

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

	As of December 31, 2020	As of December 31, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	464	449
Accounts receivable	333	269
Prepaid expenses and other current assets	68	70
<b>Total current assets</b>	<b>\$865</b>	<b>\$788</b>
Accounts receivable, non-current	455	61
Property and equipment, net	2	2
Other non-current assets	1	1
<b>Total non-current assets</b>	<b>458</b>	<b>64</b>
<b>Total assets</b>	<b>\$1,323</b>	<b>\$852</b>
<b>Liabilities and stockholders' deficit</b>		
Current liabilities:		
PPP Loan	0	
Current maturities of long-term debt, net of discount	18,360	17,257
Accounts payable	143	151
Accrued litigation expenses	0	0
Legal judgments	0	0
Accrued expenses and other current liabilities	1,372	1,300
Deferred and unearned revenue	991	957
<b>Total current liabilities</b>	<b>20,865</b>	<b>\$19,666</b>
Long-term debt, less current maturities, net of discount		
Deferred and unearned revenue	455	61
<b>Total long-term liabilities</b>	<b>455</b>	<b>61</b>
<b>Total liabilities</b>	<b>21,320</b>	<b>\$19,727</b>
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	-94,466	-93,343
<b>Total stockholders' deficit</b>	<b>-19,997</b>	<b>-18,875</b>
<b>Total liabilities and stockholders' deficit</b>	<b>\$1,323</b>	<b>\$852</b>

*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, 2020	December 31, 2019
<b>Revenues:</b>		
Product licenses	570	560
Services	1,040	1,008
<i>Total revenues</i>	<b>1,611</b>	<b>1,568</b>
<b>Cost of revenues:</b>		
Services	666	674
<i>Total cost of revenues</i>	666	674
<i>Gross profit</i>	945	894
<b>Expenses:</b>		
General and administrative	422	402
Litigation and Judgment expenses	0	-
Sales, marketing and customer services	267	356
Research and development	370	370
<i>Total operating expenses</i>	1,059	1,128
<b>Gain(Loss) from operations</b>	<b>(115)</b>	<b>(234)</b>
<b>Other income (expense):</b>		
Interest income	2	2
Interest expense including debt discount accretion	(1,176)	(1,105)
Other	166	0
<i>Total other income (expense)</i>	(1,008)	(1,103)
Net income (loss)	<b>(1,123)</b>	<b>(1,336)</b>
Deemed dividends applicable to preferred stockholders	-	-
Income (loss) applicable to Common Stockholders	<b>(1,123)</b>	<b>(1,336)</b>
Basic and diluted net income (loss) per share applicable to common shares	<b>(0.01)</b>	<b>(0.01)</b>
Basic and diluted weighted average common shares outstanding	<b>129,114,064</b>	<b>129,114,064</b>

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
<b>Balance, December 31, 2018</b>	<b>0</b>	<b>\$0</b>
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, year ended December 31, 2019	-	-
<b>Balance, December 31, 2019</b>	<b>0</b>	<b>\$0</b>
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, 2020	-	-
<b>Balance, December 31, 2020</b>	<b>0</b>	<b>\$0</b>

*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			
<b>Balance, December 31, 2018</b>	<b>129,114,064</b>	<b>\$129</b>	<b>\$74,348</b>	<b>(\$8)</b>	<b>(\$92,007)</b>
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					
Net income (loss), year ended December 31, 2019					(1,336)
<b>Balance, December 31, 2019</b>	<b>129,114,064</b>	<b>\$129</b>	<b>\$74,348</b>	<b>(\$8)</b>	<b>(\$93,343)</b>
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, 2020					(1,123)
<b>Balance, December 31, 2020</b>	<b>129,114,064</b>	<b>\$129</b>	<b>\$74,348</b>	<b>(\$8)</b>	<b>(\$94,466)</b>

*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, 2020

**Operating activities:**

Net income (loss)	(1,123)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	1
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	(458)
Prepaid expenses and other current assets	2
Accounts payable and accrued expenses	1166
Deferred revenue	427
Net cash used in operating activities	<u>15</u>

**Investing activities:**

Purchase of fixed assets	
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	
Net cash provided by financing activities	<u>0</u>
Net increase/(decrease) in cash and cash equivalents	<u>15</u>
Cash and cash equivalents, beginning of year	<u>449</u>
Cash and cash equivalents, end of period, December 31, 2020	<u><u>464</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, 2020.

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 \$18,609,507 on five long-term debt security notes into five new promissory notes on January 1, 2020.

<b>New Promissory Note</b>	<b>Principal</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
David R. Vey	\$7,945,144	6%	January 1, 2021
David R. Vey	\$4,120,474	6%	January 1, 2021
Oak Harbor*	\$2,837,936	8%	January 1, 2021
William Rucks	\$2,340,391	6%	January 1, 2021
William Rucks & Charles F. Mitchell	\$1,365,562	6%	January 1, 2021

\*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.

12. On April 21, 2020, the Company received loan proceeds in the amount of approximately \$164,000 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. On November 20, 2020, the Company was notified of full forgiveness for all principal and interest, totalling \$165,780 and recognized as other income.