-1 to this Exhibit A, and shall specifically exclude (i) Cash, (ii) Company Transaction Expenses, and (iii) Funded Indebtedness.

Annex A-1 to Exhibit A

WORKING CAPITAL EXAMPLE

(See attached.)

Exhibit B

2020 EBITDA Definition

"2020 EBITDA" means, for the Company, for the period from and including January 1, 2020 through December 31, 2020, without duplication, the sum of:

(a) net income determined in accordance with generally accepted accounting principles under accrual method accounting;

(b) plus, to the extent deducted in such calculation of net income:

i. income and franchise Taxes (including any penalties interest or fines relating thereto unless related to income generated prior to acquisition) paid or accrued;

ii. interest expense (net of interest income), loan finance costs, loan restructuring costs, loan refinancing costs, loan administration costs, loan prepayment costs, or other similar fees or charges by any lender, or any lessor under a capital lease, in each case whether paid or accrued;

iii. amortization and depreciation (on annual capital expenditures).

For purposes hereof, the following shall be considered credits to 2020 EBITDA:

(a) Bonus payments made outside of the ordinary course of business or in connection with this Agreement;

(b) Any charges for marketing services provided by Buyer or its Affiliates.

Subject to the foregoing, 2020 EBITDA shall be calculated in accordance with GAAP; and

Buyer shall act in good faith and shall not take any action for the sole purpose of limiting or minimizing the 2020 EBITDA amount.

EXHIBIT 21.1

SUBSIDIARIES OF TRAVELZOO

Subsidiaries	**Jurisdiction**
Beijing Travelzoo Travel Information Technology Limited	China
Travelzoo (Asia) Limited	Hong Kong
Travelzoo (Australia) Pty Limited	Australia
Travelzoo (Canada) Inc.	Canada
Travelzoo (China) Limited	Hong Kong
Travelzoo (Europe) Limited	United Kingdom
Travelzoo (Hong Kong) Limited	Hong Kong
Travelzoo (Singapore) Pty Limited	Singapore
Travelzoo Kabushiki Kaisha	Japan
Travelzoo Local Inc.	Delaware
Travelzoo Local (Australia) Pty Limited	Australia
Travelzoo Local (Hong Kong) Limited	Hong Kong

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-121076, No. 333-119700 and No. 333-107304) and on Form S-8 (No. 333-116093, No. 333-173175, No. 333-182934, No. 333-210332 and No. 333-231651) of Travelzoo of our reports dated March 20, 2020, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting of Travelzoo, appearing in this Annual Report on Form 10-K of Travelzoo for the year ended December 31, 2019.

/s/ RSM US LLP

San Jose, California
March 20, 2020

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-116093, No. 333-173175, No. 333-182934, No. 333-201332 and No. 333-231651) of Travelzoo of our report dated March 8, 2019 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Jose, California
March 20, 2020

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Holger Bartel, certify that:

1. I have reviewed this annual report on Form 10-K of Travelzoo;

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

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

4. The registrant's other certifying officer 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 have:

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

b. designed such internal control 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 the registrant's board of directors (or persons performing the equivalent functions):

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

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

/s/ HOLGER BARTEL

Holger Bartel

Global Chief Executive Officer

Date: March 20, 2020

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lisa Su, certify that:

1. I have reviewed this annual report on Form 10-K of Travelzoo;

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

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

4. The registrant's other certifying officer 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 have:

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

b. designed such internal control 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 the registrant's board of directors (or persons performing the equivalent functions):

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

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

/s/ LISA SU

Lisa Su

Chief Accounting Officer

Date: March 20, 2020

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Annual Report on Form 10-K (the "Report") of Travelzoo for the period ended December 31, 2019, the undersigned certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that (1) this Report complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and (2) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: March 20, 2020

By: /s/ HOLGER BARTEL
Holger Bartel
Global Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of this Report or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Annual Report on Form 10-K (the "Report") of Travelzoo for the period ended December 31, 2019, the undersigned certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that (1) this Report complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and (2) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: March 20, 2020

By: /s/ LISA SU

Lisa Su

Chief Accounting Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of this Report or as a separate disclosure document.