

SEDONA Corporation and Subsidiary
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)

	As of December 31, 2019	As of December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	449	363
Accounts receivable	269	530
Prepaid expenses and other current assets	70	69
Total current assets	\$788	\$962
Accounts receivable, non-current	61	162
Property and equipment, net	2	2
Other non-current assets	1	1
Total non-current assets	64	165
Total assets	\$852	\$1,127
Liabilities and stockholders' deficit		
Current liabilities:		
Current maturities of long-term debt, net of discount	17,257	16,220
Accounts payable	151	143
Accrued litigation expenses	0	0
Legal judgments	0	0
Accrued expenses and other current liabilities	1,300	1,232
Deferred and unearned revenue	957	909
Total current liabilities	\$19,666	\$18,504
Long-term debt, less current maturities, net of discount		
Deferred and unearned revenue	61	162
Total long-term liabilities	61	162
Total liabilities	\$19,727	\$18,665
Stockholders' equity/(deficit):		
Class A convertible preferred stock (liquidation preference \$1,000)		
Authorized shares - 1,000,000		
Series A, par value \$2.00, Issued and outstanding - 0 at 12/31/18	0	0
Common stock, par value \$0.001		
Authorized shares -175,000,000, Issued and outstanding shares - 129,114,064	129	129
Treasury stock at cost	-8	-8
Additional paid-in-capital	74,348	74,348
Accumulated deficit	-93,343	-92,007
Total stockholders' deficit	-18,875	-17,538
Total liabilities and stockholders' deficit	\$852	\$1,127

See accompanying notes to condensed consolidated financial statements.

SEDONA Corporation and Subsidiary
Condensed Consolidated Statements of Operations
(In thousands, except share and per share data)

	Period ended	
	December 31, 2019	December 31, 2018
Revenues:		
Product licenses	560	720
Services	1,008	1,178
<i>Total revenues</i>	1,568	1,898
Cost of revenues:		
Services	674	710
<i>Total cost of revenues</i>	674	710
<i>Gross profit</i>	894	1,188
Expenses:		
General and administrative	402	437
Litigation and Judgment expenses	-	11
Sales, marketing and customer services	356	449
Research and development	370	370
<i>Total operating expenses</i>	1,128	1,267
<i>Gain(Loss) from operations</i>	(234)	(79)
Other income (expense):		
Interest income	2	1
Interest expense including debt discount accretion	(1,105)	(1,204)
Other	0	0
<i>Total other income (expense)</i>	(1,103)	(1,203)
<i>Net income (loss)</i>	(1,336)	(1,282)
Deemed dividends applicable to preferred stockholders	-	-
Income (loss) applicable to Common Stockholders	(1,336)	(1,282)
Basic and diluted net income (loss) per share applicable to common shares	(0.01)	(0.01)
Basic and diluted weighted average common shares outstanding	129,114,064	129,114,064

See accompanying notes to condensed consolidated financial statements.

SEDONA Corporation and Subsidiary
Condensed Consolidated Statements of Stockholders' Deficit
(In thousands, except share and per share data)

	Stock Series A	
	Shares	Amount
Balance, December 31, 2017	200,000	\$400
Common stock issued for consulting services	-	-
Common stock issued for employee stock purchase plan	-	-
Common stock issued in conjunction with debt extinguishments	-	-
Beneficial conversion feature on convertible debt issuance	-	-
Repurchase Stock Series A	-200,000	-400
Stock-based compensation	-	-
Net loss, year ended December 31, 2018	-	-
Balance, December 31, 2018	0	\$0
Common stock issued for consulting services	-	-
Common stock issued for employee stock purchase plan	-	-
Common stock issued in conjunction with debt extinguishments	-	-
Beneficial conversion feature on convertible debt issuance	-	-
Repurchase Stock Series A	-	-
Stock-based compensation	-	-
Net loss, period ended December 31, 2019	-	-
Balance, December 31, 2019	0	\$0

See accompanying notes to condensed consolidated financial statements

SEDONA Corporation and Subsidiary
Condensed Consolidated Statements of Stockholders' Deficit
(In thousands, except share and per share data)

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit
	Shares	Amount			
Balance, December 31, 2017	129,114,064	\$129	\$73,948	(\$8)	(\$90,725)
Proceeds from the sale of common stock					
Common stock issued for employee stock purchase plan					
Common stock issued in conjunction with debt extinguishments					
Beneficial conversion feature on convertible debt issuance					
Stock-based compensation					
Forgiveness of litigation debt obligation					
Repurchase Common Stock					
Repurchase Class A Convertible Preferred Stock			400		
Net income (loss), year ended December 31, 2018					(1,282)
Balance, December 31, 2018	129,114,064	\$129	\$74,348	(\$8)	(\$92,007)
Common stock issued for employee stock purchase plan					
Common stock issued in conjunction with debt extinguishments					
Beneficial conversion feature on convertible debt issuance					
Stock-based compensation					
Forgiveness of litigation debt obligation					
Repurchase Common Stock					
Repurchase Class A Convertible Preferred Stock					
Net income (loss), period ended December 31, 2019					(1,336)
Balance, December 31, 2019	129,114,064	\$129	\$74,348	(\$8)	(\$93,343)

See accompanying notes to condensed consolidated financial statements.



SEDONA Corporation and Subsidiary
Condensed Consolidated Statements of Cash Flows
(In thousands, except share and per share data)
 Period ended December 31, 2019

Operating activities:

Net income (loss)	(1,336)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	0
Charge for employer 401(K) stock contribution	0
Common stock issued for legal, consulting services and placement agent	
Stock-based compensation	
Accretion of debt discount	
Loss on extinguishment of debt	
Inducement loss on debt conversion	
Loss on the sale of assets	
Changes in operating assets and liabilities:	
Accounts receivable	362
Prepaid expenses and other current assets	-1
Accounts payable and accrued expenses	1113
Deferred revenue	(52)
Net cash used in operating activities	<u>85</u>

Investing activities:

Purchase of fixed assets	<u> </u>
Net cash used in investing activities	<u> </u>

Financing activities:

Proceeds from line of credit	
Proceeds from other non-current liabilities	
Proceeds from sale of common stock	
Proceeds from the exercise of stock options	
Proceeds from the issuance of short-term note	<u> </u>
Net cash provided by financing activities	<u> </u>
Net increase/(decrease) in cash and cash equivalents	<u>85</u>
Cash and cash equivalents, beginning of year	<u>363</u>
Cash and cash equivalents, end of period, December 31, 2019	<u><u>449</u></u>

See accompanying notes to consolidated financial statements.

Supplemental Disclosures of Cash Flow Information

Cash paid for interest	0
Cash paid to repurchase preferred stock	0

Supplemental Disclosures of Non-Cash Financing Activities

Conversion of debt into common stock	0
Conversion of accrued interest into common stock	0
Beneficial conversion on debt refinancing/issuance	0
Conversion of accrued interest into new notes	0

Notes to Condensed Consolidated Financial Statements

1. The Company ceased to declare preferred stock dividends as of January 1, 2001 on the issued and outstanding series of the Class A Convertible Preferred Stock. Cumulative but undeclared dividends on the Series A Preferred Stock equaled \$0, or \$0.00 per share, as of December 31, 2019.

2. The Company entered into an agreement on November 11, 2014 to repurchase the issued and outstanding series of the Class A Convertible Preferred Stock, for a total of \$105,000 payable over 51 months. The agreement settled the action brought by ANDREW TROLIO against SEDONA CORPORATION and DAVID VEY, CEO in the Delaware County (PA) Court of Common Pleas at No.2013-003670. 200,000 of these shares were repurchased during 2018, for a total of 500,000 (all issued) repurchased as of December 31, 2018.

3. The Company re-purchased 772,078 shares of SEDONA common stock held in the SEDONA Corporation 401(k) Plan on November 10, 2014, removing them from the unitized stock fund and closing the unitized stock fund, resulting in a significant reduction in annual plan administrative expenses.

4. The Company entered into an agreement on September 24, 2014 to pay \$165,000 to AMRO INTERNATIONAL, S.A., et al. to fully satisfy a \$1,000,000 judgment award. The agreement settled the action brought by AMRO INTERNATIONAL, S.A., et al. against SEDONA CORPORATION in the Montgomery County (PA) Court of Common Pleas at No.2014-09619.

5. The Company entered into an agreement on September 24, 2014 to borrow \$165,000 with a short term loan from a group of five employees. The funds were used to settle and pay the judgment in favor of AMRO INTERNATIONAL, S.A., et al. As of May 31, 2015, the loan repayment was completed.

6. The Company converted principal and interest in the amount of \$17,506,559 on five long-term debt security notes into five new promissory notes on January 1, 2019.

New Promissory Note	Principal	Interest Rate	Maturity Date
David R. Vey	\$7,495,419	6%	January 1, 2020
David R. Vey	\$3,887,239	6%	January 1, 2020
Oak Harbor*	\$2,627,719	8%	January 1, 2020
William Rucks	\$2,207,917	6%	January 1, 2020
William Rucks & Charles F. Mitchell	\$1,288,266	6%	January 1, 2020

*Oak Harbor is a limited liability company in which David Vey and Richard T. Hartley are managing members.

7. The Securities and Exchange Commission ("SEC") issued an order on July 30, 2015 revoking the registration of the common stock of SEDONA Corporation. As a result, the Company's stock, which had traded in the over-the-counter market and was quoted on the Pink Sheets Electronic Quotation Service under the symbol "SDNA", will no longer trade publicly.

8. Effective April 1, 2015, the Company moved its 401(k) retirement plan to the industry-leading Vanguard platform, with recordkeeping managed by Ascensus. The Board of Directors also reinstated a safe harbor non-elective employer contribution.

9. During the second quarter in 2016, the Company recorded a cancellation of debt by operation of law in the amount of \$741,000, recognized as other income.

10. The Company entered into an agreement on June 13, 2017 to pay \$121,590 to Philadelphia Professional Collections, LLC to fully satisfy a judgment award in the original amount of \$292,815.83. The agreement settled the action brought by Philadelphia Professional Collections, LLC against SEDONA CORPORATION in the Montgomery County (PA) Court of Common Pleas at No.2010-20363.

11. The Company entered into an agreement on October 18, 2018 to pay \$85,000 to Jones Walker, LLC to fully satisfy a judgment award in the original amount of \$79,779.03 plus interests and costs. The agreement settled the action brought by Jones Walker, LLC against SEDONA CORPORATION in the Montgomery County (PA) Court of Common Pleas at No.2012-17319.