

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

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

For the transition period from _____ to _____

Commission File Number: 001-39515

American Well Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

20-5009396
(I.R.S. Employer
Identification Number)

75 State Street, 26th Floor
Boston, MA 02109

(Address of registrant's principal executive offices)

(617) 204-3500

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definition 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 ☐

Non-accelerated filer ☒

Smaller reporting company ☐

Emerging growth company ☒

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value of \$0.01 per share	AMWL	The New York Stock Exchange

As of October 31, 2021, the number of shares of the registrant's Class A common stock outstanding was 227,489,928, the number of shares of the registrant's Class B common stock outstanding was 26,913,579 and the number of shares of the registrant's Class C common stock outstanding was 5,555,555.

American Well Corporation

QUARTERLY REPORT ON FORM 10-Q
For the period ended September 30, 2021

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN WELL CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS (in thousands, except share and per share amounts) (unaudited)

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 790,402	\$ 941,616
Investments	—	99,963
Restricted cash	—	1,095
Accounts receivable (\$497 and \$12,053, from related parties and net of allowances of \$1,497 and \$1,556, respectively)	39,851	45,296
Inventories	9,100	9,128
Deferred contract acquisition costs	1,339	2,134
Prepaid expenses and other current assets	13,902	14,055
Total current assets	854,594	1,113,287
Restricted cash	795	—
Property and equipment, net	2,714	3,836
Goodwill	443,903	193,877
Intangible assets, net	159,926	55,528
Operating lease right-of-use asset	17,780	6,609
Deferred contract acquisition costs, net of current portion	1,921	1,327
Other assets	1,520	1,430
Investment in minority owned joint venture	1,205	752
Total assets	<u>\$ 1,484,358</u>	<u>\$ 1,376,646</u>
Liabilities, Convertible Preferred Stock and Stockholders' Deficit		
Current liabilities:		
Accounts payable	\$ 5,278	\$ 5,797
Accrued expenses and other current liabilities	45,910	42,135
Contingent consideration liabilities	11,850	—
Operating lease liability, current	3,121	6,357
Deferred revenue (\$683 and \$14,421 from related parties, respectively)	60,949	66,693
Total current liabilities	127,108	120,982
Other long-term liabilities	4,210	64
Contingent consideration liabilities, net of current portion	33,340	—
Operating lease liability, net of current portion	14,988	1,296
Deferred revenue, net of current portion (\$26 and \$486 from related parties, respectively)	7,050	8,107
Total liabilities	186,696	130,449
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 100,000,000 shares authorized, no shares issued or outstanding as of September 30, 2021 and as of December 31, 2020	—	—
Common stock, \$0.01 par value; 1,000,000,000 Class A shares authorized, 227,158,943 and 201,488,097 shares issued, and 227,158,943 and 200,751,168 shares outstanding, respectively; 100,000,000 Class B shares authorized, 26,650,761 and 30,427,128 shares issued, and 26,650,761 and 29,297,382 shares outstanding, respectively; 200,000,000 Class C shares authorized 5,555,555 issued and outstanding as of September 30, 2021 and December 31, 2020	2,595	2,357
Treasury stock, no shares and 1,866,675 shares as of September 30, 2021 and December 31, 2020, respectively	—	(37,568)
Additional paid-in capital	2,038,012	1,841,405
Accumulated other comprehensive income	(2,237)	297
Accumulated deficit	(762,441)	(582,359)
Total American Well Corporation stockholders' equity	1,275,929	1,224,132
Non-controlling interest	21,733	22,065
Total stockholders' equity	1,297,662	1,246,197
Total liabilities and stockholders' equity	<u>\$ 1,484,358</u>	<u>\$ 1,376,646</u>

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

AMERICAN WELL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue				
(\$698, \$15,912, \$11,005 and \$29,160 from related parties, respectively)	\$ 62,223	\$ 62,551	\$ 180,039	\$ 184,833
Costs and operating expenses:				
Costs of revenue, excluding depreciation and amortization of intangible assets	35,184	42,116	104,778	118,969
Research and development	27,399	25,275	72,817	57,848
Sales and marketing	16,370	13,758	44,891	39,978
General and administrative	34,380	43,113	79,946	138,537
Depreciation and amortization expense	4,340	2,576	9,330	7,371
Total costs and operating expenses	117,673	126,838	311,762	362,703
Loss from operations	(55,450)	(64,287)	(131,723)	(177,870)
Interest income and other (expense) income, net	(382)	255	(97)	1,410
Loss before expense from income taxes and loss from equity method investment	(55,832)	(64,032)	(131,820)	(176,460)
Benefit (Expense) from income taxes	5,454	(78)	5,042	(330)
Loss from equity method investment	(554)	(486)	(2,095)	(1,250)
Net loss	(50,932)	(64,596)	(128,873)	(178,040)
Net income (loss) attributable to non-controlling interest	562	(1,515)	(332)	(3,920)
Net loss attributable to American Well Corporation	<u>\$ (51,494)</u>	<u>\$ (63,081)</u>	<u>\$ (128,541)</u>	<u>\$ (174,120)</u>
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.20)	\$ (0.92)	\$ (0.51)	\$ (3.38)
Weighted-average common shares outstanding, basic and diluted	257,283,961	68,499,106	250,115,414	51,492,988
Net loss	\$ (50,932)	\$ (64,596)	\$ (128,873)	\$ (178,040)
Other comprehensive income (loss), net of tax:				
Unrealized gain on available-for-sale investments	0	(135)	(85)	(415)
Foreign currency translation	(2,377)	37	(2,449)	215
Comprehensive loss	(53,309)	(64,694)	(131,407)	(178,240)
Less: Comprehensive loss attributable to non-controlling interest	562	(1,515)	(332)	(3,920)
Comprehensive loss attributable to American Well Corporation	<u>\$ (53,871)</u>	<u>\$ (63,179)</u>	<u>\$ (131,075)</u>	<u>\$ (174,320)</u>

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

AMERICAN WELL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, except share amounts)
(unaudited)

	Common Stock		Treasury	Additional	Accumulated		American Well	Noncontrolling	Total
	Shares	Amount	Stock	Paid-In	Other	Accumulated	Corporation	Interest	Stockholders'
				Capital	Comprehensive	Deficit	Stockholders'		Equity
					Income (Loss)		Equity		
Balances as of January 1, 2021	235,604,105	\$ 2,357	\$ (37,568)	\$ 1,841,405	\$ 297	\$ (582,359)	\$ 1,224,132	\$ 22,065	\$ 1,246,197
Exercise of common stock options	3,474,375	34	—	10,096	—	—	10,130	—	10,130
Vesting of restricted stock units	853,842	9	—	(9)	—	—	—	—	—
Retirement of treasury stock purchased in 2020	—	—	37,568	(15)	—	(37,553)	—	—	—
Shares withheld related to net share settlement and retired treasury stock in 2021	(402,060)	(4)	—	4	—	(9,771)	(9,771)	—	(9,771)
Stock-based compensation expense	—	—	—	8,642	—	—	8,642	—	8,642
Currency translation adjustment	—	—	—	—	(52)	—	(52)	—	(52)
Unrealized gains on available-for-sale securities, net of tax	—	—	—	—	34	—	34	—	34
Net loss	—	—	—	—	—	(39,188)	(39,188)	(617)	(39,805)
Balances as of March 31, 2021	239,530,262	2,396	—	1,860,123	279	(668,871)	1,193,927	21,448	1,215,375
Exercise of common stock options	1,812,491	18	—	6,656	—	—	6,674	—	6,674
Vesting of restricted stock units	844,900	9	—	(9)	—	—	—	—	—
Shares withheld related to net share settlement and retired treasury stock in 2021	(68,750)	(1)	—	1	—	(1,857)	(1,857)	—	(1,857)
Stock-based compensation expense	—	—	—	10,726	—	—	10,726	—	10,726
Currency translation adjustment	—	—	—	—	(20)	—	(20)	—	(20)
Unrealized gains on available-for-sale securities, net of tax	—	—	—	—	(119)	—	(119)	—	(119)
Net loss	—	—	—	—	—	(37,859)	(37,859)	(277)	(38,136)
Balances as of June 30, 2021	242,118,903	2,422	—	1,877,497	140	(708,587)	1,171,472	21,171	1,192,643
Exercise of common stock options	491,598	5	—	1,872	—	—	1,877	—	1,877
Vesting of restricted stock units	3,989,239	40	—	(40)	—	—	—	—	—
Shares withheld related to net share settlement and retired treasury stock in 2021	(211,494)	(2)	—	2	—	(2,360)	(2,360)	—	(2,360)
Issuance of stock under employee stock purchase plan	178,021	2	—	1,597	—	—	1,599	—	1,599
Issuance of common stock in acquisitions	12,798,992	128	—	143,979	—	—	144,107	—	144,107
Stock-based compensation expense	—	—	—	12,388	—	—	12,388	—	12,388
Capital contributed by selling shareholders of acquired businesses	—	—	—	717	—	—	717	—	717
Currency translation adjustment	—	—	—	—	(2,377)	—	(2,377)	—	(2,377)
Net loss	—	—	—	—	—	(51,494)	(51,494)	562	(50,932)
Balances as of September 30, 2021	259,365,259	\$ 2,595	\$ —	\$ 2,038,012	\$ (2,237)	\$ (762,441)	\$ 1,275,929	\$ 21,733	\$ 1,297,662

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

AMERICAN WELL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, except share amounts)
(unaudited)

	Convertible Preferred Stock		Common Stock		Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	American Well Corporation Stockholders' Deficit	Noncontrolling Interest	Total Stockholders' (Deficit)
	Shares	Amount	Shares	Amount							
Balances as of January 1, 2020	14,012,935	\$ 655,799	42,302,845	423	\$ (158)	50,289	\$ 250	\$ (357,927)	\$ (307,123)	\$ 26,259	\$ (280,864)
Issuance of Series C convertible preferred stock, net of issuance costs of \$261	170,000	12,489	—	—	—	—	—	—	—	—	—
Exercise of common stock options	—	—	7,392	—	—	2	—	—	2	—	2
Vesting of restricted stock units	—	—	146,969	1	—	(1)	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	4,458	—	—	4,458	—	4,458
Retirement of treasury stock	—	—	—	—	158	(158)	—	—	—	—	—
Currency translation adjustment	—	—	—	—	—	—	(171)	—	(171)	—	(171)
Unrealized gains on available-for-sale securities, net of tax	—	—	—	—	—	—	43	—	43	—	43
Net loss	—	—	—	—	—	—	—	(24,381)	(24,381)	(843)	(25,224)
Balances as of March 31, 2020	14,182,935	668,288	42,457,206	424	—	54,590	122	(382,308)	(327,172)	25,416	(301,756)
Issuance of Series C convertible preferred stock, net of issuance costs of \$750	1,342,750	133,525	—	—	—	—	—	—	—	—	—
Treasury stock	—	—	(61,600)	—	(163)	—	—	—	(163)	—	(163)
Exercise of common stock options	—	—	768,106	8	—	2,322	—	—	2,330	—	2,330
Vesting of restricted stock units	—	—	204,829	2	—	(2)	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	67,638	—	—	67,638	—	67,638
Currency translation adjustment	—	—	—	—	—	—	349	—	349	—	349
Unrealized gains on available-for-sale securities, net of tax	—	—	—	—	—	—	(323)	—	(323)	—	(323)
Net loss	—	—	—	—	—	—	—	(86,658)	(86,658)	(1,562)	(88,220)
Balances as of June 30, 2020	15,525,685	801,813	43,368,541	434	(163)	124,548	148	(468,966)	(343,999)	23,854	(320,145)
Exercise of common stock options	—	—	885,253	9	—	1,877	—	—	1,886	—	1,886
Vesting of restricted stock units	—	—	3,458,849	34	—	(34)	—	—	—	—	—
Class A and Class B shares withheld to net share settlement of loans	—	—	(1,340,354)	(13)	(24,157)	13	—	—	(24,157)	—	(24,157)
Conversion of Series A, Series B, and Series C convertible preferred stock into Class A shares	(15,525,685)	(801,813)	136,625,900	1,366	—	800,447	—	—	801,813	—	801,813
Issuance of Class A shares in connection with initial public offering, net of offering costs and underwriting discounts of \$53,730	—	—	45,681,499	457	—	768,080	—	—	768,537	—	768,537
Issuance of Class A shares in connection with Google Private Placement, net of offering costs of \$900	—	—	5,555,555	56	—	99,044	—	—	99,100	—	99,100
Stock-based compensation expense	—	—	—	—	—	34,420	—	—	34,420	—	34,420
Currency translation adjustment	—	—	—	—	—	—	37	—	37	—	37
Unrealized gains on available-for-sale securities, net of tax	—	—	—	—	—	—	(135)	—	(135)	—	(135)
Net loss	—	—	—	—	—	—	—	(63,081)	(63,081)	(1,515)	(64,596)
Balances as of September 30, 2020	—	\$ -	234,235,243	\$ 2,343	\$ (24,320)	\$ 1,828,395	\$ 50	\$ (532,047)	\$ 1,274,421	\$ 22,339	\$ 1,296,760

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

AMERICAN WELL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except share and per share amounts)
(unaudited)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (128,873)	\$ (178,040)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	9,330	7,371
Provisions for doubtful accounts	401	1,236
Amortization of deferred contract acquisition costs	1,254	852
Amortization of deferred contract fulfillment costs	535	510
Accretion of contingent consideration	600	—
Noncash compensation costs incurred by selling shareholders	717	—
Stock-based compensation expense	31,756	106,516
Loss on equity method investment	2,095	1,250
Deferred income taxes	(4,184)	—
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	11,325	(8,468)
Inventories	28	(4,671)
Deferred contract acquisition costs	(1,053)	(1,575)
Prepaid expenses and other current assets	946	(1)
Other assets	319	426
Accounts payable	(1,332)	(135)
Accrued expenses and other current liabilities	(1,564)	2,353
Other long-term liabilities	(1,784)	(194)
Deferred revenue	(17,130)	(15,364)
Net cash used in operating activities	<u>(96,614)</u>	<u>(87,934)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(221)	(3,261)
Investment in less than majority owned joint venture	(2,548)	(2,940)
Purchases of investments	—	(159,608)
Proceeds from sales and maturities of investments	100,000	69,132
Acquisitions of business, net of cash acquired	(156,526)	—
Net cash used in investing activities	<u>(59,295)</u>	<u>(96,677)</u>
Cash flows from financing activities:		
Proceeds from issuance of Series C convertible preferred stock, net of issuance costs	—	146,014
Proceeds from exercise of common stock options	18,539	4,235
Proceeds from employee stock purchase plan	1,599	—
Payments for the purchase of treasury stock	(13,988)	(18,417)
Proceeds from issuance of common stock in initial public offering, net of underwriting costs and commissions	—	772,931
Proceeds from issuance of common stock to Google	—	100,000
Payment of deferred offering costs	(1,613)	(1,456)
Net cash provided by financing activities	<u>4,537</u>	<u>1,003,307</u>
Effect of exchange rates changes on cash, cash equivalents, and restricted cash	(142)	—
Net decrease in cash, cash equivalents, and restricted cash	<u>(151,514)</u>	<u>818,696</u>
Cash, cash equivalents, and restricted cash at beginning of period	942,711	138,816
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 791,197</u>	<u>\$ 957,512</u>
Cash, cash equivalents, and restricted cash at end of period:		
Cash and cash equivalents	790,402	956,417
Restricted cash	795	1,095
Total cash, cash equivalents, and restricted cash at end of period	<u>\$ 791,197</u>	<u>\$ 957,512</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 1,414	\$ 138
Supplemental disclosure of non-cash investing and financing activities:		
Additions to property and equipment included in accrued expenses and accounts payable	\$ 312	\$ 19
Initial public offering and Google common stock offering costs in accrued expenses	\$ —	\$ 3,838
Treasury stock costs in accrued expenses	\$ —	\$ 5,903
Receivable related to exercise of common stock options	\$ 142	\$ —

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

AMERICAN WELL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)
(unaudited)

1. Organization and Description of Business

Description of Business

American Well Corporation (the “Company”) was incorporated under the laws of the State of Delaware in June 2006. The Company is headquartered in Boston, Massachusetts. The Company is a leading telehealth company that enables the digital distribution and delivery of care for healthcare’s key stakeholders. The Company’s scalable technology is deployed at the enterprise level of clients, embeds into existing offerings and workflows, spans the continuum of care and enables the delivery of this care across a wide variety of clinical, retail, school and home settings.

Acquisitions

On August 9, 2021 and August 27, 2021, the Company completed the acquisitions of Conversa Health Inc. (“Conversa”) and SilverCloud Health Holdings, Inc. (“SilverCloud”), respectively (together, the “Acquisitions”). Conversa is a leader in automated virtual healthcare. SilverCloud is a leading digital mental health platform. See Note 7 “Business Combinations”.

Stock Split

On August 28, 2020, the Company effected an 8.8-for-1.0 stock split of its issued and outstanding shares of common stock and a proportional adjustment to the existing conversion ratios for each series of the Company’s then outstanding convertible preferred stock (see Note 10). The corresponding number of shares and exercise prices related to stock options and RSUs were also adjusted. The impact of the stock split has been applied retrospectively to all periods presented.

Liquidity and Capital Resources

The accompanying condensed consolidated financial statements have been prepared on the basis of continuity of operations, realization of assets, and the satisfaction of liabilities and commitments in the ordinary course of business. On September 21, 2020, the Company closed on the IPO raising \$822,267 in gross proceeds. On September 21, 2020, the Company closed on a private placement with Google raising \$100,000 in gross proceeds. Since inception, the Company has incurred recurring losses. As of September 30, 2021, the Company had an accumulated deficit of \$762,441. The Company expects to continue to generate operating losses for the foreseeable future.

The Company expects that its cash, cash equivalents and investments balance as of September 30, 2021 of \$790,402 will be sufficient to fund its operating expenses and capital expenditure requirements for at least the next twelve months.

2. Summary of Significant Accounting Policies

There have been no material changes to the significant accounting policies described in the Company's Form 10-K for the fiscal year ended December 31, 2020, that have had a material impact on the consolidated financial statements and related notes.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring accruals and adjustments) necessary for the fair statement of the Company's the financial position, results of operations and cash flows at the dates and for the periods indicated. The interim results for the three and nine months ended September 30, 2021 are not necessarily indicative of results for the full 2021 calendar year or any other future interim periods. The information included in the interim financial statements should be read in conjunction with the annual consolidated financial statements and accompanying notes included in the Form 10-K.

The unaudited condensed consolidated financial statements include the accounts of American Well Corporation, its wholly-owned subsidiaries, those of professional corporations, which represent variable interest entities in which American Well has an interest and is the primary beneficiary ("PC"), and National Telehealth Network ("NTN"), an entity in which American Well controls fifty percent or more of the voting shares (see Note 4). Intercompany accounts and transactions have been eliminated in consolidation.

For substantially all of the Company's subsidiaries, the functional currency is the U.S. dollar. Foreign currency denominated monetary assets and liabilities are remeasured into U.S. dollars at current exchange rates and foreign currency denominated nonmonetary assets and liabilities are remeasured into U.S. dollars at historical exchange rates. Gains or losses from foreign currency remeasurement and settlements are included in interest income and other income (expense), net in the condensed consolidated statements of operations and comprehensive loss.

For consolidated entities where American Well owns or is exposed to less than 100% of the economics, the net loss attributable to noncontrolling interests is recorded in the condensed consolidated statements of operations and comprehensive loss equal to the percentage of the economic or ownership interest retained in each entity by the respective non-controlling party. The noncontrolling interests are presented as a separate component of stockholders' deficit in the condensed consolidated balance sheets.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reported periods. Significant estimates and assumptions reflected in these condensed consolidated financial statements include, but are not limited to, revenue recognition, the estimated customer relationship period that is used in the amortization of deferred contract acquisition costs, the valuation of assets and liabilities acquired in business combinations, the useful lives of intangible assets and property and equipment and the valuation of common stock. The Company bases its estimates on historical experience, known trends, and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates, as there are changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results may differ from those estimates or assumptions.

Due to the COVID-19 global pandemic, the global economy and financial markets have been disrupted and there is a significant amount of uncertainty about the length and severity of the consequences caused by the pandemic. The Company has considered information available to it as of the date of issuance of these financial statements and has not experienced any significant impact to its estimates and assumptions as a result of the COVID-19 pandemic. On an ongoing basis, the Company will continue to closely monitor the COVID-19 impact on its estimates and assumptions.

Segment Information

The Company's chief operating decision makers (CODMs), its two Chief Executive Officers, review financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. The Company operates and manages its business as one reportable and operating segment. In addition, substantially all of the Company's revenue and long-lived assets are attributable to operations in the United States for all periods presented.

Variable Interest Entities

The Company evaluates its ownership, contractual and other interests in entities to determine if it has any variable interest in a variable interest entity ("VIE"). These evaluations are complex and involve judgment. If the Company determines that an entity in which it holds a contractual or ownership interest is a VIE and that the Company is the primary beneficiary, the Company consolidates such entity in its condensed consolidated financial statements. The primary beneficiary of a VIE is the party that meets both of the following criteria: (i) has the power to make decisions that most significantly affect the economic performance of the VIE; and (ii) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE. Management performs ongoing reassessments of whether changes in the facts and circumstances regarding the Company's involvement with a VIE will cause the consolidation conclusion to change. Changes in consolidation status are applied prospectively.

The aggregate carrying value of total assets and total liabilities included on the condensed consolidated balance sheets for the PCs after elimination of intercompany transactions were \$22,771 and \$1,893, respectively, as of September 30, 2021 and \$22,682 and \$1,998, respectively as of December 31, 2020.

Total revenue included on the condensed consolidated statements of operations and comprehensive loss for the PCs after elimination of intercompany transactions was \$18,356 and \$18,206 for the three months ended September 30, 2021 and 2020, respectively. Net loss included on the condensed consolidated statements of operations and comprehensive loss was not material for the three months ended September 30, 2021 and 2020. Total revenue included on the condensed consolidated statements of operations and comprehensive loss for the PCs after elimination of intercompany transactions was \$53,511 and \$61,596 for the nine months ended September 30, 2021 and 2020, respectively. Net loss included on the condensed consolidated statements of operations and comprehensive loss was not material for the three and nine months ended September 30, 2021 and 2020.

Investment in Minority Owned Joint Venture

The Company and Cleveland Clinic partnered to form a joint venture, under the name CCAW, JV LLC, to provide broad access to comprehensive and high acuity care services via telehealth. The Company does not have a controlling financial interest in CCAW, JV LLC, but it does have the ability to exercise significant influence over the operating and financial policies of CCAW, JV LLC. Therefore, the Company accounts for its investment in CCAW, JV LLC using the equity method of accounting. The joint venture is considered a variable interest entity under ASC 810-10, but the Company is not the primary beneficiary as it does not have the power to direct the activities of the joint venture that most significantly impact its performance. The Company's evaluation of ability to impact performance is based on Cleveland Clinic's managing directors and Cleveland Clinic's ability to appoint and remove the chairperson who has the ability to cast the tie breaking vote on the most significant activities.

In 2020 the Company contributed \$2,940 as its initial investment for a 49% interest in CCAW, JV LLC. The agreement also requires aggregate total capital contributions by the Company up to an additional \$11,800 in two phases, which is yet to be defined. During the nine months ended September 30, 2021, the Company made a capital contribution of \$2,548, related to a portion of the phase one capital commitment. For the three months ended September 30, 2021 and 2020, the Company recognized a loss of \$554 and \$486 as its proportionate share of the joint venture's results of operations, respectively. For the nine months ended September 30, 2021 and 2020, the Company recognized a loss of \$2,095 and \$1,250 as its proportionate share of the joint venture's results of operations, respectively. Accordingly, the carrying value of the equity method investment as of September 30, 2021 and December 31, 2020 was \$1,205 and \$752, respectively.

Concentrations of Credit Risk and Significant Customers

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, investments and accounts receivable. The Company invests its excess cash with large financial institutions that the Company believes are of high credit quality. Cash and cash equivalents are invested in highly rated money market funds. At times, the Company's cash balances with individual banking institutions are in excess of federally insured limits. The Company's investments are invested in U.S. government agency bonds. The Company has not experienced any losses on its deposits of cash, cash equivalents or investments. The Company does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

The Company performs ongoing assessments and credit evaluations of its customers to assess the collectability of the accounts based on a number of factors, including past transaction experience, age of the accounts receivable, review of the invoicing terms of the contracts, and recent communication with customers. The Company has not experienced significant credit losses from its accounts receivable. As of September 30, 2021 and December 31, 2020, one customer accounted for 21% and 19% of outstanding accounts receivable, respectively.

During the three months ended September 30, 2021 and 2020, sales to one customer (who was a related party during the 2020 period noted) represented 26% and 22% of the Company's total revenue, respectively. During the nine months ended September 30, 2021 and 2020, sales to one customer (who was a related party during the periods noted) represented 25% and 22% of the Company's total revenue, respectively.

Emerging Growth Company Status

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with certain new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it is (i) no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, these financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

Recently Adopted Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), which modifies the existing disclosure requirements for fair value measurements in Topic 820. The new disclosure requirements include disclosure related to changes in unrealized gains or losses included in other comprehensive loss for recurring Level 3 fair value measurements held at the end of each reporting period and the explicit requirement to disclose the range and weighted-average of significant unobservable inputs used for Level 3 fair value measurements. The other provisions of ASU 2018-13 include eliminated and modified disclosure requirements. An entity is permitted to early adopt any removed or modified disclosures upon issuance of ASU 2018-13 and delay adoption of the additional disclosures until their effective date. For all entities, this guidance is required to be adopted for annual periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. The guidance was adopted effective January 1, 2020 and did not have a material impact on the condensed consolidated financial statements and disclosures.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted. The guidance was adopted effective January 1, 2020 and did not have a material impact on the condensed consolidated financial statements and disclosures.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which simplifies the accounting for income taxes by removing certain exceptions and clarifying and amending existing guidance. ASU 2019-12 removes certain exceptions for performing intraperiod tax allocations, recognizing deferred taxes for investments, and calculating income taxes in interim periods. The guidance also simplifies the accounting for franchise taxes, transactions that result in a step-up in the tax basis of goodwill, and the effect of enacted changes in tax laws or rates in interim periods. For public entities that are Securities and Exchange Commission filers, excluding entities eligible to be smaller reporting companies, ASU 2019-12 is effective for annual periods beginning after December 15, 2020, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The guidance was adopted effective January 1, 2021 and did not have a material impact on the condensed consolidated financial statements and disclosures.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"), which requires that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. To achieve this, an acquirer may assess how the acquiree applied Topic 606 to determine what to record for the acquired revenue contracts. Generally, this should result in an acquirer recognizing and measuring the acquired contract assets and contract liabilities consistent with how they were recognized and measured in the acquiree's financial statements. For public entities that are Securities and Exchange Commission filers, excluding entities eligible to be smaller reporting companies, ASU 2021-08 is effective for annual periods beginning after December 15, 2022, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The guidance was adopted effective July 1, 2021 and impacted the accounting of acquired deferred revenue for the Conversa and SilverCloud acquisitions that occurred in August 2021.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. These changes may result in earlier recognition of credit losses. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, which narrowed the scope and changed the effective date for non-public entities for ASU 2016-13. The FASB subsequently issued supplemental guidance within ASU No. 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief* (“ASU 2019-05”). ASU 2019-05 provides an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. For public entities that are Securities and Exchange Commission filers, excluding entities eligible to be smaller reporting companies, ASU 2016-13 is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years. For all other entities, ASU 2016-13 is effective for annual periods beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The guidance will be adopted in the 2021 annual condensed consolidated financial statements. The Company is currently evaluating the impact that the adoption of ASU 2016-13 will have on its condensed consolidated financial statements.

3. Revenue

The following table presents the Company’s revenues disaggregated by revenue source:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Platform subscription	\$ 26,736	\$ 25,834	\$ 78,112	\$ 72,048
Visits	30,042	28,455	85,395	90,936
Other	5,445	8,262	16,532	21,849
Total Revenue	<u>\$ 62,223</u>	<u>\$ 62,551</u>	<u>\$ 180,039</u>	<u>\$ 184,833</u>

Accounts Receivable, Net

Accounts receivable primarily consist of amounts billed currently due from customers. Accounts receivable are presented net of an allowance for doubtful accounts, which is an estimate of amounts that may not be collectible. In determining the amount of the allowance at each reporting date, the Company makes judgments about general economic conditions, historical write-off experience and any specific risks identified in customer collection matters, including the aging of unpaid accounts receivable and changes in customer financial conditions. Account balances are written off after all means of collection are exhausted and the potential for non-recovery is determined to be probable. Adjustments to the allowance for doubtful accounts are recorded as general and administrative expenses in the condensed consolidated statements of operations and comprehensive loss.

Changes in the allowance for doubtful accounts were as follows:

	Nine Months Ended September 30,	Year Ended December 31, 2020
Allowance for doubtful accounts, beginning of the period	\$ 1,556	\$ 686
Provisions	401	1,646
Write-offs	(460)	(776)
Allowance for doubtful accounts, end of the period	<u>\$ 1,497</u>	<u>\$ 1,556</u>

The Company has rights to consideration for services completed but not billed at the reporting date. Unbilled receivables are classified as receivables when the Company has the right to invoice the customer. The amount of unbilled accounts receivable was \$6,826 and \$3,376 as of September 30, 2021 and December 31, 2020, and has been included within accounts receivable on the condensed consolidated balance sheet.

Deferred Revenue

Contract liabilities consist of deferred revenue and include billings in advance of performance under the contract. Such amounts are recognized as revenue over the contractual period. For the three months ended September 30, 2021 and 2020, the Company recognized revenue of \$16,912 and \$43,656, respectively, that was included in the corresponding contract liability balance at the beginning of the periods presented. For the nine months ended September 30, 2021 and 2020, the Company recognized revenue of \$56,058 and \$61,775, respectively, that was included in the corresponding contract liability balance at the beginning of the periods presented.

Significant changes in the Company's deferred revenue balance for the nine months ended September 30, 2021 and the year ended December 31, 2020 were as follows:

	Nine Months Ended September 30,	Year Ended December 31, 2020
Total deferred revenue, beginning of the period	\$ 74,800	\$ 77,386
Additions	77,857	109,542
Recognized	(84,658)	(112,128)
Total deferred revenue, end of the period	\$ 67,999	\$ 74,800
Current deferred revenue	60,949	66,693
Non-current deferred revenue	7,050	8,107
Total	<u>\$ 67,999</u>	<u>\$ 74,800</u>

Transaction Price Allocated to Remaining Performance Obligations

As of September 30, 2021 and December 31, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations was \$184,001 and \$192,238, respectively. The substantial majority of the unsatisfied performance obligations will be satisfied over the next three years.

As it pertains to the September 30, 2021 amount, the Company expects to recognize 48% of the transaction price in the 12 month period ended September 30, 2022, in its condensed consolidated statement of operations and comprehensive loss with the remainder recognized thereafter.

4. National Telehealth Network

In 2012, the Company and an affiliate of Anthem, Inc. formed NTN to expand the availability and adoption of telemedicine. The Company did not have a controlling financial interest in NTN, but it had the ability to exercise significant influence over the operating and financial policies of NTN. Therefore, the Company accounted for its investment in NTN using the equity method of accounting through December 31, 2015.

On January 1, 2016, the Company made an additional investment in NTN, which increased its ownership percentage above 50%. The Company also obtained the right to elect the Chairman of NTN, who has the ability to cast the tie-breaking vote in all decisions. Therefore, on January 1, 2016, the Company obtained control over NTN and has the power to direct the activities that most significantly impact NTN's economic performance. This step-acquisition was accounted for as a business combination and the results of the operations of NTN from January 1, 2016, have been included in the Company's condensed consolidated financial statements. However, because the Company owns less than 100% of NTN, the Company recognizes net loss attributable to non-controlling interest in the condensed consolidated statements of operations and comprehensive loss equal to the percentage of the ownership interest retained in NTN by the respective non-controlling party.

The proportionate share of the (income)/loss attributed to the non-controlling interest amounted to \$(562) and \$1,515 for the three months ended September 30, 2021 and 2020, respectively. The proportionate share of the loss attributed to the non-controlling interest amounted to \$332 and \$3,920 for the nine months ended September 30, 2021 and 2020, respectively. The carrying value of the non-controlling interest was \$21,733 and \$22,065 as of September 30, 2021 and December 31, 2020, respectively.

5. Fair Value Measurements

Certain assets and liabilities of the Company are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure

fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The following tables presents the Company's fair value hierarchy for its assets and liabilities that are measured at fair value on a recurring basis and indicate the level within the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value:

September 30, 2021				
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 714,097	\$ —	\$ —	\$ 714,097
Investments	—	—	—	—
Total financial assets:	\$ 714,097	\$ —	\$ —	\$ 714,097
Contingent consideration	—	—	45,190	45,190
Total financial liabilities:	\$ —	\$ —	\$ 45,190	\$ 45,190

December 31, 2020				
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 892,934	\$ —	\$ —	\$ 892,934
Investments	—	99,963	—	99,963
Total financial assets:	\$ 892,934	\$ 99,963	\$ —	\$ 992,897

The Company's cash equivalents were invested in money market funds and were valued based on Level 1 inputs. The Company's investments consisted of U.S. government agency bonds and were valued based on Level 2 inputs. In determining the fair value of its U.S. government agency bonds, the Company relied on quoted prices for similar securities in active markets or other inputs that are observable or can be corroborated by observable market data.

The Company has classified its net liability for contingent earnout considerations relating to the Acquisitions within Level 3 of the fair value hierarchy because the fair value is determined using significant unobservable inputs, which included the Monte Carlo method that uses key assumptions to model future revenue and costs of goods sold projections. The income approach method involves calculating the earnout payment based on the forecasted revenue and the revenue discount rate of 1.3% and 3.2% for SilverCloud and Conversa, respectively. A description of the Acquisitions is included within Note 7. The contingent earnout payments for each acquisition are based on the achievement of certain revenue and integration thresholds.

	Nine Months Ended September 30,
Beginning Balance as of January 1	\$ —
Initial estimate of fair value related to SilverCloud contingent consideration	29,360
Initial estimate of fair value related to Conversa contingent consideration	15,230
Accretion of contingent consideration	600
Ending Balance	\$ 45,190

During the nine months ended September 30, 2021, there were no transfers between fair value measurement levels.

6. Investments

As of September 30, 2021 and December 31, 2020, the fair value of the Company's investments by type of security was as follows:

	September 30, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Assets:				
U.S government securities	\$ —	\$ —	\$ —	\$ —
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Assets:				
U.S government securities	\$ 99,854	\$ 109	\$ —	\$ 99,963
	<u>\$ 99,854</u>	<u>\$ 109</u>	<u>\$ —</u>	<u>\$ 99,963</u>

7. Business Combinations

On August 27, 2021, the Company completed the acquisition of SilverCloud through a merger in which SilverCloud became a wholly-owned subsidiary of the Company. The cash consideration paid was \$105,195 net of cash acquired of \$12,239. The stock consideration was comprised of 8.1 million shares of the Company's Class A common stock valued at \$85,571, and escrow share consideration of \$6,376. SilverCloud is a leading digital mental health platform. The Company is obligated to pay an earn-out of up to \$40,000 contingent upon SilverCloud achieving certain revenue thresholds for the year ending December 31, 2022. The Company estimated the fair value of the contingent consideration as of the acquisition date to be \$29,360. The contingent consideration is subject to remeasurement at each reporting date until December 31, 2022, with the remeasurement adjustment reported in the consolidated statement of operations and comprehensive loss. The acquisition was considered a stock acquisition for tax purposes and accordingly, the goodwill resulting from this acquisition is not tax deductible. The total acquisition related costs were \$5,571 which included transaction costs from financial and legal advisors and other transaction related fees, as well as \$717 of noncash compensation costs, and were recognized as incurred in the Company's consolidated statement of operations and comprehensive loss in general and administrative expenses. The noncash compensation costs related to the SilverCloud acquisition are for additional noncash compensation costs incurred by the selling SilverCloud shareholders for certain employees that have continued employment after the transaction date and through the earn-out period, and will be a reoccurring cost until the payout of earn-out in 2023.

On August 9, 2021, the Company completed the acquisition of Conversa through a merger in which Conversa became a wholly-owned subsidiary of the Company. The cash consideration paid was \$51,331 net of cash acquired of \$9,735. This consideration was comprised of 4.7 million shares of the Company's Class A common stock valued at \$52,160. Conversa is a leader in automated virtual healthcare. The Company is obligated to pay an earn-out of up to \$30,000 contingent upon Conversa achieving certain integration thresholds in the first quarter of 2022, and certain revenue thresholds for the year ending December 31, 2022. The Company estimated the fair value of the contingent consideration as of the acquisition date to be \$15,230. The contingent consideration is subject to remeasurement at each reporting date until December 31, 2022, with the remeasurement adjustment reported in the consolidated statement of operations and comprehensive loss. The acquisition was considered a stock acquisition for tax purposes and accordingly, the goodwill resulting from this acquisition is not tax deductible. The total acquisition related costs were \$2,435 which included transaction costs from financial and legal advisors and other transaction related fees and were recognized as incurred in the Company's consolidated statement of operations and comprehensive loss in general and administrative expenses.

The Acquisitions were accounted for using the acquisition method of accounting, which requires, among other things, the assets acquired and the liabilities assumed be recognized at their fair values as of the acquisition date. The results of the Acquisitions were integrated within the consolidated financial statements commencing on the aforementioned acquisition dates. Actual revenue and losses of the Acquisitions since the acquisition date as well as pro forma combined results of operations for the Acquisition have not been presented because the effect of the Acquisition was not material to the Company's consolidated financial results for the periods presented.

The following table summarizes the preliminary fair value estimates of the assets acquired and liabilities assumed for the SilverCloud and Conversa acquisitions at the respective acquisition dates. The Company, with the assistance of a third-party valuation expert, estimated the preliminary fair value of the acquired tangible and intangible assets with significant estimates such as revenue projections. The allocation of the consideration transferred to the assets acquired and the liabilities assumed is preliminary. This can

be revised as a result of additional information obtained due to the finalization of the valuation inputs and assumptions as well as completing the assessment of the tax attributes of the business combination. Additional adjustments that could have a material impact on the Company's results of operations and financial position may be recorded within the measurement period, which will not exceed one year from the respective acquisition dates.

Identifiable assets acquired and liabilities assumed (in thousands):

	SilverCloud	Conversa Health
Purchase consideration:		
Cash consideration, net of cash acquired	\$ 105,195	\$ 51,331
Stock consideration	85,571	52,160
Contingent consideration	29,360	15,230
Escrow share consideration	6,376	
Working capital adjustment	(309)	(193)
Total consideration transferred	\$ 226,193	\$ 118,528
Allocation of Consideration transferred:		
Accounts receivable	\$ 2,630	\$ 3,651
Identifiable intangible assets	78,146	34,700
Other assets	491	4,604
Total assets acquired	81,267	42,955
Current liabilities	2,155	8,463
Deferred revenue	5,813	4,655
Other long-term liabilities	8,731	1,383
Total liabilities assumed	16,699	14,501
Goodwill	\$ 161,625	\$ 90,074
	\$ 226,193	\$ 118,528

The amount allocated to goodwill reflects the benefits the Company expects to realize from post-acquisition cross selling opportunities from integrating customer relationships and from the growth of the respective acquisitions' operations.

The following are the identifiable intangible assets acquired in the Acquisitions and their respective weighted average useful lives, as determined based on initial valuations:

	SilverCloud	Weighted Average Life (Years)	Conversa Health	Weighted Average Life (Years)
Technology	\$ 34,996	5.0	\$ 20,400	5.0
Tradename	10,800	7.0	4,200	5.0
Customer relationships	32,350	10.0	10,100	10.0
Total	\$ 78,146		\$ 34,700	

8. Goodwill and Intangible Assets

Goodwill consisted of the following:

	Nine Months Ended September 30,	Year Ended December 31, 2020
Beginning Balance as of January 1	\$ 193,877	\$ 193,877
Goodwill acquired	251,699	—
Currency translation adjustments	(1,673)	—
Ending Balance	\$ 443,903	\$ 193,877

Identified intangible assets consisted of the following:

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Carrying Value</u>	<u>Weighted Average Remaining Life</u>
September 30, 2021				
Customer relationships	\$ 81,059	\$ (14,785)	\$ 66,274	8.6
Contractor relationships	535	(237)	298	7.3
Tradename	14,855	(255)	14,600	6.3
Technology	91,994	(13,240)	\$ 78,754	5.5
	<u>\$ 188,443</u>	<u>\$ (28,517)</u>	<u>\$ 159,926</u>	
	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Carrying Value</u>	<u>Weighted Average Remaining Life</u>
December 31, 2020				
Customer relationships	\$ 38,782	\$ (11,380)	\$ 27,402	7.0
Contractor relationships	535	(206)	329	8.0
Trade name	300	(300)	—	—
Technology	37,063	(9,266)	27,797	7.5
	<u>\$ 76,680</u>	<u>\$ (21,152)</u>	<u>\$ 55,528</u>	

Amortization expense related to intangible assets for the three months ended September 30, 2021 and 2020 was \$3,819 and \$1,940, respectively. Amortization expense related to intangible assets for the nine months ended September 30, 2021 and 2020 was \$7,675 and \$5,817, respectively. Estimated future amortization expense of the identified intangible assets as of September 30, 2021, is as follows:

2021	\$ 6,291
2022	25,114
2023	25,114
2024	25,130
2025	25,114
Thereafter	53,163
	<u>\$ 159,926</u>

9. Accrued Expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	Nine Months Ended September 30,	Year Ended December 31, 2020
Employee compensation and benefits	\$ 22,761	\$ 20,521
Professional services	10,046	6,832
Provider services	4,428	4,632
Other	8,675	10,150
Total	<u>\$ 45,910</u>	<u>\$ 42,135</u>

10. Line of Credit

In January 2011, the Company entered into a credit agreement (the “Line of Credit”) with a financial institution that provides for maximum borrowings in one or more advances of an amount up to \$5,000. Borrowings under the Line of Credit accrue interest at the London Interbank Offered Rate plus 1.25%. Borrowings are repayable immediately upon demand by the financial institution. In November 2017, the Line of Credit was amended to increase the maximum borrowings to \$7,000. As of September 30, 2021 and December 31, 2020, the Company had no outstanding borrowings under the Line of Credit.

During any period that the Line of Credit is in effect, the Company can request the financial institution issue a letter of credit with a maximum maturity not to exceed twelve months. Any letters of credit issued by the financial institution reduce the maximum borrowings available under the Line of Credit. As of September 30, 2021, the maximum borrowing available to the Company is \$7,000 based on the outstanding letters of credit of \$795 that have been issued by the financial institution. As of December 31, 2020, the maximum borrowing available to the Company was \$5,905 based on the outstanding letters of credit of \$1,095 that have been issued by the financial institution.

11. Stockholders' Equity

Convertible Preferred Stock

The authorized, issued and outstanding shares, liquidation preference, and carrying value of the Company's convertible preferred stock as of December 31, 2019 were as follows:

	Shares Authorized	Shares Issued	Shares Outstanding	Liquidation Preference	Carrying Value
Series A	3,200,000	3,178,650	3,130,077	51,741	28,889
Series B	833,334	787,725	787,725	37,060	23,632
Series C	13,711,111	10,095,133	10,095,133	519,648	603,278
	<u>17,744,445</u>	<u>14,061,508</u>	<u>14,012,935</u>	<u>608,449</u>	<u>655,799</u>

In February 2020, the Company issued and sold 170,000 shares of Series C preferred stock at a price of \$75 per share for gross proceeds of \$12,750. The Company incurred \$261 of issuance costs in connection with the issuance of the Series C preferred stock.

In May 2020, the Company issued and sold 1,342,750 shares of Series C preferred stock at a price of \$100 per share for gross proceeds of \$134,275. The Company incurred \$750 of issuance costs in connection with the issuance of the Series C preferred stock.

In conjunction with the Company's IPO in September 2020, all shares of convertible preferred stock then outstanding, totaling 15,525,685 shares (pre-split), were automatically converted into an equivalent number of shares of Class A common stock on an 8.8-to-1.0 basis pursuant to a stock split and their carrying value, totaling \$801,813 was reclassified into stockholders' equity on the condensed consolidated balance sheet.

In connection with the IPO, the Company filed an Amended and Restated Certificate of Incorporation which authorizes the issuance of 100,000,000 shares of undesignated preferred stock, par value of \$0.01 per share, with rights and preferences, including voting rights, designated from time to time by the board of directors.

Common Stock

In September 2020, upon completion of the IPO, the Company sold 45,681,499 shares of Class A common stock at an offering price of \$18.00 per share, including 4,459,277 shares of Class A common stock pursuant to the exercise in full of the underwriters' option to purchase additional shares. The Company received net proceeds of \$767,568, after deducting underwriting discounts and commissions of \$49,336 and offering costs of approximately \$4,906. In September 2020, the Company sold 5,555,555 shares of Class C common stock in connection with the stock purchase agreement with Google, LLC for net proceeds of \$99,100, after deducting offering costs of \$900.

Concurrently with the IPO, the Company used \$24,157 of the proceeds from the IPO to repurchase 1,340,354 shares of Class A and Class B common stock from certain executive officers and other employees, to permit such executive officers and other employees to pay taxes owed in connection with the vesting of equity awards, including the repayment of third-party loans incurred to finance the payment of such taxes.

In connection with the IPO, the Company filed an Amended and Restated Certificate of Incorporation which authorizes capital stock of 1,000,000,000 shares of Class A common stock, par value \$0.01 per share, 100,000,000 shares of Class B common stock, par value \$0.01 per share, and 200,000,000 shares of Class C common stock, par value \$0.01 per share. Except for the rights noted below, each share of Class A, Class B and Class C common stock have the same rights, are equal in all respects and are treated by us as one class of shares. Each share of Class A and Class C common stock is entitled to one vote per share on all matters presented for a vote, except that Class C common stock does not have the right to vote for elections of directors. Subject to certain conditions, Class B common stock is collectively entitled to a number of votes equal to the product of (x) 1.0408163 and (y) the total number of votes that would be cast at such time by the holders of the Class A and Class C common stock and any other preferred stock entitled to vote under the certificate of incorporation at such time (resulting in the Class B common stock collectively holding 51% of the total outstanding voting power), and each share of Class B common stock will be entitled to a number of votes equal to the total number of votes held by all Class B common stock divided by the total number of then outstanding shares of Class B common stock. Shares of Class B and Class C common stock will be converted into shares of Class A common stock on a one-for-one basis upon the occurrence of certain events. Shares of Class B common stock will automatically convert on the first business day (i) after the date on which the outstanding shares of Class B common stock constitutes less than 5% of the aggregate number of shares of common stock then outstanding, (ii) after the date on which neither founder is serving as an executive officer or (iii) following seven years after the date the amended and restated certificate of incorporation becomes effective, provided that, such period may, to the extent permitted by law and applicable stock exchange rules, be extended for three years upon the affirmative vote of the holders of a majority of the voting power of the then-outstanding shares of Class A common stock entitled to vote thereon, voting separately as a class. Shares of Class C common stock will be convertible at the option of the holder upon determination that a Hart-Scott-Rodino Antitrust Improvements Act ("HSR") filing is not necessary prior to the holder's conversion of such shares or, if required, upon expiration or termination of the HSR waiting period.

In the nine months ended September 30, 2021, 3,865,035 shares of Class B common stock were converted to Class A common stock. As of September 30, 2021, the par value of the Class A, Class B and Class C shares was \$2,272, \$267, and \$56, respectively.

	Shares Authorized	Shares Issued	Shares Outstanding
Class A	1,000,000,000	227,158,943	227,158,943
Class B	100,000,000	26,650,761	26,650,761
Class C	200,000,000	5,555,555	5,555,555
	<u>1,300,000,000</u>	<u>259,365,259</u>	<u>259,365,259</u>

As of September 30, 2021 and December 31, 2020, the Company had reserved 61,572,141 and 61,392,747 shares of common stock for the exercise of outstanding stock options, the vesting of restricted stock units and the number of shares remaining available for future grant, respectively.

Stock Plans and Stock Options

The Company maintains the 2006 Employee, Director and Consultant Stock Plan as amended and restated (the "2006 Plan") and 2020 Equity Incentive Plan (the "2020 Plan" together, the "Plans") under which it has granted incentive stock options, non-qualified stock options, and restricted stock units to employees, officers, and directors of the Company. In connection with the adoption of the 2020 Plan, the then-remaining shares of common stock reserved for grant or issuance under the 2006 Plan became available for issuance under the 2020 Plan, and no further grants will be made under the 2006 Plan. The 2020 Plan is administered by the board of directors with respect to awards to non-employee directors and by the compensation committee, with respect to other participants, are

collectively, referred to as the plan administrator. The exercise prices, vesting and other restrictions are determined at the discretion of the plan administrator.

Options issued under the Plans are exercisable for periods not to exceed ten years, and vest and contain such other terms and conditions as specified in the applicable award document. Options to buy common stock are issued under the Plans, with exercise prices equal to the closing price of shares of the Company's common stock on the New York Stock Exchange on the date of award.

Activity under the Plans is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2021	23,167,514	\$ 4.37	6.2	\$ 487,758
Granted	—	\$ —		
Forfeited	(386,694)	\$ 5.76		
Expired	—	\$ —		
Exercised	(5,778,464)	\$ 3.30		
Outstanding as of September 30, 2021	17,002,356	4.70	6.0	\$ 77,588
Vested and expected to vest as of December 31, 2020	21,744,937	\$ 4.14	6.0	\$ 460,712
Vested and expected to vest as of September 30, 2021	16,317,595	\$ 4.49	5.9	\$ 75,687
Options exercisable as of December 31, 2020	17,640,827	\$ 3.71	5.5	\$ 381,511
Options exercisable as of September 30, 2021	13,833,503	\$ 4.20	5.6	\$ 68,029

No options were granted in the nine months ended September 30, 2021. The weighted-average grant date fair value of common stock options granted during the nine months ended September 30, 2020 was \$5.06.

The weighted-average of assumptions that the Company used to determine the fair value of the common stock options granted to employees and directors were as follows:

	Nine Months Ended September 30,	
	2021	2020
Risk-free interest rate	N/A	1.09%
Expected term (in years)	N/A	6.1
Expected volatility	N/A	52%
Expected dividend yield	N/A	0%

Executive Equity Awards

Each CEO has received restricted stock units, equaling 1.5% of the Company's fully-diluted outstanding capital stock as a result of the IPO ("IPO RSUs"), 50% of the IPO RSUs (representing 0.75% of the Company's fully diluted outstanding capital stock immediately prior to the IPO or 3,230,750 shares of Class A common stock) were granted on the closing date of the IPO based on the closing price per share on the IPO closing date, and 50% (representing 0.75% of the Company's fully diluted outstanding capital stock immediately prior to the IPO or 3,230,750 shares of Class A common stock) was granted on the 180-day anniversary of the IPO, based on a specific range of the price per share of the Company's publicly traded common stock prior March 16, 2021, and will vest over a three-year period, with one-third vesting on the first anniversary of the IPO's closing date and the remaining vesting in equal quarterly installments thereafter. As the issuance of the second 50% tranche was based upon events that are probable the expense related to both tranches of the IPO RSUs was recognized in the three months ended September 30, 2020.

The grant-date fair value of each of the awards issued on the IPO closing date and issued on the 180-day anniversary of the IPO was estimated using a binomial lattice approach. The main inputs to valuing the IPO RSUs include the fair value of Class A common stock (\$9.96 post-split), expected volatility (60%) and the expected date of the IPO (September 30, 2020). The Company recognized a total of \$23,644 in stock-based compensation expense, which included both tranches of the IPO RSUs for each CEO, on the date of the IPO as the requisite future service of the awards is not substantive for accounting purposes.

Restricted Stock Units

During the year ended December 31, 2020, the Company granted 13,816,885 restricted stock units which vest over the service period of one to four years. During the nine months ended September 30, 2021, the Company granted 7,284,665 restricted stock units which vest over the service period of one to four years.

Activity for the restricted stock units is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2021	11,014,450	\$ 14.43
Granted	7,284,665	18.89
Vested	(5,687,981)	10.65
Forfeited	(187,398)	15.67
Unvested as of September 30, 2021	12,423,736	\$ 18.76

The total grant date fair value of RSU's granted for the nine months ended September 30, 2021 was \$137,604. During the nine months ended September 30, 2020 the Company granted 13,039,392 restricted stock units. The aggregate intrinsic value of restricted stock units vested for the nine months ended September 30, 2021 and 2020 was \$77,949 and \$32,137, respectively.

2020 Employee Stock Purchase Plan

In July and August 2020, the Company's board of directors adopted, and the Company's stockholders approved, the 2020 Employee Stock Purchase Plan ("ESPP"). A total of 3,084,218 shares of Class A common stock were reserved for issuance under the ESPP. The ESPP became effective March 1, 2021. Rights granted under the ESPP will be issued only with respect to shares of Class A common stock. The purchase price of the shares will not be less than 85% of the fair market value of Class A common stock on the lower of the purchase date, which will be the final trading day of the purchase period, or the enrollment date, which will be the first trading day of the offering period.

During the three and nine months ended September 30, 2021, the Company issued 178,021 shares under the ESPP. As of September 30, 2021 2,906,197 shares remained available for issuance.

For the three and nine months ended September 30, 2021, the Company recorded stock-based compensation expense related to the ESPP of \$372 and \$756, respectively, based on elections made under the plan to-date. There was no expense for the three and nine months ended September 30, 2020.

Stock-Based Compensation

Stock-based compensation expense was classified in the condensed consolidated statements of operations and comprehensive loss as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of revenues	\$ 436	\$ 309	\$ 1,346	\$ 668
Research and development	2,173	2,083	5,851	3,519
Selling and marketing	2,033	1,138	6,022	2,684
General and administrative	7,746	30,890	18,537	99,645
Total	\$ 12,388	\$ 34,420	\$ 31,756	\$ 106,516

12. Commitments and Contingencies

The Company's arrangements generally include certain provisions for indemnifying customers against third-party claims asserting infringement of certain intellectual property rights in the ordinary course of business. The Company also regularly indemnifies customers against third-party claims that the company's products or services breach applicable law or regulation or from claims resulting from a breach of the business associate agreement in place with the customer. In addition, the Company indemnifies its officers, directors and certain key employees while they are serving in good faith in their capacities. Through September 30, 2021 and December 31, 2020, there have been no claims under any indemnification provisions.

From time to time, and in the ordinary course of business, the Company may be subject to various claims, charges, and litigation. On September 14, 2020, the Company received a letter from Teladoc Health, Inc. alleging that certain of the Company's cart products and associated peripherals infringe upon their patents. On October 12, 2020, Teladoc Health, Inc filed a claim against the Company related to these allegations. The Company believes that these claims lack merit and intends to defend against them vigorously. As of September 30, 2021 and December 31, 2020, the Company did not have any pending claims, charges or litigation that it expects would have a material adverse effect on its consolidated financial position, results of operations or cash flows.

The Company's primary lease represents the lease for its corporate headquarters in Boston, Massachusetts. The Company modified the corporate headquarter lease during the third quarter of 2021, the future payments on the new lease are \$17,169. The carrying value of the Company's right-of-use assets are substantially concentrated in real estate as the Company primarily leases office space. The Company's policy is not to record leases with an original lease term of one year or less on the consolidated balance sheets. The Company recognizes lease expense for these short-term leases on a straight-line basis over the lease term. The Company does not have any lease contracts with the option to purchase as of September 30, 2021.

	Nine Months Ended September 30,	
	2021	2020
Supplemental cash flow information:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 5,207	\$ 5,213
Non-cash lease activity:		
Right-of-use lease assets obtained in exchange for new operating lease liability:		
Operating leases	\$ 15,506	\$ 417

	Nine Months Ended September 30,	Year Ended December 31, 2020
Supplemental balance sheet information related to leases is as follows:		
Operating leases		
Operating lease right-of-use assets	\$ 17,780	\$ 6,609
Total operating right-of-use lease assets	\$ 17,780	\$ 6,609
Operating lease liabilities, current	3,121	6,357
Operating lease liabilities, net of current portion	14,988	1,296
Total operating lease liabilities	\$ 18,109	\$ 7,653
Weighted-average remaining lease term (in years)	5.1 years	1.3 years
Weighted-average discount rate	3.2%	2.9%

As of September 30, 2021, minimum future lease payments for these operating leases were as follows:

Years ending December 31,		
2021	\$	1,283
2022		3,409
2023		3,679
2024		3,416
2025		3,484
Thereafter		4,447
Total lease payments	\$	19,718
Less imputed interest		(1,609)
Total present value of lease liabilities	\$	18,109

14. Income Taxes

As a result of the Company's history of net operating losses ("NOL"), the Company continues to maintain a full valuation allowance against its domestic net deferred tax assets. For the three and nine months ended September 30, 2021, the Company recognized an income tax benefit of \$5,454 and \$5,042, primarily due to a partial release of valuation allowance in the U.S resulting from the deferred tax liabilities established as part of the Acquisitions consummated during the quarter. During the three and nine months ended September 30, 2020, the Company recorded income tax expense of \$78 and \$330, respectively.

15. Related-Party Transactions

Teva Pharmaceuticals, Industries Ltd

Teva Pharmaceuticals, Industries Ltd ("Teva") was determined to be a related party because a member of the Company's board of directors was the President and CFO of Teva Pharmaceuticals' North America Commercial through June 2021. In addition, Teva is a non-significant shareholder of the Company. As of September 30, 2021 it was determined that Teva was no longer a related party. As of December 31, 2020, short-term and long-term deferred revenue from this customer was not material. As of December 31, 2020, amounts due from Teva were not material.

Prior to the board member's departure from the board of directors in June 2021, the Company recognized an immaterial amount of revenue from contracts with this customer. During the three and nine months ended September 30, 2020, revenues recognized from this customer were not material.

Philips Holding USA, Inc.

Philips Holding USA, Inc. ("Philips") was determined to be a related party because a member of the Company's board of directors is the Business Leader of Philips Population Health Management through June 2021. In addition, Philips is a non-significant shareholder of the Company. As of September 30, 2021 it was determined Philips was no longer a related party. As of December 31,

2020, the Company held short-term and long-term deferred revenue of \$2,549, from contracts with this customer. As of December 31, 2020, amounts due from Philips were \$763.

Prior to the board member's departure from Philips in June 2021, the Company recognized revenue of \$708, from contracts with this customer. During the three and nine months ended September 30, 2020, the Company recognized revenue of \$418 and \$1,126, respectively from contracts with this customer.

Anthem Inc.

Anthem Inc. ("Anthem") was determined to be a related party because a member of the Company's board of directors served as the Vice President of Anthem through February 2021. In addition, Anthem is a non-significant shareholder of the Company. As of September 30, 2021 it was determined Anthem was no longer a related party. As of December 31, 2020, the Company held short-term and long-term deferred revenue of \$11,347, from contracts with this customer. As of December 31, 2020, amounts due from Anthem were \$8,391.

Prior to the board member's departure from Anthem in February 2021, the Company recognized revenue of \$- from contracts with this customer. During the three and nine months ended September 30, 2020 the Company recognized revenue of \$13,522 and \$40,677, respectively from contracts with this customer.

Cleveland Clinic

Cleveland Clinic is a related party because a member of the Company's board of directors is an executive advisor to Cleveland Clinic. As of September 30, 2021 and December 31, 2020, the Company held short-term and long-term deferred revenue of \$281 and \$606, respectively from contracts with this customer. As of September 30, 2021 and December 31, 2020, amounts due from Cleveland Clinic were \$497 and \$1,020, respectively.

During the three months ended September 30, 2021 and 2020, the Company recognized revenue of \$286 and \$514, respectively, from contracts with this customer. During the nine months ended September 30, 2021 and 2020, the Company recognized revenue of \$816 and \$1,004, respectively, from contracts with this customer.

CCAW, JV LLC

CCAW, JV LLC is a related party because it is a joint venture formed between the Company and Cleveland Clinic for which the Company has a minority owned interest in. During the year ended December 31, 2020, the Company made an initial investment in CCAW, JV LLC of \$2,940 for its less than 50% interest in the joint venture. During the nine months ended September 30, 2021, the Company made a capital contributed of \$2,548, related to a portion of the phase one capital commitment. During the three months ended September 30, 2021 and 2020 the Company recognized revenue of \$412 and \$404 from contracts with this customer, respectively. During the nine months ended September 30, 2021 and 2020 the Company recognized revenue of \$1,286 and \$1,190 from contracts with this customer, respectively. As of September 30, 2021 and December 31, 2020, the Company held short and long term deferred revenue of \$428 and \$1,496, respectively, from contracts with this customer. As of September 30, 2021 and December 31, 2020, amounts due from CCAW, JV LLC were not material.

Loans to Officers

During 2020, the Company entered into secured promissory notes with executive officers in the amount of \$16,441. These loans were to fund the taxes associated with the restricted stock units and were collateralized by all of the capital stock of the Company that the employee owned or would own in the future and the employees' personal assets. These loans are recorded within prepaids and other current assets in the Company's condensed consolidated balance sheet. All outstanding loans with officers were repaid in August 2020 prior to the Company's IPO.

16. Net Loss per Share

Basic and diluted net loss per share attributable to common stockholders was calculated as follows:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Numerator:				
Net loss	\$ (50,932)	\$ (64,596)	\$ (128,873)	\$ (178,040)
Net loss attributable to non-controlling interest	562	(1,515)	(332)	(3,920)
Net loss attributable to American Well Corporation	<u>\$ (51,494)</u>	<u>\$ (63,081)</u>	<u>\$ (128,541)</u>	<u>\$ (174,120)</u>
Denominator:				
Weighted-average common shares outstanding				
—basic and diluted	<u>257,283,961</u>	<u>68,499,106</u>	<u>250,115,414</u>	<u>51,492,988</u>
Net loss per share attributable to common stockholders—basic and diluted	<u>\$ (0.20)</u>	<u>\$ (0.92)</u>	<u>\$ (0.51)</u>	<u>\$ (3.38)</u>

The Company's potential dilutive securities, which include stock options, convertible preferred stock and unvested restricted stock units, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted-average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The Company excluded the following potential common shares equivalents presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to common stockholders for the periods indicated because including them would have had an anti-dilutive effect:

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Unvested restricted stock units	7,162,432	5,455,654	7,162,432	5,455,654
Options to purchase shares of common stock	<u>17,002,356</u>	<u>24,064,300</u>	<u>17,002,356</u>	<u>24,064,300</u>
	<u>24,164,788</u>	<u>29,519,954</u>	<u>24,164,788</u>	<u>29,519,954</u>

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

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future results of operations, including descriptions of our business plan and strategies, are forward-looking statements. These statements often include words such as “anticipate,” “expect,” “suggests,” “plan,” “believe,” “intend,” “estimates,” “targets,” “projects,” “should,” “could,” “would,” “may,” “will,” “forecast,” or the negative of these terms, and other similar expressions, although not all forward-looking statements contain these words.

The forward-looking statements and projections are subject to and involve risks, uncertainties and assumptions and you should not place undue reliance on these forward-looking statements or projections. Although we believe that these forward-looking statements and projections are based on reasonable assumptions at the time they are made, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements and projections.

Important factors that may materially affect such forward-looking statements and projections include the following:

- weak growth and increased volatility in the telehealth market;
- our history of losses and the risk we may not achieve profitability;
- inability to adapt to rapid technological changes;
- our ability to successfully launch our new Converge telehealth platform without significant cost overruns or disruptions to our business and our customers' acceptance of this new platform;
- our limited number of significant clients and the risk that we may lose their business;
- increased competition from existing and potential new participants in the healthcare industry;
- changes in healthcare laws, regulations or trends and our ability to operate in the heavily regulated healthcare industry;
- compliance with regulations concerning personally identifiable information and personal health industry;
- slower than expected growth in patient adoption of telehealth and in platform usage by either clients or patients;
- inability to grow our base of affiliated and non-affiliated providers sufficient to serve patient demand;
- our ability to comply with federal and state privacy regulations and the significant liability that could result from a cybersecurity breach or our failure to comply with such regulations;
- our ability to establish and maintain strategic relationships with third parties;
- our ability to complete, integrate and realize the anticipated benefits of strategic acquisitions;
- the impact of the COVID-19 pandemic on our business or on our ability to forecast our business's financial outlook;
- the risk that the insurance we maintain may not fully cover all potential exposures; and
- inability to remediate material weaknesses or maintain effective internal control over financial reporting.

The foregoing list of factors is not exhaustive and does not necessarily include all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. The information in this Quarterly Report should be read carefully in conjunction with other uncertainties and potential events described in our Form 10-K filed with the SEC on March 26, 2021 (the “Form 10-K”).

The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this Quarterly Report. Except as required by law or regulation, we do not undertake any obligation to update any forward-looking statements to reflect subsequent events or circumstances.

Overview

We are a leading telehealth company enabling digital delivery of care for healthcare's key stakeholders. We empower our clients at the enterprise level with the core technology and services necessary to successfully develop and distribute telehealth programs that meet their strategic, operational, and social objectives under their own brands. The Amwell Platform is a complete

digital care delivery solution that equips our health system, health plan and innovator, including government, clients with the tools to enable new models of care for their patients and members. Our scalable technology embeds with our clients' existing offerings and clinical workflows, spanning the continuum of care and enabling care delivery across a wide variety of clinical, retail, school and home settings. Our client-focused approach drives our success as one of the largest telehealth companies. As of September 30, 2021, we powered the digital care programs of over 55 health plans, which support over 36,000 employers and collectively represent more than 80 million covered lives, as well as over 150 of the nation's largest health systems, encompassing more than 2,000 hospitals. Since inception, we have powered over 12 million telehealth visits for our clients, including 4.3 million in the nine months ended September 30, 2021.

Healthcare today faces many challenges. Choice and access can be limited, care delivery is fragmented and inefficient, and costs continue to rise and shift to consumers while health outcomes have not improved. The healthcare industry is evolving to meet these challenges with innovative care models and new regulatory frameworks to promote more effective outcomes. As healthcare's key stakeholders demand innovative technology solutions that streamline care delivery, lower costs, expand access and improve outcomes, we believe there is significant opportunity for transformation.

We believe Amwell makes this digital care transformation possible for the healthcare ecosystem. The Amwell Platform enables care delivery across the full healthcare continuum – from primary and urgent care in the home to high acuity specialty consults, such as telestroke and telepsychiatry, in the hospital. We support both on-demand and scheduled consultations and offer 40 pre-packaged care modules and programs that power over 100 unique use cases today. Our platform can be fully embedded into our clients' patient/member portals and provider workflows. Providers can launch telehealth directly from their native EHRs, with seamless integration to their payer eligibility and claims systems. Providers, patients and members can access this care through a full range of Carepoints™, including via mobile, web, phone and our proprietary kiosks and carts that support multi-way video, phone or secure messaging interactions. As of September 30, 2021, approximately 80,000 of our active providers use the Amwell Platform to serve their patients and members. When needed, we augment and extend our clients' clinical capabilities with AMG, a nationwide clinical network of over 5,000 multi-disciplinary providers covering 50 states with 24/7/365 coverage.

Amwell exists to empower healthcare's leading players, who have earned the deep trust of their patients and members over decades, and does not aim to compete with or replace them. We help our clients white-label and embed telehealth within their existing healthcare offerings for their patients and members. Thus, we enable our provider customers to offer a seamless experience that blends online convenience when needed with in-person care by known, trusted providers as part of a complete care program that offers patients continuity of care. In this way, providers can use our telehealth platform as an effective augmentation and not a replacement of their traditional care delivery.

Our Business Model

The Amwell Platform is a complete digital care delivery solution that equips our health system, health plan and innovator partners with the tools to enable new models of care for their patients and members. We sell the Amwell Platform on a subscription basis, which with our modular platform architecture allows our clients to introduce innovative telehealth use cases over time, expanding our subscription revenue opportunity. To support the Amwell Platform, we offer professional services on a fixed fee and time and material basis and a range of patient and provider access Carepoints that support hospital and home use cases and access to AMG, our affiliated medical group that provides clinical services on a fee-for-service basis. The combination of the platform, services and Carepoints allows our clients to deploy telehealth solutions across their full enterprise, deepening their relationships with existing and new patients and members through improved care access and coordination, cost, and quality. Our contracts are typically three years in length but may be longer for our largest strategic customer partners.

Total subscription fees received from Health System, Health Plan and Innovator clients were \$26.7 million and \$25.8 million for the three months ended September 30, 2021 and 2020, respectively, and \$78.1 million and \$72.0 million for the nine months ended September 30, 2021 and 2020, respectively.

Health Systems

For our health system customers, the Amwell Platform's primary function is to facilitate consultations between patients and providers affiliated with the health system. Our typical contracts with health systems are mainly the platform subscription, but also include services delivered by AMG to complement the health system provider resources, services for technology integration, marketing and Carepoints. Subscription fees are recurring and are determined based on the initial forecasted number of overall consultations throughout the entire health system on the Amwell Platform and net patient revenue of the health system. Subscriptions include a maximum number of consultations that can be delivered on the platform and similar to a cellular phone plan, when consultations exceed the contractual maximum, overages result in higher subscription fees in the following annual period. As the

health system expands its use of the Amwell Platform through additional modules, there is a corresponding increase in subscription fees.

To supplement a health system's own network of healthcare providers, health systems often choose to purchase clinical services from AMG to deliver care for certain specialties such as telepsychiatry, behavioral health therapy and general urgent care, or to simply operate as backup providers on nights and weekends. AMG services are provided on a fee-for-service basis.

Health Plans

For our health plan clients, the Amwell Platform functions to provide better access to care, better coordination of care and the ability to direct care referrals to providers owned or affiliated with the respective health plan. All of these functions lower the overall cost of care for health plan clients: improved population access to needed services reduces unneeded ED usage and better coordination of care can improve outcomes and lower the overall cost of care.

Currently, our typical health plan contract includes a recurring subscription fee based on the number of members who have access to our platform plus additional subscription fees associated with the various programs we offer the health plan.

Our health plan clients mainly purchase clinical services for their members through AMG. They may also maintain relationships with other in network provider organizations to deliver care on the Amwell Platform on their behalf. These visit consultations are charged on a fee-for-service basis and range in price based on the type of consultation and the specialty of the provider.

Innovators

Amwell has a number of unique customers that use our platform in various ways to support their products. For example, we support: (i) Philips' sleep apnea products and programs, (ii) a joint-venture with Cleveland Clinic and Amwell, (iii) Meuhedet's advanced, hybrid-virtual international health plan.

Our contracts with our innovator customers vary from simple subscription fee-only contracts, where an innovator customer embeds our technology within their product, to broad subscription fee and services contracts that resemble a blend of our health system and health plan profile contracts.

Visits

Amwell's clinical affiliate AMG has built a network of over 5,000 providers who are registered and credentialed to deliver care on the Amwell Platform. This clinical network is designed and operated in a way that allows us to meet the aggregate visit demand requirements of our health plan and health system clients, spanning a broad mix of specialties including, for example, internal medicine, Family Medicine, Psychiatry, Gynecology, Anesthesiology, Nutritionist, Sleep Medicine, Pain Management, Psychology, Pulmonology, Urology, Health Coach, Orthopedic Surgery, Case Manager, Emergency Medicine, Gastroenterology, Nephrology, Pediatrician, Lactation Consultant, Social Worker, Vascular Surgery.

AMG earns fee-for-service revenue for each episode of care delivered on the Amwell Platform by its providers with fees varying by physician specialty or clinical program. These clinical fees vary significantly from \$59 to more than \$800 per consultation or case based on the specialty and may require an additional module subscription, as in the case of telepsychiatry.

Fees received from AMG-related visits were \$30.0 million and \$28.5 million for the three months ended September 30, 2021 and 2020, respectively. Fees received from AMG-related visits were \$85.4 million and \$90.9 million for the nine months ended September 30, 2021 and 2020, respectively.

Services & Carepoints

We offer a full suite of paid, supporting services to our clients to enable their telehealth offerings, including professional services to facilitate telehealth implementation, workflow design, systems integration and service expansion. To help our clients promote adoption and utilization, we offer patient and provider engagement services through our internal digital engagement agency.

Our customers often deploy telemedicine through a variety of our proprietary Carepoints, which are medical carts and kiosks designed for various clinical and community settings. These Carepoints enable providers to deliver digital care into clinical care locations, such as the ED and clinics, as well as into community settings such as retail stores, community centers, employer sites, skilled nursing facilities and schools. Carepoints consist of hardware integrated into our Platform but can also be deployed

independent of our software solution. Our Carepoints are designed by our product development teams and manufactured through partner and contract relationships.

Fees received from the provision of services and Carepoints were \$5.4 million and \$8.3 million for the three months ended September 30, 2021 and 2020, respectively. Fees received from the provision of services and Carepoints were \$16.5 million and \$21.8 million for the nine months ended September 30, 2021 and 2020, respectively.

Acquisitions

We have expanded and intend to continue to expand our platform through research and development as well as the pursuit of selective acquisitions. We have completed multiple acquisitions since our inception, which we believe have expanded the channels that we serve and our distribution capabilities as well as broadening our service offering. Our acquisitions of SilverCloud and Conversa add proven longitudinal care and behavioral healthcare capabilities to our digital care enablement platform. SilverCloud is a leading digital mental health platform. Conversa is a leader in automated virtual healthcare.

For further information, see Note 7, “Business Combinations” of the Notes to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

Key Factors Affecting Our Performance

We believe our future growth, success and performance are dependent on many factors, including those set forth below. While these factors present significant opportunities for us, they also represent the challenges that we must successfully address in order to grow our business and improve our results of operations.

Telehealth Utilization

Telehealth utilization is a key driver of our business. A client’s overall utilization of its telehealth platform provides an important measure of the value they derive. Telehealth utilization drives our business in three important ways. First, to the extent a client succeeds with its telehealth program and sees good usage, they are more likely to renew and potentially expand their contract with us. Second, our health systems agreements typically include a certain number of visits conducted by their own providers annually and provide that as certain volume thresholds are exceeded, its annual license fees will rise to reflect this growing value. Third, to the extent that clients utilize provider services from AMG, Amwell derives revenue from clinical fees. We expect that our future revenues will be driven by the growing adoption of telehealth and our ability to maintain and grow market share within that market.

COVID-19 has dramatically accelerated telehealth adoption seen in both overall volumes and embracement of delivering higher acuity care in a virtual medium. Peak COVID-19 pandemic visit growth reflected several factors. Many patients needed assessment for respiratory or other COVID-19-like symptoms and sought to be assessed for possible referral to hospital or testing facilities. In addition, many patients, especially those with health vulnerabilities, sought to avoid going into brick and mortar facilities – and indeed our health systems’ clients preferred wherever possible to treat patients remotely at home for non-COVID-19 related ongoing healthcare needs. Finally, we saw significant expansion of reimbursement for telehealth during the COVID-19 crisis, which made telehealth more affordable for many people.

We continue to experience these levels of telehealth adoption and usage of our platform and products. In both the nine months ended September 30, 2021 and 2020, our clients completed 4.3 million visits on the Amwell Platform. Visits in the nine months ended September 30, 2020 were driven by the height of the COVID-19 pandemic while visits in the nine months ended September 30, 2021 were driven by expanded utilization of the platform evident by a larger number of clients’ own providers using the Amwell Platform. During the nine months ended September 30, 2021 our clients’ own providers performed over 75% of the total visits performed on the Amwell Platform versus 70% of total visits performed on the Amwell Platform during the nine months ended September 30, 2020. Comparatively, throughout 2019 and through February 2020, or pre-COVID-19, clients’ own providers delivering care represented 40% whereas AMG providers typically performed more than 60% of the total overall visits on the Amwell Platform.

Quarter Ended	Total Overall Quarterly Visits	
	Overall Visits	Performed by Customer Providers
September 30, 2021	1,425,000	75%
June 30, 2021	1,300,000	75%
March 31, 2021	1,575,000	80%
December 31, 2020	1,550,000	75%
September 30, 2020	1,400,000	75%
June 30, 2020	2,200,000	75%

Active Providers

An important indicator of the value of our Amwell Platform to our clients is the number of non-AMG providers that are active on the Amwell Platform. We define “Active Providers” as providers that have delivered a visit on the Amwell Platform at least once in the last 12 months. Active Providers demonstrate the prevalence of telehealth within our clients in both home and hospital environments. We believe Active Providers is a measure of our success in delivering on our mission of enabling access to care. We expect that the overall number of Active Providers will increase over time as a result of several factors:

- the number of modules and use cases deployed within health systems
- the adoption of telehealth by providers across the spectrum of care
- the number of programs offered through health plans
- the continued improvement in the regulatory environment for telehealth, including reimbursement for telehealth services
- the ongoing consumerization of healthcare

A significant number of providers were added to the platform in Q2 and Q3 of 2020 by our Health Plan but predominately by our Health System customers to handle the anticipated extraordinary increase in COVID-related consultations. Additional AMG providers were also added to absorb COVID-related spikes in care. As the 12 month measurement period for “Active Providers” advanced beyond the peak COVID period of Q2 2020, these extraordinary COVID-related additional AMG and customer providers cycled out of the Active Provider count thus we experienced a reset to the core base in Q2 2021. We continue to experience growth in core active providers as seen in our most recent quarter, Q3 2021, where approximately 9,000 active providers were added to our platform all coming from our Health System and Health Plan customers.

Quarter Ended	Total Active Providers		
	Total Active Providers	Customer Providers	AMG
September 30, 2021	80,000	76,000	4,000
June 30, 2021	71,000	67,000	4,000
March 31, 2021	81,000	76,000	5,000
December 31, 2020	72,000	68,000	4,000
September 30, 2020	62,000	58,000	4,000
June 30, 2020	57,000	53,000	4,000

Regulatory Environment

Our operations are subject to comprehensive United States federal, state and local and international regulation in the jurisdictions in which we do business. Our ability to operate profitably will depend in part upon our ability, and that of our affiliated providers, to maintain all necessary licenses and to operate in compliance with applicable laws and rules. The COVID-19 pandemic has resulted in a reduction of regulatory and reimbursement barriers for telehealth, including removing the originating site restrictions for fee for service Medicare; the expansion of Medicare and commercial reimbursement for telehealth and an easing of state licensure policies for providers. However, it is uncertain how long the relaxed policies will remain in effect, and there can be no guarantee that once the COVID-19 pandemic is over that such restrictions will not be reinstated or changed in a way that adversely affects our business. For additional discussion of this factor, see “Item 1A. Risk Factors—Risks Related to Government Regulation.”

Seasonality

Visit volumes typically follow the annual flu season, rising during quarter four and quarter one and falling in the summer months. The future impact of COVID-19 on seasonality is unknown as there could be additional surges and demand on telehealth visits. While we sell to and implement our solutions to clients year-round, we experience some seasonality in terms of when we enter into agreements with our clients and when we launch our solutions to members.

Non-GAAP Financial Measures

In addition to our financial results determined in accordance with GAAP, we believe adjusted EBITDA, a non-GAAP measure, is useful in evaluating our operating performance. We use adjusted EBITDA to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that this non-GAAP financial measure, when taken together with the corresponding GAAP financial measures, provides meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our business, results of operations or outlook. In particular, we believe that the use of adjusted EBITDA is helpful to our investors as it is a metric used by management in assessing the health of our business and our operating performance.

However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. In addition, other companies, including companies in our industry, may calculate similarly-titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measure as a tool for comparison. A reconciliation is provided below for our non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review the related GAAP financial measure and the reconciliation of this non-GAAP financial measure to their most directly comparable GAAP financial measures, and not to rely on any single financial measure to evaluate our business.

Adjusted EBITDA

Adjusted EBITDA is a key performance measure that our management uses to assess our operating performance. Because adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we use this measure for business planning purposes and in evaluating acquisition opportunities.

We calculate adjusted EBITDA as net loss adjusted to exclude (i) interest income and other income, net, (ii) tax benefit and expense, (iii) depreciation and amortization, (iv) stock-based compensation expense, (v) public offering expenses, (vi) acquisition-related income and expenses, (vii) litigation expenses related to the defense of our patents in the patent infringement claim filed by Teladoc and (viii) other items affecting our results that we do not view as representative of our ongoing operations, including direct and incremental expenses associated with the COVID-19 pandemic. We had no such other items during the three and nine months ended September 30, 2021 and 2020.

The following table presents a reconciliation of adjusted EBITDA from the most comparable GAAP measure, net loss, for the three and nine months ended September 30, 2021 and 2020:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net loss	\$ (50,932)	\$ (64,596)	\$ (128,873)	\$ (178,040)
Add:				
Depreciation and amortization	4,340	2,576	9,330	7,371
Interest income and other (expense) income, net	382	(255)	97	(1,410)
Benefit (Expense) from income taxes	(5,454)	78	(5,042)	330
Stock-based compensation	12,388	34,420	31,756	106,516
Public offering expenses ⁽²⁾	—	1,362	1,223	2,039
Acquisition-related expense (income)	7,419	—	8,006	(48)
COVID-19-related expenses ⁽¹⁾	—	191	—	5,933
Litigation expense	371	—	1,918	—
Adjusted EBITDA	\$ (31,486)	\$ (26,224)	\$ (81,585)	\$ (57,309)

- (1) COVID-19-related expenses include non-recurring provider bonus payments, emergency hosting licensing fees and non-medical provider temporary labor costs related to on-boarding non-AMG providers incurred in response to the initial outbreak of the COVID-19 virus as Amwell attempted to scale quickly to meet unusually high patient and non-AMG provider demand.
- (2) Public offering expenses include non-recurring expenses incurred in relation to our initial public offering for the three and nine months ended September 30, 2020 and our secondary offering for the nine months ended September 30, 2021.

Some of the limitations of adjusted EBITDA include (i) adjusted EBITDA does not properly reflect capital commitments to be paid in the future, and (ii) although depreciation and amortization are non-cash charges, the underlying assets may need to be replaced and adjusted EBITDA does not reflect these capital expenditures. Our public offering and acquisition-related expenses, including legal, accounting and other professional expenses, reflect cash expenditures and we expect such expenditures for acquisitions to recur from time to time. Our adjusted EBITDA may not be comparable to similarly titled measures of other companies because they may not calculate adjusted EBITDA in the same manner as we calculate the measure, limiting its usefulness as a comparative measure. In evaluating adjusted EBITDA, you should be aware that in the future we will incur expenses similar to the adjustments in this presentation. Our presentation of adjusted EBITDA should not be construed as an inference that our future results will be unaffected by these expenses or any unusual or non-recurring items. Adjusted EBITDA should not be considered as an alternative to loss before benefit from income taxes, net loss, earnings per share, or any other performance measures derived in accordance with U.S. GAAP.

When evaluating our performance, you should consider adjusted EBITDA alongside other financial performance measures, including our net loss and other GAAP results.

Components of Statement of Operations

Revenue

The Company has demonstrated continued revenue growth as a direct result increasing acceptance of telehealth, our penetration of the market, and the successful launch of new or expanded products that enable broadened applications of settings for care delivered virtually. Revenue performance is reflective of the strong foundation that has been built, focused around health plans, health systems, our provider network and a consistently increasing visit base.

We generate revenues from the use of the Amwell Platform in the form of recurring subscription fees for use of our platform, and related services and Carepoint sales. We also generate revenue from the performance of AMG patient visits.

Cost of Revenues, Excluding Amortization of Intangible Assets

Cost of revenue primarily consists of hosting fees paid to our hosting providers, costs incurred in connection with our professional services, technical and hosting support, and costs for running our affiliated provider network operations team. These costs primarily include employee-related expenses (including salaries, bonuses, benefits, stock-based compensation and travel).

Cost of revenues are primarily driven by the size of our provider network and the hosting and technical support required to service our platform customers. Our business models are designed to be scalable and to leverage fixed costs to generate higher revenues. While we currently expect increased investments to support accelerated growth, we also expect increased efficiencies and economies of scale. Our quarterly cost of revenues as a percentage of revenues is expected to fluctuate from period to period depending on the interplay of these aforementioned factors.

Operating Expenses

Operating expenses consist of research and development, sales and marketing, and general and administrative expenses.

Research and Development Expenses

Research and development expenses include personnel and related expenses for software and hardware engineering, information technology infrastructure, security and compliance and product development (inclusive of stock-based compensation for our research and development employees). Research and development expenses also include the periodic outsourcing of similar functions to third party specialists. Due to the quarantine and isolation strategies employed by governmental authorities, health systems and health plans to deal with the COVID-19 pandemic, a significant portion of healthcare was forced to be delivered virtually. Our health plan and health system customers believe that overall utilization of telemedicine and care delivered virtually will continue to increase during and after the COVID-19 crisis. By partnering with our customers during the crisis, we understand the increased volume and additional types of care they intend to deliver virtually on our platform. We originally expected this increase in volume, evolution and advancement of telemedicine usage to occur over the next few years but we have now adjusted our research and development strategies to match the views of our customer partners, thus accelerating the expansion of our platform volume capacity and the development of additional functionality through new programs and modules. While an increase in the research and development expense is expected in the near-term future periods, the corresponding future revenue growth is expected to result in lower expenses as a percentage of revenue.

Our research and development expenses may also fluctuate as a percentage of our total revenue from period to period due to the seasonality of our total revenue and the timing and extent of our research and development expenses. We are accelerating our multiyear technology investment in 2021 to accommodate the anticipated significant growth in market demand for increasingly broad and sophisticated telehealth enablement infrastructure following COVID-19.

Sales and Marketing Expenses

Sales expenses consist primarily of employee-related expenses, including salaries, benefits, commissions, travel and stock-based compensation costs for our employees engaged in sales. We expect our sales expenses to increase as we continue to invest in the expansion of our business. We expect to hire additional sales personnel and related account management and sales support personnel to properly service our growing client base and to identify and capitalize on new strategic market opportunities.

Marketing expenses consist primarily of personnel and related expenses (inclusive of stock-based compensation) for our marketing staff, including costs of communications materials that are produced to generate greater awareness and utilization of our platform among our clients and their users. Marketing costs also include third-party independent research, participation in trade shows, brand messaging, and public relations costs.

Our sales and marketing expenses will fluctuate as a percentage of our total revenue from period to period due to the seasonality of our total revenue and the timing and extent of our advertising and marketing expenses.

General and Administrative Expenses

General and administrative expenses include personnel and related expenses, and professional fees incurred by finance, legal, human resources, information technology, our executives, and executive administration staff. They also include stock-based compensation for employees in these departments and expenses related to auditing, consulting, legal, and corporate insurance.

We expect our general and administrative expenses to increase for the foreseeable future due to costs that we incur as a new public company, as well as other costs associated with continuing to grow our business. However, we expect our general and administrative expenses to decrease as a percentage of our total revenue over the next several years. Our general and administrative expenses may fluctuate as a percentage of our total revenue from period to period due to the seasonality of our total revenue and the timing and extent of our general and administrative expenses.

Depreciation and Amortization Expense

Depreciation and amortization expense includes the amortization of intangible assets and depreciation related to our fixed assets. Amortization of intangible assets consists of the amortization of acquisition-related intangible assets, which are customer relationships, contractor relationships, technology and trade names.

Interest Income and Other Income (Expense), Net

The balance of interest income and other income (expense), net, consists predominantly of interest income on our money-market and short-term investments. We did not incur material interest expenses in the period as there were no outstanding debts or notes payables.

Provision for Income Taxes

The income tax provision and benefit were primarily due to state and foreign income tax expense, offset by a partial release of the valuation allowance.

Deferred tax assets are reduced by a valuation allowance to the extent management believes it is not more likely than not to be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management makes estimates and judgments about future taxable income based on assumptions that are consistent with our plans and estimates.

Consolidated Results of Operations

The following table sets forth our summarized condensed consolidated statement of operations data for the three and nine months ended September 30, 2021, and 2020 and the dollar and percentage change between the respective periods:

(in thousands)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	Change	%	2021	2020	Change	%
Revenue	\$ 62,223	\$ 62,551	\$ (328)	-1%	\$ 180,039	\$ 184,833	\$ (4,794)	-3%
Costs and operating expenses:								
Costs of revenue, excluding depreciation and amortization of intangible assets	35,184	42,116	(6,932)	(16)%	104,778	118,969	(14,191)	(12)%
Research and development	27,399	25,275	2,124	8%	72,817	57,848	14,969	26%
Sales and marketing	16,370	13,758	2,612	19%	44,891	39,978	4,913	12%
General and administrative	34,380	43,113	(8,733)	(20)%	79,946	138,537	(58,591)	(42)%
Depreciation and amortization expense	4,340	2,576	1,764	68%	9,330	7,371	1,959	27%
Total costs and operating expenses	117,673	126,838	(9,165)	(7)%	311,762	362,703	(50,941)	(14)%
Loss from operations	(55,450)	(64,287)	8,837	(14)%	(131,723)	(177,870)	46,147	(26)%
Interest income and other income (expense), net	(382)	255	(637)	(250)%	(97)	1,410	(1,507)	(107)%
Loss before expense from income taxes and loss from equity method investment	(55,832)	(64,032)	8,200	(13)%	(131,820)	(176,460)	44,640	(25)%
Benefit (Expense) from income taxes	5,454	(78)	5,532	(7,092)%	5,042	(330)	5,372	(1,628)%
Loss from equity method investment	(554)	(486)	(68)	14%	(2,095)	(1,250)	(845)	68%
Net loss	(50,932)	(64,596)	13,664	(21)%	(128,873)	(178,040)	49,167	(28)%
Net income (loss) attributable to non-controlling interest	562	(1,515)	2,077	(137)%	(332)	(3,920)	3,588	(92)%
Net loss attributable to American Well Corporation	\$ (51,494)	\$ (63,081)	\$ 11,587	(18)%	\$ (128,541)	\$ (174,120)	\$ 45,579	(26)%

Revenue

For the three months ended September 30, 2021, overall revenue was relatively similar to the prior period with increased subscription and visit revenue of \$0.9 million and \$1.6 million, respectively, offset by a \$2.9 million decrease in hardware revenue caused by higher levels of care points purchases in the prior period attributed to Health Systems spending time constrained, government grant program funds, and also in the current 2021 period, customers waiting on completion of their transition to the new Converge Platform before expanding their care point footprint.

For the nine months ended September 30, 2021, the decrease in revenue from the prior period was substantially driven by a decrease in visit revenue. Visit revenue earned from AMG patient visits decreased by \$5.5 million, or 6%, from \$90.9 million in the nine months ended September 30, 2020 to \$85.4 million in the nine months ended September 30, 2021. The decrease was primarily driven by reduced visit volume versus the height of the COVID-19 pandemic experienced in the second quarter of 2020, but was slightly offset by the overall increased utilization of telemedicine as a part of now normal delivery of healthcare. For the nine months ended September 30, 2021, the decrease in revenue was also driven by a decrease in hardware revenue of \$5.3 million. The decreases in revenue were partially offset by an increase in subscription revenue from \$72.0 million for the nine months ended September 30, 2020 to \$78.1 million during the nine months ended September 30, 2021, an increase of \$6.1 million, or 7%. Subscription revenue grew as a result of new customers subscribing to the platform and existing customers expanding their use of the platform through increasing the number of members they provided access to the platform, increased number of programs, increased modules and increased volume of care delivered on our platform by our customers' own providers.

Costs of Revenue, Excluding Amortization of Acquired Intangible Assets

For the three months ended September 30, 2021, the decrease in cost of revenue was primarily due to a decrease of \$2.8 million in costs related to marketing provided to customers. The Company also experienced a \$2.1 million decrease in hardware costs due to low margin hardware unit sales.

For the nine months ended September 30, 2021, the decrease in cost of revenue was primarily due to a decrease of \$6.3 million in provider related costs due to lower visit volume but also technology and process efficiencies realized in our AMG visit processes. The Company also experienced a \$4.3 million decrease in hardware costs due to lower hardware unit sales volume.

Research and Development Expenses

For the three months ended September 30, 2021, the increase in research and development expense was primarily driven by an increase of \$2.5 million in employee-related costs (inclusive of stock compensation expense) offset by a decrease of \$0.4 million in consulting services.

For the nine months ended September 30, 2021, the increase was primarily driven by an increase of \$10.3 million in employee-related costs (inclusive of stock compensation expense). The increase in research and development expense was further driven by a \$5.2 million increase in consulting services primarily driven by increased spend in the first half of the year related to our new Converge telehealth platform.

Sales and Marketing Expenses

For the three months ended September 30, 2021, the increase in sales and marketing expense primarily consisted of \$1.3 million in employee-related costs (inclusive of commissions and stock compensation expense). There was also an increase in marketing expenses of \$0.5 million and consulting expense of \$0.5 million.

For the nine months ended September 30, 2021, the increase primarily consisted of \$5.2 million in employee-related costs (inclusive of commissions and stock compensation expense). The increase was offset by reduced subcontractor expenses of \$0.4 million.

General and Administrative Expenses

For the three months ended September 30, 2021, the decrease in general and administrative expense was driven by a decrease in stock-based compensation expense of \$23.1 million predominantly related to awards granted to the co-CEOs related to our IPO in 2020. The decrease was offset by an increase related to employee-related costs (excluding stock compensation expense) of approximately \$1.8 million. The decrease in general and administrative expenses was offset by a \$2.1 million increase in insurance costs for our directors and officers, \$2.8 million in increased legal costs largely related to the Teladoc litigation and \$4.3 million in consulting costs largely related to the Acquisitions. The decrease in general and administrative expenses was further offset by a \$1.5 million increase in system costs to enhance administrative processing.

For the nine months ended September 30, 2021, the decrease was driven by a decrease in stock-based compensation expense of \$81.1 million predominantly related to awards granted to the co-CEOs related to our IPO in 2020. The decrease was offset by increases related to employee-related costs (excluding stock compensation expense) of approximately \$2.7 million. The decrease in general and administrative expenses was further offset by a \$5.9 million increase in insurance costs for our directors and officers, \$4.6 million in consulting costs largely related to the Acquisitions and \$5.0 million in increased legal costs largely related to the Teladoc litigation. The decrease in general and administrative expenses was further offset by a \$3.1 million increase in system costs to enhance administrative processing. General and administrative expenses are expected to continue to increase (in absolute dollars) in future periods as we continue to grow in size and complexity while at the same time recognizing the full year impact of the regulatory and compliance costs associated with being a publicly traded company.

Depreciation and Amortization Expense

Depreciation expense remained consistent for the three and nine months ended September 30, 2021. Amortization expense increased by \$1.9 million for the three months ended September 30, 2021 and for the nine months ended September 30, 2021. The increase in amortization was related to the intangible assets acquired in the Acquisitions.

Interest Income and Other (Expense) Income, net

For the three and nine months ended September 30, 2020, interest income and other (expense) income, net consist entirely of interest income and gains from our cash equivalents and short-term investments. For the three and nine months ended September 30,

2021, interest income and other (expense) income, net consist of accretion of \$0.6 million on the contingent consideration related to the Acquisitions, as well as interest income and gains from our cash equivalents and short-term investments.

Expense from Income Taxes

Income tax benefit was \$5.5 million for the three months ended September 30, 2021, compared to income tax expense of \$0.1 million for the three months ended September 30, 2020. Income tax benefit was \$5.0 million for the nine months ended September 30, 2021, compared to income tax expense \$0.3 million for the nine months ended September 30, 2020. The increase in the benefit is due to a \$5.1 million release of the valuation allowance in the U.S. due to the Acquisitions.

Loss from Equity Method Investment

The Company and Cleveland Clinic partnered to form a joint venture, under the name CCAW, JV LLC, to provide broad access to comprehensive and high acuity care services via telehealth. The Company does not have a controlling financial interest in CCAW, JV LLC, but it does have the ability to exercise significant influence over the operating and financial policies of CCAW, JV LLC. Therefore, the Company accounts for its investments in CCAW, JV LLC using the equity method of accounting. During the three months ended September 30, 2021 and 2020, the Company recognized a loss of \$0.6 million and \$0.5 million, respectively, as its proportionate share of the joint venture results of operations. During the nine months ended September 30, 2021 and 2020, the Company recognized a loss of \$2.1 and \$1.3 million, respectively, as its proportionate share of the joint venture results of operations.

Liquidity and Capital Resources

The following table presents a summary of our cash flow activity for the periods set forth below:

	Nine Months Ended September 30,	
	2021	2020
Consolidated Statements of Cash Flows Data:		
Net cash used in operating activities	\$ (96,614)	\$ (87,934)
Net cash used in investing activities	(59,295)	(96,677)
Net cash provided by financing activities	4,537	1,003,307
Total	\$ (151,372)	\$ 818,696

Sources of Financing

Our principal sources of liquidity were cash, cash equivalents and short-term investments totaling \$790.4 million and \$1,041.6 million as of September 30, 2021 and December 31, 2020, respectively, which were held for a variety of growth initiatives and investments as well as working capital purposes. Our cash, cash equivalents and short-term investments are comprised of money market funds and marketable securities including U.S. Treasury bills.

In September 2020, we received net proceeds of \$767.6 million associated with the issuance of 45,681,499 shares of Class A common stock from our IPO, after deducting underwriting discounts and commissions of \$49.3 million and offering costs of approximately \$4.9 million. In conjunction with the IPO, we closed on the Google LLC private placement and issued 5,555,555 shares of Class C common stock for proceeds of \$99.1 million, net of offering costs of \$0.9 million.

Prior to our IPO, the Company funded its operations primarily through private placements of its convertible preferred stock as well as through revenues generated through customer contracts.

As shown in the accompanying condensed consolidated financial statements, the Company incurred a loss from operations of \$131.7 million and a net loss of \$128.9 million for the nine months ended September 30, 2021 and had an accumulated deficit of \$762.4 million as of September 30, 2021.

The Company has no debt as of September 30, 2021 or December 31, 2020 and expects to generate operating losses in future years.

We believe that our existing cash and cash equivalents will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months from the issuance date of the financial statements. Our future capital requirements will depend on many factors including our growth rate, contract renewal activity, number of consultations on our platform, the timing and extent of

spending to support product development efforts, our expansion of sales and marketing activities, the introduction of new and enhanced services offerings, and the continuing market acceptance of telehealth services. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies and intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition and results of operations would be adversely affected.

Indebtedness & Lines of Credit

In January 2011, the Company entered into a credit agreement (the “Line of Credit”) with a financial institution that provides for maximum borrowings in one or more advances of an amount up to \$5.0 million. Borrowings under the Line of Credit accrue interest at the London Interbank Offered Rate plus 1.25%. Borrowings are repayable immediately upon demand by the financial institution. In November 2017, the Line of Credit was amended to increase the maximum borrowings to \$7.0 million. As of September 30, 2021 and December 31, 2020, the Company had no outstanding borrowings under the Line of Credit.

During any period that the Line of Credit is in effect, the Company can request the financial institution issue a letter of credit with a maximum maturity not to exceed twelve months. Any letters of credit issued by the financial institution reduce the maximum borrowings available under the Line of Credit. As of September 30, 2021 and December 31, 2020, the maximum borrowing available to the Company was \$6.2 million and \$5.9 million based on the outstanding letters of credit of \$0.8 million and \$1.1 million that have been issued by the financial institution.

Nine months ended September 30, 2021, vs. nine months ended September 30, 2020

Cash Used in Operating Activities

For the nine months ended September 30, 2021, cash used in operating activities was \$96.6 million. The primary driver of this use of cash was our net loss of \$128.9 million. The net loss for the year was reflective of the investments made back into the Company (from both a personnel and technology perspective), partially offset by the overall growth of our business including an increase in new clients and expansion of business with existing clients. The net loss was partially offset by non-cash expenses of \$42.5 million (primarily stock-based compensation of \$31.8 million and depreciation and amortization of \$9.3 million).

For the nine months ended September 30, 2020, cash used in operating activities was \$87.9 million. The primary driver of this use of cash was our net loss of \$178.0 million. The net loss for the year was reflective of the expenses incurred with our response to COVID-19 and our continued investments made back into the Company’s infrastructure, partially offset by the revenue growth discussed above. The net loss was partially offset by non-cash expenses of \$117.7 million (primarily stock-based compensation of \$106.5 million and depreciation and amortization of \$7.4 million).

Cash Used in Investing Activities

Cash used in investing activities was \$59.3 million for the nine months ended September 30, 2021. Cash used in investing activities consisted of \$156.5 million in acquisitions of businesses, a \$2.5 million investment in the CCAW, JV LLC joint venture with Cleveland Clinic and \$0.2 million in the purchases of property and equipment offset by proceeds from maturities of investments of \$100.0 million.

Cash used in investing activities was \$96.7 million for the nine months ended September 30, 2020. Cash used in investing activities consisted of \$69.1 million in proceeds from the maturities of investments, offset by \$159.6 million in purchases of investments. Further, cash used in investing activities included a \$2.9 million investment in the CCAW, JV LLC joint venture with Cleveland Clinic and \$3.3 million in the purchases of property and equipment.

Cash Provided by Financing Activities

Cash provided by financing activities for the nine months ended September 30, 2021, was \$4.5 million. Cash provided by financing activities consisted of \$18.5 million of proceeds from the exercise of employee stock options. These proceeds were offset by cash payments primarily for the purchase of treasury stock of \$14.0 million.

Cash provided by financing activities for the nine months ended September 30, 2020, was \$1,005.1 million. Cash provided by financing activities consisted of \$146.0 million of cash proceeds from our issuance of Series C Convertible Preferred Stock, net of issuance costs, \$772.9 million of cash proceeds from our IPO, net of underwriting commissions and \$100.0 million cash proceeds from the issuance of Class C common stock to Google, LLC in a private placement offering. These proceeds were offset by cash payments for the purchase of treasury stock of \$18.4 million.

Off-Balance Sheet Arrangements

During the periods presented, we did not have, nor do we currently have, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are therefore not exposed to the financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships.

Contractual Obligations and Commitments

As of September 30, 2021, there have been no material changes from the contractual obligations and commitments previously disclosed in our Form 10-K.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements and the related notes thereto are prepared in accordance with GAAP. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. The Company bases its estimates on historical experience, current business factors, and various other assumptions that the Company believes are necessary to consider to form a basis for making judgments about the carrying values of assets and liabilities, the recorded amounts of revenue and expenses, and the disclosure of contingent assets and liabilities. The Company is subject to uncertainties such as the impact of future events, economic and political factors, and changes in the Company's business environment; therefore, actual results could differ from these estimates. Accordingly, the accounting estimates used in the preparation of the Company's condensed consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained, and as the Company's operating environment evolves.

Our significant accounting policies are discussed in Note 2, Summary of Significant Accounting Policies, to our condensed consolidated financial statements in our Form 10-K and Note 2, Summary of Significant Accounting Policies to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q. There have been no significant changes to these policies during the nine months ended September 30, 2021.

Recently Issued Accounting Pronouncements Adopted

For more information on recently issued accounting pronouncements, see Note 2 to our condensed consolidated financial statements covered under Part I, Item 1 of this Quarterly Report on Form 10-Q.

New Accounting Pronouncements Not Yet Adopted

For more information on new accounting pronouncements not yet adopted, see Note 2 to our condensed consolidated financial statements covered under Part I, Item 1 in this Quarterly Report on Form 10-Q.

Emerging Growth Company Status

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it is (i) no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

Item 3. Qualitative and Quantitative Disclosure about Market Risk

Interest Rate Risk

We had cash and cash equivalents totaling \$790.4 million, and \$941.6 million as of September 30, 2021 and December 31, 2020, respectively. The Company also held investments totaling \$0 million and \$100.0 million as of September 30, 2021, and December 31, 2020, respectively. These amounts were primarily invested in money markets and U.S. Treasury bills. The cash and cash equivalents are held for a variety of growth and investments as well as working capital purposes. Our investments are made for

capital preservation purposes. We do not enter into investments for trading or speculative purposes. All our investments are denominated in U.S. dollars.

We do not believe that an increase or decrease of 100 basis points in interest rates would have a material effect on our business, financial condition or results of operations. However, our cash equivalents are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates. Due in part to these factors, our future investment income may fall short of expectation due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates.

Fluctuations in the value of our money market funds caused by a change in interest rates (gains or losses on the carrying value) are recorded in other income and are realized only if we sell the underlying securities.

Foreign Currency Exchange Risk

To date, a substantial majority of our revenue from customer arrangements has been denominated in U.S. dollars. We have limited operations outside the United States. As of September 30, 2021 and December 31, 2020, we had four foreign subsidiaries. The Company also has a branch with a functional currency of the New Israeli Shekel, however activity in the New Israeli Shekel is not considered significant. Prior to the Acquisitions the Company had one foreign subsidiary in Israel, the functional currency of that subsidiary is the U.S. dollar. In the third quarter of 2021, the Company acquired three foreign subsidiaries from the acquisition of SilverCloud with functional currencies of the Euro, British pound and Australian dollars. The activity for these entities in the nine months ended September 30, 2021 was not considered significant as only one month of operations is included in the consolidated statement of operations. Accordingly, we believe we do not have a material exposure to foreign currency risk. We may choose to focus on international expansion, which may increase our exposure to foreign currency exchange risk in the future.

Inflation Risk

We do not believe that inflation had a material effect on our business, financial condition or results of operations in the last two years. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition or results of operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officers and principal financial officer, has evaluated the effectiveness of 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, or the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officers and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosure.

Based on this evaluation, our principal executive officers and principal financial officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses in our internal control over financial reporting, as further described below:

We concluded that certain material weaknesses in our internal control over financial reporting are still present as of September 30, 2021. The material weaknesses present are as follows: We did not maintain an effective control environment as we did not maintain a sufficient complement of accounting and financial reporting resources commensurate with our financial reporting requirements. This material weakness contributed to the following material weakness:

- We did not have sufficient resources to appropriately record revenue transactions, nor did we have controls in place to validate that the terms of the revenue transactions were appropriately entered into the revenue sub-ledger based on the terms of the arrangement with the customer.

These control deficiencies did not result in errors that were material to our annual or interim financial statements. However, these control deficiencies could result in a misstatement in our accounts or disclosures that would result in a material misstatement to the financial statements that would not be prevented or detected. Accordingly, we determined that these control deficiencies constitute material weaknesses.

We are in the process of implementing measures designed to improve our internal control over financial reporting and remediate the control deficiencies that led to the material weaknesses. As of September 30, 2021, we have completed the following remedial actions:

- hired additional full-time accounting resources with appropriate levels of accounting knowledge and experience, including but not limited to a Chief Financial Officer in the second half of 2018, and the following resources who all have significant public company experience: a Vice President of Accounting, Vice President of FP&A, Senior Director of Revenue in the first half of 2019, Director of SEC Reporting with Big Four Accounting experience in the second half of 2020, and a Senior Revenue Manager in the first quarter of 2021;
- reallocated responsibilities across the accounting organization to ensure that the appropriate level of knowledge and experience is applied based on risk and complexity of transactions and tasks under review;
- migrated to a new accounting enterprise resource planning (“ERP”) system that better meets the needs of our business;
- designed and implemented controls and continued to refine processes to validate all terms of the revenue transactions were properly considered when determining revenue recognition and that all revenue transactions were subject to thorough review from individuals with the appropriate mix of expertise and oversight to ensure accurate presentation;
- increased the number of Board Directors on our Audit Committee to three independent Directors late 2020; and
- engaged a Big Four public accounting firm to assist us in the creation of, and ultimately serve as, an internal audit function, including the establishment of an internal audit charter and assessment, documentation, design and implementation of control activities related to internal controls in the second quarter of 2021.

We have made significant progress towards remediating the material weaknesses and will continue to review, revise, and improve the effectiveness of our internal controls as appropriate. Although we have made significant enhancements to our control procedures, these material weaknesses will not be considered remediated until our controls are operational for a sufficient period of time, tested, and management concludes that these controls are operating effectively.

Remediation of Previously Identified Material Weakness in Internal Control over Financial Reporting

We previously identified and disclosed in the financial statements as of and for the period ended December 31, 2020 included in our Annual Report on Form 10-K as well as in our Quarterly Report on Form 10-Q for the interim period ended June 30, 2021, a material weakness in our internal control over financial reporting relating to the following:

- We did not design or maintain effective controls over the period end financial reporting process and preparation of financial statements. Specifically, we did not design and implement a sufficient level of formal accounting policies and procedures that define how transactions across the business cycles should be initiated, recorded, processed and reported and appropriately authorized and approved.

Our management, with the oversight from our audit committee, has completed the following remediation steps to address the previously disclosed material weakness:

- hired additional full-time accounting resources with appropriate levels of accounting knowledge and experience, including a Chief Financial Officer in the second half of 2018, a Vice President of Accounting, Vice President of FP&A, and Director of SEC Reporting in the second half of 2020;
- reallocated responsibilities across the accounting organization to ensure that the appropriate level of knowledge and experience is applied based on risk and complexity of transactions and tasks under review;
- strengthened our internal policies, processes and reviews over period end financial reporting and preparation of financial statements, including formal documentation thereof; and
- engaged a professional accounting services firm in the second quarter of 2021 to help us assess, document, design and implement control activities related to internal control over financial reporting.

Our management concluded that based on the completion of these actions, and the results of our testing over the design and operating effectiveness of the newly designed and implemented controls, the previously-identified material weakness related to the period end financial reporting process and preparation of financial statements was remediated as of September 30, 2021.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

Our management, including our principal executive officers and principal financial officer, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, in the opinion of our management, would individually or taken together have a material adverse effect on our business, financial condition, results of operations or cash flows. Regardless of outcome, litigation can have an adverse impact on us due to defense and settlement costs, diversion of management resources, negative publicity, reputational harm and other factors.

On September 14, 2020, we received a letter from Teladoc Health, Inc. alleging that certain of our cart products and associated peripherals infringe upon their patents. On October 12, 2020, Teladoc Health, Inc filed a claim against the Company related to these allegations. While we can provide no guarantees about the outcome of this dispute, we believe that these claims lack merit and we intend to defend against them vigorously. Moreover, even if we were found to infringe upon any valid claim of these patents, our revenues from the Carepoints products approximated 6% of our revenues in 2020. See “Item 1A. Risk Factors—Risks Related to Intellectual Property—*Third parties may challenge the validity of our patents and trademarks, or oppose our patent and trademark applications. We may not be able to obtain and enforce additional patents to protect our proprietary rights from use by potential competitors. Companies with other patents could require us to stop using or pay to use required technology*” and “Item 1A. Risk Factors—Risks Related to Intellectual Property—*We could incur substantial costs as a result of any claim of infringement of another party’s intellectual property rights*” in our Form 10-K.

Item 1A. Risk Factors

Other than the risk factor set forth below, there have been no material changes to the risk factors previously disclosed in our Form 10-K. For a discussion of potential risks and uncertainties related to our Company see the information in our Form 10-K in the section entitled “Risk Factors.”

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in the “Special Note Regarding Forward-Looking Statements” section in Part I, Item 2, of this Quarterly Report on Form 10-Q.

We may fail to realize all of the anticipated benefits of the Acquisitions, including expected synergies, and be subject to business uncertainties that could adversely affect our business, including difficulty integrating the Conversa and SilverCloud businesses

We believe that the Acquisitions will result in certain benefits, including certain cost synergies, product innovations, and operational efficiencies. However, our success in realizing these benefits and synergies, and the timing of this realization, depends on the successful integration of our business and operations with Conversa’s and SilverCloud’s businesses, respectively, and may require significant internal and external investment. The efforts to realize these benefits and synergies will be a complex process and may disrupt each of the companies’ existing operations if not implemented in a timely and efficient manner. The full benefits of the Acquisitions, including the anticipated sales or growth opportunities, may not be realized as expected or may not be achieved within the anticipated time frame, or at all. Failure to achieve the anticipated benefits of the Acquisitions could adversely affect our results of operations or cash flows, cause dilution to our earnings per share, decrease or delay any accretive effect of the Acquisitions and negatively impact the price of our common stock. The combined company may fail to realize the anticipated benefits of the Acquisitions for a variety of reasons, including the following:

- the Acquisitions may result in our assuming unexpected liabilities;
- we may experience difficulties integrating operations and systems, for example with respect to accounting and IT controls, IT systems as well as company policies and cultures;
- we may fail to retain and assimilate employees of Conversa’s and/or SilverCloud’s business;
- we may fail to effectively coordinate sales and marketing efforts to communicate the capabilities of the combined company;
- we may fail to combine product offerings and product lines quickly and effectively; and
- problems may arise in entering new markets in which we have little or no experience.

Uncertainty about the effect of the Acquisitions on employees, customers and suppliers may expose us to financial, executional and operational risks. These uncertainties may impair our ability to attract, retain and motivate key personnel and could cause our customers, suppliers and other business partners to delay or defer certain business decisions or to seek to change existing business relationships with us. The occurrence of any of these events could have a material adverse effect on our operating results.

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

Recent Sales of Unregistered Securities

There were no sales of unregistered equity securities during the quarter ended September 30, 2021.

Issuer Purchases of Equity Securities

The following table provides information about the Company's purchases of its common stock for each month during this quarterly period covered by this report:

Period	(32)(a) Total number of shares (or units) purchased*	(b) Average price paid per share (or unit)*	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
July 1 to July 31	4,517	\$ 11.59	—	—
August 1 to August 31	206,977	11.15	—	—
September 1 to September 30	—	—	—	—
Total	211,494	\$ 11.16	—	—

* Shares withheld to cover tax withholding obligations under the net settlement provision upon vesting of restricted stock units and exercising of options.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The documents listed below are incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

4.9#†	<u>Agreement and Plan of Merger by and among American Well Corporation, SilverCloud Health Holdings, Inc., Shannon Merger Subsidiary Inc, Shannon Merger Sister Subsidiary, LLC, and Fortis Advisors LLC, as the Securityholder Representative Named Herein, dated as of July 28, 2021</u>
4.10#†	<u>Agreement and Plan of Merger by and among American Well Corporation, Conversa Health, Inc., Copernicus Merger Subsidiary Inc, Copernicus Merger Sister Subsidiary, LLC, and Fortis Advisors LLC, as the Securityholder Representative Named Herein, dated as of July 27, 2021</u>
10.1	<u>Employment Agreement between American Well Corporation and Brendan O’Grady, dated July 19, 2021</u>
10.2	<u>Employment Agreement between American Well Corporation and Robert Shepardson, dated September 15, 2021</u>
10.39	<u>Addendum to Employment Agreement between American Well Corporation and Ido Schoenberg, dated June 29, 2021</u>
10.40	<u>Amendment to Amended & Restated Employment Agreement between American Well Corporation and Keith Anderson, dated September 21, 2021</u>
10.41	<u>Amendment No. 6 to Amended and Restated Vendor Agreement, dated July 30, 2021, by and among American Well Corporation and Health Management Corporation dba LiveHealth Online</u>
31.1	<u>Chief Executive Officers Certifications</u>
31.2	<u>Chief Financial Officer and Chief Financial Officer in Transition Certifications</u>
32.1	<u>CEO Certification of Quarterly Report</u>
32.2	<u>CFO and CFO in Transition Certifications of Quarterly Report</u>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

Portions of this exhibit have been omitted because they are both (i) not material and (ii) customarily and actually treated by the registrant as private or confidential.

† Exhibits and schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K and will be provided on a supplemental basis to the Securities and Exchange Commission or its staff upon request.

SIGNATURES

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

AMERICAN WELL CORPORATION

Date: <u>November 12, 2021</u>	By: <u>/s/ Ido Schoenberg, MD</u> Co-Chief Executive Officer <i>(Principal Executive Officer)</i>
Date: <u>November 12, 2021</u>	By: <u>/s/ Roy Schoenberg, MD, MPH</u> Co-Chief Executive Officer <i>(Principal Executive Officer)</i>
Date: <u>November 12, 2021</u>	By: <u>/s/ Robert Shepardson</u> Chief Financial Officer <i>(Principal Financial Officer)</i>
Date: <u>November 12, 2021</u>	By: <u>/s/ Keith Anderson</u> Chief Financial Officer in Transition
Date: <u>November 12, 2021</u>	By: <u>/s/ Paul McNeice</u> Vice President of Accounting <i>(Principal Accounting Officer)</i>

ADDENDUM TO EMPLOYMENT AGREEMENT

THIS ADDENDUM TO EMPLOYMENT AGREEMENT (the “**Addendum**”) is made this 29th day of June, 2021 by and between **American Well Corporation** (Israeli Branch), company No. 560034696, located at Menachem Begin 11, Ramat Gan Israel, (the “**Company**”) on the one hand, and **Ido Schoenberg**, Passport No. 23851865, resident in 17 Nof Tavor, Kfar Kisch 19330, Israel, (the “**Executive**”) on the other hand.

WHEREAS the Executive has been employed by the Company in the US from June 18, 2020, pursuant to an employment agreement dated June 18, 2020 (the “**Employment Agreement**”);

WHEREAS the Executive wishes to be employed in Israel in the position of Chairman and Co-Chief Executive Officer, as set forth hereunder and the Company wishes to employ the Executive, in Israel as of the Commencement Date;

WHEREAS due to the Executive’s relocation to Israel, certain amendments the Employment Agreement are required in order to comply with the Israeli law;

WHEREAS the parties at this time desire to make certain other modifications to the Employment Agreement; and

WHEREAS the parties desire to state the entire terms and conditions of the Executive's employment by the Company in Israel (and otherwise going forward), as set forth below.

NOW, THEREFORE, in consideration of the mutual premises, covenants and other agreements contained herein, the parties hereby agree as follows:

1. This Addendum shall be effective as of January 1, 2021 (the “**Effective Date**”).
 2. Except as specifically modified in this Addendum, the provisions, terms, conditions, and definitions in the Agreement shall remain in full force and effect.
 3. Notwithstanding anything to the contrary in the Agreement the parties hereby agree that as of the Effective Date the following shall apply:
 - 3.1. **Commencement.** The Executive's employment with the Company in Israel shall commence on the Effective Date.
 - 3.2. **Recording of Hours:** Per the requirements under applicable law, the Executive shall cooperate with the Company in maintaining a record of the number of hours of work performed, in accordance with the Company's policy and instructions.
 - 3.3. **Pension Insurance.**
 - 3.3.1. The Company and the Executive will obtain and maintain pension insurance according to the Executive’s choice (“**Pension Insurance**”) and according to the mandatory requirements in Israel. Notwithstanding the aforementioned, the Company’s contributions towards severance shall be 8.33% of the Average Salary (as defined below).
 - 3.3.2. For the removal of doubt, the Company's allocations towards Pension Insurance shall be set from the average salary in Israel, as provided by the Extension Order for Mandatory Pension (the “**Average Salary**”).
 - 3.3.3. The Company’s contributions towards the severance pay component of the Pension Insurance shall be instead of severance pay, pursuant to Section 14 of the Severance Payments Law, 5723-1963. The parties hereby agree to comply with the conditions of the “General Approval Regarding the Payment by Employers to Pension Funds and
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Insurance Funds, in Lieu of Severance Payments pursuant to the Severance Pay Law, 5723 – 1963”, the provisions of which are attached hereto, in the original Hebrew version, as **Exhibit A** (the “**General Approval**”), and the parties hereby adopt the provisions thereof. The Company waives any right that it may have for the repayment of any monies paid by it to the Pension Plan, unless the right of Executive to severance has been revoked by a judicial decision, under Section 16 or 17 of the Severance Pay Law, 1963 (to the extent of such revocation) or pursuant to an “Entitling Event”, as defined under the General Approval.

- 3.4. **Severance Pay** – For the removal of any doubt and unless amended specifically by the parties, any amounts paid to the Executive, pursuant to the provisions of Section 9 of the Employment Agreement, shall be on account of the Executive’s statutory severance and shall be deducted from such statutory severance. Executive’s severance under Section 9 of the Employment Agreement shall continue to be based upon Executive’s Base Salary amount under Section 3 of the Employment Agreement and shall not be reduced by any deductions or payments under Section 3.3 above. In any case that the Employee will not be entitled to severance pursuant to Section 9 of the Employment Agreement, any statutory severance entitlement shall be off set with any bonus, grant or payment the employee will be entitled to under the Employment Agreement.
 - 3.5. **Travel Expenses** - Executive shall be entitled to reimbursement of travel expenses, which shall be included in the Executive’s Salary, in accordance with applicable law.
 - 3.6. **Dmey Havra’ah (Convalescence Pay)** - The Executive shall be entitled to “Dmey Havra’ah”, which shall be included in the Executive’s Salary, in accordance with any applicable law.
 - 3.7. **Annual Vacation** - Executive shall be entitled to paid vacation days during each year of Executive’s employment in the amount per applicable law (the “**Annual Vacation Allowance**”). Notwithstanding the above, the Company will allow the Executive to take vacation days exceeding the Annual Vacation Allowance (the “**Additional Vacation Days**”) and will allow Executive to enter into a negative accrual of vacation days which will be deleted at the end of each calendar year. The Employee shall not be allowed to carry over vacation days from one year to another, and, unless otherwise prescribed by law, any unused vacation days, including, without limitation, the Annual Vacation Allowance and the Additional Vacation Days, shall be forfeited and shall not be redeemed upon termination of employment.
 - 3.8. **Sick Leave** - The Executive shall be entitled to pay Sick Leave during each year of employment in accordance with any applicable law.
 - 3.9. **Good Reason**. The definition of “Good Reason” set forth in Exhibit B to the Employment Agreement shall be modified to delete clause (1) and replace it with “relocation of Executive’s employment location more than twenty-five (25) miles from the Company’s current offices in Ramat Gan, Israel”
4. All amounts paid to the Executive under this Addendum are in addition to any payment under the Employment Agreement. Notwithstanding, the Company will be entitled to set off any amounts paid under this Addendum from any Bonus entitlement the Executive may have, under the Employment Agreement.
 5. If the Company adopts a concierge medical program, Executive shall be covered under such program notwithstanding Executive’s employment location.
 6. During the Executive’s employment in Israel:
 - (x) the Employment Agreement, this Addendum and the Executive’s employment under this Addendum shall be governed by the laws of the State of Israel (and Section 16(j) (Governing Law) of the Employment Agreement shall not apply) and
 - (y) Section 16(h) of the Employment Agreement is amended in its entirety as follows:

if any dispute arises under this Agreement or otherwise which cannot be resolved by mutual discussion between the parties, then the Company and Executive each agree to resolve that dispute by binding arbitration before an arbitrator experienced in employment law and subject to the provisions of the Arbitration Law, 5738-1968. The parties agree that the arbitration shall be conducted in the "***Center of Arbitration and Dispute Resolutions***" located in Tel Aviv, Israel. The parties agree that this agreement to arbitrate includes any such disputes that the Company may have against Executive, or Executive may have against the Company and/or its related entities and/or employees, arising out of or relating to this Agreement, or Executive's employment or Executive's termination, including any claims of discrimination or harassment in violation of applicable law and any other aspect of Executive's compensation, employment, or Executive's termination. The parties further agree that arbitration as provided for herein is the exclusive and binding remedy for any such dispute and will be used instead of any court action, which is hereby expressly waived, except for any request by any party for temporary, preliminary or permanent injunctive relief pending arbitration in accordance with applicable law or for breaches by Executive of Executive's obligations under Sections 12, 13, 15 or 16 hereof. The Company shall pay the cost of any arbitration brought pursuant to this paragraph, excluding, however, the cost of representation of Executive, unless such cost is awarded in accordance with law or otherwise awarded by the arbitrators. Neither party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of both parties, except (1) as provided by Section 11 and (2) as may be required by law. The Company shall reimburse Executive for reasonable legal fees incurred in connection with any dispute under this Agreement if Executive prevails on at least one material issue in such dispute.

7. Except as specifically modified in the above mentioned, all other terms and conditions of the Employment Agreement shall remain unchanged.
8. This Addendum shall constitute an unseparated part of the Employment Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first appearing above.

American Well Corporation.
By: Brad Gay
Title: General Counsel

Ido Schoenberg

The Executive hereby declares that he read this Agreement, understood the content of this Agreement and he agrees to this Agreement.

Ido Schoenberg: _____
Date: _____
Signature: _____

**AMENDMENT TO
AMENDED & RESTATED EMPLOYMENT AGREEMENT**

THIS AMENDMENT TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the “Amendment”), amends the Amended & Restated Employment Agreement (the “Agreement”), entered into as of March 24, 2021 by and between American Well Corporation, a Delaware corporation (the “Company”), and Keith Anderson, an individual (the “Executive”), (hereinafter collectively referred to as “the parties”).

RECITALS

WHEREAS, the Company desires to continue to employ Executive through December 31, 2021, and Executive desires to accept such continued employment with the Company subject to the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the respective agreements of the parties and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Executive agree to the following, all effective as of September 21, 2021 (the “Effective Date”):

1. Except as set forth herein, the terms of the Agreement are unchanged and remain in full force and effect.
 2. Section 1 of the Agreement is amended such that the Employment Term continues through December 31, 2021, and does not renew. Notice of non-renewal need not be given.
 3. Section 2 (a) of the Agreement is amended such that Executive will step down as Chief Financial Officer (“CFO”) on October 16, 2021, and after which will be employed for the remainder of the Employment Term as CFO in Transition with only the duties set forth in Appendix A hereto.
 4. Through December 31, 2021, Executive’s compensation and benefits will not be reduced in any manner, and he will continue to vest in all equity grants and incentive awards. In addition, in consideration for Executive remaining employed through the full calendar year 2021 (ending December 31, 2021), Executive’s compensation will include the following:
 - a. Regarding the annual cash bonus for fiscal year 2021, Executive will receive no less than the full Target Bonus (\$485,000), which will be paid on December 31, 2021.
 - b. After Executive’s employment ends, should Executive elect continued health coverage for himself and his dependents pursuant to COBRA, the Company will continue to pay 100% of the health coverage premiums for so long as Executive and/or Executive’s dependents are eligible for continued health coverage under COBRA.
 - c. Regarding the Company’s April 15, 2021 grant to Executive of 189,572 restricted share units (“RSUs”), known by the parties as the “2021 LTIP”, the portion of the 2021 LTIP that would otherwise vest on April 15, 2022 had Executive remained employed through that date (25% would vest on April 15, 2022) will instead vest on December 31, 2021 (unless Executive is terminated for Cause prior to such date). This Amendment constitutes the written agreement between Participant (Executive) and the Company authorizing such vesting pursuant to Section B of the Restricted Stock Unit Agreement incorporated by reference into the Notice of RSU Grant. For purposes of clarity, 47,393 2021 LTIP RSUs
-

will vest on December 31, 2021 and the unvested remainder of the 2021 LTIP RSUs will be immediately forfeited, except as set forth below.

- d. If on or before March 31, 2022, one or more offers is made to enter into a transaction that would constitute a Change in Control, as defined in the Company's 2020 Equity Incentive Plan (the "Equity Plan"), and such Change in Control ultimately takes place with any such party (or an affiliate of such party) on or before March 31, 2023, then all of Executive's RSUs that were unvested as of the expiration of the Employment Term will vest in full and be immediately settled in the Company's common shares upon closing. For the avoidance of doubt, Executive will receive this benefit even if his employment is terminated by the Company prior to the expiration of the Employment Term, provided such termination was not by the Company for Cause.
5. Regarding Exhibit A to the Agreement (Definitions), the definition of Cause is limited to item (1): "Executive's indictment or conviction for either a felony offense or any other crime involving, or participation in, any fraud, theft or embezzlement."
6. Executive will have the right to review in advance any press release related to the matters set forth herein and will have the right to approve any quotation by Executive utilized in such release.

IN WITNESS WHEREOF, the parties hereby execute this Amendment as of September 21, 2021.

AMERICAN WELL CORPORATION

By: _____
Name: _____
Title: _____

EXECUTIVE

By: _____
Name: Keith Anderson

APPENDIX A

Duties of the CFO in Transition

- Duties and Responsibilities of Executive under the aforementioned new role:
 - Lead efforts related to filing the AMWL 3RD QUARTER 10Q including 302 certifications
 - Participate with the CEO in the AMWL 3RD Quarter earnings calls
 - Lead the efforts to prepare Q3 AMWL Audit Committee materials
 - Participate with the CEO in any Q3 AMWL earnings investor calls
 - Lead the efforts to compile data historically required for CFO to conduct the earnings, research analyst and investor calls
 - 2021 Audit:
 - Monitor 10K/2021 audit process
 - Note Executive will not be signing the 2021 10K in any capacity, including as the CFO
 - Monitor the SOX compliance process
 - Monitor the NYSE internal audit function
 - Monitor the progress of remediating the remaining AMWL material weaknesses
 - 2022 Financial Guidance to Investors:
 - The Executive's role in connection with the preparing of 2022 guidance to investors will be limited solely to providing assistance related to the assembly of a guidance update report to CEO and Audit Committee on a periodic basis. For the avoidance of doubt, the 2022 guidance process will be the responsibility of the CEO or COO, and not the reasonability of the Executive.
 - Sale of AMWL (M&A Sell-side): Executive will perform the role typical of CFO if AMWL is approached as an M&A target i.e. respond to diligence requests and cooperate with bankers/lawyers
- Reassign the AMWL Legal function to report to CEO from currently reporting to the CFO
- Other items:
 - M&A buy-side: Executive will not lead any AMWL buy-side projects but will continue to provide guidance to the CEO and Corporate Development Team
 - Executive will not be responsible for the hiring process for a Head of Investor Relations
 - Executive will not participate in the formation of any joint-ventures or other strategic or commercial contracts
 - Executive will not participate in any fund raising including issuance of any convertible bonds

AMENDMENT NO. 6

TO AMENDED AND RESTATED VENDOR AGREEMENT

This Amendment No. 6 (“Amendment”), effective as of July 30, 2021 (“Amendment 5 Effective Date”), is made to that certain Amended and Restated Vendor Agreement (the “Agreement”), dated December 23, 2014, by and among **American Well Corporation**, a Delaware corporation (“Vendor”), and **Health Management Corporation (HMC) dba LiveHealth Online** (“Anthem”), on behalf of itself and its affiliates, as amended. Unless otherwise defined, capitalized terms used herein shall have the meanings given to such terms in the Agreement.

WHEREAS, Anthem and Vendor desire to amend the Agreement to revise their commercial arrangement.

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, the Parties agree as follows:

- I. Amendment. Exhibit A below entitled “Service Levels” is hereby added to the Agreement and supersedes and replaces in its entirety the existing Schedule III to Exhibit C
-

Schedule III to Exhibit C

SERVICE LEVELS

Subject to the terms and conditions of the Agreement, Vendor will adhere to the following service level conditions:

1. DEFINITIONS

Certain capitalized terms, not otherwise defined in this Schedule III to Exhibit C will have the meanings set forth in the Agreement. The following capitalized terms will have the definitions set forth below:

(a) “**System Uptime**” will mean the total amount of time during any calendar month (24 hours a day, 7 days a week), measured in minutes, during which Anthem and its Authorized Users have the ability to access the features and functions of the Vendor System through the Services.

(b) “**Scheduled Downtime**” will mean the total amount of time during any calendar month, measured in minutes, during which Anthem and its Authorized Users are unable to access the features and functions of the to planned system maintenance performed by Vendor, as set forth in the table below.

When Scheduled Downtime will occur on a regular basis:	Purpose of Scheduled Downtime:	Maximum Duration of Scheduled Downtime:
Each day	Offline – backup	One (1) hour
Each Weekend	Minor System, database, application or hardware maintenance	Four (4) hours
Once per calendar month	Major maintenance or upgrades	Six (6) hours*

* Unless an extended period is approved by Anthem

(c) “**Unscheduled Downtime**” will mean the total amount of time during any calendar month, measured in minutes, during which Anthem is not able to access all, or a major function or functions, of the American Well System through the Hosting Services other than Scheduled Downtime as defined above Vendor.

(d) “**System Availability**” will mean, with respect to any particular calendar month, the ratio obtained by subtracting Unscheduled Downtime during such month from the total time during such month, and thereafter dividing the difference so obtained by the total time during such month. Represented algebraically, System Availability for any particular calendar month is determined as follows:

$$\text{System Availability} = \frac{(\text{Total Monthly Time} - \text{Unscheduled Downtime})}{\text{Total Monthly Time}}$$

NOTE: “**Total Monthly Time**” is deemed to include all minutes in the relevant calendar month to the extent such minutes are included within the Term of this Agreement.

2. SYSTEM PERFORMANCE

(a) **System Availability.** Vendor will ensure that System Availability equals or exceeds **99.9%** during each calendar month (the “**Service Standard**”), provided that any Unscheduled Downtime occurring as a result of (i) Anthem’s breach of any provision of this Agreement; (ii) non-compliance by Anthem with any provision of this Attachment 3; (iii) incompatibility of Anthem’s equipment or software with the Licensed Products; or (iv) performance of Anthem’s systems shall not be considered toward any reduction in System Availability measurements.

(b) **Access to Support; Response Times.** Anthem may report Unscheduled Downtime at any time (“24x7x365”) by telephoning Vendor at 1-617-204-3500 or submitting an incident through Vendor’s web-based customer support portal.

(c) **System Availability Coordination.** Vendor will assign an individual to serve as the sole point of contact for the purposes of minimizing the impact of downtime and upgrades and maximizing support response times. In addition, Vendor shall not implement upgrades or migrations during the fourth quarter of any calendar year that would exceed the Maximum Duration of Scheduled Downtime as Section 1(b) of this Attachment without prior written approval.

(d) **Maintenance and Technical Standards.** Vendor agrees to maintain the accessibility and performance of the Hosting Services in a manner consistent with capacity and performance standards set forth herein and current telecommunications and Internet industry standards, as the same may change from time to time. For measurements required herein, Vendor may assume a stable, standard T1 connection to the Internet and measurements made at random times throughout the day. Upon request, Vendor will provide Anthem with a list of minimum recommended and technical PC standards for access to and use of the Vendor System, and Anthem acknowledges that optimal performance will not be available if recommended standards are not met by users of the Vendor System.

(e) **Hosting Location.** The Hosting Services will be rendered in a facility that is consistent with high industry standards for fireproofing, power and backup generation, structural integrity, seismic resistance and resistance to other natural and man-made disruptions (the “Facility”). In addition, the Facility shall be secured against physical and electronic intrusion in a manner consistent with high industry standards. Vendor shall provide Anthem with at least ninety (90) days written notice of a change in the location from which Vendor delivers the Hosting Services. Upon ten (10) days prior notice, Anthem may inspect the Hosting location to assess compliance with requirements set forth in this Agreement.

(f) **Multiple Telecommunications Vendors.** The Facility shall be served by no less than two separate high-speed telecommunications providers and Vendor shall have the ability to switch between telecommunications Vendors to reduce outages.

(g) **No Commingling.** Vendor shall ensure that Anthem data and systems are not accessible to unauthorized parties for any reason and shall promptly report any breaches of security to Anthem.

3. MEASUREMENT AND REPORTS

(a) System Monitoring and Measurement. Vendor will provide for monitoring of System Availability on an ongoing basis. All measurements of System Availability will be calculated on a monthly basis for each calendar month during the Term. Availability of access to the features and functions of the American Well System through the Hosting Services will be determined as follows:

Vendor shall run a dedicated tool monitoring the status of the platform, which provides a periodic (at least a poll every 15 minutes) status of each of the systems or components sufficient to determine compliance with the Service Levels. Based on this information a global platform status is calculated. Possible global status values are:

- Normal: The platform is up and running and all components are responding correctly.
- Warning: The platform is up and running with no significant impact from services point of view, but one or more components (redundant components) is not responding correctly.
- Critical: The platform is unavailable, all components of the same type are not responding despite the redundancy.

(b) System Performance Reports. Vendor will provide system performance reports to the Anthem contact specified below (or if no contact is specified, to the Notice address set forth in the Agreement), setting forth measurements of System Uptime, Scheduled Downtime and Unscheduled Downtime and a calculation of System Availability for the relevant preceding month. Such reports shall be provided by Vendor on a monthly basis, no later than 15 days past the previous month. If Anthem disagrees with any measurement or other information set forth in any such report, it must so inform Vendor in writing, provided that the accuracy of any such report shall be deemed conclusive unless such notice is provided by Anthem. Any such notice must indicate specific measurements in dispute and must include a detailed description of the nature of the dispute. Vendor and Anthem agree to attempt to settle any such disputes regarding System Availability and/or related measurements in a timely manner by mutual good faith discussions.

Anthem System Performance Report Contact

- 1. Director AVMO, Tammy Wellington - Tammy.Wellington@empireblue.com
- 2. Vendor Manager AVMO, Alexandria Tommasone - alexandria.tommasone@anthem.com
- 3. Business Owner, Stephen Ogletree - stephen.ogletree@anthem.com

(a) Root Cause Analysis. If Vendor fails to meet a Service Level, or if Anthem otherwise requests during a month due to adverse performance trends, Vendor shall perform root cause analysis to determine the cause of the failure, take such steps as are necessary to recover from such failure, develop for Anthem review and approval a plan outlining the steps Vendor shall take to minimize to the extent possible the risk that such failure shall reoccur and, with Anthem approval, implement such plan. In addition, Vendor shall report to Anthem in writing regarding the cause of the failure and the steps taken by Vendor. With respect to each Vendor failure to provide the Services in accordance with the applicable Service Levels, Vendor shall within ten days after the close of each calendar month, unless otherwise agreed to, (a) perform a root-cause analysis to identify the cause of such failure, (b) provide Anthem with a written report detailing the cause of such failure, and procedure for correcting, such failure and obtain Anthem's approval, (c) correct the problem and begin meeting the Service Level and (d) take

appropriate preventive measures so that the problem does not reoccur. Upon Anthem’s approval of such corrective procedure, Vendor shall implement such procedure. For the avoidance of doubt, if the root-cause analysis cannot conclusively prove whether Vendor was not the cause of or responsible for a Service Level failure, then the Parties shall discuss an appropriate resolution to such failure. As part of such efforts, the Vendor Personnel shall work in a collaborative environment (including within reliability meetings and by coordinating with Anthem): (i) to identify offending system(s) contributing to such failures or outages, and (ii) to determine the singular point of failure and reason for that failure.

(h) Visit Wait Time. At least 85% of patients receiving Online Health Services from clinical professionals associated with the Amwell Medical Group (“AMG Professional”) during each calendar month will have a wait time of under 30 minutes to see an AMG Professional who provides primary care. For clarity, (i) patients who choose to enter the waiting room of a specific AMG Professional who is with another patient and that they would like to wait for are not counted in the wait time calculation, (ii) the wait time begins once a patient clicks “Connect,” (iii) the guarantee shall only apply to the extent Anthem has more than one hundred (100) consultations on the platform in a calendar month, (iv) the foregoing SLA shall not apply in the event of a national or state declared emergency or other force majeure and (v) the foregoing SLA does not apply to Managed Medicaid beneficiaries. For clarity, connecting with a support person shall not be deemed “seeing an AMG Professional” for purposes of the wait time calculation.

4. SUPPORT REQUIREMENTS

(a) Supported Application.

Vendor agrees to support the browsers and software interfaces set forth in the Documentation.
Vendor:

(b) Discontinuance of Said Support. Vendor must provide Anthem with one-hundred twenty (120) days notice prior to discontinuance of support for any of the aforementioned operating systems or browsers.

5. REMEDIES

Credits Against Fees. In the event System Availability is less than required as set forth herein in any calendar month during the Term of this Agreement, Anthem will be entitled to credits against its subsequent payment obligations or, in the event Anthem has no subsequent payment obligations, a refund equal to a percent of the License Fees paid by Anthem during such month, according to the following table. The credits and termination right set forth below are Anthem’s sole and exclusive remedy in the event of a breach of System Availability by Vendor.

<u>System Availability</u>	<u>Credit Amount</u>
99.00% – 99.89%	5% of 1/12 th of the annual License Fee.
98.00 %– 98.99%	10% of 1/12 th of the annual License Fee.
<=97.99%	25% of 1/12 th of the annual License Fee.

In the event System Availability falls below 99.00% three (3) times in any calendar month, Anthem may terminate the Agreement and/or any Attachments, at its discretion, with thirty (30) days' notice to Vendor and receive a prorated refund of all pre-paid unused fees.

6. **LATENCY PERFORMANCE INDEX.**

Vendor will monitor key transactions through the American Well System using synthetic end user monitoring tools to ensure consistent low latency performance. These synthetic end user monitoring tools will monitor the American Well System automatically throughout the day and alert in real time to Vendor's 24/7 Cyber Command Center. In the event that such tools detect system latency on any of the measured transactions, Vendor's Hosting Operations teams will treat such system latency as an Issue and classify and work to resolve it in accordance with the terms set forth in Schedule II to Exhibit C. In addition, Vendor will adhere to escalation and resolution standards to return system performance to the established latency standards.

III. No Other Modification. Except as modified and amended herein, all other terms and provisions of the Agreement will remain in full force and effect. In the event of any conflict between the terms and provisions of the Agreement and this Amendment, the terms of this Amendment will control.

IV. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by their respective duly authorized representatives as of the day and year above written.

AMERICAN WELL CORPORATION

Signature: _____

Print Name: Bradford Gay

Title: General Counsel

HEALTH MANAGEMENT CORPORATION (HMC) DBA LIVEHEALTH ONLINE

Signature: _____

Print Name:

Title: _____

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICERS PERIODIC REPORT UNDER SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Ido Schoenberg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Well Corporation for the period ended September 30, 2021;
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 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 officers 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)) 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. 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
 - c. 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 officers 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.

Date: November 12, 2021

By: /s/ Ido Schoenberg
Ido Schoenberg
Chief Executive Officer
(Principal Executive Officer)

I, Roy Schoenberg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Well Corporation. for the period ended September 30, 2021;
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 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 officers 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)) 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. 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
 - c. 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 officers 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.

Date: November 12, 2021

By: /s/ Roy Schoenberg
Roy Schoenberg
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATIONS OF CHIEF FINANCIAL OFFICER AND CHIEF FINANCIAL OFFICER IN TRANSITION PERIODIC REPORT UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert Shepardson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Well Corporation for the period ended September 30, 2021;
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 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 officers 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)) 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. 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
 - c. 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 officers 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.

Date: November 12, 2021

By: /s/ Robert Shepardson
Robert Shepardson
Chief Financial Officer
(Principal Financial Officer)

I, Keith Anderson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Well Corporation for the period ended September 30, 2021;
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 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 officers 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)) 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. 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
 - c. 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 officers 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.

Date: November 12, 2021

By: /s/ Keith Anderson
Keith Anderson
Chief Financial Officer in Transition

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICERS PURSUANT TO 18 U.S.C. SECTION 1350, AS
ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ido Schoenberg, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of American Well Corporation for the fiscal quarter ended September 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of American Well Corporation.

Date: November 12, 2021

By: /s/ Ido Schoenberg
Name: Ido Schoenberg
Title: Chief Executive Officer
(Principal Executive Officer)

I, Roy Schoenberg, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of American Well Corporation for the fiscal quarter ended September 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of American Well Corporation.

Date: November 12, 2021

By: /s/ Roy Schoenberg
Name: Roy Schoenberg
Title: Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS OF CHIEF FINANCIAL OFFICER AND CHIEF FINANCIAL OFFICER IN TRANSITION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert Shepardson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of American Well Corporation for the fiscal quarter ended September 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of American Well Corporation.

Date: November 12, 2021

By: /s/ Robert Shepardson
Name: Robert Shepardson
Title: Chief Financial Officer
(Principal Financial Officer)

I, Keith Anderson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of American Well Corporation for the fiscal quarter ended September 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of American Well Corporation.

Date: November 12, 2021

By: /s/ Keith Anderson
Name: Keith Anderson
Title: Chief Financial Officer in Transition