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

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2022

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 001-40048

Innovid Corp.
(Exact name of registrant as specified in its charter)

Delaware	**87-3769599**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
30 Irving Place, 12th Floor **New York, New York**	**10003**
(Address of Principal Executive Offices)	(Zip Code)

+1 (212) 966-7555
Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.0001 per share	CTV	New York Stock Exchange
Warrants to purchase one share of Common stock, each at an exercise price of $11.50 per share	CTVWS	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

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 Act). Yes ¨ No x

The registrant had outstanding 132,443,951 shares of common stock as of August 8, 2022.

TABLE OF CONTENTS

BASIS OF PRESENTATION

Unless otherwise stated in this prospectus or the context otherwise requires:

"Advertising Services" means ad serving, creative and measurement services;

"APAC" means Asia-Pacific region;

"acquisition date" means the completion of the acquisition of TVS on February 28, 2022;

"CARES Act" means the Coronavirus Aid, Relief, and Economic Security Act;

"CEO" means Chief Executive Officer;

"CFO" means Chief Financial Officer;

"Closing" means the closing of the Transaction;

"common stock" means Innovid common stock, par value $0.0001 per share;

"Company," "we," "us" and "our" refers to Innovid Corp . and its subsidiaries;

"COVID-19" means the novel coronavirus which began in 2019;

"CTV" means connected TV;

"EMEA" means Europe, the Middle East and Africa region;

"Exchange Act" means the Securities Exchange Act of 1934, as amended;

"Flexibility Act" means the Paycheck Protection Program Flexibility Act;

"Forward Purchase Agreements" means the forward purchase agreements entered into, or amended and restated, by ION on January 26, 2021;

"US GAAP" means accounting principles generally accepted in the United States of America;

"Innovid" or "Innovid Corp." means Innovid Corp., a Delaware corporation;

"Innovid Inc." or "Legacy Innovid" means Innovid, Inc., a Delaware corporation;

"ION" means ION Acquisition Corp 2 Ltd. prior to the Transaction;

"ION IPO" means ION's initial public offering that was consummated on February 16, 2021;

"JOBS Act" means the Jumpstart Our Business Startups Act of 2012;

"LATAM" means Latin American region;

"Legacy Plan" means Legacy Innovid's stock option plan.

"Merger Agreement" means the Agreement and Plan of Merger dated June 24, 2021 by and among ION, Innovid, Inc., Merger Sub 1 and Merger Sub 2;

"Merger Sub 1" means Inspire Merger Sub 1, Inc., a Delaware corporation and a direct wholly owned subsidiary of ION;

"Merger Sub 2" means Inspire Merger Sub 2, LLC, a Delaware Limited Liability Company and a direct wholly owned subsidiary of ION;

"Mergers" mean Merger 1 and Merger 2, collectively, of Merger Sub 1 and Merger Sub 2, respectively;

"NYSE" means the New York Stock Exchange;

“Nielsen Claim” a lawsuit filed in the United States District Court for the Western District of Texas on March 4, 2022, by Nielsen, LLC suit against TVS alleging infringement of US Patent No. 10,063,378.

“PIPE Financing” means the purchase of shares of our common stock pursuant to the Subscription Agreements, and the purchase of shares of our common stock and warrants pursuant to the Forward Purchase Agreements;

“PIPE Investment” means the issuance and sale of $200,000,000 of common stock in a private placement to the PIPE Investors pursuant to the Subscription Agreements;

“PIPE Investors” mean those certain investors participating in the PIPE Financing pursuant to the Subscription Agreements and the Forward Purchase Agreements;

“PPP Loan” means Paycheck Protection Program Loan;

“Private Placement Warrants” means warrants which were not transferable, assignable or salable until 30 days after the completion of the Transaction and exercisable on a cashless basis and non-redeemable so long as they are held by the initial purchaser or its permitted transferees.

“SEC” means the United States Securities and Exchange Commission;

“SSIG” means the Special Situations Investing Group II, LLC;

“SSP” means stand-alone selling price;

“Subscription Agreements” means the subscription agreements dated June 24, 2021 the “Initial Subscription Agreements” and October 18, 2021 the “Additional Subscription Agreements” pursuant to which (together with the Forward Purchase Agreements) the PIPE Financing will be consummated;

“SVB” means Silicon Valley Bank;

“Transaction” means the Mergers and the related transactions contemplated by the Merger Agreement;

“TVSquared” or “TVS” means TV Squared Limited;

“UK” means United Kingdom;

“US” means United States of America;

“warrants” means the redeemable warrants (including those that underlie the units) that were offered and sold by ION in its initial public offering and registered pursuant to the IPO registration statement or the redeemable warrants of Innovid Corp. issued as a matter of law upon the conversion thereof following the Transaction, as context requires;

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. These forward-looking statements include, without limitation, statements relating to expectations for future financial performance, business strategies or expectations for our business. These statements are based on the beliefs and assumptions of the management of Innovid. Although Innovid believes that its plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, it cannot assure you that it will achieve or realize these plans, intentions or expectations. These statements constitute projections, forecasts and forward-looking statements, and are not guarantees of performance. Such statements can be identified by the fact that they do not relate strictly to historical or current facts. When used in this Form 10-Q, words such as “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “seek,” “should,” “strive,” “target,” “will,” “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

Should one or more of a number of known and unknown risks and uncertainties materialize, or should any of our assumptions prove incorrect, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. You should therefore not place undue reliance on these forward-looking statements. Some factors that could cause actual results to differ include, but are not limited to:

• our public securities’ potential liquidity and trading;

• our ability to raise financing in the future;

• our success in retaining or recruiting, or changes required in, our officers, key employees or directors;

• changes in applicable laws or regulations;

• our ability to maintain and expand relationships with advertisers;

• decreases and/or changes in CTV audience viewership behavior;

• Innovid’s ability to make the right investment decisions and to innovate and develop new solutions;

• the accuracy of Innovid’s estimates of market opportunity, forecasts of market growth and projections of future financial performance;

• the extent of investment required in Innovid’s sales and marketing efforts;

• Innovid’s ability to effectively manage its growth;

• sustained overall demand for advertising;

• the impact of the COVID-19, related supply chain issues and an increased rate of inflation;

• the continued acceptance of digital advertising by consumers and the impact of opt-in, opt-out or ad-blocking technologies;

• Innovid’s ability to scale its platform and infrastructure to support anticipated growth and transaction volume;

• the impact of increasing competition in the digital advertising space, including with competitors who have significantly more resources;

• other risks and uncertainties indicated in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which was filed with the SEC on March 18, 2022 (the “2021 Annual Report”), including those set forth under the section titled “Risk Factors.”

These forward-looking statements are based on information available as of the date of this Quarterly Report on Form 10-Q and current expectations, forecasts and assumptions, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Part I

Item 1. Financial Statements

INNOVID, CORP. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except stock and per stock data)

	June 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 44,024	$ 156,696
Trade receivables, net (allowance for doubtful accounts of $69 and $81 at June 30, 2022 and December 31 2021, respectively)	43,553	35,422
Prepaid expenses and other current assets	5,247	3,131
Total current assets	**92,824**	**195,249**
NON-CURRENT ASSETS:		
Long-term deposit	312	310
Long-term restricted deposits	411	462
Property and equipment, net	8,862	4,840
Goodwill	114,608	4,555
Intangible assets, net	35,135	—
Operating lease right of use asset	3,069	—
Other non-current assets	625	116
Total non-current assets	**163,022**	**10,283**
TOTAL ASSETS	**$ 255,846**	**$ 205,532**
LIABILITIES AND STOCKHOLDERS’ EQUITY		
CURRENT LIABILITIES:		
Trade payables	3,661	5,026
Employees and payroll accruals	9,499	7,742
Accrued expenses and other current liabilities	4,662	3,082
Current portion of long-term debt	15,000	6,000
Lease liabilities - current portion	1,685	—
Total current liabilities	**34,507**	**21,850**
NON-CURRENT LIABILITIES:		
Lease liabilities - non-current portion	2,464	—
Other non-current liabilities	3,831	3,455
Warrants liability	3,026	18,972
Total non-current liabilities	**9,321**	**22,427**
TOTAL LIABILITIES	**43,828**	**44,277**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 7)		
STOCKHOLDERS’ EQUITY:		
Common stock of $0.0001 par value - Authorized: 500,000,000 and 500,000,000 at June 30, 2022 and December 31, 2021, respectively; Issued and outstanding: 132,411,715 and 119,017,380 at June 30, 2022 and December 31, 2021, respectively	13	12
Additional paid-in capital	347,630	293,719
Accumulated deficit	(135,625)	(132,476)
Total stockholders’ equity	**212,018**	**161,255**
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	**$ 255,846**	**$ 205,532**

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

Table of Contents

INNOVID, CORP. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except stock and per stock data)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	$ 33,088	$ 22,842	$ 58,950	$ 40,855
Cost of revenues (1)	7,351	3,968	13,277	7,811
Research and development (1)	9,710	6,131	16,964	11,356
Sales and marketing (1)	14,320	8,105	24,671	14,677
General and administrative (1)	9,955	4,200	21,410	6,579
Depreciation and amortization	926	149	1,599	331
Operating (loss) profit	**(9,174)**	**289**	**(18,971)**	**101**
Finance expenses (income), net	(13,306)	1,602	(15,617)	3,171
Profit (loss) before taxes	**4,132**	**(1,313)**	**(3,354)**	**(3,070)**
Taxes on income (tax benefit)	(168)	346	(205)	525
Net profit (loss)	**4,300**	**(1,659)**	**(3,149)**	**(3,595)**
Accretion of preferred stock to redemption value	—	(21,076)	—	(44,804)
Net loss attributable to common stockholders	**$ 4,300**	**$ (22,735)**	**$ (3,149)**	**$ (48,399)**
Net loss per stock attributable to common stockholders (2)				
Basic	$ 0.03	$ (1.33)	$ (0.02)	$ (2.85)
Diluted	$ 0.03	$ (1.33)	$ (0.02)	$ (2.85)
Weighted-average number of stock used in computing net loss per stock attributable to common stockholders (2)				
Basic	132,152,652	17,116,586	128,220,893	16,956,139
Diluted	139,988,123	17,116,586	128,220,893	16,956,139

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

(1) Exclusive of depreciation and amortization presented separately.

(2) Prior period results have been adjusted to reflect the exchange of Innovid Inc's common stock for Innovid Corp's common stock at an exchange ratio of approximately 1.337 as a result of the Transaction. See Note 3 for further details.

INNOVID, CORP. AND ITS SUBSIDIARIES CONDENSED STATEMENTS OF CHANGES IN TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY (DEFICIT)

(In thousands, except stock data)

	Temporary equity		Common stock		Treasury stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity (deficit)
	Number	Amount	Number	Amount	Number	Amount			
Balance as of December 31, 2020	**73,690,340**	**$86,997**	**16,275,609**	**$ 2**	**1,914,328**	**$ (1,629)**	**$ 10**	**$ (48,113)**	**$ (49,730)**
Accretion of preferred stock to redemption value	—	23,728	—	—	—	—	(586)	(23,142)	(23,728)
Stock-based compensation	—	—	—	—	—	—	280	—	280
Stock options exercised	—	—	761,697	—	—	—	306	—	306
Net loss	—	—	—	—	—	—	—	(1,936)	(1,936)
Balance as of March 31, 2021 (unaudited)	**73,690,340**	**110,725**	**17,037,306**	**2**	**1,914,328**	**(1,629)**	**10**	**(73,191)**	**(74,808)**
Accretion of preferred stock to redemption value	—	21,076	—	—	—	—	$ (1,500)	$ (19,576)	(21,076)
Stock-based compensation	—	—	—	—	—	—	$ 1,440	$ —	1,440
Stock options exercised	—	—	1,281,999	—	—	—	$ 61	$ —	61
Net loss	—	—	—	—	—	$ —	$ —	$ (1,659)	(1,659)
Balance as of June 30, 2021 (unaudited)	**73,690,340**	**131,801**	**18,319,305**	**$ 2**	**1,914,328**	**(1,629)**	**$ 11**	**$ (94,426)**	**$ (96,042)**

	Temporary equity		Common stock		Treasury stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Number	Amount	Number	Amount	Number	Amount			
Balance as of December 31, 2021	**—**	**—**	**119,017,380**	**$ 12**	**—**	**—**	**$ 293,719**	**$ (132,476)**	**$ 161,255**
Common stock and equity awards issued for acquisition of TVS	—	—	11,549,465	1	—	—	47,151	—	47,152
Stock-based compensation	—	—	—	—	—	—	1,496	—	1,496
Stock options exercised	—	—	1,521,927	—	—	—	462	—	462
Net loss	—	—	—	—	—	—	—	(7,449)	(7,449)
Balance as of March 31, 2022 (unaudited)	**—**	**—**	**132,088,772**	**13**	**—**	**—**	**342,828**	**(139,925)**	**202,916**
Stock-based compensation	—	—	—	—	—	—	4,628	—	4,628
Stock options exercised	—	—	322,943	—	—	—	174	—	174
Net profit	—	—	—	—	—	—	—	4,300	4,300
Balance as of June 30, 2022 (unaudited)	**—**	**—**	**132,411,715**	**$ 13**	**—**	**—**	**$ 347,630**	**$ (135,625)**	**$ 212,018**

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

INNOVID, CORP. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except stock and per stock data)

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net loss	$ (3,149)	$ (3,595)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,599	331
Stock-based compensation	5,634	1,720
Change in fair value of warrants	(15,946)	2,728
Changes in operating assets and liabilities		
(Increase)/ decrease in trade receivables, net	(4,624)	2,605
Increase in prepaid expenses and other operating assets	(747)	(623)
Increase/ (decrease) in trade payables	(321)	238
Decrease in operating lease right of use assets	872	—
Increase in employees and payroll accruals	1,044	184
Decrease in operating lease liabilities	(1,208)	—
Increase in accrued expenses and other operating liabilities	945	759
Net cash (used in)/ provided by operating activities	**(15,901)**	**4,347**
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(99,568)	—
Internal use software capitalization	(3,516)	—
Purchase of property and equipment	(221)	(284)
Founders' note receivable	—	(459)
Decrease in deposits	32	(24)
Net cash used in investing activities	**(103,273)**	**(767)**
Cash flows from financing activities:		
Repayment of acquisition liability	—	(126)
Proceeds from loans	9,000	—
Repayment of loans	—	(3,033)
Payment of SPAC merger transaction costs	(3,185)	—
Proceeds from exercise of options	636	367
Net cash (used in)/ provided by financing activities	**6,451**	**(2,792)**
Increase/ (decrease) in cash, cash equivalents and restricted cash	(112,723)	788
Cash, cash equivalents and restricted cash at the beginning of the period	157,158	16,092
Cash, cash equivalents and restricted cash at the end of the period	**$ 44,435**	**$ 16,880**
Supplemental disclosure of cash flows activities:		
(1) Cash paid during the period for:		
Income taxes paid, net of tax refunds	$ 363	$ 80
Interest	$ 137	$ 128
(2) Non-cash transactions:		
Business combination consideration paid in stock	$ 47,152	$ —
Accretion of preferred stock to redemption value	—	$ 44,804
Deferred offering cost included in accrued liabilities	—	$ 1,640
Reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position		
Cash and cash equivalents	44,024	16,441
Long-term restricted deposits	411	439
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	**$ 44,435**	**$ 16,880**

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

INNOVID, CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except stock and per stock data)

NOTE 1:- OVERVIEW

Innovid Corp. together with its consolidated subsidiaries, the “Company” or “Innovid” is a leading independent software platform that provides ad serving and creative services for the creation, delivery, and measurement of TV ads across connected TV (“CTV”), mobile TV and desktop TV environments to advertisers, publishers and media agencies.

Innovid Corp. was originally incorporated as ION Acquisition Corp. 2 Ltd. (“ION”), a special purpose acquisition company, in Cayman Islands on November 23, 2020.

On November 30, 2021 ION and Innovid Inc. (“Legacy Innovid”) closed the transaction as described below (the “Transaction”). Through several merges and name change Innovid Corp. was established and continues Legacy Innovid operating activity.

On November 30, 2021, ION consummated a series of merger transactions (the “Mergers”), whereby it acquired the business of Legacy Innovid. Immediately following the Mergers, ION changed its name to “Innovid Corp.” In addition, ION entered into certain subscription agreements (“PIPE Investment”). Further, in connection with the Closing, PIPE investors purchased equity securities of Legacy Innovid Stockholders (the “Secondary Sale Transaction”) for an aggregate purchase price of $68,855 (the “Secondary Sale Amount”). See Note 3 for further details.

On February 28, 2022, the Company completed the acquisition of all outstanding shares of TVSquared (“TVS”), an independent global measurement and attribution platform for converged TV and a private company limited by shares incorporated under the laws of the Scotland. The Company acquired all of the equity of TVSquared for an aggregate amount of $100,000 in cash, 11,549,465 shares of the Company common stock at fair value of $3.80 per share, and the issuance of 949,893 fully vested stock option of the Company at weighted average fair value of $3.49, subject to certain adjustments as defined in the Stock Purchase Agreement. See Note 3 for further details.

The Company common stock and warrants commenced trading on the NYSE under the symbols “CTV” and “CTVWS,” respectively, on December 1, 2021.

Innovid Corp. has subsidiaries in the US, Israel, Argentina, the UK, Germany and Australia.

NOTE 2:- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation:

The unaudited interim condensed consolidated financial statements have been prepared in accordance with US GAAP. Any reference in these notes to applicable guidance is meant to refer to the authoritative US GAAP as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Updates (“ASU”) of the Financial Accounting Standards Board (“FASB”) and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by US GAAP for complete financial statements. The unaudited interim condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary for a fair presentation have been included. The Company’s interim period results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year.

The condensed consolidated balance sheet at December 31, 2021, has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by US GAAP for complete financial statements.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and footnotes included in the Company’s 2021 Annual Report on Form 10-K.

The significant accounting policies applied in the annual consolidated financial statements of the Company as of December 31, 2021, have been applied consistently in these unaudited interim condensed consolidated financial statements, unless otherwise stated.

INNOVID, CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except stock and per stock data)

(b) Prior period reclassification:

During the second quarter of 2022, we presented depreciation and amortization expenses as a separate line item on our condensed consolidated statements of operations and all prior periods have been adjusted. Depreciation and amortization expenses were previously included in cost of sales and other operating expenses depending on the underlying asset's function. Additionally, we no longer present gross profit as a subtotal on our condensed consolidated statements of operations.

The reclassification is to better reflect the financial performance of transactions with customers as our business has evolved and include our most recent acquisition. The change provides more clarity about changes in cost of revenue and other operating expenses exclusive of depreciation and amortization, and better align with how our peers and competitors present their financial statements.

In accordance with US GAAP, all periods presented below have been retrospectively adjusted to reflect the reclassification of cost of revenue and other operating expenses exclusive of depreciation and amortization. There was no net impact to loss from operations, net loss attributable to common stockholders or net loss per stock for any periods presented. The condensed consolidated balance sheets, condensed statements of changes in temporary equity and stockholders' equity (deficit), and the condensed consolidated statements of cash flows are not affected by this reclassification. The effect of the change is as follows:

	Three months ended June 30, 2022			Three months ended June 30, 2021		
	Unaudited			Unaudited		
	Under previous classification	Effect of change	As reported	Previously reported	Effect of change	As adjusted
Cost of revenues	$ 7,933	$ (582)	$ 7,351	$ 3,987	$ (19)	$ 3,968
Operating expenses:						
Research and development	9,782	(72)	9,710	6,209	(78)	6,131
Sales and marketing	14,489	(169)	14,320	8,148	(43)	8,105
General and administrative	10,058	(103)	9,955	4,209	(9)	4,200
Depreciation and amortization	$ —	$ 926	$ 926	$ —	$ 149	$ 149

	Six months ended June 30, 2022			Six months ended June 30, 2021		
	Unaudited			Unaudited		
	Under previous classification	Effect of change	As reported	Previously reported	Effect of change	As adjusted
Cost of revenues	$ 14,277	$ (1,000)	$ 13,277	$ 7,849	$ (38)	$ 7,811
Operating expenses:						
Research and development	17,111	(147)	16,964	11,506	(150)	11,356
Sales and marketing	25,009	(338)	24,671	14,799	(122)	14,677
General and administrative	21,524	(114)	21,410	6,600	(21)	6,579
Depreciation and amortization	$ —	$ 1,599	$ 1,599	$ —	$ 331	$ 331

(c) Use of estimates:

The preparation of the condensed consolidated financial statements in conformity with US GAAP requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The COVID-19 pandemic created, and continues to create significant uncertainty in macroeconomic conditions, including supply chain disruptions and labor shortages. Further, other global events such as the war in the Ukraine and the current macro-economic inflationary environment could have an impact on our customers. Based on public reporting and our observations, some advertisers in certain industries decreased and may continue to decrease their short-term advertising spending in light of some or all of these factors. This in turn could negatively impact our revenues from such advertisers.

The Company has considered the impact of COVID-19 and other global events on its estimates and assumptions and determined that there were no material adverse impacts on the unaudited interim condensed consolidated financial statements for the three and six-month period ended June 30, 2022. As events continue to evolve and additional information becomes available, the Company’s estimates and assumptions may change materially in future periods.

The Company obtained an unsecured loan of $3,516 in April 2020 due to uncertainties related to COVID-19. The loan was obtained through SVB under the PPP Loan pursuant to the CARES Act and Flexibility Act. The Company fully repaid the PPP Loan in June 2021. See Note 6 for further details.

(d) Software development costs:

Software development costs, which are included in property and equipment, net, consists of capitalized costs related to purchase and develop internal-use software. The Company uses such software to provide services to its customers. The costs to purchase and develop internal-use software are capitalized from the time that the preliminary project stage is completed, and it is considered probable that the software will be used to perform the function intended. These costs include personnel and personnel-related employee benefits for employees directly associated with the software development and external costs of the materials or services consumed in developing or obtaining the software.

Any costs incurred for upgrades and functionality enhancements of the software are also capitalized. Once this software is ready for use in providing the Company's services, these costs are amortized on a straight-line basis over the estimated useful life of the software, which is three years. The amortization will be presented within depreciation and amortization in the condensed consolidated statements of operations. During the three and six-month period ended June 30, 2022, the Company capitalized $2,335 and $4,006, respectively, related to internal-use software cost. The Company did not capitalize software development costs in 2021 in the same period.

(e) Business combinations:

The Company accounts for business combinations by applying the provisions of ASC 805, “Business Combination” (“ASC 805”) and allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets.

Acquisition-related expenses are expensed as incurred.

(f) Goodwill and intangible assets:

Goodwill and certain other purchased intangible assets have been recorded in the Company's condensed consolidated financial statements as a result of acquisitions. Goodwill represents the excess of the purchase price in a business combination over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed. Goodwill is not amortized, but rather is subject to an impairment test.

The Company allocates goodwill to reporting units based on the expected benefit from the business combination. Reporting units are evaluated when changes in the Company’s operating structure occur, and if necessary, goodwill is reassigned using a relative fair value allocation approach.

(In thousands, except stock and per stock data)

ASC 350, Intangibles—Goodwill and other (“ASC 350”) requires goodwill to be tested for impairment at least annually and, in certain circumstances, between annual tests. The accounting guidance gives the option to perform a qualitative assessment to determine whether further impairment testing is necessary. The qualitative assessment considers events and circumstances that might indicate that a reporting unit's fair value is less than its carrying amount. If it is determined, as a result of the qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative test is performed. The Company elects to perform an annual impairment test of goodwill as of October 1 of each year, or more frequently if impairment indicators are present. For the three and six months ended June 30, 2022 and 2021, no impairments of goodwill were recorded.

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Intangible assets with a finite useful life are amortized over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. For the three and six months ended June 30, 2022 and 2021, no impairments of intangible assets were recorded.

Technology and trade name are being amortized over the estimated useful life of approximately 6 and 8 years, respectively, using straight-line amortization method.

The amortization of trade name, customer relationships and technology will be presented within depreciation and amortization in the condensed consolidated statement of operations.

(g) Fair value of financial instruments:

The Company applies a fair value framework in order to measure and disclose its financial assets and liabilities. 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. The fair value hierarchy requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Includes other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

The Company’s financial instruments consist of cash and cash equivalents, restricted deposits, trade receivables, net, trade payables, employees and payroll accruals, accrued expenses and other current liabilities and current portion of long-term debts. Their historical carrying amounts are approximate fair values due to the short-term maturities of these instruments.

The Company measures its investments in money market funds classified as cash equivalents and warrants liability at fair value.

The following table present information about the Company’s financial instruments that are measured at fair value on a recurring basis:

	June 30, 2022 (Unaudited)		
	Level 1	**Level 2**	**Level 3**
Assets:			
Money market funds	$ 29,651	$ —	$ —
Liabilities:			
Warrants liability	$ 696	$ —	$ 2,330

INNOVID, CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except stock and per stock data)

	December 31, 2021		
	Level 1	Level 2	Level 3
Assets:			
Money market funds	$ 4,515	$ —	$ —
Liabilities:			
Warrants liability	$ 3,510	$ —	$ 15,462

The change in the fair value of the Level 3 warrant liability is summarized below:

	June 30, 2022 (Unaudited)	December 31, 2021	June 30, 2021 (Unaudited)
Beginning of the period	$ 15,462	$ 499	$ 499
Additions*	—	18,427	—
Change in fair value	(13,132)	1,616	2,728
Conversion of Legacy Innovid Warrants on the Closing of the Transaction	—	(5,080)	—
End of the period	$ 2,330	$ 15,462	$ 3,227

* Additions during the year ended December 31, 2021 represent Company Warrant liability assumed in the Transaction. See Note 5 for further details.

As of June 30, 2022, the Company's warrant liability includes warrants that were originally issued in connection with the ION IPO, which were transferred to the Company as part of the Closing. The Company Warrants are recorded on the balance sheet at fair value with changes in fair value recognized through earnings. The Company has determined that the fair value of the Public Warrants at a specific date is determined by the closing price of the Company's Public Warrants, traded under the symbol "CTVWS" and within Level 1 of the fair value hierarchy. The closing quoted price of the Public Warrants was $0.22 and $1.11 as of June 30, 2022 (unaudited) and December 31, 2021, respectively. The fair value of the Public Warrants was $696 and $3,510 as of June 30, 2022 (unaudited) and December 31, 2021, respectively. Gains and losses from the remeasurement of the warrants liability are recognized in "Finance expenses, net" in the condensed consolidated statements of operations.

The Private Placement Warrants are classified as Level 3 as of June 30, 2022 and continue to be valued using the Black-Scholes option pricing model. The fair value of the Private Placement Warrants was $2,330 and $15,462 as of June 30, 2022 (unaudited) and December 31, 2021, respectively. Gains and losses from the remeasurement of the warrants liability are recognized in "Finance expenses, net" in the condensed consolidated statements of operations.

The key inputs into the Black-Scholes model for the Private Placement Warrants were as follows:

	June 30, 2022 (Unaudited)	December 31, 2021
Risk-free interest rate	2.98 %	1.24 %
Expected dividends	— %	— %
Expected term (years)	4.4	4.9
Expected volatility	75 %	55 %

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

(In thousands, except stock and per stock data)

(h) Concentrations of credit risks:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, deposits and trade receivables, net.

The majority of the Company's cash and cash equivalents are invested in deposits with major banks in America and Israel. Generally, these investments may be redeemed upon demand and, therefore, bear minimal risk.

The Company's trade receivables, net are mainly derived from sales to customers located in the APAC, EMEA, and LATAM. The Company mitigates its credit risks by performing an ongoing credit evaluations of its customers' financial conditions.

The Company has no off-balance-sheet concentration of credit risk such as foreign exchange contracts, option contracts or other foreign hedging arrangements.

One of the Company's customers accounted for more than 10% of the Company's total revenues during the three months ended June 30, 2021.

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Customer A	*)	10 %	*)	*)

*) less than 10%

(i) Warrants:

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance. The assessment considers whether the warrants are freestanding financial instruments, meet the definition of a liability under ASC 480 and meet all of the requirements for equity classification, including whether the warrants are indexed to the Company's own common stock and whether the warrant holders could potentially require "net cash settlement" in a circumstance outside of the Company's control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent reporting period end date while the warrants are outstanding.

Warrants that meet all the criteria for equity classification, are required to be recorded as a component of additional paid-in capital. Warrants that do not meet all the criteria for equity classification, are required to be recorded as liabilities at their initial fair value on the date of issuance and remeasured to fair value at each balance sheet date thereafter. The liability-classified warrants are recorded under non-current liabilities. Changes in the estimated fair value of the warrants are recognized in "Financial expenses, net" in the condensed consolidated statements of operations.

(j) Revenue recognition:

The Company generates revenues from providing Advertising Services to advertisers, publishers and media agencies. The services focus on standard, interactive and data driven digital video advertising. The Company's revenue streams are ad serving, creative and measurement services. Ad serving services relate to utilizing Innovid's platform to serve advertising impressions to various digital publishers across CTV, mobile TV, desktop TV, display, and other channels. Creative services relate to the design and development of interactive data-driven and dynamic ad formats by adding data, interactivity and dynamic features to standard ad units. The Company also provides measurement services through access to a measurement application in real time or by delivery of a report. Measurement services relate to analytics of advertisements and campaigns.

The Company recognizes revenue when its customer obtains control of promised services in an amount that reflects the consideration that the Company expects to receive in exchange for those services. The Company recognizes revenue in accordance with ASC Topic 606, Revenue from contracts with customers ("ASC 606") and determines revenue recognition through the following steps: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

For arrangements with multiple performance obligations, which represent promises within an arrangement that are capable of being distinct and are separately identifiable, the Company allocates the contract consideration to all distinct performance obligations based on their relative stand-alone selling price ("SSP"). SSP is typically estimated based on observable transactions when these services are sold on a standalone basis and expected cost plus a margin approach.

Revenues related to ad serving services are recognized when impressions are delivered. The Company recognizes revenue from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to users.

Revenues related to creative services are recognized at a point in time, when the Company delivers an ad unit. Creative services projects are usually delivered within a week.

Revenues related to measurement services reports are recognized at a point in time, when the Company delivers the measurement report.

Revenues related to the measurement services platform are recognized over time, since the customer simultaneously receives and consumes the benefits provided by the Company's performance. Revenues for these measurement services are recognized over the service period.

The Company's accounts receivable, consist primarily of receivables related to providing ad serving, creative and measurement services, for which the Company's contracted performance obligations have been satisfied, the amount has been billed and the Company has an unconditional right to payment. The Company typically bills customers on a monthly basis based on actual delivery. The payment terms vary, mainly with terms of 60 days or less.

The typical contract term is 12 months or less for ASC 606 purposes. Some of the Company's contracts can be cancelled without a cause. The Company has the unconditional right to payment for the services provided as of the date of the termination of the contracts.

The Company applies the practical expedient in ASC 606 and does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Ad serving and creative services were 78.4% and 98.5% of the Company's revenues for the three months ended June 30, 2022 (unaudited) and 2021 (unaudited), respectively, and were 83.2% and 98.5% of the Company's revenues for the six months ended June 30, 2022 (unaudited) and 2021 (unaudited). Measurement services were 21.6% and 0.8% for the three months ended June 30, 2022 (unaudited) and 2021 (unaudited), respectively, and were 16.6% and 0.9% of the Company's revenues for the six months ended June 30, 2022 (unaudited) and 2021 (unaudited).

Costs to obtain a contract:

Contract costs include commission programs to compensate sales employees for generating sales orders with new customers or for new services with existing customers. The commissions are commensurate. The Company elected to apply the practical expedient and recognize incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less. The Company did not capitalize any contract costs during the periods ended June 30, 2022 (unaudited) and 2021 (unaudited), respectively.

(In thousands, except stock and per stock data)

(k) Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued the ASU No. 2016-02, *Leases (Topic 842)*. The standard outlines a comprehensive lease accounting model that supersedes the previous lease guidance and requires lessees to recognize lease liabilities and corresponding right-of-use ("ROU") assets for all leases with lease terms greater than 12 months. The guidance also changes the definition of a lease and expands the disclosure requirements of lease arrangements. Innovid adopted the standard in the first quarter of 2022 using the modified retrospective method. Results for reporting periods beginning after December 31, 2021 have been presented in accordance with the standard, while results for prior periods have not been adjusted and continue to be reported in accordance with the Company's historical accounting. The cumulative effect of initially applying the new leases standard was recognized as an adjustment to the opening interim condensed consolidated balance sheet as of January 1, 2022 (unaudited).

The Company elected a package of practical expedients for leases that commenced prior to January 1, 2022 and did not reassess historical conclusions on: (i) whether any expired or existing contracts are or contain leases; (ii) lease classification for any expired or existing leases; and (iii) initial direct costs capitalization for any existing leases.

This standard has a significant impact on our condensed consolidated balance sheet but did not have a significant impact on the Company's condensed consolidated statements of operations. The most significant effects relate to the recognition ROU assets and lease liabilities on interim condensed consolidated balance sheet for real estate and cars operating leases.

Upon adoption, the Company recognized lease liabilities and corresponding ROU assets, adjusted for the accrued rent and remaining lease incentives received on the adoption date, as follows:

	January 1, 2022 (Unaudited)	
	ROU assets	**Lease liabilities**
Real Estate	$ 3,878	$ 5,482
Cars	50	49
Total operating leases	**$ 3,928**	**$ 5,531**

See Note 4 for further details.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes ("ASU 2019-12"). The new guidance eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. Innovid adopted the standard in the first quarter of 2022. The adoption of the guidance did not have a material impact on the Company's condensed consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires contract assets and contract liabilities (i.e., deferred revenue) acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, Revenue from Contracts with Customers. This new guidance will result in the acquirer recognizing contract assets and contract liabilities at the same amounts recorded by the acquiree. Historically, such amounts were recognized by the acquirer at fair value in acquisition accounting. The Company adopted the standard effective in the first quarter of 2022 on a prospective basis. The adoption of the guidance did not have a material impact on the Company's condensed consolidated financial statements.

(l) Recently issued accounting pronouncements not yet adopted by the Company:

As an "emerging growth company," the JOBS Act allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act. The adoption dates discussed below reflect this election.

In August 2020, the FASB issued ASU 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06"). The final guidance issued by the FASB for convertible instruments eliminates two of the three models in ASC 470-20 that require separate accounting for embedded conversion features. Separate accounting is still required in certain cases. Additionally, among other changes, the guidance eliminates some of the conditions for equity classification in ASC 815-40-25 for contracts in an entity's own equity. The guidance also requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and include the effect of share settlement for instruments that may be settled in cash or shares, except for certain liability-classified share-based payment awards. ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Company is currently evaluating the potential impact of this guidance on its condensed consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 requires enhanced qualitative and quantitative disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022. The Company is currently evaluating the potential impact of this guidance on its condensed consolidated financial statements.

Other issued new guidance is not expected to have an impact on the Company's condensed consolidated financial statements.

NOTE 3:- TRANSACTION AND BUSINESS COMBINATION

Business Combination

On February 28, 2022, the Company completed the acquisition of TVS. TVS is an independent global measurement and attribution platform for converged TV and a private company limited by shares incorporated under the laws of Scotland. The Company acquired all of the equity of TVS for an aggregate amount of $100,000 in cash, 11,549,465 shares of the Company common stock at fair value of $3.80 per share, and the issuance of 949,893 fully vested stock option of the Company at weighted average fair value of $3.49, subject to certain adjustments as defined in the Stock Purchase Agreement.

The Company, through this acquisition, added a real-time, cross-platform service to its offerings, including measurement outcomes such as frequency and unique unduplicated reach and performance metrics. The combination of ad serving and cross-platform measurement enables the buy- and sell-sides to solve fragmentation by unlocking a complete picture of advertising across the linear TV, CTV and digital video marketplaces.

The acquisition of TVS has been accounted for as a business combination using the acquisition method of accounting. The acquisition method requires, among other things, that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date. The valuation of assets acquired and liabilities assumed, have not yet been finalized as of June 30, 2022 (unaudited). As a result, Innovid recorded preliminary estimates for the fair value of assets acquired and liabilities assumed as of the acquisition date. Subsequent to the acquisition date, the Company made certain measurement period adjustments to the preliminary purchase price allocation.

Finalization of the valuation during the measurement period could result in a change in the amounts recorded for the acquisition date fair value of intangible assets, goodwill, and income taxes among other items. The completion of the valuation will occur no later than one year from the acquisition date.

(In thousands, except stock and per stock data)

The following table summarizes the preliminary fair value of assets acquired and liabilities assumed as of the acquisition date (unaudited):

		Total value
Cash and cash equivalents	$	5,318
Accounts receivables		3,507
Other current assets		1,912
Property and equipment		154
Total tangible assets		10,891
Technology		17,075
Customer relationships		14,700
Trade name		4,600
Goodwill		110,053
Total assets acquired		157,319
Less: Deferred tax liabilities		(1,783)
Less: Other assumed liabilities		(3,498)
Net assets acquired	**$**	**152,038**

Intangible assets relate to technology, trade name and customer relationship of $17,075, $4,600 and $14,700, respectively. These are being amortized over the estimated useful life of approximately 6 years, 8 years, and 11 years, respectively. The estimated fair values of identifiable intangible assets were determined using the "income approach", which is a valuation technique that provides an estimate of the fair value of an asset based on market participant expectations of the cash flows an asset would generate over its remaining useful life. Some of the more significant assumptions inherent in the development of these asset valuations include the estimated net cash flows for each year for the appropriate discount rate necessary to measure the risk inherent in each future cash flow stream, the life cycle of each asset, competitive trends impacting the asset and each cash flow stream, as well as other factors.

Goodwill was calculated as the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from the other assets acquired that could not be individually identified and separately recognized. Specifically, the goodwill recognized from the acquisition of TVS represents the value of additional growth potential of the revenue base from the creation of a single combined global organization and synergies related to combined IT efforts for enhancement of the existing and acquired technologies . The goodwill is not deductible for tax purposes.

In addition to the purchase consideration, the Company entered into cash compensation arrangements with certain employees, which amounted to $9,700 in aggregate and are subject to certain performance and employment conditions following the acquisition date.

The Company incurred total transaction costs of $5,033 for the acquisition, of which $4,873 was incurred for the six months ended June 30, 2022 (unaudited). Acquisition related transaction costs include legal, accounting fees and other professional costs directly related to the acquisition, and are recognized in “general and administrative” in the condensed consolidated statements of operations.

Following the acquisition date, the operating results of TVS have been included in the interim condensed consolidated financial statements. For the period from the acquisition date through June 30, 2022 (unaudited), revenues attributable to TVS were $9,238 and net loss attributable to TVS were $3,256, inclusive of $1,239 of intangible asset amortization. For the three months period ended June 30, 2022 (unaudited), revenues attributable to TVS were $6,789 and net loss attributable to TVS were $2,302, inclusive of $729 intangible asset amortization.

(In thousands, except stock and per stock data)

Pro Forma Financial Information

The following table presents the unaudited pro forma combined results of Innovid and TVS for the three months and six months ended June 30, 2022 and 2021 as if the acquisition of TVS had occurred on January 1, 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	$ 33,088	$ 28,045	$ 63,267	$ 50,558
Net profit (loss)	4,869	(4,113)	628	(19,503)

The unaudited pro forma interim condensed combined financial information was prepared using the acquisition method of accounting and was based on the historical financial information of Innovid and TVS. In order to reflect the occurrence of the acquisition on January 1, 2021, the unaudited pro forma financial information includes adjustments to reflect incremental amortization expense to be incurred based on the current preliminary fair values of the identifiable intangible assets acquired and the reclassification of acquisition-related costs incurred during the three months and six months ended June 30, 2022 to the three months and six months ended June 30, 2021. The unaudited pro forma financial information is not necessarily indicative of what the condensed consolidated results of operations would have been had the acquisition been completed on January 1, 2021. In addition, the unaudited pro forma financial information is not a projection of future results of operations of the combined company.

Transaction

As discussed in Note 1, on November 30, 2021, the Transaction was closed.

The Transaction was accounted for as a reverse recapitalization in accordance with US GAAP. Under this method of accounting, ION who was the legal acquirer, was treated as the “acquired” company for accounting purposes and the Transaction was treated as the equivalent of Innovid Corp. issuing stock for the net assets of ION, accompanied by a recapitalization. The net assets of ION are stated at historical cost, with no goodwill or other intangible assets recorded.

Upon the Closing of the Transaction, among other things:

All outstanding shares of Legacy Innovid common stock, Legacy Innovid redeemable convertible preferred stock, Legacy Innovid Warrants, and Secondary Sale Transaction of 6,885,486 shares to PIPE investors, were exchanged for 93,787,278 shares of common stock in Innovid Corp..

	Number of shares
Legacy Innovid common stock of January 1, 2021	16,275,609
Warrant exercised	132,392
Stock option exercised	3,180,943
Conversion of redeemable convertible preferred stock into common stock	73,690,340
Conversion of Legacy Innovid Warrants	507,994
Exchanged into Innovid Corp. common stock on November 30, 2021	**93,787,278**

Holders of 19,585,174 shares of ION’s Class A common stock sold in its initial public offering (the “Initial Shares”) exercised their right to have such shares redeemed for a full pro rata portion of the trust account holding the proceeds from ION IPO, which was approximately $10.00 per share, or $195,888 in the aggregate. The remaining shares of ION Class A common stock, including total shares of ION Class B common stock converted to ION Class A common stock immediately prior to the Domestication, were automatically converted to 12,039,826 shares of common stock in Innovid Corp.

After giving effect to the Transaction, the redemption of Initial Shares as described above and the consummation of the PIPE Investment, there were 118,941,618 shares of common stock issued and outstanding after the close of the Transaction.

Innovid Corp received approximately $149,252 in cash proceeds, net of transaction costs paid. The Company has not paid an accrued liability of $3,185 directly related to the Transaction as of December 31, 2021.

(In thousands, except stock and per stock data)

The following table reconciles the elements of the Transaction to the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in temporary equity and stockholders' equity for the year ended December 31, 2021.

		Total value
Cash - ION trust account and cash, net of redemptions	$	55,466
Cash - PIPE Investment, net of Secondary Sale Amount of $68,855		131,145
Less: Transaction costs paid		(31,160)
Less: Deferred underwriting fee paid		(6,199)
Proceeds from reverse recapitalization, net		**149,252**
Less: Accrued transaction costs not yet paid		(3,185)
Less: Company Warrant assumed as part of the Transaction		(22,791)
Plus: Transaction costs allocated to Company Warrant		2,750
Reverse recapitalization, net	**$**	**126,026**

During the six-month period ended June 30, 2022, the Company fully paid the accrued transaction costs of $3,185.

As a result of the Transaction, each share of Legacy Innovid redeemable convertible preferred stock and common stock was converted into the right to receive approximately 1.337 shares of the common stock of the Company.

Public Warrants and Private Placement Warrants

As a result of the Transaction, the Company assumed the outstanding Public Warrants to purchase 3,162,500 shares of the Company's common stock and the outstanding Private Placement Warrants to purchase 7,060,000 shares of the Company's common stock. Each whole Warrant entitles the registered holder to purchase one share of the Company's common stock at a price of $11.50 per share, at any time commencing 30 days after the Closing. The warrants expire five years after the completion of the Transaction.

NOTE 4:- LEASES

Innovid's lease portfolio primarily consists of real estate properties and cars. Short-term leases with a term of 12 months or less are not recorded on the balance sheet. Innovid does not separate lease components from non-lease components.

The Company is a lessee in all of its lease agreements. The Company records lease liabilities based on the present value of lease payments over the lease term. Innovid generally uses an incremental borrowing rate to discount its lease liabilities, as the rate implicit in the lease is typically not readily determinable. Certain lease agreements include renewal options that are under the Company's control. Innovid includes optional renewal periods in the lease term only when it is reasonably certain that Innovid will exercise its option.

Variable lease payments are primarily related to payments to lessors for taxes, maintenance, insurance and other operating costs. The Company's lease agreements do not contain any significant residual value guarantees or restrictive covenants.

The Company has the following operating ROU assets and lease liabilities:

	June 30, 2022 (Unaudited)			
		ROU assets		Lease liabilities
Real Estate	$	3,035	$	4,118
Cars		34		31
Total operating leases	**$**	**3,069**	**$**	**4,149**

(In thousands, except stock and per stock data)

		June 30, 2022
		(Unaudited)
		Lease liabilities
Current lease liabilities	$	1,685
Non-current lease liabilities		2,464
Total lease liabilities	**$**	**4,149**

The following table summarizes the lease costs recognized in the interim condensed consolidated statement of operations:

		Three months ended June 30, 2022		Six months ended June 30, 2022
		(Unaudited)		(Unaudited)
Operating lease cost	$	472	$	947
Short term lease cost		126		208
Variable lease cost		6		10
Total lease cost	$	604	$	1,165

As of June 30, 2022, the weighted-average remaining lease term and weighted-average discount rate for operating leases are 2.6 years and 3.2%, respectively.

The following table presents supplementary cash flow information regarding the company's operating leases:

		Six months ended June 30, 2022
		(Unaudited)
Cash paid for amounts included in the measurement of lease liabilities	$	1,133
Right of use assets obtained in exchange for new operating lease liabilities	$	—

The following table summarizes the future payments of Innovid for its operating lease liabilities:

		June 30, 2022
		(Unaudited)
2022 Remaining	$	995
2023		1,873
2024		766
2025		703
Total undiscounted lease payments	$	4,337
Less: Interest		(188)
Total lease liabilities - operating	$	4,149

NOTE 5:- WARRANTS LIABILITY

Company Warrants

As of June 30, 2022, the Company had 3,162,500 Public Warrants and 7,060,000 Private Warrants outstanding.

Public Warrants

Warrants may only be exercised for a whole number of shares. No fractional shares will be issued upon exercise of the Public Warrants. The Public Warrants will become exercisable on the later of (a) 30 days after the completion of the Transaction and (b) one year from the closing of the Initial Public Offering. The Public Warrants will expire five years from the completion of the Transaction or earlier upon redemption or liquidation.

Redemption of warrants when the price per Innovid Corp. ordinary share equals or exceeds $18.00.

Once the warrants become exercisable, the Company may redeem the outstanding warrants (except as described with respect to the Private Placement Warrants):

- in whole and not in part;
- at a price of $0.01 per warrant;
- upon a minimum of 30 days' prior written notice of redemption to each warrant holder; and
- if, and only if, the closing price of the Innovid Corp. ordinary shares equals or exceeds $18.00 per share (as adjusted) for any 20 trading days within a 30-trading day period ending three business days before the Company sends the notice of redemption to the warrant holders.

If and when the warrants become redeemable by the Company, the Company may exercise its redemption right even if it is unable to register or qualify the underlying securities for sale under all applicable state securities laws.

The Company has established the last of the redemption criterion discussed above to prevent a redemption call unless there is at the time of the call a significant premium to the warrant exercise price. If the foregoing conditions are satisfied and the Company issues a notice of redemption of the warrants, each warrant holder will be entitled to exercise the warrant prior to the scheduled redemption date. However, the price of the Company's common shares may fall below the $18.00 redemption trigger price (as adjusted for share sub-divisions, share capitalization, reorganization, recapitalization and the like) as well as the $11.50 warrant exercise price after the redemption notice is issued.

Redemption of warrants when the price per Innovid Corp. ordinary share equals or exceeds $10.00.

Once the warrants become exercisable, the Company may redeem the outstanding warrants:

- in whole and not in part;
- at a price of $0.10 per warrant;
- upon a minimum of 30 days' prior written notice of redemption; provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive that number of shares determined based on the redemption date and the fair market value of the Innovid Corp. ordinary shares; and
- if, and only if, the closing price of the Innovid Corp. ordinary shares equals or exceeds $10.00 per share (as adjusted) for any 20 trading days within a 30-trading day period ending three business days before the Company sends the notice of redemption to the warrant holders.

If the Company calls these Public Warrants for redemption, as described above, its management will have the option to require any holder that wishes to exercise the Public Warrants to do so on a "cashless basis," as described in the warrant agreement. The exercise price and number of ordinary shares issuable upon exercise of the Public Warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or recapitalization, reorganization, merger or consolidation. However, except as described below, the Public Warrants will not be adjusted for issuances of ordinary shares at a price below their exercise price. Additionally, in no event will the Company be required to net cash settle the Public Warrants.

Private Placement Warrants

The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants and the Innovid Corp. ordinary shares issuable upon the exercise of the Private Placement Warrants will not be transferable, assignable or salable until 30 days after the completion of the Transaction subject to certain limited exceptions.

Additionally, the Private Placement Warrants will be exercisable on a cashless basis and be non-redeemable, except as described above, so long as they are held by the initial purchaser or its permitted transferees.

The Company evaluated the Company Warrants (Public Warrants and Private Placement Warrants) in accordance with ASC 480, “Distinguishing Liabilities from Equity” and ASC 815-40, “Derivatives and Hedging — Contracts in Entity’s Own Equity” and concluded that a provision in the Warrant Agreement related to certain tender or exchange offers, as well as provisions that provided for potential changes to the settlement amounts dependent upon the characteristics of the holder of the warrant, preclude the Company Warrants from being accounted for as components of equity. As the warrants do not meet all the requirements for equity classification, the Company Warrants are recorded as liabilities on the Balance Sheets and measured at fair value at inception and at each reporting date in accordance with ASC 820, “Fair Value Measurement” with changes in fair value recognized in the Statements of Operations in the period of change.

The Company Warrants’ fair value as of June 30, 2022 (unaudited) and December 31, 2021 was $3,026 and $18,972, respectively.

The unrealized gain from changes in the fair value of the Company Warrants for the three months and six months period ended June 30, 2022 (unaudited) was $13,159 and $15,946, respectively.

NOTE 6:- CREDIT LINE AND OTHER BORROWINGS

Credit Line:

The Company has a line of credit of $15,000 with Silicon Valley Bank pursuant to an amended and restated Agreement dated December 26, 2018 as amended by an agreement date December 29, 2020 (the “A&R Agreement”). As of June 30, 2022, the outstanding balance of the credit line was in the amount of $15,000. The maturity date of A&R Agreement is December 29, 2022. The Company extended A&R Agreement on August 4, 2022. Refer to Note 12 for further details.

The credit installments bear US dollar denominated interest at an annual rate equal to .75%-1% plus a prime rate on the outstanding principal of each credit installment. The Company was in compliance with all the covenants, primarily maintaining an adjusted quick ratio of at least 1.20:1.00. As defined in the A&R Agreement “adjusted quick ratio” is the ratio of (a) quick assets to (b) current liabilities minus the current portion of deferred revenue. “Quick assets” determines as the Company’s unrestricted cash plus accounts receivable, net, determined according to US GAAP. As of June 30, 2022, the Company is in compliance with all the covenants.

During the quarter ended June 30, 2022, the Company utilized $15,000 of the $15,000 credit line, $6,000 of which was drawn during 2020 and $9,000 was drawn during the second quarter of 2022.

PPP Loan:

In April, 2020, the Company obtained an unsecured loan of $3,516 through SVB under the PPP Loan.

In May, 2020, the Company entered into the Grant Agreement with SSIG to receive $504 from SSIG, a related party of one of the Company’s investors, for the purpose of a partial repayment of the PPP Loan.

In June, 2021, the Company repaid the outstanding balance of the PPP Loan of $3,012.

Interest expenses for the Credit Line and PPP Loan for the three months ended June 30, 2022 and 2021 were $77 and $67, respectively, and were recorded in finance expenses, net in the condensed consolidated statements of operations.

NOTE 7:- COMMITMENTS AND CONTINGENT LIABILITIES

(a) Pledges and bank guarantees:

1. In conjunction with the Agreement and its amendments (see Note 6), Innovid pledged 65,000 common stock of its Israeli Subsidiary, NIS 0.01 par value each.
2. The Israeli Subsidiary pledged bank deposits in an aggregate amount of $871 in connection with an office rent agreement and credit cards.

(In thousands, except stock and per stock data)

3. Innovid Inc. obtained bank guarantees in an aggregate amount of $231 in connection with its office lease agreements.

(b) Legal contingencies:

On March 4, 2022 the Nielsen Claim was filed by Nielsen, LLC against TVS. TVS has filed its answer to the complaint and has also filed an opposed motion to transfer venue to the Southern District of New York. The Texas Court has made a scheduling order and, in the event that TVS's motion to transfer venue is not successful, the case is scheduled to go to trial in December 2023. The plaintiff has not specified the amount sought in the litigation.

NOTE 8:- STOCK-BASED COMPENSATION

Stock-based compensation expense is principally related to awards issued to employees pursuant to the Legacy Innovid Stock Option Plan ("Legacy Plan") and 2021 Innovid Corp. Incentive Plan ("2021 Plan") and is summarized as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of goods sold	$ 383	$ 15	$ 488	$ 20
Research and development	920	178	1,399	229
Sales and marketing	1,529	185	2,109	272
General and administrative	1,150	1,022	1,549	1,140
Total	**$ 3,982**	**$ 1,400**	**$ 5,545**	**$ 1,661**

In connection with the awards granted to service providers and non-employee consultants, the Company recorded stock compensation expenses in the amount of $156 and $40 during the three months ended June 30, 2022 (unaudited) and 2021 (unaudited), respectively, and in the amount of $185 and $59, during the six months ended June 30, 2022 (unaudited) and 2021 (unaudited), respectively. Majority of these expenses were recorded in general and administrative expenses. During the three and six-month period ended June 30, 2022, the Company capitalized stock-based compensation expense of $490 in internal-use software cost. The Company did not capitalized any internal-use software cost for the same period in 2021.

Stock Options

Stock options may be granted to officers, directors, employees and non-employee consultants of the Company. Each option granted under the Plan expires no later than 10 years from the date of grant. The options vest usually over four years from commencement of employment or services. Any options, which are forfeited or not exercised before expiration, become available for future grants.

During the six months ended June 30, 2022 (unaudited), in connection with the TVS acquisition, Innovid issued 949,893 stock options to holders of TVS options for replacement options. These options were fully vested upon issuance due to acceleration upon acquisition and therefore do not require future service for vesting. The Company attributed a total amount $152 to post acquisition service and recorded as stock compensation expenses immediately after the acquisition closed. See Note 3 for further details.

A summary of the employees' stock option activity under the Legacy Plan and 2021 Plan for the six months ended June 30, 2022 (unaudited) is as follows:

	Amount of options	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at beginning of period	**11,122,648**	**$ 0.82**	**6.87**	**$ 64,818**
Transfer between employee and consultant	40,118	0.64		
Granted	2,005,785	2.08		
Granted in acquisition	949,893	0.31		
Forfeited	(37,703)	1.32		
Expired	(12,201)	0.68		
Exercised	(1,775,572)	0.35		
Outstanding at end of period	**12,292,968**	**$ 1.05**	**7.90**	**$ 7,469**
Exercisable options at end of period	**7,243,248**	**$ 0.60**	**7.13**	**$ 7,652**

A summary of the consultants' stock option activity under the Legacy Plan for the six months ended June 30, 2022 (unaudited) is as follows:

	Amount of options	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at beginning of period	**179,627**	**$ 0.31**	**2.34**	**$ 1,139**
Transfer between employee and consultant	(40,118)	0.64		
Exercised	(69,298)	0.30		
Outstanding at end of period	**70,211**	**$ 0.49**	**4.76**	**$ 82**
Exercisable options at end of period	**62,227**	**$ 0.46**	**4.32**	**$ 75**

As of June 30, 2022 (unaudited), the Company had approximately $6,023 of total unrecognized compensation cost related to non-vested stock options. That cost is expected to be recognized over a weighted-average period of 2.18 years.

Restricted Stock Units

In connection with the Company's transition to its next life-cycle stage post Transaction, Restricted Stock Units ("RSUs") may be granted to officers, directors, employees and non-employee consultants of the Company, and generally vest over a three- or four-year period.

A summary of the employees' RSU activity under the 2021 Plan for the six months ended June 30, 2022 (unaudited) is as follows:

	Number of share units	Weighted average grant date fair value
Outstanding at beginning of period	**—**	**$ —**
Granted	7,656,069	6.38
Forfeited	(222,093)	6.60
Outstanding at end of period	**7,433,976**	**$ 6.37**

(In thousands, except stock and per stock data)

A summary of the consultants' RSU activity under the 2021 Plan for the six months ended June 30, 2022 (unaudited) is as follows:

	Number of share units	Weighted average grant date fair value
Outstanding at beginning of period	—	$ —
Granted	568,526	3.56
Outstanding at end of period	**568,526**	**$ 3.56**

The weighted-average grant-date fair value of RSUs generally is determined based on the number of units granted and the quoted price of Innovid's common stock on the date of grant.

As of June 30, 2022, $44,151 of unrecognized compensation cost related to RSUs is expected to be recognized as expense over the weighted average period of 2.46 years.

NOTE 9:- INCOME TAX

The Company recorded uncertain tax positions on its US operations for $1,916 through goodwill. The existing uncertain tax position reserves with respect to the Israeli subsidiary was impacted by the expiration of the 2016 statute of limitation resulting in the reversal of the tax reserve in the amount of $118.

NOTE 10:- SEGMENT REPORTING

The Company operates as one operating segment, which primarily focuses on advertising, measurement and creative services. Our CEO, is the chief operating decision-maker, and manages and allocates resources to the operations of the Company on an entity-wide basis. Managing and allocating resources on an entity-wide basis enables the CEO to assess the overall level of resources available and how to best deploy these resources across functions and R&D projects based on needs and, as necessary, reallocate resources among the Company's internal priorities and external opportunities to best support the long-term growth of the business.

Revenue by geographical location are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
US	$ 29,569	$ 20,519	$ 52,952	$ 36,946
Canada	302	318	490	454
APAC	1,025	791	1,956	1,392
EMEA	1,914	719	3,043	1,223
LATAM	278	495	509	840
Total revenues	**$ 33,088**	**$ 22,842**	**$ 58,950**	**$ 40,855**

(In thousands, except stock and per stock data)

The Company's long-lived tangible assets by geographical location is as follows:

	June 30, 2022	December 31, 2021
	(Unaudited)	
Israel	$ 3,681	$ 1,495
US	6,962	3,051
Rest of the World	1,288	294
Total	**$ 11,931**	**$ 4,840**

NOTE 11:- BASIC AND DILUTED NET LOSS PER SHARE

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Numerator:				
Net profit (loss)	4,300	(1,659)	(3,149)	(3,595)
Accretion of preferred stock to redemption value	—	(21,076)	—	(44,804)
Net profit (loss) attributable to common stockholders - basic and diluted	**$ 4,300**	**$ (22,735)**	**$ (3,149)**	**$ (48,399)**
Denominator:				
Weighted-average number of stock used in computing net loss per stock attributable to common stockholders –				
Basic weighted average number of shares outstanding	**132,152,652**	**17,116,586**	**128,220,893**	**16,956,139**
Effect of dilutive securities - options and RSU (share equivalent)	**7,835,471**	—	—	—
Diluted weighted average number of shares outstanding	**139,988,123**	**17,116,586**	**128,220,893**	**16,956,139**
Net profit (loss) per stock attributable to common stockholders –				
Basic	**$ 0.03**	**$ (1.33)**	**$ (0.02)**	**$ (2.85)**
Diluted	**$ 0.03**	**$ (1.33)**	**$ (0.02)**	**$ (2.85)**

Net loss per share calculations and potentially dilutive security amounts for all periods prior to the Transaction have been retrospectively adjusted to the equivalent number of shares outstanding immediately after the Transaction to effect the reverse recapitalization.

(In thousands, except stock and per stock data)

The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net profit (loss) per share attributable to common stockholders for the periods indicated because including them would have had an anti-dilutive effect:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Preferred stock	—	73,690,340	—	73,690,340
RSU outstanding	7,991,829	—	8,002,502	—
Options outstanding	3,533,772	12,671,191	12,363,179	12,671,191
Warrants outstanding	10,222,500	680,271	10,222,500	680,271

NOTE 12:- Subsequent Events

On August 4, 2022, two wholly owned subsidiaries of the Company, Innovid LLC and TV Squared Inc, entered into an amended and restated loan and security agreement with Silicon Valley Bank (the “2022 A&R Agreement”), to increase the revolving line of credit from $15,000 to $50,000 (the “New Revolving Credit Facility”). The interest for the New Revolving Credit Facility is payable monthly in arrears. The New Revolving Credit Facility bears interest at an annual rate equal to the greater of 4.25% and prime rate plus 0.75% on the outstanding principal of each credit extension. Additional fees include fees in an amount of 0.20% per annum of the average unused portion of the New Revolving Credit Facility to be paid quarterly in arrears. The Company will also pay non-refundable commitment fees of $40 and $75 at inception and first anniversary date, respectively. The maturity date of the 2022 A&R Agreement is June 30, 2024. The New Revolving Credit Facility is subject to certain customary conditions precedent to the credit extension as stated in the 2022 A&R Agreement.

The New Revolving Credit Facility requires the Company to comply with all covenants, primarily maintaining an adjusted quick ratio of at least 1.30 to 1.00. As defined in the 2022 A&R Agreement “adjusted quick ratio” is the ratio of (a) quick assets to (b) current liabilities minus the current portion of deferred revenue. “Quick assets” determines as the Company’s unrestricted cash plus accounts receivable, net, determined according to US GAAP. The Company is also required to maintain the minimum quarterly adjusted EBITDA as defined in the 2022 A&R Agreement if the Company does not maintain the quarterly adjusted quick ratio of at least 1.50 to 1.00.

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

This Form 10-Q contains forward-looking statements rather than historical facts that involve risks and uncertainties. You can identify these statements by the use of forward- looking words such as "may," "will," "expect," "anticipate," "estimate," "continue" or other similar words. Such forward-looking statements discuss our current expectations of future results of operations or financial condition. However, there may be events in the future that we are unable to accurately predict or control and there may be risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements, which could have a material adverse effect on our business, operating results and financial condition. The forward-looking statements included herein are only made as of the date of the filing of this Form 10-Q, and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Company Overview

We are a leading independent software platform that provides critical technology infrastructure for the creation, delivery, and measurement of TV ads across CTV, mobile TV and desktop TV environments. Innovid's revenue has grown alongside the growth of CTV advertising. We believe our open platform and purpose-built technology for CTV, combined with our position as a media-independent provider, has allowed us to win a large and growing market share, while the growth of CTV combined with our usage-based revenue model has further contributed to our rapid growth. Our acquisition of TVSquared, an independent global measurement and attribution platform for CTV added a real-time, cross-platform service to our offerings, including measurement of outcomes such as frequency and unique unduplicated reach and performance metrics. The combination of ad serving and cross-platform measurement enables the buy- and sell-sides to solve fragmentation by unlocking a complete picture of advertising across the linear TV, CTV and digital video marketplaces and will allow us to capitalize further on the growth of CTV by enabling us to create a new independent currency-grade standard for cross-platform TV measurement, powered by the scale and automation of a global ad server. Our measurement services are now consolidated in InnovidXP, our new global measurement platform built for CTV.

Innovid's purpose-built CTV infrastructure platform is comprised of three key offerings: Ad Serving Solutions, Creative Personalization Solutions and InnovidXP. Our software-based platform provides an open technology infrastructure that tightly integrates with the highly fragmented advertising technology and media ecosystem including demand side platforms such as The Trade Desk and Amobee; supply side platforms such as Magnite and Verizon Media; publishers such as Hulu and Peacock; and end user devices such as Amazon Fire and Samsung Smart TV. Our offering encompasses independent global ad serving, data-driven personalization, and new forms of measurement designed to connect all channels in a clean, comparable, and privacy-compliant manner.

We target clients comprised of the largest global TV advertisers. As of June 30, 2022, our blue-chip advertiser client base included over 50% of the top 200 brands by TV US advertising spend according to Kantar Media and Winmo. In addition we work closely with the top advertising agency holding companies such as WPP, Publicis Groupe, Omnicom, Interpublic Group of Cos., and Dentsu. Our clients are diversified across all major industry verticals, including consumer packaged goods, pharmaceutical and healthcare, financial services, automotive, and technology. We believe Innovid's independence is critical to advertisers seeking an interoperable and open partner that is primarily focused on technology infrastructure. Although we work closely with the vendors who buy and sell media, our platform only facilitates the creation, delivery and measurement of advertisements and campaigns and we do not make purchasing decisions or facilitate the purchasing of advertisement inventory. We are able to maintain our independence and remain free of potential buying conflicts because we do not make ad buying or selling decisions.

Innovid serves customers globally through a delivery footprint covering over 70 countries. In the three months ended June 30, 2021 and 2022, respectively, non-US customers generated approximately 10% and 11% of the Company's total revenue. In the six months ended June 30, 2021 and 2022, non-US customers generated approximately 10% of total revenue in both periods.

Our revenue model is primarily based on impressions volume and the cost per impression for our various Advertising Services. For our core ad serving platform, we generate revenue from our advertising customers based on the volume of advertising impressions delivered, enabling us to grow as our customers increase their digital ad spend and corresponding ad impressions. Additionally, we generate revenue from creative services based on flat fee per projects and measurement solutions based on the volume of advertising impressions measured. As we introduce new products such as advanced measurement and creative capabilities including personalization and interactivity, we expect to be able to charge higher prices per impression volume.

The Transaction

Innovid Corp. was originally incorporated as ION Acquisition Corp. 2 Ltd., a special purpose acquisition company, in Cayman Islands on November 23, 2020 for the purpose of entering into a merger, share exchange, asset acquisition, stock purchase, recapitalization or business combinations.

On November 30, 2021 ION and Innovid Inc. closed the transaction as further described in this Form 10-Q. Through several mergers and a name change, Innovid Corp. was formed. ION entered into certain subscription agreements in June and October 2021 ("PIPE Investment"). The mergers and PIPE Investment are collectively referred to as "the Transaction". Innovid Corp. is the public company entity which continues Legacy Innovid's operating activity.

The Company common stock and warrants commenced trading on the NYSE under the symbols "CTV" and "CTVWS," respectively, on December 1, 2021.

Business Combination

On February 28, 2022, we completed the acquisition of TVS. TVS is an independent global measurement and attribution platform for converged TV and a private company limited by shares incorporated under the laws of the Scotland. We acquired all of the equity of TVS for an aggregate amount of $100.0 million in cash, 11,549,465 shares of the Company common stock, and the issuance of 949,893 fully vested stock option subject to certain adjustments. Our measurement services are now consolidated in InnovidXP, our new global measurement platform built for CTV.

COVID-19 and Other Global Events

The COVID-19 pandemic created, and continues to create significant uncertainty in macroeconomic conditions, including supply chain disruptions and labor shortages. Further, other global events such as the war in the Ukraine and the current macro-economic inflationary environment could have an impact our customers. Based on public reporting and our observations, some advertisers in certain industries decreased and may continue to decrease their short-term advertising spending in light of some or all of these factors. This in turn could negatively impact our revenues from such advertisers.

We have considered the impact of COVID-19 and of other global events on our estimates and assumptions and determined that there were no material adverse impacts on the interim condensed consolidated financial statements for the three months ended June 30, 2022. As events continue to evolve and additional information becomes available, our estimates and assumptions may change materially in future periods.

We repaid the PPP Loan, in the amount of $3.0 million in June 2021, which was obtained under the CARES Act and the Flexibility Act in 2020. For more detail refer to our unaudited condensed consolidated financial statements presented *in Item 1. "Financial Statements and Supplementary Data"* and the accompanying notes thereto.

Key Factors Affecting Our Performance

There are a number of factors that have impacted, and we believe will continue to impact, our results of operations and growth. These factors include:

Continued market demand. Our performance is dependent on continued global demand across the advertising ecosystem for independent third-party ad serving and measurement of digital ads. Advertisers, programmatic platforms, social media channels and digital publishers are collectively placing increased emphasis on the quality and effectiveness of digital ad spend across all channels, formats and devices.

Our growth is primarily driven by the fastest growing segments of digital ad spend, mostly CTV, and our results depend on our ability to capture continued market growth.

Growth of volume of CTV ad impressions of existing customers. Our results also depend on our ability to retain our existing customers and on our customers' continued investment in CTV advertising. Customer retention will continue to impact our results as TV investment continues to shift from linear to CTV and the volume of CTV impressions grows.

CTV accounted for 50% of all video impression volume served in the three months ended June 30, 2022, up from 46% in the three months ended June 30, 2021, and grew 23% year-over-year in impression volume. Mobile impression volume increased 11% year-over-year and in the three months ended June 30, 2022, accounted for 38% of all video impressions, and desktop decreased 3% year-over-year and accounted for 12% of all video impressions served by Innovid in the same period. CTV accounted for 49% of all video impression volume served in the six months ended June 30, 2022, up from 46% in the six months ended June 30, 2021, and grew 29% year-over-year. Mobile increased 16% year-over-year and in the six months ended June 30, 2022, accounted for 38% of all video impressions, and desktop increased 7% year-over-year and accounted for 13% of all video impressions served by Innovid in the same period.

Cross-selling of additional services. A key part of our overall business strategy is expanding revenue by cross-selling our full range of Advertising Services to customers, who, for example, begin using our services with standard TV ads and then introduce personalized formats over time or who use InnovidXP and then go on to use our ad server services. The success of these efforts will impact our results of operations.

Other factors impacting our results

Global expansion: The majority of our clients are global advertisers and operate at a significant scale. Innovid serves customers globally through a delivery footprint covering over 70 countries.

We intend to continue to grow our footprint in international markets in order to meet the needs of our global customer base. Our results of operations will be impacted by the success of our geographic expansion, and whether the expected ad spend growth in these markets materializes.

New client accounts: We intend to continue targeting new brand, media agency and digital publisher customers who are currently utilizing solutions provided by our competitors or point solutions. Our results of operations will be impacted by our ability to attract new customers.

Seasonality: We experience fluctuations in revenues that coincide with seasonal fluctuations in the digital ad spending of our customers, in particular television ad spending patterns. Advertisers often allocate the largest portion of their media budgets to the fourth quarter of the calendar year in order to coincide with increased holiday purchasing. As a result, the fourth quarter of the year typically reflects our highest level of revenues while the first quarter typically reflects our lowest level of revenues. We expect our revenues to continue to fluctuate based on seasonal factors that affect the advertising industry as a whole and for these seasonal fluctuations in ad spend to impact quarter-over-quarter results. We believe that the year-over-year comparison of results more appropriately reflects the overall performance of our business. However, this traditional seasonality may also be impacted by certain external factors or major events that impact traditional television advertising patterns, such as the COVID-19 pandemic or other global events.

Public company costs: We are incurring additional legal, accounting and other expenses that we did not previously incur, including costs associated with SEC reporting and corporate governance requirements. These requirements include compliance with the Sarbanes-Oxley Act as well as other rules implemented by the SEC and the NYSE. Our financial statements reflect the impact of these expenses.

Components of Results of Operations

Revenues

We generate revenues from providing Advertising Services to our customers: advertisers, media agencies and publishers. We focus on standard, interactive and data driven digital video advertising. Our major revenue stream is ad serving. We also provide creative and measurement services.

Ad serving services relate to utilizing Innovid's platform to serve advertising impressions to various digital publishers across CTV, mobile TV, desktop TV, display, and other channels. Creative services relate to the design and development of interactive data-driven and dynamic ad formats by adding data, interactivity and dynamic features to standard ad units. Measurement services, which have been augmented by the acquisition of TVS, provide real-time, cross-platform analysis, including measurement and outcomes such as reach, frequency and unique unduplicated reach, as well as performance metrics.

We generate the majority of our revenues from the sale and delivery of our products within the US. We anticipate that revenues from our US sales will continue to constitute a substantial portion of our revenues in future periods. For information with respect to sales by geographic markets, refer to *Note 10, "Segment Reporting"* to our unaudited condensed consolidated financial statements presented *in Item 1. "Financial Statements and Supplementary Data"*. Our chief operating decision maker (our CEO) does not evaluate the profit or loss from any separate geography.

Cost of revenues

Cost of revenues consists primarily of costs to run our ad serving, creative and measurement services. These costs include hosting fees, personnel costs including stock-based compensation, professional services costs and facility related costs. We allocate overhead, including rent and other facility related costs and communication costs based on headcount.

Research and development

Research and development expenses consist primarily of personnel costs, including stock-based compensation, professional services costs, hosting and facility related costs. We allocate overhead including rent and other facility related costs and communication costs based on headcount. We expect research and development expenses to increase in future periods to support our growth, including continuing to invest in optimization, accuracy and reliability of our platform and other technology improvements to support and drive efficiency in our operations. These expenses may vary from period to period as a percentage of revenue, depending primarily upon when we choose to make more significant investments.

Product development expenses are expensed as incurred, except to the extent that such costs are associated with software development that qualifies for capitalization, which are then recorded as capitalized software development costs included in property, plant and equipment on our condensed consolidated balance sheet. We amortize capitalized software development costs to depreciation and amortization.

Sales and marketing

Sales and marketing expenses consist primarily of personnel costs, including commissions, stock-based compensation, professional services costs and facility related costs, as well as costs related to advertising, promotional materials, public relations, other sales and marketing programs. We allocate overhead, including rent and other facility related costs and communication costs based on headcount.

General and administrative

General and administrative expenses consist primarily of personnel costs, including stock-based compensation, for executive management, finance, accounting, human capital, legal and other administrative functions as well as professional services costs and facility related costs. We allocate overhead, including rent and other facility related costs and communication costs based on headcount.

Prior period reclassification

During the second quarter of 2022, we presented depreciation and amortization expenses as a separate line item on our condensed consolidated statements of operations and all prior periods have been adjusted. Depreciation and amortization expenses were previously included in cost of sales and other operating expenses depending on the underlying asset's function. Additionally, we no longer present gross profit as a subtotal on our condensed consolidated statements of operations. In accordance with generally accepted accounting principles, all periods presented below have been retrospectively adjusted to reflect the reclassification of cost of revenue and other operating expenses exclusive of depreciation and amortization. The period to period comparisons of our results of operations have been prepared using the historical periods included in our condensed consolidated financial statements, adjusted for this reclassification. Refer to "*Part I - Item 1. Financial Statements and Supplementary Data - Note 2. Summary of Significant Accounting Policies*" for further information on prior period reclassification.

Results of Operations

Three and six months ended June 30, 2022 compared to the three and six months ended June 30, 2021

	Three months ended June 30,				Six months ended June 30,			
	2022		2021		2022		2021	
	(in thousands)	% of Revenue	(in thousands)	% of Revenue	(in thousands)	% of Revenue	(in thousands)	% of Revenue
Revenues	$ 33,088	100 %	$ 22,842	100 %	$ 58,950	100 %	$ 40,855	100 %
Cost of revenues	7,351	22 %	3,968	17 %	13,277	23 %	7,811	19 %
Research and development	9,710	29 %	6,131	27 %	16,964	29 %	11,356	28 %
Sales and marketing	14,320	43 %	8,105	35 %	24,671	42 %	14,677	36 %
General and administrative	9,955	30 %	4,200	18 %	21,410	36 %	6,579	16 %
Depreciation and amortization	926	3 %	149	1 %	1,599	3 %	331	1 %
Operating (loss) profit	(9,174)	(28)%	289	1 %	(18,971)	(32)%	101	— %
Finance expenses (income), net	(13,306)	(40)%	1,602	7 %	(15,617)	(26)%	3,171	8 %
Profit (loss) before taxes	4,132	12 %	(1,313)	(6)%	(3,354)	(6)%	(3,070)	(8)%
Taxes on income (tax benefit)	(168)	(1)%	346	2 %	(205)	— %	525	1 %
Net profit (loss)	$ 4,300	13 %	$ (1,659)	(7)%	$ (3,149)	(5)%	$ (3,595)	(9)%

Revenues

The growth and scaling of CTV was the key driver of Innovid's revenue growth. As TV ad spend continues to shift from linear to CTV, we continue to benefit from the natural volume growth of CTV impressions we delivered for our existing and new customers.

Total revenue increased by 45% year-over-year, from $22.8 million in the three months ended June 30, 2021 to $33.1 million in the three months ended June 30, 2022. 21% of total quarterly revenue, $6.8 million, was attributed to TVS. Total revenue increased by 44% year-over-year, from $40.8 million in the six months ended June 30, 2021 to $59.0 million in the six months ended June 30, 2022. 16% of total half-year revenue, $9.2 million, was attributed to TVS.

Revenue excluding TVS was $26.3 million in the three months ended June 30, 2022, an increase of 15% from the three months ended June 30, 2021. Revenue excluding TVS was $49.8 million in the six months ended June 30, 2022, an increase of 22% from the six months ended June 30, 2021. The increases are driven primarily by growth in ad impressions delivered on our platform for both existing and new clients.

There was no meaningful impact of changes in average cost per impression on total revenue.

Cost of revenues (exclusive of depreciation and amortization shown below)

	Three months ended June 30,					
	2022		2021			
	(in thousands)	% of Revenue	(in thousands)	% of Revenue	$ Variance	% Variance
Cost of revenues	$ 7,351	22 %	$ 3,968	17 %	$ 3,383	85 %

Cost of revenue increased by $3.4 million, or 85%, from $4.0 million in the three months ended June 30, 2021 to $7.4 million in the three months ended June 30, 2022, primarily driven by a $1.6 million increase in serving and hosting fees and a $1.5 million increase in personnel costs due to a higher headcount, both to support our increased volumes and reflecting our business following the TVS acquisition.

	Six months ended June 30,					
	2022		2021			
	(in thousands)	% of Revenue	(in thousands)	% of Revenue	$ Variance	% Variance
Cost of revenues	$ 13,277	23 %	$ 7,811	19 %	$ 5,466	70 %

Cost of revenue increased by $5.5 million, or 70%, from $7.8 million in the six months ended June 30, 2021 to $13.3 million in the six months ended June 30, 2022, primarily driven by a $2.5 million increase in serving and hosting fees and a $2.4 million increase in personnel costs due to a higher headcount, both to support our increased volumes and reflecting our business following the TVS acquisition.

Research and development (exclusive of depreciation and amortization shown below)

	Three months ended June 30,					
	2022		2021			
	(in thousands)	% of Revenue	(in thousands)	% of Revenue	$ Variance	% Variance
Research and development	$ 9,710	29 %	$ 6,131	27 %	$ 3,579	58 %

Research and development expenses increased by $3.6 million, or 58%, from $6.1 million in the three months ended June 30, 2021 to $9.7 million in the three months ended June 30, 2022. The increase was primarily due to an increase of $3.1 million in personnel costs following the TVS acquisition and an increase of $0.3 million in technology infrastructure and hosting fees, both to support our platform maintenance work as well as our product research efforts. In addition, there was a $0.9 million increase in share-based compensation mostly due to Restricted Stock Units ("RSUs") that were granted to employees in March 2022. The increases were partially offset by a $2.3 million capitalization of research and development expenses related to our development of new products and our platform enhancements.

	Six months ended June 30,					
	2022		2021			
	(in thousands)	% of Revenue	(in thousands)	% of Revenue	$ Variance	% Variance
Research and development	$ 16,964	29 %	$ 11,356	28 %	$ 5,608	49 %

Research and development expenses increased by $5.6 million, or 49%, from $11.4 million in the six months ended June 30, 2021 to $17.0 million in the six months ended June 30, 2022. The increase was primarily due to an increase of $5.7 million in personnel costs following the TVS acquisition and an increase of $0.9 million in technology infrastructure and hosting fees, both to support our platform maintenance work as well as our product research efforts. In addition, there was a $1.2 million increase in share-based compensation due to an increase in headcount and RSUs that were granted to employees. The increases were partially offset by a $4.0 million capitalization of research and development expenses related to our development of new products and our platform enhancements.

Sales and marketing (exclusive of depreciation and amortization shown below)

	Three months ended June 30,					
	2022		2021			
	(in thousands)	% of Revenue	(in thousands)	% of Revenue	$ Variance	% Variance
Sales and marketing	$ 14,320	43 %	$ 8,105	35 %	$ 6,215	77 %

Sales and marketing expenses increased by $6.2 million, or 77%, from $8.1 million in the three months ended June 30, 2021 to $14.3 million in the three months ended June 30, 2022. The increase was driven primarily by an increase in personnel costs of $3.1 million following the TVS acquisition and an increase in marketing costs of $0.7 million, both to support our long-term growth strategy. In addition, there was a $1.4 million increase in share-based compensation due to increase in headcount and RSUs that were granted to employees.

	Six months ended June 30,					
	2022		2021			
	(in thousands)	% of Revenue	(in thousands)	% of Revenue	$ Variance	% Variance
Sales and marketing	$ 24,671	42 %	$ 14,677	36 %	$ 9,994	68 %

Sales and marketing expenses increased by $10.0 million, or 68%, from $14.7 million in the six months ended June 30, 2021 to $24.7 million in the six months ended June 30, 2022. The increase was driven primarily by an increase in personnel costs of $5.0 million following the TVS acquisition and an increase in marketing costs of $1.0 million, both to support our long-term growth strategy. In addition, there was a $1.9 million increase in share-based compensation due to increase in headcount and RSUs that were granted to employees.

General and administrative (exclusive of depreciation and amortization shown below)

	Three months ended June 30,					
	2022		2021			
	(in thousands)	% of Revenue	(in thousands)	% of Revenue	$ Variance	% Variance
General and administrative	$ 9,955	30 %	$ 4,200	18 %	$ 5,755	137 %

General and administrative expenses increased by $5.8 million, or 137%, from $4.2 million in the three months ended June 30, 2021 to $10.0 million in the three months ended June 30, 2022. The increase was primarily due an increase in personnel costs of $1.8 million related to the expansion of our operations following the TVS acquisition and a $1.0 million increase in Directors and Officers insurance expense during the period. There was also an increase in professional fees primarily consisting of $0.5 million related to the TVS Acquisition, $0.4 million for legal fees in connection with the Nielsen Claim, $0.4 million for legal services related to SEC reporting and $0.3 million for accounting services related to public company matters.

	Six months ended June 30,					
	2022		2021			
	(in thousands)	% of Revenue	(in thousands)	% of Revenue	$ Variance	% Variance
General and administrative	$ 21,410	36 %	$ 6,579	16 %	$ 14,831	225 %

General and administrative expenses increased by $14.8 million, or 225%, from $6.6 million in the six months ended June 30, 2021 to $21.4 million in the six months ended June 30, 2022. The increase was primarily due an increase in personnel costs of $3.2 million related to the expansion of our operations following the TVS acquisition and a $1.9 million increase in Directors and Officers insurance expense during the period. There was also an increase in professional fees primarily consisting of $4.7 million related to the TVS Acquisition, $0.4 million for legal fees in connection with the Nielsen Claim, $0.7 million for legal services related to SEC reporting, $0.6 for audit fees and $0.6 million for accounting services related to company matters.

Depreciation and amortization

	Three months ended June 30,					
	2022		2021			
	(in thousands)	% of Revenue	(in thousands)	% of Revenue	$ Variance	% Variance
Depreciation and amortization	$ 926	3 %	$ 149	1 %	$ 777	521 %

Depreciation and amortization expenses increased by $0.8 million, or 521%, from $0.1 million in the three months ended June 30, 2021 to $0.9 million in the three months ended June 30, 2022. The increase was driven primarily by additional amortization expense for TVS intangible assets during the period.

	Six months ended June 30,					
	2022		2021			
	(in thousands)	% of Revenue	(in thousands)	% of Revenue	$ Variance	% Variance
Depreciation and amortization	$ 1,599	3 %	$ 331	1 %	$ 1,268	383 %

Depreciation and amortization expenses increased by $1.3 million, or 383%, from $0.3 million in the six months ended June 30, 2021 to $1.6 million in the six months ended June 30, 2022. The increase was driven primarily by additional amortization expense for TVS intangible assets during the period.

Finance expenses, net

	Three months ended June 30,					
	2022		2021			
	(in thousands)	% of Revenue	(in thousands)	% of Revenue	$ Variance	% Variance
Finance expenses (income), net	$ (13,306)	(40)%	$ 1,602	7 %	$ (14,908)	(931)%

Finance expenses decreased by $14.9 million, or 931%, from $1.6 million in the three months ended June 30, 2021 to $(13.3) million in the three months ended June 30, 2022. The decrease was driven primarily by a decrease of $13.2 million in warrants valuation as a result of market volatility impacting Company's share price which is an underlying input for the valuation.

	Six months ended June 30,					
	2022		2021			
	(in thousands)	% of Revenue	(in thousands)	% of Revenue	$ Variance	% Variance
Finance expenses (income), net	$ (15,617)	(26)%	$ 3,171	8 %	$ (18,788)	(592)%

Finance expenses decreased by $18.8 million, or 592%, from $3.2 million in the six months ended June 30, 2021 to $(15.6) million in the six months ended June 30, 2022. The decrease was driven primarily by a decrease of $15.9 million in warrants valuation as a result of market volatility impacting Company's share price which is an underlying input for the valuation.

Taxes on income (tax benefit)

	Three months ended June 30,					
	2022		2021			
	(in thousands)	% of Revenue	(in thousands)	% of Revenue	$ Variance	% Variance
Taxes on income (tax benefit)	$ (168)	(1)%	$ 346	2 %	$ (514)	(149)%

Tax expense decreased by $0.5 million, or 149%, from $0.3 million in the three months ended June 30, 2021 to $(0.2) million in the three months ended June 30, 2022. The decrease is primarily due to changes in pre-tax book income, changes in uncertain tax positions and tax benefit related to the acquisition of TVS.

	Six months ended June 30,					
	2022		2021			
	(in thousands)	% of Revenue	(in thousands)	% of Revenue	$ Variance	% Variance
Taxes on income	$ (205)	— %	$ 525	1 %	$ (730)	(139)%

Tax expense decreased by $0.7 million, or 139%, from $0.5 million in the six months ended June 30, 2021 to $(0.2) million in the six months ended June 30, 2022. The decrease is primarily due to changes in pre-tax book income, changes in uncertain tax positions and tax benefit related to the acquisition of TVS.

Liquidity and Capital Resources

We have financed our operations, business acquisition and capital expenditures primarily through utilization of cash generated from operations and cash proceeds from the Transaction, as well as borrowings under our credit facilities.

As of June 30, 2022, we had cash, cash equivalents and restricted cash of $44.4 million and net working capital, consisting of current assets less current liabilities, of $58.3 million. We paid net cash consideration of approximately $99.6 million for the acquisition of TVS. As of June 30, 2022, we had an accumulated deficit of $135.6 million, $76.0 million thereof results from the cumulative accretion of preferred stock to redemption value prior to the conversion of all preferred stock into our common stock upon the closing of the Transaction.

We believe our existing cash and cash equivalents and anticipated net cash provided by operating activities, will be sufficient to meet our cash needs and working capital requirements for at least the next 12 months. However, if our operating performance during the next 12 months is below our expectations, our liquidity and ability to operate our business could be adversely affected. We are closely monitoring the effect that current economic conditions may have on our working capital requirements. To date, the COVID-19 pandemic and other global events have not had a material negative impact on our cash flow or liquidity. Our future capital requirements and the adequacy of available funds will depend on many factors.

In the future, we may attempt to raise additional capital through the sale of equity securities or through equity-linked or debt financing arrangements. If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing stockholders will be diluted. If we raise additional financing by the incurrence of additional indebtedness, we may be subject to increased fixed payment obligations and could also be subject to additional restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. Any future indebtedness we incur may result in terms that are unfavorable to equity investors. We cannot guarantee that we will be able to raise additional capital in the future on favorable terms, or at all. Any inability to raise capital could adversely affect our ability to achieve our business objectives.

Revolving Line of Credit

We have a line of credit of $15.0 million with Silicon Valley Bank pursuant to an amended and restated Agreement dated December 26 2018 as amended by an agreement date December 29, 2020 (the “A&R Agreement”). As of June 30, 2022, the outstanding balance of the credit line was in the amount of $15.0 million. The maturity date of A&R Agreement is December 29, 2022. The credit installments bear US dollar denominated interest at an annual rate equal to 0.75% to 1% plus a prime rate on the outstanding principal of each credit installment. We were in compliance with all the covenants, including by maintaining an adjusted quick ratio of at least 1.20:1.00. As defined in the A&R Agreement “adjusted quick ratio” is the ratio of (a) quick assets to (b) current liabilities minus the current portion of deferred revenue. “Quick assets” is our unrestricted cash plus accounts receivable, net, determined according to US GAAP.

During the six months ended June 30, 2022, we utilized $15.0 million of the $15.0 million credit line, $6.0 million of which was drawn during 2020 and $9.0 million was drawn during the second quarter of 2022.

Interest expenses for the six months ended June 30, 2022 and 2021 were $0.1 million and $0.1 million, respectively. They were recorded in the “Finance expenses, net” in the unaudited interim condensed consolidated statements of operations.

On August 4, 2022, two of our wholly owned subsidiaries, Innovid LLC and TV Squared Inc, entered into an amended and restated loan and security agreement with Silicon Valley Bank (the “2022 A&R Agreement”), to increase the revolving line of credit from $15.0 million to $50.0 million (the “New Revolving Credit Facility”). The interest for the New Revolving Credit Facility is payable monthly in arrears. The New Revolving Credit Facility bears interest at an annual rate equal to the greater of 4.25% and prime rate plus 0.75% on the outstanding principal of each credit extension. Additional fees include fees in an amount of 0.20% per annum of the average unused portion of the New Revolving Credit Facility to be paid quarterly in arrears. We will also pay non-refundable commitment fees of $0.0 million and $0.1 million at inception and first anniversary date, respectively. The maturity date of the 2022 A&R Agreement is June 30, 2024. The New Revolving Credit Facility is subject to certain customary conditions precedent to the credit extension as stated in the 2022 A&R Agreement.

The New Revolving Credit Facility requires us to comply with all covenants, primarily maintaining an adjusted quick ratio of at least 1.30 to 1.00. As defined in the 2022 A&R Agreement “adjusted quick ratio” is the ratio of (a) quick assets to (b) current liabilities minus the current portion of deferred revenue. “Quick assets” determines as our unrestricted cash plus accounts receivable, net, determined according to US GAAP. We are also required to maintain the minimum quarterly adjusted EBITDA as defined in the 2022 A&R Agreement if we do not maintain the quarterly adjusted quick ratio of at least 1.50 to 1.00.

Cash Flows

Six months ended June 30, 2022 compared to the six months ended June 30, 2021

The following table summarizes our cash flows for the periods presented:

	Six months ended June 30,	
	2022	2021
Net cash (used in)/ provided by operating activities	$ (15,901)	$ 4,347
Net cash used in investing activities	(103,273)	(767)
Net cash provided by/ (used in) financing activities	6,451	(2,792)
Increase in cash, cash equivalents and restricted cash	$ (112,723)	$ 788

Operating Activities

Our cash flows from operating activities are primarily influenced by growth in our operations, increases or decreases in collections from our customers and payments to our vendors, as well as increases in personnel related expenses as we scale up our business. The timing of cash receipts from customers and payments to vendors and providers can significantly impact our cash flows from operating activities. In addition, we expect seasonality to impact quarterly cash flows from operating activities.

Cash used in operating activities is calculated by adjusting our net loss for changes in working capital, as well as by excluding non-cash items such as depreciation and amortization, stock-based compensation and changes in fair value of warrants.

For the six month period ended June 30, 2022, net cash used in operating activities was $15.9 million compared to net cash provided by operating activities of $4.3 million for the six month period ended June 30, 2021. The increase in net cash used in operating activities was primarily attributable to increase in account receivable as a result of the expansion of our operations and non-cash adjustments. Our non-cash adjustments decreased by $13.5 million mostly driven by decrease in valuation of warrants due to changes in our stock market price, offset by an increase in stock based compensation as a result of RSUs granted in 2022 and amortization of intangible assets related to TVS acquisition.

The changes in our working capital compared to the prior period in the amount of $7.2 million were primarily the result of an increase in trade receivables due to increased revenue and operating activities. The changes in working capital were also related to an increase in accrued liabilities due to accrual and the timing of payments for personnel costs, prepaid software subscription fees and changes due to the acquisition of TVS.

Investing Activities

For the six month period ended June 30, 2022, we used $103.3 million of net cash in investing activities, primarily driven by cash consideration paid to acquire TVS offset by cash acquired of $99.6 million and the investment in internal software development work of $3.5 million.

For the six month period ended June 30, 2021, we used $0.8 million of net cash in investing activities, primarily driven by the loan in the amount of $0.5 million issued to our founder.

Financing Activities

For the six month period ended June 30, 2022, net cash provided by financing activities of $6.5 million was due to drawdown of credit facility of $9.0 million and proceeds received for exercises of options in the amount of $0.6 million, partially offset by payment of SPAC merger transaction costs of $3.2 million.

For the six month period ended June 30, 2021, net cash used in financing activities of $2.8 million was primarily due to repayment of PPP loan in the amount of $3.0 million partially offset by proceeds received for exercises of options in the amount of $0.4 million.

Contractual Obligations and Known Future Cash Requirements

Pledges and Bank Guarantees

In connection with the Agreement, we pledged 65,000 shares of common stock of our Israeli subsidiary, NIS 0.01 par value each.

We have a total of $0.9 million of pledged bank deposits as of June 30, 2022. We obtained bank guarantees in an aggregate amount of $0.2 million in connection with our office lease agreements in the US as of June 30, 2022.

Legal contingencies

On March 4, 2022, the Nielsen Claim was filed by Nielsen, LLC against TVS. TVS has filed its answer to the complaint and has also filed an opposed motion to transfer venue to the Southern District of New York. The Texas Court has made a scheduling order and, in the event that TVS's motion to transfer venue is not successful, the case is scheduled to go to trial in December 2023. The plaintiff has not specified the amount sought in the litigation.

Cash compensation arrangements

In addition to the purchase consideration for the acquisition of TVS, we entered into cash compensation arrangements with certain employees, which amounted to $9.7 million in aggregate and are subject to certain performance and employment conditions following the closing of the Acquisition.

Key Metrics and Non-GAAP Financial Measures

Adjusted EBITDA

In addition to our results determined in accordance with US GAAP, we believe that certain non-GAAP financial measures, including Adjusted EBITDA and Adjusted EBITDA Margin, are useful in evaluating our business. We calculate Adjusted EBITDA Margin as Adjusted EBITDA divided by total revenue. The following table presents a reconciliation of Adjusted EBITDA, a non-GAAP financial measure, to the most directly comparable financial measure prepared in accordance with US GAAP.

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net profit (loss)	$ 4,300	$ (1,659)	$ (3,149)	$ (3,595)
Net profit (loss) margin	13 %	(7)%	(5)%	(9)%
Depreciation and amortization	926	149	1,599	331
Stock-based compensation	4,138	1,440	5,730	1,720
Finance expense (income), net (a)	(13,306)	1,602	(15,617)	3,171
Transaction related expenses (b)	164	—	392	—
Acquisition related expenses (c)	768	—	4,971	—
Other (d)	1,518	—	1,610	—
Taxes on income	(168)	346	(205)	525
Adjusted EBITDA	$ (1,660)	$ 1,878	$ (4,669)	$ 2,152
Adjusted EBITDA margin	(5)%	8 %	(8)%	5 %

(a) Finance expense (income), net consists primary of remeasurement expense related to our foreign subsidiaries' monetary assets, liabilities and operating results, our interest expense and revaluation of our warrants. The unrealized gain from changes in the fair value of our warrants for the three months and six months period ended June 30, 2022 was $13.2 million and $15.9 million, respectively. The unrealized loss from changes in the fair value of our warrants for the three months and six months period ended June 30, 2021 was $1.4 million and $2.7 million, respectively.

(b) Transaction related expenses consist of professional fees associated with the SPAC merger transaction and PIPE related SEC filings.

(c) Acquisition related expenses consists of professional fees associated with the acquisition of TVS.

(d) For the three months and six months ended June 30, 2022, "other" consists of exit costs for a former TVS employee, retention bonus expense for TVS employees and legal costs related to the Nielsen Claim.

We use Adjusted EBITDA and Adjusted EBITDA Margin as measures of operational efficiency to understand and evaluate our core business operations. We believe that these non-GAAP financial measures are useful to investors for period to period comparisons of our core business and for understanding and evaluating trends in our operating results on a consistent basis by excluding items that we do not believe are indicative of our core operating performance.

These non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as substitutes for an analysis of our results as reported under US GAAP. Some of the limitations of these measures are:

- Adjusted EBITDA does not reflect our capital expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect costs of acquiring and integrating businesses, which will continue to be a part of our growth strategy;
- they do not reflect one-time, non-recurring costs associated with the SPAC merger transaction and regulatory filings;
- they do not reflect income tax expense;

- they do not reflect our interest expense; and
- although depreciation and amortization are non-cash charges related mainly to intangible assets, certain assets being depreciated and amortized will have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements.

In addition, other companies in our industry may calculate these non-GAAP financial measures differently than we do, limiting their usefulness as a comparative measure. You should compensate for these limitations by relying primarily on our US GAAP results and using the non-GAAP financial measures only supplementally. We calculate Adjusted EBITDA Margin as Adjusted EBITDA divided by total revenue.

Off-Balance Sheet Arrangements

As of June 30, 2022, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our audited consolidated financial statements, which have been prepared in accordance with US GAAP. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the amounts reported in our condensed consolidated financial statements and the accompanying notes to condensed consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, including the ongoing and potential impacts of the COVID-19 pandemic and other global events. Actual results may differ from these estimates.

While our significant accounting policies are described in more detail in Note 2 of our unaudited interim condensed consolidated financial statements included in *Item 1. "Financial Statements and Supplementary Data"*, we believe the following accounting policies to be the most critical to the judgments and estimates used in the preparation of our interim condensed consolidated financial statements.

Revenue Recognition

The Company generates revenues from providing Advertising Services to advertisers, publishers and media agencies. The services focus on standard, interactive and data driven digital video advertising. The Company's revenue streams are ad serving, creative and measurement services. Ad serving services relate to utilizing Innovid's platform to serve advertising impressions to various digital publishers across CTV, mobile TV, desktop TV, display, and other channels. Creative services relate to the design and development of interactive data-driven and dynamic ad formats by adding data, interactivity and dynamic features to standard ad units. The Company also provides measurement services through access to a measurement application in real time or by delivery of a report. Measurement services relate to analytics of advertisements and campaigns.

The Company recognizes revenue when its customer obtains control of promised services in an amount that reflects the consideration that the Company expects to receive in exchange for those services. The Company recognizes revenue in accordance with ASC Topic 606, Revenue from contracts with customers ("ASC 606") and determines revenue recognition through the following steps: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

For arrangements with multiple performance obligations, which represent promises within an arrangement that are capable of being distinct and are separately identifiable, the Company allocates the contract consideration to all distinct performance obligations based on their relative SSP. SSP is typically estimated based on observable transactions when these services are sold on a standalone basis and expected cost plus a margin approach.

Revenues related to ad serving services are recognized at a point in time. The Company recognizes revenue from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to users.

Revenues related to creative services are recognized at a point in time, when the Company delivers an ad unit. Creative services projects are usually delivered within a week.

Revenues related to measurement services are recognized over time or at a point in time. If the customer simultaneously receives and consumes the benefits provided by the Company's performance, revenues for these measurement services are recognized over the period during which the performance obligations are satisfied and control of the service is transferred to the customer. This is the case when the customer has access to the measurement application in real time. The performance obligation is satisfied over the contract period on a straight-line basis. If the Company delivers the measurement report, the revenues are recognized at the point in time the report is delivered.

The Company's accounts receivable consist primarily of receivables related to providing ad serving, creative and measurement services, in which the Company's contracted performance obligations have been satisfied, the amount has been billed and the Company has an unconditional right to payment. The Company typically bills customers on a monthly basis based on actual delivery. The payment terms vary, mainly with terms of net 60 days or less.

The typical contract term is 12 months or less for ASC 606 purposes. Some of the Company's contracts can be cancelled without a cause. The Company has the unconditional right to payment for the services provided as of the date of the termination of the contracts.

The Company applies the practical expedient in ASC 606 and does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Costs to obtain a contract

Contract costs include commission programs to compensate sales employees for generating sales orders with new customers or for new services with existing customers. The commissions are commensurate. The Company elected to apply the practical expedient and recognize incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less.

Warrants

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance. The assessment considers whether the warrants are freestanding financial instruments, meet the definition of a liability under ASC 480, and meet all of the requirements for equity classification, including whether the warrants are indexed to the Company's own common stock and whether the warrant holders could potentially require "net cash settlement" in a circumstance outside of the Company's control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent reporting period end date while the warrants are outstanding.

Warrants that meet all the criteria for equity classification, are required to be recorded as a component of additional paid-in capital. Warrants that do not meet all the criteria for equity classification, are required to be recorded as liabilities at their initial fair value on the date of issuance and remeasured to fair value at each balance sheet date thereafter. The liability-classified warrants are recorded under non-current liabilities. Changes in the estimated fair value of the warrants are recognized in "Financial expenses, net" in the condensed consolidated statements of operations.

Fair value of financial instruments

The Company applies a fair value framework in order to measure and disclose its financial assets and liabilities. 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. The fair value hierarchy requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Includes other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

The Company's financial instruments consist of cash and cash equivalents, restricted deposits, trade receivables, net, trade payables, employees and payroll accruals, accrued expenses and other current liabilities and current portion of long term debts. . Their historical carrying amounts are approximate fair values due to the short-term maturities of these instruments.

The Company measures its investments in money market funds classified as cash equivalents and warrants liability at fair value.

The Private Placement Warrants are classified as Level 3 in the fair value hierarchy and continue to be valued using the Black-Scholes option pricing model. Gains and losses from the remeasurement of the warrants liability are recognized in "Finance expenses, net" in the condensed consolidated statements of operations.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Goodwill and intangible assets

Goodwill and certain other purchased intangible assets have been recorded in the Company's condensed consolidated financial statements as a result of the acquisitions. Goodwill represents the excess of the purchase price in a business combination over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed. Goodwill is not amortized, but rather is subject to an impairment test.

The Company allocates goodwill to reporting units based on the expected benefit from the business combination. Reporting units are evaluated when changes in the Company's operating structure occur, and if necessary, goodwill is reassigned using a relative fair value allocation approach.

ASC 350, Intangibles—Goodwill and other ("ASC 350") requires goodwill to be tested for impairment at least annually and, in certain circumstances, between annual tests. The accounting guidance gives the option to perform a qualitative assessment to determine whether further impairment testing is necessary. The qualitative assessment considers events and circumstances that might indicate that a reporting unit's fair value is less than its carrying amount. If it is determined, as a result of the qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative test is performed. The Company elects to perform an annual impairment test of goodwill as of October 1 of each year, or more frequently if impairment indicators are present.

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Intangible assets with a finite useful life are amortized over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired.

Technology and trade name are being amortized over the estimated useful life of approximately 6 and 8 years, respectively, using straight-line amortization method.

The amortization of our trade name, customer relationships and technology will be presented within depreciation and amortization in the condensed consolidated statement of operations.

Software development costs

Software development costs, which are included in property and equipment, net, consists of capitalized costs related to purchase and develop internal-use software. The Company uses such software to provide services to its customers. The costs to purchase and develop internal-use software are capitalized from the time that the preliminary project stage is completed, and it is considered probable that the software will be used to perform the function intended. These costs include personnel and related employee benefits for employees directly associated with the software development and external costs of the materials or services consumed in developing or obtaining the software. Any costs incurred for upgrades and functionality enhancements of the software are also capitalized. Once this software is ready for use in providing the Company's services, these costs are amortized on a straight-line basis over the estimated useful life of the software, which is three years. The amortization will be presented within depreciation and amortization in the condensed consolidated statements of operations.

Recent Accounting Pronouncements

For information on recent accounting standards, see "*Part I - Item 1. Financial Statements and Supplementary Data - Note 2. Summary of Significant Accounting Policies*".

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended, we are not required to provide this information.

Item 4. Controls and Procedures

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Management's Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our CEO and CFO, we 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 (the "Exchange Act")) as of June 30, 2022. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II

Item 1. Legal Proceedings

We are not presently party to any legal proceedings or aware of any claims which we believe would have, individually or in the aggregate, a material adverse effect on our consolidated business prospects, financial condition, liquidity, results of operation, cash flows, or capital levels. We may from time to time be party to litigation and subject to claims incident to the ordinary course of business.

On March 4, 2022, the Nielsen Claim was filed by Nielsen, LLC against TVS. TVS has filed its answer to the complaint and has also filed an opposed motion to transfer venue to the Southern District of New York. The Texas Court has made a scheduling order and, in the event that TVS's motion to transfer venue is not successful, the case is scheduled to go to trial in December 2023. The plaintiff has not specified the amount sought in the litigation.

Item 1A. Risk Factors

Our business, financial condition and operating results can be affected by a number of factors, whether currently known or unknown, including but not limited to the risk factors as previously disclosed in Item 1A of Part I of our 2021 Annual Report and as updated in Item 1A of Part II of our Quarterly Report on Form 10-Q for the first quarter 2022, which is incorporated herein by reference. Other than such updates, there have been no material changes to the Company's risk factors since the 2021 Annual Report.

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

Unregistered Sales of Equity Securities

None.

Use of Proceeds

On November 30, 2021, Innovid, Inc. consummated the Merger Agreement dated June 24, 2021, with Innovid surviving the merger. Approximately $149.3 million in cash proceeds were received net of transaction costs paid. On February 28, 2022, the Company completed the acquisition of TVS. The Company acquired all of the equity of TVS for an aggregate amount of $100.0 million in cash, 11,549,465 shares of the Company common stock, and the issuance of 949,893 fully vested stock option of the Company, subject to certain adjustments as defined in the Stock Purchase Agreement. For greater detail, see *Note 3*, "*Transaction and Business Combination*" to our unaudited interim condensed consolidated financial statements included under *Item 1*, *" Financial Statements and Supplementary Data."*

The remainder of the proceeds from the Transaction is being used to fund our operations.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

On August 4, 2022, two wholly owned subsidiaries of the Company, Innovid LLC and TV Squared Inc, entered into an amended and restated loan and security agreement with Silicon Valley Bank (the "2022 A&R Agreement"), to increase the revolving line of credit from $15.0 million to $50.0 million (the "New Revolving Credit Facility"). The interest for the New Revolving Credit Facility is payable monthly in arrears. The New Revolving Credit Facility bears interest at an annual rate equal to the greater of 4.25% and prime rate plus 0.75% on the outstanding principal of each credit extension. Additional fees include fees in an amount of 0.20% per annum of the average unused portion of the New Revolving Credit Facility to be paid quarterly in arrears. The maturity date of the 2022 A&R Agreement is June 30, 2024. The New

Revolving Credit Facility is subject to certain customary conditions precedent to the credit extension as stated in the 2022 A&R Agreement.

The New Revolving Credit Facility requires the Company to comply with all covenants, primarily maintaining an adjusted quick ratio of at least 1.30 to 1.00.

Item 6. Exhibits

		Incorporated by Reference				
Exhibit Number	**Description**	**Form**	**File No.**	**Exhibit**	**Filing date**	**Filed furnished herewith**
2.1	Agreement and Plan of Merger, dated June 24, 2021, by and among ION, Merger Sub 1, Merger Sub 2, and Innovid.	8-K	001-40048	2.1	06/29/21	
3.1	Certificate of Incorporation of Innovid.	10-K	001-40048	3.1	03/18/22	
3.2	Bylaws of Innovid Corp.	8-K	001-40048	3.2	12/06/21	
4.1	Specimen Common Stock Certificate of Innovid Corp.	8-K	001-40048	4.1	12/06/21	
4.2	Specimen Warrant Certificate of Innovid Corp.	8-K	001-40048	4.2	12/06/21	
4.3	Warrant Agreement, dated February 10, 2021, by and between ION and Continental Stock Transfer & Trust Company, as warrant agent.	8-K	001-40048	4.1	02/18/21	
10.1	Amended and Restated Loan and Security Agreement, by and among Silicon Valley Bank and each of the Borrowers, dated August 4, 2022.					*
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).					*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).					*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.					**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.					**
*	Filed herewith.					
**	Furnished herewith.					

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.

INNOVID CORP.

Date: August 10, 2022	By:	/s/ Zvika Netter
		Zvika Netter
		Chief Executive Officer
Date: August 10, 2022	By:	/s/ Tanya Andreev-Kaspin
		Tanya Andreev-Kaspin
		Chief Financial Officer

AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "**Agreement**") is dated as of the Effective Date between **SILICON VALLEY BANK**, a California corporation ("**Bank**"), and the borrowers listed on Schedule I hereto ("**Borrower**"). The parties agree as follows:

A. Bank and Borrower have previously entered into that certain Loan and Security Agreement dated as of October 25, 2012, as amended from time to time, including without limitations by that certain A&R Loan and Security Agreement dated December 27, 2018 as amended on December 29, 2020 (collectively, as amended, the "**Prior Agreements**").

B. Borrower hereby ratifies, confirms, and reaffirms all terms and conditions of all security or other collateral granted to Bank pursuant to the Prior Agreements as modified by this Agreement and its ancillary documents, and confirms that the indebtedness secured thereby including, without limitation, the Obligations, as provided hereunder are and remains in full force and effect. Without limiting the foregoing, any warrant(s) issued (if at all) in connection with the Prior Agreements (to the extent not yet exercised, terminated or amended and restated in connection with this Agreement) remain in full force and effect.

C. Borrower and Bank have agreed to amend and restate, and replace, the Prior Agreements in their entirety. Bank and Borrower hereby agree that the Prior Agreements are amended and restated in their entirety as follows:

1 LOAN AND TERMS OF PAYMENT

1.1 Revolving Line.

(a) Availability. Subject to the terms and conditions of this Agreement and to deduction of Reserves, Bank may, in its commercially reasonable discretion, make Advances not exceeding the Revolving Line. Amounts borrowed under the Revolving Line may be prepaid or repaid as set forth on Schedule I hereto.

(b) Termination; Repayment. The Revolving Line terminates on the Revolving Line Maturity Date, when the outstanding principal amount of all Advances, the accrued and unpaid interest thereon, and all other outstanding Obligations relating to the Revolving Line shall be immediately due and payable.

1.2 Reserved.

1.3 Reserved.

1.4 Payment of Interest on the Credit Extensions.

(a) Interest Payments.

(i) Advances. Interest on the principal amount of each Advance is payable as set forth on Schedule I hereto.

(b) Interest Rate.

(i) Advances. Subject to Section 1.4(c), the outstanding principal amount of any Advance shall accrue interest as set forth on Schedule I hereto.

(ii) All-In Rate. Notwithstanding any terms in this Agreement to the contrary, if at any time the interest rate applicable to any Obligations is less than zero percent (0.0%), such interest rate shall be deemed to be zero percent (0.0%) for all purposes of this Agreement.

(c) Default Rate. Immediately upon the occurrence and during the continuance of an Event of Default, the outstanding Obligations shall bear interest at a rate per annum which is five percent (5.0%) above the rate that is otherwise applicable thereto (the "**Default Rate**"). Fees and expenses which are required to be paid by Borrower pursuant to the Loan Documents (including, without limitation, Bank Expenses) but are not paid when due shall bear interest until paid at a rate equal to the highest rate applicable to the Obligations. Payment or acceptance of the increased interest rate provided in this Section 1.4(c) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Bank.

(d) Adjustment to Interest Rate. Each change in the interest rate applicable to any amounts payable under the Loan Documents based on changes to the Prime Rate shall be effective on the effective date of any change to the Prime Rate and to the extent of such change.

(e) Interest Computation. Interest shall be computed as set forth on Schedule I hereto. In computing interest, the date of the making of any Credit Extension shall be included and the date of payment shall be excluded; provided, however, that if any Credit Extension is repaid on the same day on which it is made, such day shall be included in computing interest on such Credit Extension.

1.5 Fees. Borrower shall pay to Bank:

(a) Revolving Line Commitment Fee. A fully earned, non-refundable commitment fee as set forth on Schedule I hereto;

(b) Termination Fee. Upon termination of this Agreement or the termination of the Revolving Line for any reason prior to the Revolving Line Maturity Date, in addition to the payment of any other amounts then-owing, a termination fee in an amount equal to Five Hundred Thousand Dollars ($500,000) (i.e., 1% of the Revolving Line) (the "**Termination Fee**"), which shall be fully earned and non-refundable as of such date; provided that the Termination Fee shall not be charged if the credit facility hereunder is replaced with a new facility from Bank;

(c) Unused Revolving Line Facility Fee. Payable quarterly in arrears on the last calendar day of each calendar quarter occurring thereafter prior to the Revolving Line Maturity Date, and on the Revolving Line Maturity Date, a fee (the "**Unused Revolving Line Facility Fee**") in an amount equal to Zero point twenty percent (0.20%) per annum of the average unused portion of the Revolving Line, as determined by Bank, computed on the basis of a year with the applicable number of days as set forth in Section 1.4(e), which shall be fully earned and non-refundable as of such date. The unused portion of the Revolving Line, for purposes of this calculation, shall be calculated on a calendar year basis and shall equal the difference between (i) the Revolving Line, and (ii) the average for the period of the daily closing balance of the Revolving Line outstanding;

(d) Bank Expenses. All Bank Expenses incurred through and after the Effective Date, when due (or, if no stated due date, upon demand by Bank) provided that Bank Expenses consisting of reasonable attorneys' fees (exclusive of expenses) for the documentation and negotiation of this Agreement incurred as of the Effective Date shall not exceed Thirty Thousand Dollars ($30,000).

Unless otherwise provided in this Agreement or in a separate writing by Bank, Borrower shall not be entitled to any credit, rebate, or repayment of any fees earned by Bank pursuant to this Agreement notwithstanding any termination of this Agreement or the suspension or termination of Bank's obligation to make loans and advances hereunder. Bank may deduct amounts owing by Borrower under the clauses of this Section 1.5 pursuant to the terms of Section 1.7(c). Bank shall provide Borrower written notice of deductions made pursuant to the terms of the clauses of this Section 1.5.

1.6 Reserved.

1.7 Payments; Application of Payments; Debit of Accounts.

(a) All payments (including prepayments) to be made by Borrower under any Loan Document shall be made in immediately available funds in Dollars, without setoff, counterclaim, or deduction, before 12:00 p.m. Eastern time on the date when due. Payments of principal and/or interest received after 12:00 p.m. Eastern time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment shall be due the next Business Day, and additional fees or interest, as applicable, shall continue to accrue until paid.

(b) Bank has the exclusive right to determine the order and manner in which all payments with respect to the Obligations may be applied. Borrower shall have no right to specify the order or the accounts to which Bank shall allocate or apply any payments required to be made by Borrower to Bank or otherwise received by Bank under this Agreement when any such allocation or application is not specified elsewhere in this Agreement.

(c) Bank may debit any of Borrower's deposit accounts maintained with Bank, including the Designated Deposit Account, for principal and interest payments or any other amounts Borrower owes Bank when due under the Loan Documents. These debits shall not constitute a set-off.

1.8 Change in Circumstances.

(a) Increased Costs. If any Change in Law shall: (i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or advances, loans or other credit extended or participated in by, Bank, (ii) subject Bank to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes, and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitment, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto, or (iii) impose on Bank any other condition, cost or expense (other than Taxes) affecting this Agreement or Credit Extensions made by Bank, and the result of any of the foregoing shall be to increase the cost to Bank of making, converting to, continuing or maintaining any Credit Extension (or of maintaining its obligation to make any such Credit Extension), or to reduce the amount of any sum received or receivable by Bank hereunder (whether of principal, interest or any other amount) then, upon written request of Bank, Borrower shall promptly pay to Bank such additional amount or amounts as will compensate Bank (after taking into account any additional Taxes) for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If Bank determines that any Change in Law affecting Bank regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on Bank's capital as a consequence of this Agreement, the Revolving Line, any term loan facility, or the Credit Extensions made by Bank to a level below that which Bank could have achieved but for such Change in Law (taking into consideration Bank's policies with respect to capital adequacy and liquidity), then from time to time upon written request of Bank, Borrower shall promptly pay to Bank such additional amount or amounts as will compensate Bank for any such reduction suffered.

(c) Delay in Requests. Failure or delay on the part of Bank to demand compensation pursuant to this Section 1.8 shall not constitute a waiver of Bank's right to demand such compensation; provided that Borrower shall not be required to compensate Bank pursuant to subsection (a) for any increased costs incurred or reductions suffered more than nine (9) months prior to the date that Bank notifies Borrower of the Change in Law giving rise to such increased costs or reductions (except that if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine (9) month period shall be extended to include the period of retroactive effect).

1.9 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of Borrower under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by Applicable Law. If any Applicable Law (as determined in the good faith discretion of Borrower) requires the deduction or withholding of any Tax from any such payment by Borrower, then (i) Borrower shall be entitled to make such deduction or withholding, (ii) Borrower shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with Applicable Law, and (iii) if such Tax is an Indemnified Tax, the sum payable by Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 1.9) Bank receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) Payment of Other Taxes by Borrower. Without limiting the provisions of subsection (a) above, Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(c) Tax Indemnification. Without limiting the provisions of subsections (a) and (b) above, Borrower shall, and does hereby, indemnify Bank, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 1.9) payable or paid by Bank or required to be withheld or deducted from a payment to Bank and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to Borrower by Bank shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Taxes by Borrower to a Governmental Authority pursuant to this Section 1.9, Borrower shall deliver to Bank a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to Bank.

(e) Status of Bank. If Bank (including any assignee or successor) is entitled to an exemption from or reduction of withholding tax with respect to payments made under any Loan Document, it shall deliver to Borrower, at the time or times reasonably requested by Borrower, such properly completed and executed documentation reasonably requested by Borrower as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, Bank, if reasonably requested by Borrower, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by Borrower as will enable Borrower to determine whether or not Bank is subject to backup withholding or information reporting requirements. Without limiting the generality of the foregoing, Bank shall deliver whichever of IRS Form W-9, IRS Form W-8BEN-E, IRS Form W-8ECI or W-8IMY is applicable, as well as any applicable supporting documentation or certifications.

(f) The agreements and obligations of Borrower contained in this Section 1.9 shall survive the termination of this Agreement.

1.10 Procedures for Borrowing.

(a) Advances. Subject to the prior satisfaction of all other applicable conditions to the making of an Advance set forth in this Agreement (which must be satisfied no later than 12:00 p.m. Eastern time on the applicable Funding Date), to obtain an Advance, Borrower (via an individual duly authorized by an Administrator) shall notify Bank (which notice shall be irrevocable) by 12:00 p.m. Eastern time on the Funding Date of the Advance. Such notice shall be made through Bank's online banking program, provided, however, if Borrower is not utilizing Bank's online banking program, then such notice shall be in a written format acceptable to Bank that is executed by an Authorized Signer. In connection with any such notification, Borrower shall deliver to Bank by electronic mail or through Bank's online banking program such reports and information, including without limitation, sales journals, cash receipts journals, accounts receivable aging reports, as Bank may reasonably request. Bank shall have received satisfactory evidence that the Board has approved that such Authorized Signer may provide such notices and request Advances (which requirement may be deemed satisfied by the prior delivery of Borrowing Resolutions or a secretary's certificate that certifies as to such Board approval).

(b) Bank shall credit proceeds of a Credit Extension to the Designated Deposit Account. Bank may make Advances under this Agreement based on instructions from an Authorized Signer or without instructions if such Advances are necessary to meet Obligations which have become due.

2 CONDITIONS OF CREDIT EXTENSIONS

2.1 Conditions Precedent to Initial Credit Extension. Bank's obligation to make the initial Credit Extension is subject to the condition precedent that Bank shall have received, in form and substance satisfactory to Bank, such documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate, including, without limitation:

(a) duly executed Loan Documents;

(b) duly executed IP Agreement with each Borrower;

(c) Intellectual Property search results and completed exhibits to the IP Agreement;

(d) duly executed Control Agreements, if required;

(e) Borrower's Operating Documents of Borrower and long-form good standing certificates of Borrower certified by the Secretary of State of the State of Delaware and the Secretary of State (or equivalent agency) of each other jurisdiction in which Borrower is qualified to conduct business, in each case as of a date no earlier than 30 days prior to the Effective Date;

(f) certificate duly executed by a Responsible Officer or secretary of each Borrower with respect to, each Borrower's (i) Operating Documents and (ii) Borrowing Resolutions;

(g) certified copies, dated as of a recent date, of financing statement and other lien filing searches, US Companies Registry searches, as Bank shall request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements or other filings either constitute Permitted Liens or have been or, in connection with the initial Credit Extension, will be terminated or released, in each case with respect to each Borrower;

(h) duly executed Perfection Certificate for each Borrower;

(i) duly executed landlord's consent in favor of Bank for each of Borrower's leased locations, by the respective landlord thereof, if applicable;

(j) duly executed bailee's waiver in favor of Bank for each location where Borrower maintains property with a third party, by each such third party, if applicable;

(k) a legal opinion of Borrower's counsel dated as of the Effective Date;

(l) evidence satisfactory to Bank that the insurance policies and endorsements required by Section 5.8hereof are in full force and effect, together with appropriate evidence showing lender loss payable and additional insured clauses or endorsements in favor of Bank;

(m) with respect to the initial Advance, a completed Borrowing Base Statement (and any schedules related thereto and including any other information requested by Bank with respect to Borrower's Accounts) and a full set of the monthly reporting package provided under Sections **Error! Reference source not found.**through 5.3(b)hereunder; and

(n) payment of the fees and Bank Expenses then due as specified in Section 1.5 hereof.

2.2 Conditions Precedent to all Credit Extensions. Bank's obligation to make each Credit Extension, including the initial Credit Extension, is subject to the following conditions precedent:

(a) receipt of Borrower's Credit Extension request and the related materials and documents as required by and in accordance with Section 1.10;

(b) the representations and warranties in this Agreement and the other Loan Documents shall be true and correct in all material respects as of the date of any Credit Extension request and as of the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true and correct in all material respects as of such date, and no Default or Event of Default shall have occurred and be continuing or result from the Credit

Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties in this Agreement and the other Loan Documents remain true and correct in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true and correct in all material respects as of such date; and

(c) a Material Adverse Change shall not have occurred and be continuing.

2.3 Covenant to Deliver.

(a) Borrower shall deliver to Bank each item required to be delivered to Bank under this Agreement as a condition precedent to any Credit Extension. A Credit Extension made prior to the receipt by Bank of any such item shall not constitute a waiver by Bank of Borrower's obligation to deliver such item, and the making of any Credit Extension in the absence of a required item shall be in Bank's sole discretion.

3 CREATION OF SECURITY INTEREST

3.1 Grant of Security Interest.

(a) Borrower hereby grants Bank, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Bank, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof. In addition, Borrower undertakes to maintain in favor of Bank, as security for the Obligations, a first ranking fixed charge over its ordinary shares of Innovid Media Ltd (up to and including sixty-five percent (65.0%) of the presently existing and hereafter arising issued and outstanding shares of capital stock owned by Borrower of Innovid Media Ltd, which shares entitle the holder thereof to vote for directors or any other matter), each representing NIS 0.01 nominal value, in accordance with the form of the Deed of Pledge delivered to Bank pursuant to the Prior Loan Agreement as amended on even date hereof (the "**Pledge Agreement**").

(b) Borrower acknowledges that it previously has entered, or may in the future enter, into Bank Services Agreements with Bank. Regardless of the terms of any Bank Services Agreement, Borrower agrees that any amounts Borrower owes Bank thereunder shall be deemed to be Obligations hereunder and that it is the intent of Borrower and Bank to have all such Obligations secured by the first priority perfected security interest in the Collateral granted herein and any and all other security agreements, mortgages or other collateral granted to Bank by Borrower as security for the Obligations, now or in the future (subject to Permitted Liens that are permitted to have priority over Bank's Liens hereunder).

3.2 Authorization to File Financing Statements. Borrower hereby authorizes Bank to file financing statements, without notice to Borrower, with all jurisdictions deemed necessary or appropriate by Bank to perfect or protect Bank's interest or rights hereunder, including a notice that any disposition of the Collateral, by either Borrower or any other Person, shall be deemed to violate the rights of Bank under the Code. Such financing statements may indicate the Collateral as "all assets of the Debtor" or words of similar effect.

3.3 Termination. If this Agreement is terminated, Bank's Lien in the Collateral shall continue until the Obligations (other than inchoate indemnity obligations) are repaid in full in cash. Upon payment in full in cash of the Obligations (other than inchoate indemnity obligations) and at such time as Bank's obligation to make Credit Extensions has terminated, Bank shall, at Borrower's sole cost and expense, terminate its security interest in the Collateral and all rights therein shall revert to Borrower. In the event (a) all Obligations (other than inchoate indemnity obligations), except for Bank Services, are satisfied in full, and (b) this Agreement is terminated, Bank shall terminate the security interest granted herein upon Borrower providing cash collateral acceptable to Bank in its sole discretion for Bank Services, if any. In the event such Bank Services consist of outstanding Letters of Credit, Borrower shall provide to Bank cash collateral in an amount equal to at least (x) 105.0% of the face amount of all such Letters of Credit denominated in Dollars and (y) 115.0% of the Dollar Equivalent of the face amount of all such Letters of Credit denominated in a Foreign Currency, plus, in each case, all interest, fees, and costs due or estimated by Bank to become due in connection therewith, to secure all of the Obligations relating to such Letters of Credit.

4 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows:

4.1 Due Organization, Authorization; Power and Authority.

(a) Borrower and each of its Subsidiaries are each duly existing and in good standing as a Registered Organization in their respective jurisdiction of formation and are qualified and licensed to do business and is in good standing in any jurisdiction in which the conduct of their respective business or their ownership of property requires that they be qualified except where the failure to do so could not reasonably be expected to have a material adverse effect on Borrower's business or operations.

(b) All information set forth on the Perfection Certificate pertaining to Borrower and each of its Subsidiaries is true and correct (it being understood and agreed that Borrower may from time to time update certain information in the Perfection Certificate after the Effective Date to the extent permitted by one or more specific provisions in this Agreement and the Perfection Certificate shall be deemed to be updated to the extent such notice is provided to Bank of such permitted update).

(c) The execution, delivery and performance by Borrower and each of its Subsidiaries of the Loan Documents to which it is a party have been duly authorized, and do not (i) conflict with any of Borrower's or any such Subsidiary's organizational documents, (ii) contravene, conflict with, constitute a default under or violate any material Applicable Law, (iii) contravene, conflict with or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or any of its Subsidiaries or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect), or (v) conflict with, contravene, constitute a default or breach under, or result in or permit the termination or acceleration of, any material agreement by which Borrower or any of its Subsidiaries is bound. Neither Borrower nor any of its Subsidiaries are in default under any agreement to which it is a party or by which it is bound in which the default could reasonably be expected to have a material adverse effect on Borrower's or any of its Subsidiary's business or operations.

4.2 Collateral.

(a) The security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral and a first priority fixed and floating charges (subject to Permitted Liens that are permitted to have priority over Bank's Liens hereunder). Borrower has good title to, rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder, free and clear of any and all Liens except Permitted Liens.

(b) Borrower has no Collateral Accounts at or with any bank or financial institution other than Bank or Bank's Affiliates except for the Collateral Accounts described in the Perfection Certificate delivered to Bank in connection herewith and which Borrower has taken such actions as are necessary to give Bank a perfected security interest therein, fixed and floating charges thereon, pursuant to the terms of Section 5.9(c). The Accounts are bona fide, existing obligations of the Account Debtors.

(c) The Collateral is not in the possession of any third party bailee (such as a warehouse) except as otherwise provided in the Perfection Certificate or as permitted pursuant to Section 6.2. None of the components of the Collateral shall be maintained at locations other than as provided in the Perfection Certificate or as permitted pursuant to Section 6.2.

(d) All Inventory is in all material respects of good and marketable quality, free from material defects.

(e) Borrower owns, or possesses the right to use to the extent necessary in its business, all Intellectual Property, licenses and other intangible assets that are used in the conduct of its business as now operated, except to the extent that such failure to own or possess the right to use such asset would not reasonably be expected to have a material adverse effect on Borrower's business or operations, and no such asset, to the best knowledge of Borrower, conflicts with the valid Intellectual Property, license, or intangible asset of any other Person to the extent that such conflict could reasonably be expected to have a material adverse effect on Borrower's business or operations.

(f) Except as noted on the Perfection Certificate or for which notice has been given to Bank pursuant to and in accordance with Section 5.11(b), Borrower is not a party to, nor is it bound by, any Restricted License.

4.3 Reserved.

4.4 Litigation. Other than as set forth in the Perfection Certificate or as disclosed to Bank pursuant to Section 5.3(i), there are no actions, investigations or proceedings pending or, to the knowledge of any Responsible Officer, threatened in writing by or against Borrower or any of its Subsidiaries involving more than, individually or in the aggregate, Five Hundred Thousand Dollars ($500,000).

4.5 Financial Statements; Financial Condition. All consolidated financial statements for Borrower and any of its Subsidiaries submitted to the Financial Statement Repository or otherwise delivered to Bank by submission to the Financial Statement Repository or otherwise submitted to Bank fairly present in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations for the periods covered thereby, subject, in the case of unaudited financial statements, to normal year-end adjustments and the absence of footnote disclosures. There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to the Financial Statement Repository or otherwise to the Financial Statement Repository or otherwise submitted to Bank.

4.6 Solvency. The fair salable value of Borrower's consolidated assets (including goodwill minus disposition costs) exceeds the fair value of Borrower's liabilities; Borrower is not left with unreasonably small capital after the transactions in this Agreement; and Borrower and each of its Subsidiaries are able to pay their debts (including trade debts) as they mature.

4.7 Regulatory Compliance. Borrower is not an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations X, T and U of the Federal Reserve Board of Governors). Borrower and each of its Subsidiaries (a) have complied in all material respects with all Applicable Law, and (b) have not violated any Applicable Law the violation of which could reasonably be expected to have a material adverse effect on Borrower's business or operations. Borrower and each of its Subsidiaries have duly complied with, and their respective facilities, business, assets, property, leaseholds, real property and Equipment are in compliance with, Environmental Laws, except where the failure to do so could not reasonably be expected to have a material adverse effect on Borrower's business or operations; there have been no outstanding citations, notices or orders of non-compliance issued to Borrower or any of its Subsidiaries or relating to their respective facilities, businesses, assets, property, leaseholds, real property or Equipment under such Environmental Laws. Borrower and each of its Subsidiaries have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted, except where the failure to obtain or make or file the same would not reasonably be expected to have a material adverse effect on Borrower's business or operations.

4.8 Subsidiaries; Investments. Borrower does not own any stock, partnership, or other ownership interest or other equity securities except for Permitted Investments.

4.9 Tax Returns and Payments; Pension Contributions.

(a) Borrower and each of its Subsidiaries have timely filed, or submitted extensions for, all required tax returns and reports, and Borrower and each of its Subsidiaries have timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower and each of its Subsidiaries except (a) to the extent such taxes are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted, so long as such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor, or (b) if such taxes, assessments, deposits and contributions do not, individually or in the aggregate, exceed Twenty Five Thousand Dollars ($25,000). Borrower is unaware of any claims or adjustments proposed for any of Borrower's or any of its Subsidiary's prior tax years which could result in additional taxes becoming due and payable by Borrower or any of its Subsidiaries in excess of Twenty Five Thousand Dollars ($25,000) in the aggregate.

(b) Borrower and each of its Subsidiaries have paid all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and neither Borrower nor any of its Subsidiaries has withdrawn from participation in, and has not permitted partial or complete termination of, or permitted the occurrence of any other event with respect to, any such plan which could reasonably be expected to result in any liability of Borrower or any of its Subsidiaries, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other Governmental Authority.

4.10 Reserved.

4.11 Full Disclosure. No written representation, warranty or other statement of Borrower or any of its Subsidiaries in any report, certificate or written statement submitted to the Financial Statement Repository or otherwise submitted to Bank, as of the date such representation, warranty, or other statement was made, taken together with all such reports, certificates and written statements submitted to the Financial Statement Repository or otherwise submitted to Bank, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the reports, certificates or written statements not misleading in light of the circumstances under which they were made (it being recognized by Bank that the projections and forecasts provided by Borrower or any of its Subsidiaries in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

4.12 Sanctions. Neither Borrower nor any of its Subsidiaries is: (a) in violation of any Sanctions; or (b) a Sanctioned Person. Neither Borrower nor any of its Subsidiaries, directors, officers, employees, agents or Affiliates: (i) conducts any business or engages in any transaction or dealing with any Sanctioned Person, including making or receiving any contribution of funds, goods or services to or for the benefit of any Sanctioned Person; (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to any Sanctions; (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Sanctions; or (iv) otherwise engages in any transaction that could cause Bank to violate any Sanctions.

5 AFFIRMATIVE COVENANTS

Borrower shall do all of the following:

5.1 Use of Proceeds. Cause the proceeds of the Credit Extensions to be used solely (a) as working capital or (b) to fund its general business purposes, and not for personal, family, household or agricultural purposes.

5.2 Government Compliance.

(a) Maintain its and all of its Subsidiaries' legal existence (except as permitted under Section 6.3 with respect to Subsidiaries only) and good standing in their respective jurisdictions of formation and maintain qualification in each jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on Borrower's business or operations. Borrower shall comply, and have each Subsidiary comply, in all material respects, with all laws, ordinances and regulations to which it is subject.

(b) Obtain all of the Governmental Approvals necessary for the performance by Borrower and each of its Subsidiaries of their obligations under the Loan Documents to which it is a party, including any grant of a security interest to Bank. Borrower shall promptly provide copies of any such obtained Governmental Approvals to Bank.

5.3 Financial Statements, Reports. Deliver to Bank by submitting to the Financial Statement Repository by submitting to the Financial Statement Repository:

(a) Quarterly Financial Statements. At the same time it is reported to the SEC, a company prepared consolidated balance sheet, cash flow, P&L and income statement, covering Borrower's consolidated operations for such quarter in a form reasonably acceptable to Bank (the "**Quarterly Financial Statements**");

(b) Compliance Statement. Within Thirty (30) days after the last day of each month and together with the statements set forth in Section 5.3(a), a duly completed Compliance Statement, confirming that as of the end of such month, Borrower was in full compliance with all of the terms and conditions of this Agreement, and setting forth calculations showing compliance with the financial covenants set forth in this Agreement and such other information as Bank may reasonably request, including, without limitation, a statement that at the end of such month there were no held checks;

(c) Annual Operating Budget and Financial Projections. As soon as available, and at least annually, within Ten (10) days following Borrower's board of directors approval and contemporaneously with any updates or amendments thereto, (i) capitalization tables, (ii) annual operating budgets (including income statements, balance sheets and cash flow statements, by month) for the upcoming fiscal year of Borrower, and (iii) annual financial projections for the following fiscal year (on a quarterly basis), in each case as approved by the Board and as revised, together with any related business forecasts used in the preparation of such annual financial projections;

(d) Board Materials. Copies of all material notices minutes, consents, presentations and other material materials and information that it provides to its board of directors at the same time they are delivered to the directors;

(e) Annual Audited Financial Statements. at the same time it is reported to the SEC and in any event within One hundred and Eighty (180) days following the end of Borrower's fiscal year, audited consolidated financial statements prepared under GAAP, consistently applied, together with an unqualified opinion on the financial statements from an independent certified public accounting firm reasonably acceptable to Bank (provided that any firm associated with the "Big Four" accounting firms or an affiliate thereof is deemed acceptable to Bank);

(f) SEC Filings. Within five (5) days of filing, notification of the filing and copies of all periodic and other reports, proxy statements and other materials filed by Borrower and/or any of its Subsidiaries or any Guarantor with the SEC, any Governmental Authority succeeding to any or all of the functions of the SEC or with any national securities exchange, or distributed to its shareholders, as the case may be. Documents required to be delivered pursuant to the terms hereof (to the extent any such documents are included in materials otherwise filed with the SEC), including without limitation the documents mentioned in this Section 5.3 may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which Borrower or any of its Subsidiaries posts such documents, or provides a link thereto, on Borrower's or any of its Subsidiaries' website on the internet at Borrower's or any of its Subsidiaries' website address;

(g) Security Holder and Subordinated Debt Holder Reports. Within five (5) days of delivery, copies of all statements, reports and notices made available to Borrower's security holders or to any holders of Subordinated Debt (solely in their capacities as security holders or holders of Subordinated Debt and not in any other role);

(h) Beneficial Ownership Information. Prompt written notice of any changes to the beneficial ownership information set out in Section 14 of the Perfection Certificate. Borrower understands and acknowledges that Bank relies on such true, accurate and up-to-date beneficial ownership information to meet Bank's regulatory obligations to obtain, verify and record information about the beneficial owners of its legal entity customers;

(i) Legal Action Notice. Prompt written notice of any legal actions, investigations or proceedings pending or threatened in writing against Borrower or any of its Subsidiaries that could reasonably be expected to result in damages or costs to Borrower or any of its Subsidiaries of, individually or in the aggregate, Five Hundred Thousand Dollars ($500,000) or more;

(j) Tort Claim Notice. If Borrower shall acquire a commercial tort claim, Borrower shall promptly notify Bank in a writing signed by Borrower of the general details thereof and grant to Bank in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Bank;

(k) Government Filings. Within five (5) days after the same are sent or received, copies of all correspondence, reports, documents and other filings by Borrower or any of its Subsidiaries with any Governmental Authority regarding compliance with or maintenance of Governmental Approvals or Applicable Law or that could reasonably be expected to have a material effect on any of the Governmental Approvals or otherwise on the business of Borrower or any of its Subsidiaries;

(l) Registered Organization. If Borrower is not a Registered Organization as of the Effective Date but later becomes one, promptly notify Bank of such occurrence and provide Bank with Borrower's organizational identification number;

(m) Default. Prompt written notice of the occurrence of a Default or Event of Default; and

(n) Other Information. Promptly, from time to time, such other information regarding Borrower or any of its Subsidiaries or compliance with the terms of any Loan Documents as reasonably requested by Bank.

Any submission by Borrower of a Compliance Statement, a Borrowing Base Statement or any other financial statement submitted to the Financial Statement Repository pursuant to this Section 5.3 or otherwise submitted to Bank shall be deemed to be a representation by Borrower that (i) as of the date of such Compliance Statement, Borrowing Base Statement or other financial statement, the information and calculations set forth therein are true and correct, (ii) as of the end of the compliance period set forth in such submission, Borrower is in complete compliance with all required covenants except as noted in such Compliance Statement, Borrowing Base Statement or other financial statement, as applicable, (iii) as of the date of such submission, no Events of Default have occurred or are continuing, (iv) all representations and warranties other than any representations or warranties that are made as of a specific date in Section 4 remain true and correct in all material respects as of the date of such submission except as noted in such Compliance Statement, Borrowing Base Statement or other financial statement, as applicable, (v) as of the date of such submission, Borrower and each of its Subsidiaries has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 4.9, and (vi) as of the date of such submission, no Liens have been levied or claims made against Borrower relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Bank.

5.4 Accounts Receivable.

(a) Schedules and Documents Relating to Accounts. Borrower shall deliver to Bank transaction reports and schedules of collections, as provided in Section 5.3, on Bank's standard forms; provided, however, that Borrower's failure to execute and deliver the same shall not affect or limit Bank's Lien and other rights in all of Borrower's Accounts, nor shall Bank's failure to advance or lend against a specific Account affect or limit Bank's Lien and other rights therein. If requested by Bank, Borrower shall furnish Bank with copies (or, at Bank's request, originals) of all contracts, orders, invoices, and other similar documents, and all shipping instructions, delivery receipts, bills of lading, and other evidence of delivery, for any goods the sale or disposition of which gave rise to such Accounts. In addition, Borrower shall deliver to Bank, on its request, the originals of all instruments, chattel paper, security agreements, guarantees and other documents and property evidencing or securing any Accounts, in the same form as received, with all necessary indorsements, and copies of all credit memos.

(b) Disputes. Borrower shall promptly notify Bank of all disputes or claims relating to Accounts. Borrower may forgive (completely or partially), compromise, or settle any Account for less than payment in full, or agree to do any of the foregoing so long as (i) Borrower does so in good faith, in a commercially reasonable manner, in the ordinary course of business, in arm's-length transactions, and reports the same to Bank in the regular reports provided to Bank; and (ii) no Event of Default has occurred and is continuing.

(c) Collection of Accounts. Borrower shall direct Account Debtors to deliver or transmit all proceeds of Accounts into a lockbox account, or such other "blocked account" as specified by Bank (either such account, the "**Cash Collateral Account**"). The Bank acknowledges that TV Squared has no existing Cash Collateral Account in place, however it is required to establish it within 180 days as of the date hereof, as provided under Section 5.19(b) herein. Whether or not an Event of Default has occurred and is continuing, Borrower shall immediately deliver all payments on and proceeds of Accounts to the Cash Collateral Account. Subject to Bank's right to maintain a reserve pursuant to Section 5.4(d), all amounts received in the Cash Collateral Account shall be applied to immediately reduce the Obligations under the Revolving Line (unless Bank, in its sole discretion, at times when an Event of Default exists, elects not to so apply such amounts). Borrower hereby authorizes Bank to transfer to the Cash Collateral Account any amounts that Bank reasonably determines are proceeds of the Accounts (provided that Bank is under no obligation to do so and this allowance shall in no event relieve Borrower of its obligations hereunder).

(d) Reserves. Notwithstanding any terms in this Agreement to the contrary, (i) Bank may, at any time, in its sole discretion, hold any proceeds of the Accounts and any amounts in the Cash Collateral Account as a reserve to cover Borrower's Obligations to Bank (and to pay such Obligations when due); and (ii) at times when a Default or an Event of Default exists, Bank may hold any proceeds of the Accounts and any amounts in the Cash Collateral Account that are not applied to the Obligations pursuant to Section 5.4(c) above (including amounts otherwise required to be transferred to Borrower's operating account with Bank) as a reserve to be applied to any Obligations regardless of whether such Obligations are then due and payable.

(e) Returns. Provided no Event of Default has occurred and is continuing, if any Account Debtor returns any Inventory to Borrower, Borrower shall promptly (i) determine the reason for such return, (ii) issue a credit memorandum to the Account Debtor in the appropriate amount in accordance with Borrower's customary business practices, and (iii) provide a copy of such credit memorandum to Bank, upon request from Bank. In the event any attempted return occurs after the occurrence and during the continuance of any Event of Default, Borrower shall hold the returned Inventory in trust for Bank, and immediately notify Bank of the return of the Inventory.

(f) Verifications; Confirmations; Credit Quality; Notifications. During the continuance of an Event of Default, Bank may, from time to time, (i) verify and confirm directly with the respective Account Debtors the validity, amount and other matters relating to the Accounts, either in the name of Borrower or Bank or such other name as Bank may choose, and notify any Account Debtor of Bank's security interest in such Account and/or (ii) conduct a credit check of any Account Debtor to approve any such Account Debtor's credit. In addition, Bank may notify Account Debtors to make payments in respect of Accounts directly to Bank.

(g) No Liability. Bank shall not be responsible or liable for any shortage or discrepancy in, damage to, or loss or destruction of, any goods, the sale or other disposition of which gives rise to an Account, or for any error, act, omission, or delay of any kind occurring in the settlement, failure to settle, collection or failure to collect any Account, or for settling any Account in good faith for less than the full amount thereof, nor shall Bank be deemed to be responsible for any of Borrower's obligations under any contract or agreement giving rise to an Account. Nothing herein shall, however, relieve Bank from liability for its own gross negligence or willful misconduct.

5.5 Remittance of Proceeds. Except as otherwise provided in Section (c), deliver, in kind, all proceeds arising from the disposition of any Collateral to Bank in the original form in which received by Borrower not later than the following Business Day after receipt by Borrower, to be applied to the Obligations (a) prior to an Event of Default, pursuant to the terms of Section (c) hereof, and (b) after the occurrence and during the continuance of an Event of Default, pursuant to the terms of Section 8.4 hereof; provided that, if no Event of Default has occurred and is continuing, Borrower shall not be obligated to remit to Bank the proceeds of the sale of worn out or obsolete Equipment disposed of by Borrower in good faith in an arm's length transaction for an aggregate purchase price of Twenty Five Thousand Dollars ($25,000) or less (for all such transactions in any fiscal year). Borrower agrees that it will not commingle proceeds of Collateral with any of Borrower's other funds or property, but will hold such proceeds separate and apart from such other funds and property and in an express trust for Bank. Nothing in this Section 5.5 limits the restrictions on disposition of Collateral set forth elsewhere in this Agreement and/or any other Loan Document.

5.6 Taxes; Pensions.

(a) Timely file, and require each of its Subsidiaries to timely file (in each case, unless subject to a valid extension), all required tax returns and reports and timely pay, and require each of its Subsidiaries to timely pay, all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower and each of its Subsidiaries, except for deferred payment of any taxes contested pursuant to the terms of Section 4.9(a) hereof, and shall deliver to Bank, on demand, appropriate certificates attesting to such payments, and pay, and require each of its

Subsidiaries to pay, all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms.

(b) To the extent Borrower or any of its Subsidiaries defers payment of any contested taxes, (i) notify Bank in writing of the commencement of, and any material development in, the proceedings, and (ii) post bonds or take any other steps required to prevent the Governmental Authority levying such contested taxes from obtaining a Lien upon any of the Collateral that is other than a "Permitted Lien."

5.7 Access to Collateral; Books and Records. At reasonable times, on one (1) Business Day's notice (provided no notice is required if an Event of Default has occurred and is continuing), Bank, or its agents, shall have the right to inspect the Collateral and the right to audit and copy Borrower's Books. Such inspections and audits shall be conducted as frequently as Bank determines in its commercially Reasonable discretion that conditions warrant, but are expected to be conducted no more often than once every twelve (12) months, unless an Event of Default has occurred and is continuing, in which case such inspections and audits shall occur as often as Bank shall determine is necessary. The foregoing inspections and audits shall be conducted at Borrower's expense and the charge therefor shall be $1,000.00 per day (or such higher amount as shall represent Bank's then-current standard charge for the same), plus out-of-pocket expenses, but in any event shall not exceed $7,000 plus out-of-pocket expenses per each inspection. In the event Borrower and Bank schedule an audit more than eight (8) days in advance, and Borrower cancels or seeks to or reschedules the audit with less than eight (8) days written notice to Bank, then (without limiting any of Bank's rights or remedies) Borrower shall pay Bank a fee of $2,000.00 plus any out-of-pocket expenses incurred by Bank to compensate Bank for the anticipated costs and expenses of the cancellation or rescheduling.

5.8 Insurance.

(a) Keep its business and the Collateral insured for risks and in amounts standard for companies in Borrower's industry and location and as Bank may reasonably request. Insurance policies shall be in a form, with financially sound and reputable insurance companies that are not Affiliates of Borrower, and in amounts that are satisfactory to Bank.

(b) All property policies shall have a lender's loss payable endorsement showing Bank as lender loss payee. All liability policies shall show, or have endorsements showing, Bank as an additional insured. Bank shall be named as lender loss payee and/or additional insured with respect to any such insurance providing coverage in respect of any Collateral.

(c) Ensure that proceeds payable under any property policy are, at Bank's option, payable to Bank on account of the Obligations.

(d) At Bank's request, Borrower shall deliver certified copies of insurance policies and evidence of all premium payments. Each provider of any such insurance required under this Section 5.8 shall agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to Bank, that it will give Bank 30 days prior written notice before any such policy or policies shall be canceled or altered in any material respect. If Borrower fails to obtain insurance as required under this Section 5.8 or to pay any amount or furnish any required proof of payment to third persons and Bank, Bank may make all or part of such payment or obtain such insurance policies required in this Section 5.8, and take any action under the policies Bank deems prudent.

5.9 Accounts.

(a) Maintain Borrower's and any of its Subsidiaries' primary operating accounts, depository accounts, the Cash Collateral Account and primary securities/investment accounts, and all of their non-shekel cash with Bank or Bank's Affiliates. *provided however*: (X) Borrower may maintain Dollar deposit accounts with financial institutions in Israel (other than Bank or Bank's Affiliates) provided that the aggregate amount of funds held in all such accounts together shall not exceed Five Hundred Thousand Dollars ($500,000.00) in the aggregate at any time; (Y) subject the provisions of Section 7.13: (i) Innovid Media Ltd may maintain its existing NIS deposit account no. 640-557740 with Poalim in Israel, and (ii) Innovid AU Pty Ltd, may maintain an operating account with a financial institutions in Australia (other than Bank or Bank's Affiliates) provided that the aggregate amount of funds held in such account shall not exceed Two Hundred Fifty Thousand Dollars ($250,000.00) in the aggregate at any time (iii) Innovid Argentina SRL may maintain (A) its existing Argentine peso deposit account no. 208-006911/9 with Santander Rio Bank and (B) its existing Argentine peso deposit account no. 7968-4 066-5 with Banco Galicia, and (iv) Innovid EU Limited may maintain its account with Barclays ending 382, provided that the aggregate amount of funds held in such account shall not exceed Five Hundred Thousand Dollars ($500,000.00) in the aggregate at any time, and (v) TV Squared Limited may maintain its accounts with Royal Bank of Scotland and (vi) TV Squared GMBH may maintain its account with Commerzbank AG. Any Guarantor shall maintain all depository, operating and securities/investment accounts with Bank and Bank's Affiliates. The Bank acknowledges that Innovid LLC, funds payroll and accounts payable for its subsidiaries including in Israel, Argentina, Europe and Australia. As such, the balance in any of these accounts (as specified above) may be, for up to five (5) Business Days per month, greater than the amounts stated in this 5.9(a) paragraph, subject however to any limitations set forth herein, including without limitations sub-section (j) to the "Permitted Investments" definition.

(b) In addition to the foregoing, Borrower, any Subsidiary of Borrower and any Guarantor, shall obtain any non-shekel business credit card, letter of credit and cash management services from Bank.

(c) In addition to and without limiting the restrictions in (a), Borrower shall provide Bank five (5) days prior written notice before establishing any Collateral Account at or with any bank or financial institution other than Bank or Bank's Affiliates. For each Collateral Account that Borrower at any time maintains, Borrower shall cause the applicable bank or financial institution (other than Bank) at or with which any Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Bank's Lien in such Collateral Account in accordance with the terms hereunder which Control Agreement may not be terminated without the prior written consent of Bank. The provisions of the previous sentence shall not apply to deposit accounts exclusively used for payroll, payroll taxes, and other employee wage and benefit payments to or for the benefit of Borrower's employees and identified to Bank by Borrower as such.

5.10 Financial Covenants.

(a) Adjusted Quick Ratio. Maintain at all times, to be tested as of the last day of each month, a ratio of Quick Assets to Current Liabilities minus the current portion of Deferred Revenue ("**AQR**") of at least 1.30 to 1.00. Notwithstanding anything to the contrary, the Bank acknowledges and confirms that the AQR will be based on Parent's consolidated financials.

(b) Adjusted EBITDA. Maintain at all times when Borrower (based on Parent's consolidated financials statements filed with the SEC) does not maintain AQR of at least 1:50 to 1:00, measured as of the end of each fiscal quarter during the following periods, Adjusted EBITDA (as defined in Parent's SEC filings) of at least the following:

Period	**Minimum Adjusted EBITDA**
Calendar quarter ending on March 31, 2022	($3,500,000)
Calendar quarter ending on June 30, 2022	$750,000
Calendar quarter ending on September 30, 2022	$1,500,000
Calendar quarter ending on December 31, 2022	$3,000,000
Calendar quarter ending on March 31, 2023	($3,500,000)
Calendar quarter ending on June 30, 2023	$1,500,000

Calendar quarter ending on September 30, 2023	$3,000,000
Calendar quarter ending on December 31, 2023	$5,000,000

With respect to any period ending after December 31, 2023, the EBITDA levels applicable to such period shall be determined by Bank, in its sole discretion, until December 31, 2023 based upon, among other factors, budgets, sales projections, operating plans and other financial information of Borrower that Bank deems relevant, including, without limitation, Borrower's financial projections. With respect thereto: Borrower's failure to deliver to Bank, on or before December 1, 2023 Borrower's budgets, sales projections, operating plans and other financial information of Borrower that Bank deems relevant and reasonably requested by Bank prior to such date, including, without limitation, Borrower's quarterly and annual financial projections, together with any related business forecasts used in the preparation of such projections, with respect to Borrower's 2024 fiscal year, shall result in an immediate Event of Default for which there shall be no grace or cure period.

5.11 Protection of Intellectual Property Rights.

(a) (i) Protect, defend and maintain the validity and enforceability of Borrower's and each Subsidiary's Intellectual Property, except to the extent that such failure to do so would not reasonably be expected to have a material adverse effect on Borrower's business or operations; (ii) promptly advise Bank in writing of infringements or any other event that could reasonably be expected to materially and adversely affect the value Borrower's and each Subsidiary's Intellectual Property; and (iii) not allow any Intellectual Property material to Borrower's or any Subsidiary's business to be abandoned, forfeited or dedicated to the public without Bank's written consent.

(b) If Borrower (i) obtains any Patent, registered Trademark, registered Copyright, registered mask work, or any pending application for any of the foregoing, whether as owner, licensee or otherwise, or (ii) applies for any Patent or the registration of any Trademark, then Borrower shall provide written notice thereof to Bank on the next compliance Certificate delivered by Borrower to Bank and shall execute such intellectual property security agreements and other documents and take such other actions as Bank may request in its commercially reasonable discretion to perfect and maintain a first priority perfected security interest in favor of Bank in such property within five (5) days of such request. If Borrower intends to register any Copyrights or mask works in the United States Copyright Office, Borrower shall: (x) provide Bank with at least 15 days prior written notice of Borrower's registration of such Copyrights or mask works together with a copy of the application it intends to file with the United States Copyright Office (excluding exhibits thereto); (y) prior to the date of registration of the Copyrights or mask works described in (x), execute an intellectual property security agreement and such other documents and take such other actions as Bank may request in its commercially reasonable discretion to perfect and maintain a first priority perfected security interest in favor of Bank in such Copyrights or mask works; and (z) record such intellectual property security agreement with the United States Copyright Office contemporaneously with filing the Copyright or mask work application(s) with the United States Copyright Office. Borrower shall promptly provide to Bank copies of all applications that it files for Patents or for the registration of Trademarks, Copyrights or mask works, together with evidence of the recording of the intellectual property security agreement required for Bank to perfect and maintain a first priority perfected security interest in such property.

(c) Provide written notice to Bank within twenty (20) days of entering or becoming bound by any Restricted License (other than over-the-counter software that is commercially available to the public). Borrower shall take such steps as Bank requests to obtain the consent of, or waiver by, any person whose consent or waiver is necessary for (i) any such Restricted License to be deemed "Collateral" and for Bank to have a security interest in it that might otherwise be restricted or prohibited by law or by the terms of any such Restricted License, whether now existing or entered into in the future, and (ii) Bank to have the ability in the event of a liquidation of any Collateral to dispose of such Collateral in accordance with Bank's rights and remedies under this Agreement and the other Loan Documents.

5.12 Litigation Cooperation. From the date hereof and continuing through the termination of this Agreement, make available to Bank, without expense to Bank, Borrower and its officers, employees and agents and Borrower's books and records, to the extent that Bank may deem them reasonably necessary to prosecute or defend any third-party suit or proceeding instituted by or against Bank with respect to any Collateral or relating to Borrower.

5.13 Online Banking.

(a) Utilize Bank's online banking platform for all matters requested by Bank which shall include, without limitation (and without request by Bank for the following matters), uploading information pertaining to Accounts and Account Debtors, requesting approval for exceptions, requesting Credit Extensions, and uploading financial statements and other reports required to be delivered by this Agreement (including, without limitation, those described in Section 5.3 of this Agreement).

(b) Comply with the terms of Bank's Online Banking Agreement as in effect from time to time and ensure that all persons utilizing Bank's online banking platform are duly authorized to do so by an Administrator. Bank shall be entitled to assume the authenticity, accuracy and completeness of any information, instruction or request for a Credit Extension submitted via Bank's online banking platform and to further assume that any submissions or requests made via Bank's online banking platform have been duly authorized by an Administrator.

5.14 Grants. Borrower shall obtain the prior written consent of Bank before receiving any new grants, funds or benefits or any other Governmental Authority.

5.15 Formation or Acquisition of Subsidiaries. Notwithstanding and without limiting the negative covenants contained in Sections 6.3 and 6.7 hereof, at the time that Borrower or any Guarantor forms any Subsidiary or acquires any Subsidiary after the Effective Date (including, without limitation, pursuant to a Division), Borrower and such Guarantor shall (a) cause such new Subsidiary to provide to Bank a joinder to this Agreement to become a co-borrower hereunder or a guaranty to become a Guarantor hereunder (as determined by Bank in its sole discretion), together with documentation, all in form and substance satisfactory to Bank (including being sufficient to grant Bank a first priority Lien (subject to Permitted Liens) in and to the assets of such newly formed or acquired Subsidiary), (b) provide to Bank appropriate certificates and powers and financing statements, pledging all of the direct or beneficial ownership interest in such new Subsidiary, in form and substance satisfactory to Bank; and (c) provide to Bank all other documentation in form and substance satisfactory to Bank, including one or more opinions of counsel satisfactory to Bank, which in its opinion is appropriate with respect to the execution and delivery of the applicable documentation referred to above. Any document, agreement, or instrument executed or issued pursuant to this Section 5.15 shall be a Loan Document.

5.16 Inventory; Returns. Keep all Inventory in good and marketable condition, free from material defects. Returns and allowances between Borrower and its Account Debtors shall follow Borrower's customary practices as they exist at the Effective Date. Borrower shall promptly notify Bank of all returns, recoveries, disputes and claims that involve more than Five Hundred Thousand Dollars ($500,000).

5.17 Further Assurances. Execute any further instruments and take such further action as Bank reasonably requests to perfect, protect, ensure the priority of or continue Bank's Lien on the Collateral or to effect the purposes of this Agreement.

5.18 Sanctions. (a) Not, and not permit any of its Subsidiaries to, engage in any of the activities described in Section 4.12 in the future; (b) not, and not permit any of its Subsidiaries to, become a Sanctioned Person; (c) ensure that the proceeds of the Obligations are not used to violate any Sanctions; and (d) deliver to Bank any certification or other evidence requested from time to time by Bank in its sole discretion, confirming each such Person's compliance with this Section 5.18. In addition, have implemented, and will consistently apply while this Agreement is in effect, procedures to ensure that the representations and warranties in Section 4.12 remain true and correct while this Agreement is in effect.

5.19 Post-closing Covenants.

(a) Within thirty (30) days of the Effective Date, Borrower shall deliver to Bank evidence satisfactory to Bank, in Bank's sole discretion, that the insurance policies and endorsements required by Section 5.8 hereof are in full force and effect, in accordance with the terms thereof.

(b) Within one hundred and eighty (180) days of the Effective Date, TV Squared's Cash Collateral Account shall be maintained to Bank's satisfaction in its sole discretion.

6 NEGATIVE COVENANTS

Borrower shall not do any of the following without Bank's prior written consent:

6.1 Dispositions. Convey, sell, lease, transfer, assign, or otherwise dispose of (including, without limitation, pursuant to a Division) (collectively, "**Transfer**"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (a) of Inventory in the ordinary course of business; (b) of worn-out or obsolete Equipment that is, in the reasonable judgment of Borrower, no longer economically practicable to maintain or useful in the ordinary course of business of Borrower; (c) consisting of Permitted Liens and Permitted Investments; (d) consisting of the sale or issuance of any stock, partnership, membership, or other ownership interest or other equity securities of Borrower permitted under Section 6.2 of this Agreement; (e) consisting of Borrower's or its Subsidiaries' use or transfer of money or Cash Equivalents in a manner that is not prohibited by the terms of this Agreement or the other Loan Documents; (f) in connection with Permitted Liens and Permitted Investments and (g) of non-exclusive licenses for the use of the property of Borrower or its Subsidiaries in the ordinary course of business.

6.2 Changes in Business, Management, Control, or Business Locations. (a) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower and such Subsidiary, as applicable, or reasonably related thereto; (b) liquidate or dissolve or permit any of its Subsidiaries to liquidate or dissolve; (c) fail to provide notice to Bank of any Key Persons departing from or ceasing to be employed by Borrower within five (5) days after their departure from Borrower; (d) permit, allow or suffer to occur any Change in Control, including in one or more of its Subsidiaries; or (e) without at least 10 days prior written notice to Bank, (i) add any new offices or business locations, including warehouses (unless such new offices or business locations contain less than One Hundred Thousand Dollars ($100,000) in Borrower's assets or property) or deliver any portion of the Collateral valued, individually or in the aggregate, in excess of Ten Thousand Dollars ($10,000) to a bailee at a location other than to a bailee and at a location already disclosed in the Perfection Certificate, (ii) change its jurisdiction of organization, (iii) change its organizational structure or type, (iv) change its legal name, or (v) change any organizational number (if any) assigned by its jurisdiction of organization. If Borrower intends to add any new offices or business locations, including warehouses, containing in excess of Fifty Thousand Dollars ($50,000) of Borrower's assets or property, then Borrower will cause the landlord of any such new offices or business locations, including warehouses, to execute and deliver a landlord consent in form and substance satisfactory to Bank. If Borrower intends to deliver any portion of the Collateral valued, individually or in the aggregate, in excess of Ten Thousand Dollars ($10,000) to a bailee, and Bank and such bailee are not already parties to a bailee agreement governing both the Collateral and the location to which Borrower intends to deliver the Collateral, then Borrower will cause such bailee to execute and deliver a bailee agreement in form and substance satisfactory to Bank.

6.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the stock, partnership, membership, or other ownership interest or other equity securities or property of another Person (including, without limitation, by the formation of any Subsidiary or pursuant to a Division). Notwithstanding anything to the contrary, a Subsidiary may merge or consolidate into another Subsidiary or into Borrower.

6.4 Indebtedness. Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

6.5 Encumbrance. Create, incur, allow, or suffer to exist any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, permit any Collateral not to be subject to the first priority security interest granted herein or enter into any agreement, document, instrument or other arrangement (except with or in favor of Bank) with any Person which directly or indirectly prohibits or has the effect of prohibiting Borrower or any Subsidiary from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Borrower's or any Subsidiary's Intellectual Property, except as is otherwise permitted in Section 6.1 hereof and the definition of "Permitted Liens" herein.

6.6 Maintenance of Collateral Accounts. Maintain any Collateral Account except pursuant to the terms of Section 5.9(c).

6.7 Distributions; Investments. (a) Pay any dividends or make any distribution or payment or redeem, retire or purchase any stock, partnership, membership, or other ownership interest or other equity securities, other than repurchase the stock, partnership, membership, or other ownership interest or other equity securities of former employees or consultants pursuant to employee stock purchase plans, stock repurchase agreements or any similar plan duly adopted by Borrower, so long as an Event of Default does not exist at the time of any such repurchase and would not exist after giving effect to any such repurchase, provided that the aggregate amount of all such repurchases does not exceed Fifty Thousand Dollars ($50,000.00) per each period of twelve (12) months; or (b) directly or indirectly make any Investment (including, without limitation, by the formation of any Subsidiary) other than Permitted Investments, or permit any of its Subsidiaries to do so. For the avoidance of any doubt, Borrower shall not make any Investment or pay any dividend or any other payment to Parent, for any reason whatsoever, except as specifically permitted under sub-section (k) of the Permitted Investments definition.

6.8 Transactions with Affiliates. Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower, except for transactions that are in the ordinary course of Borrower's business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person.

6.9 Subordinated Debt. Except as expressly permitted under the terms of the subordination, intercreditor, or other similar agreement to which any Subordinated Debt is subject: (a) make or permit any payment on such Subordinated Debt; or (b) amend any provision in any document relating to such Subordinated Debt which would increase the amount thereof, provide for earlier or greater principal, interest, or other payments thereon, or adversely affect the subordination thereof to Obligations owed to Bank.

6.10 Compliance. (a) Become an "investment company" or a company controlled by an "investment company", under the Investment Company Act of 1940, as amended, or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Credit Extension for that purpose; (b)(i) fail to meet the minimum funding requirements of ERISA, (ii) permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur, (iii) fail to comply with the Federal Fair Labor Standards Act or (iv) violate any other law or regulation, if the foregoing subclauses (i) through (iv), individually or in the aggregate, could reasonably be expected to have a material adverse effect on Borrower's business or operations, or permit any of its Subsidiaries to do so; or (c) withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other Governmental Authority.

7 EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an "**Event of Default**") under this Agreement:

7.1 Payment Default. Borrower fails to (a) make any payment of principal or interest on any Credit Extension on its due date, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day cure period shall not apply to payments due on the Revolving Line Maturity Date). During the cure period, the failure to make or pay any payment specified under clause (b) hereunder is not an Event of Default (but no Credit Extension will be made during the cure period);

7.2 Covenant Default.

(a) Borrower fails or neglects to perform any obligation in Section 5 or violates any covenant in Section 6 of this Agreement; or

(b) Borrower fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement or any Loan Documents, and as to any default (other than those specified in this Section 7) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within ten (10) days after the occurrence thereof (but no Credit Extensions shall be made during such cure period). Cure periods provided under this section shall not apply, among other things, to financial covenants or any other covenants that are required to be satisfied, completed or tested by a date certain or any covenants set forth in clause (a) above;

7.3 Material Adverse Change. A Material Adverse Change occurs with respect to either Borrower or Parent;

7.4 Attachment; Levy; Restraint on Business.

(a) (i) The service of process seeking to attach, by trustee or similar process, any funds of Borrower, Parent or any entity under the control of Borrower and/or Parent (including a Subsidiary), or (ii) a notice of lien or levy is filed against any of Borrower's, Parent or any of their respective Subsidiaries' assets by any Governmental Authority, and the same under subclauses (i) and (ii) hereof are not, within ten (10) days after the occurrence thereof, discharged or stayed (whether through the posting of a bond or otherwise); provided, however, no Credit Extensions shall be made during any ten (10) day cure period; or

(b) (i) any material portion of Borrower's, Parent or any of their respective Subsidiaries' assets is attached, seized, levied on, or comes into possession of a trustee or receiver, or (ii) any court order enjoins, restrains, or prevents Borrower, Parent or any of their respective Subsidiaries from conducting all or any material part of its business;

7.5 Insolvency. (a) Borrower, Parent or any of their respective Subsidiaries is unable to pay its debts (including trade debts) as they become due or otherwise becomes insolvent; (b) Borrower, Parent or any of their respective Subsidiaries begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower, Parent or any of their respective Subsidiaries and is not dismissed or stayed within 30 days (but no Credit Extensions shall be made while any of the conditions described in clause (a) exist or until any Insolvency Proceeding is dismissed);

7.6 Other Agreements. There is, under any agreement to which Borrower, Parent, any of their respective Subsidiaries, or any Guarantor is a party with a third party or parties, (a) any default resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount individually or in the aggregate in excess of Five Hundred Thousand Dollars ($500,000); or (b) any breach or default by Borrower, Parent any of their respective Subsidiaries, or Guarantor, the result of which could have a material adverse effect on Borrower's, Parent any of their respective Subsidiaries', or any Guarantor's business or operations;

7.7 Judgments; Penalties. One or more fines, penalties or final judgments, orders or decrees for the payment of money in an amount, individually or in the aggregate, of at least Five Hundred Thousand Dollars ($500,000) (not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier) shall be rendered against Borrower, Parent or any of their respective Subsidiaries by any Governmental Authority, and the same are not, within ten (10) days after the entry, assessment or issuance thereof, discharged, or after execution thereof, or stayed pending appeal, or such judgments are not discharged prior to the expiration of any such stay (provided that no Credit Extensions will be made prior to the discharge, or stay of such fine, penalty, judgment, order or decree);

7.8 Misrepresentations. Borrower or any of its Subsidiaries or any Person acting for Borrower or any of its Subsidiaries makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Bank or to induce Bank to enter this Agreement or any Loan Document, and such representation, warranty, or other statement is incorrect in any material respect when made. It being agreed and acknowledged by Bank that the projections and forecasts provided by Borrower or any of its Subsidiaries in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results;

7.9 Subordinated Debt. If: (a) any document, instrument, or agreement evidencing any Subordinated Debt shall for any reason be revoked or invalidated or otherwise cease to be in full force and effect, or any Person (other than Bank) shall be in breach thereof or contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder; (b) a default or event of default (however defined) has occurred under any document, instrument, or agreement evidencing any Subordinated Debt, which default shall not have been cured or waived within any applicable grace period; or (c) the Obligations shall for any reason be subordinated or shall not have the priority contemplated by this Agreement or any applicable subordination or intercreditor agreement;

7.10 Lien Priority. There is a material impairment in the perfection or priority of Bank's security interest in the Collateral;

7.11 Guaranty. (a) Any guaranty of any Obligations terminates or ceases for any reason to be in full force and effect; (b) any Guarantor does not perform any obligation or covenant under any guaranty of the Obligations; (c) any circumstance described in Sections 7.3, 7.4, 7.5, 7.6, 7.7, or 7.8 of this Agreement occurs with respect to any Guarantor, (d) the death, liquidation, winding up, or termination of existence of any Guarantor; or (e)(i) a material impairment in the perfection or priority of Bank's Lien in the collateral provided by Guarantor or in the value of such collateral or (ii) a material adverse change in the general affairs, management, results of operation, condition (financial or otherwise) or the prospect of repayment of the Obligations occurs with respect to any Guarantor; or

7.12 Governmental Approvals. Any Governmental Approval shall have been (a) revoked, rescinded, suspended, modified in an adverse manner or not renewed in the ordinary course for a full term or (b) subject to any decision by a Governmental Authority that designates a hearing with respect to any applications for renewal of any of such Governmental Approval or that could result in the Governmental Authority taking any of the actions described in clause (a) above, and such decision or such revocation, rescission, suspension, modification or non-renewal (i) causes, or could reasonably be expected to cause, a Material Adverse Change, or (ii) adversely affects the legal qualifications of Borrower, Parent or any of their respective Subsidiaries to hold such Governmental Approval in any applicable jurisdiction and such revocation, rescission, suspension, modification or non-renewal could reasonably be expected to affect the status of or legal qualifications of Borrower, Parent or any of their respective Subsidiaries to hold any Governmental Approval in any other jurisdiction.

7.13 Non-borrowing Subsidiaries. (i) All Borrower's direct or indirect Subsidiaries that are not parties to this Agreement (for all such Subsidiaries measured together), at any time maintain cash and Cash Equivalents and account receivables with an aggregate gross value greater than the equivalent of an amount equal to Nine Million Dollar ($9,000,000); and/or (ii) Parent, at any time maintains cash and Cash Equivalents and account receivables with an aggregate gross value greater than the equivalent of an amount equal to One Million Dollar ($1,000,000).

7.14 Parent Indebtedness. Parent incurred outstanding Indebtedness, not specifically permitted herein.

8 BANK'S RIGHTS AND REMEDIES

8.1 Rights and Remedies. Upon the occurrence and during the continuance of an Event of Default, Bank may, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in Section 7.5 occurs all Obligations are immediately due and payable without any action by Bank).

(b) stop advancing money or extending credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Bank.

(c) demand that Borrower (i) deposit cash with Bank in an amount equal to at least (A) 105.0% of the aggregate face amount of any Letters of Credit denominated in Dollars remaining undrawn, and (B) 115.0% of the Dollar Equivalent of the aggregate face amount of any Letters of Credit denominated in a Foreign Currency remaining undrawn (plus, in each case, all interest, fees, and costs due or estimated by Bank to become due in connection therewith), to secure all of the Obligations relating to such Letters of Credit, as collateral security for the repayment of any future drawings under such Letters of Credit, and Borrower shall forthwith deposit and pay such amounts, and

(ii) pay in advance all letter of credit fees scheduled to be paid or payable over the remaining term of any Letters of Credit;

(d) terminate any FX Contracts (it being understood and agreed that (i) Bank is not obligated to deliver the currency which Borrower has contracted to receive under any FX Contract, and Bank may cover its exposure for any FX Contracts by purchasing or selling currency in the interbank market as Bank deems appropriate; (ii) Borrower shall be liable for all losses, damages, costs, margin obligations and expenses incurred by Bank arising from Borrower's failure to satisfy its obligations under any FX Contract or the execution of any FX Contract; and (iii) Bank shall not be liable to Borrower for any gain in value of a FX Contract that Bank may obtain in covering Borrower's breach);

(e) verify the amount of, demand payment of and performance under, and collect any Accounts and General Intangibles, settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Bank considers advisable, and notify any Person owing Borrower money of Bank's security interest in such funds. Borrower shall collect all payments in trust for Bank and, if requested by Bank, immediately deliver the payments to Bank in the form received from the Account Debtor, with proper endorsements for deposit;

(f) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Bank requests and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies;

(g) apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) amount held by Bank owing to or for the credit or the account of Borrower;

(h) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. For use solely upon the occurrence and during the continuation of an Event of Default, Bank is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's labels, Patents, Copyrights, mask works, rights of use of any name, trade secrets, trade names, Trademarks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank's exercise of its rights under this Section 8.1, Borrower's rights under all licenses and all franchise agreements inure to Bank's benefit;

(i) place a "hold" on any account maintained with Bank and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(j) demand and receive possession of Borrower's Books; and

(k) exercise all rights and remedies available to Bank under the Loan Documents or at law or equity, including all remedies provided under the Code or any Applicable Law (including disposal of the Collateral pursuant to the terms thereof) or any other applicable law.

8.2 Power of Attorney. Borrower hereby irrevocably appoints Bank as its true and lawful attorney-in-fact, (a) exercisable upon the occurrence and during the continuance of an Event of Default, to: (i) sign Borrower's name on any invoice or bill of lading for any Account or drafts against Account Debtors; (ii) demand, collect, sue, and give releases to any Account Debtor for monies due, settle and adjust disputes and claims about the Accounts directly with Account Debtors, and compromise, prosecute, or defend any action, claim, case, or proceeding about any Collateral (including filing a claim or voting a claim in any bankruptcy case in Bank's or Borrower's name, as Bank chooses); (iii) make, settle, and adjust all claims under Borrower's insurance policies; (iv) pay, contest or settle any Lien, charge, encumbrance, security interest, or other claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (v) transfer the Collateral into the name of Bank or a third party as the Code permits; and (vi) receive, open and dispose of mail addressed to Borrower; and (b) regardless of whether an Event of Default has occurred, to: (i) endorse Borrower's name on any checks, payment instruments, or other forms of payment or security; (ii) notify all Account Debtors to pay Bank directly; and (iii) sign Borrower's name on any documents necessary to perfect or continue the perfection of Bank's security interest in the Collateral. Bank's foregoing appointment as Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until such time as all Obligations (other than inchoate indemnity obligations) have been satisfied in full, Bank is under no further obligation to make Credit Extensions and the Loan Documents have been terminated. Bank shall not incur any liability in connection with or arising from the exercise of such power of attorney and shall have no obligation to exercise any of the foregoing rights and remedies.

8.3 Protective Payments. If Borrower fails to obtain the insurance called for by Section 5.8 or fails to pay any premium thereon or fails to pay any other amount which Borrower is obligated to pay under this Agreement or any other Loan Document or which may be required to preserve the Collateral, Bank may obtain such insurance or make such payment, and all amounts so paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then highest rate applicable to the Obligations, and secured by the Collateral. Bank will make reasonable efforts to provide Borrower with notice of Bank obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.

8.4 Application of Payments and Proceeds. Bank may apply any funds in its possession, whether from Borrower account balances, payments, proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, or otherwise, to the Obligations in such order as Bank shall determine in its sole discretion. Any surplus shall be paid to Borrower or other Persons legally entitled thereto; Borrower shall remain liable to Bank for any deficiency. If Bank, in its commercially reasonable discretion, directly or indirectly, enters into a deferred payment or other credit transaction with any purchaser at any sale of Collateral, Bank shall have the option, exercisable at any time, of either reducing the Obligations by the principal amount of the purchase price or deferring the reduction of the Obligations until the actual receipt by Bank of cash therefor.

8.5 Bank's Liability for Collateral. Bank's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession or under its control, under Section 9-207 of the Code or otherwise, shall be to deal with it in the same manner as Bank deals with its own property consisting of similar instruments or interests. Borrower bears all risk of loss, damage or destruction of the Collateral.

8.6 No Waiver; Remedies Cumulative. Bank's failure, at any time or times, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Bank thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by the party granting the waiver and then is only effective for the specific instance and purpose for which it is given. Bank's rights and remedies under this Agreement and the other Loan Documents are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank's exercise of one right or remedy is not an election and shall not preclude Bank from exercising any other remedy under this Agreement or other remedy available at law or in equity, and Bank's waiver of any Event of Default is not a continuing waiver. Bank's delay in exercising any remedy is not a waiver, election, or acquiescence.

8.7 Demand Waiver. Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable.

8.8 Borrower Liability. Any Borrower may, acting singly, request Credit Extensions hereunder. Each Borrower hereby appoints each other as agent for the other for all purposes hereunder, including with respect to requesting Credit Extensions hereunder. Each Borrower hereunder shall be liable for the Credit Extensions and Obligations as set forth on Schedule I hereto. Each Borrower waives (a) any suretyship defenses available to it under the Code or any other Applicable Law, including, without limitation, the benefit of California Civil Code Section 2815 permitting revocation as to future transactions and the benefit of California Civil Code Sections 1432, 2809, 2810, 2819, 2839, 2845, 2847, 2848, 2849, 2850, and 2899 and 3433, and (b) any right to require Bank to: (i) proceed against any Borrower or any other person; (ii) proceed against or exhaust any security; or (iii) pursue any other remedy. Bank may exercise or not exercise any right or remedy it has against any Borrower or any security it holds (including the right to foreclose by judicial or non-judicial sale) without affecting any Borrower's liability. Notwithstanding any other provision of this Agreement or other related document, each Borrower irrevocably waives all rights that it may have at law or in equity (including, without limitation, any law subrogating Borrower to the rights of Bank under this Agreement) to seek contribution, indemnification or any other form of reimbursement from any other Borrower, or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, for any payment made by Borrower with respect to the Obligations in connection with this Agreement or otherwise and all rights that it might have to benefit from, or to participate in, any security for the Obligations as a result of any payment made by Borrower with respect to the Obligations in connection with this Agreement or otherwise. Any agreement providing for indemnification, reimbursement or any other arrangement prohibited under this Section 8.8 shall be null and void. If any payment is made to a Borrower in contravention of this Section 8.8, such Borrower shall hold such payment in trust for Bank and such payment shall be promptly delivered to Bank for application to the Obligations, whether matured or unmatured.

Each Borrower is entering into this Agreement, and making all representations and warranties hereunder, on a joint and several basis, and all covenants, agreements and undertakings herein expressed or implied on the part of each Borrower shall be deemed to be joint and several.

9 NOTICES

All notices, consents, requests, approvals, demands, or other communication by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or email address indicated below; provided that, for clause (b), if such notice, consent, request, approval, demand or other communication is not sent during the normal business hours of the recipient, it shall be deemed to have been sent at the opening of business on the next Business Day of the recipient. Bank or Borrower may change its mailing or electronic mail address by giving the other party written notice thereof in accordance with the terms of this Section 9.

If to Borrower:	Innovid LLC Address: 30 Irving Place 12th Floor New York, NY 10003 Attn: Tanya Andreev-Kaspin Email: tanya@innovid.com
	Tv Squared, Inc. Address: 30 Irving Place 12th Floor New York, NY 10003 Attn: Tanya Andreev-Kaspin Email: tanya@innovid.com
and with a copy to:	Furth, Wilensky, Mizrachi, Knanni – Law Offices. 1 Azrieli Center., Tel-Aviv 67021, Israel Attn.: Erez Mizrachi, adv. Telephone: +972-36070800 E-Mail: Erez@fwmk-law.co.il
If to Bank:	Silicon Valley Bank Alphabeta, 14-18 Finsbury Square London EC2A 1BR Attn: Jim Watts E-Mail: JWatts2@svb.com
and with a copy to:	Shibolet & Co. 4 Berkowitz St., Tel-Aviv 6423806, Israel

Attn.: Maya Koubi Bara-nes, adv.
Telephone: +972-7778333
E-Mail: Maya@shibolet.com

10 CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER; JUDICIAL REFERENCE

Except as otherwise expressly provided in any of the Loan Documents, New York law governs the Loan Documents without regard to principles of conflicts of law that would require the application of the laws of another jurisdiction. Borrower and Bank each irrevocably and unconditionally submit to the exclusive jurisdiction of the State and Federal courts in New York New York; provided, however, that nothing in this Agreement shall be deemed to operate to preclude Bank from bringing suit or taking other legal action in any other jurisdiction with respect to the Loan Documents or to realize on the Collateral or any other security for the Obligations, or to enforce a judgment or other court order in favor of Bank. Borrower expressly, irrevocably and unconditionally submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and Borrower hereby irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby irrevocably and unconditionally consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to Borrower at the address set forth in, or subsequently provided by Borrower in accordance with, Section 9 of this Agreement and that service so made shall be deemed completed upon the earlier to occur of Borrower's actual receipt thereof or three (3) days after deposit in the U.S. mails, proper postage prepaid.

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, BORROWER AND BANK EACH WAIVES ITS RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT. EACH PARTY HERETO HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

This Section 10 shall survive the termination of this Agreement and the repayment of all Obligations.

11 GENERAL PROVISIONS

11.1 Termination Prior to Maturity Date; Survival. All covenants, representations and warranties made in this Agreement shall continue in full force until this Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations) have been satisfied. So long as Borrower has satisfied the Obligations (other than inchoate indemnity obligations, and any other obligations which, by their terms, are to survive the termination of this Agreement and the repayment of all Obligations, and any Obligations under Bank Services Agreements that are cash collateralized in accordance with Section 3.1 of this Agreement), this Agreement may be terminated prior to the Revolving Line Maturity Date by Borrower, effective three (3) Business Days after written notice of termination is given to Bank. Those obligations that are expressly specified in this Agreement as surviving this Agreement's termination and the repayment of all Obligations shall continue to survive notwithstanding this Agreement's termination and the repayment of all Obligations. Without limiting the foregoing, except as otherwise provided in Section 3.1, the grant of a security interest by Borrower in Section 3.1 shall survive until the termination of this Agreement and all Bank Services Agreements.

11.2 Successors and Assigns. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign or transfer this Agreement or any rights or obligations under it without Bank's prior written consent (which may be granted or withheld in Bank's sole discretion) and any other attempted assignment or transfer by Borrower shall be null and void. Bank has the right, without the consent of or notice to Borrower, to sell, transfer, assign, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights, and benefits under this Agreement and the other Loan Documents.

11.3 Indemnification.

(a) General Indemnification. Borrower shall indemnify, defend and hold Bank and its Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of Bank and its Affiliates (each, an "**Indemnified Person**") harmless against: (i) all losses, claims, damages, liabilities and related expenses (including Bank Expenses and the reasonable fees, charges and disbursements of any counsel for any Indemnified Person) (collectively, "**Claims**") arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Credit Extension or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of hazardous materials on or from any property owned or operated by Borrower or any of its Subsidiaries, or any environmental liability related in any way to Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by Borrower, and regardless of whether any Indemnified Person is a party thereto; provided that such indemnity shall not, as to any Indemnified Person, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnified Person. All amounts due under this Section 11.3 shall be payable promptly after demand therefor.

(b) Waiver of Consequential Damages, Etc. To the fullest extent permitted by Applicable Law, neither party shall assert, and hereby waives, any claim against any Indemnified Person or Borrower, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) or any loss of profits arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Credit Extension, or the use of the proceeds thereof. No Indemnified Person shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

This Section 11.3 shall survive the termination of this Agreement and the repayment of all Obligations until all statutes of limitation with respect to the Claims, losses, and expenses for which indemnity is given shall have run.

11.4 Time of Essence. Time is of the essence for the performance of all Obligations in this Agreement.

11.5 Severability of Provisions. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

11.6 Amendments in Writing; Waiver; Integration. No purported amendment or modification of any Loan Document, or waiver, discharge or termination of any obligation under any Loan Document, shall be effective unless, and only to the extent, expressly set forth in a writing signed by each party hereto. Without limiting the generality of the foregoing, no oral promise or statement, nor any action, inaction, delay, failure to require performance or course of conduct shall operate as, or evidence, an amendment, supplement or waiver or have any other effect on any Loan Document. Any waiver granted shall be limited to the specific circumstance expressly described in it, and shall not apply to any subsequent or other circumstance, whether similar or dissimilar, or give rise to, or evidence, any obligation or commitment to grant any further waiver. The Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of the Loan Documents merge into the Loan Documents.

11.7 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Agreement. Delivery of an executed signature page of this Agreement by electronic mail transmission shall be effective as delivery of a manually executed counterpart hereof.

11.8 Confidentiality. Bank agrees to maintain the confidentiality of Information (as defined below), except that Information may be disclosed (a) to Bank's Subsidiaries and Affiliates and their respective employees, directors, agents, attorneys, accountants and other professional advisors (collectively, "**Representatives**" and, together with Bank, collectively, "**Bank Entities**"); (b) to prospective transferees, assignees, credit providers or purchasers of Bank's interests under or in connection with this Agreement and their Representatives (provided, however, Bank shall use commercially reasonable efforts to obtain any such prospective transferee's, assignee's, credit provider's, purchaser's or their Representatives' agreement to the terms of this provision); (c) as required by law, regulation, subpoena, or other order; (d) to Bank's regulators or as otherwise required or requested in connection with Bank's examination or audit; (e) in connection with the exercise of remedies under the Loan Documents or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder; and (f) to third-party service providers of Bank so long as such service providers have executed a confidentiality agreement with Bank with terms no less restrictive than those contained herein. "**Information**" means all information received from Borrower regarding Borrower or its business, in each case other than information that is either: (i) in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain (other than as a result of its disclosure by Bank in violation of this Agreement) after disclosure to Bank; or (ii) disclosed to Bank by a third party, if Bank does not know that the third party is prohibited from disclosing the information.

11.9 Electronic Execution of Documents. The words "execution," "signed," "signature" and words of like import in any Loan Document,report forms, shall be deemed to include electronic signatures, including any Electronic Signature as defined in the Electronic Transactions Law (2003 Revision) of the Cayman Islands (the "**Cayman Islands Electronic Signature Law**"), if applicable, or the keeping of records in electronic form, including any Electronic Record, as defined in Cayman Islands Electronic Signature Law, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature or the use of a paper-based recordkeeping systems, as the case may be, to the extent and as provided for in any Applicable Law, including, without limitation, any state law based on the Uniform Electronic Transactions Act or the Cayman Islands Electronic Signature Law; provided, however that sections 8 and 19(3) of the Cayman Islands Electronic Signature Law shall not apply to this Agreement or the execution or delivery thereof.

11.10 Right of Setoff. Borrower hereby grants to Bank a Lien and a right of setoff as security for all Obligations to Bank, whether now existing or hereafter arising upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Bank or any entity under the control of Bank (including a subsidiary of Bank) or in transit to any of them, and other obligations owing to Bank or any such entity. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Bank may setoff the same or any part thereof and apply the same to any liability or Obligation of Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

11.11 Captions and Section References. The headings used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement. Unless indicated otherwise, section references herein are to sections of this Agreement.

11.12 Construction of Agreement. The parties hereto mutually acknowledge that they and their attorneys have participated in the preparation and negotiation of this Agreement. In cases of uncertainty this Agreement shall be construed without regard to which of the parties caused the uncertainty to exist.

11.13 Relationship. The relationship of the parties to this Agreement is determined solely by the provisions of this Agreement. The parties do not intend to create any agency, partnership, joint venture, trust, fiduciary or other relationship with duties or incidents different from those of parties to an arm's-length contract.

11.14 Third Parties. Nothing in this Agreement, whether express or implied, is intended to: (a) confer any benefits, rights or remedies under or by reason of this Agreement on any Persons other than the express parties to it and their respective permitted successors and assigns; (b) relieve or discharge the obligation or liability of any Person not an express party to this Agreement; or (c) give any Person not an express party to this Agreement any right of subrogation or action against any party to this Agreement.

11.15 Anti-Terrorism Law. Bank hereby notifies Borrower that, pursuant to the requirements of Anti-Terrorism Law, Bank may be required to obtain, verify and record information that identifies Borrower, which information may include the name and address of Borrower and other information that will allow Bank to identify Borrower in accordance with Anti-Terrorism Law. Borrower hereby agrees to take any action necessary to enable Bank to comply with the requirements of Anti-Terrorism Law.

11.16 Attorneys' Fees, Costs and Expenses. In any action or proceeding between Borrower and Bank arising out of or relating to the Loan Documents, the prevailing party shall be entitled to recover its reasonable attorneys' fees and other costs and expenses incurred, in addition to any other relief to which it may be entitled.

11.17 Amended and Restated Agreement. This Agreement amends and restates, in its entirety, and replaces, the Prior Agreement.

12 ACCOUNTING TERMS AND OTHER DEFINITIONS

12.1 Accounting and Other Terms.

(a) Accounting terms not defined in this Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP (except for with respect to unaudited financial statements for the absence of footnotes and subject to year-end audit adjustments), provided that if at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either Borrower or Bank shall so request, Borrower and Bank shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP; provided, further, that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) Borrower shall provide Bank financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Notwithstanding the foregoing, all financial covenant and other financial calculations shall be computed with respect to Borrower only, and not on a consolidated basis.

(b) As used in the Loan Documents: (i) the words "shall" or "will" are mandatory, the word "may" is permissive, the word "or" is not exclusive, the words "includes" and "including" are not limiting, the singular includes the plural, and numbers denoting amounts that are set off in brackets are negative; (ii) the term "continuing" in the context of an Event of Default means that the Event of Default has not been remedied (if capable of being remedied) or waived; and (iii) whenever a representation or warranty is made to Borrower's knowledge or awareness, to the "best of" Borrower's knowledge, or with a similar qualification, knowledge or awareness means the actual knowledge, after reasonable investigation, of any Responsible Officer.

12.2 Definitions. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in this Section 12.2. All other terms contained in this Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein. As used in this Agreement, the following capitalized terms have the following meanings:

"**Account**" is, as to any Person, any "account" of such Person as "account" is defined in the Code with such additions to such term as may hereafter be made, and includes, without limitation, all accounts receivable and other sums owing to such Person.

"**Account Debtor**" is any "account debtor" as defined in the Code with such additions to such term as may hereafter be made.

"**Adjusted EBITDA**" means, as determined in accordance with GAAP, (a) net income, plus (b) to the extent deducted in the calculation of net income, interest, taxes, depreciation and amortization, plus (c) to the extent deducted in the calculation of net income, non-cash stock-based compensation, as set forth on Borrower's most recent consolidated balance sheet and income statement delivered to Bank pursuant to Section 5.3.

"**Administrator**" is an individual that is named:

(a) as an "Administrator" in the "SVB Online Services" form completed by Borrower with the authority to determine who will be authorized to use SVB Online Services (as defined in Bank's Online Banking Agreement as in effect from time to time) on behalf of Borrower; and

(b) as an Authorized Signer of Borrower in an approval by the Board. "**Advance**" or "**Advances**" means a revolving credit loan (or revolving credit loans) under the Revolving Line (including, for the avoidance of doubt, Non-Formula Advances).

"**Affiliate**" is, with respect to any Person, each other Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

"**Agreement**" is defined in the preamble hereof.

"**Anti-Terrorism Law**" means any law relating to terrorism or money-laundering, including Executive Order No. 13224 and the USA Patriot Act.

"**Applicable Law**" means all applicable provisions of constitutions, laws, statutes, ordinances, rules, treaties, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities and all orders and decrees of all courts and arbitrators.

"**Authorized Signer**" means any individual listed in Borrower's Borrowing Resolution who is authorized to execute the Loan Documents, including making (and executing if applicable) any Credit Extension request, on behalf of Borrower.

"**Bank**" is defined in the preamble hereof.

"**Bank Entities**" is defined in Section 11.8.

"**Bank Expenses**" are all audit fees, costs and reasonable expenses (including reasonable, out-of-pocket and documented attorneys' fees and expenses) for preparing, amending, negotiating, administering, defending and enforcing the Loan Documents (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred with respect to Borrower or any Guarantor.

"**Bank Services**" are any products, credit services, and/or financial accommodations previously, now, or hereafter provided to Borrower or any of its Subsidiaries by Bank or any Bank Affiliate, including, without limitation, any letters of credit, cash management services (including, without limitation, merchant services, direct deposit of payroll, business credit cards, and check cashing services), interest rate swap arrangements, and foreign exchange services as any such products or services may be identified in Bank's various agreements related thereto (each, a "**Bank Services Agreement**").

"**Bank Services Agreement**" is defined in the definition of Bank Services.

"**Board**" is Borrower's board of directors or equivalent governing body.

"**Borrower[s]**" is set forth on Schedule I hereto.

"**Borrower's Books**" are all Borrower's books and records including ledgers, federal and state tax returns, records regarding Borrower's assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

"**Borrowing Base Statement**" is that certain statement of the value of certain Collateral in the form specified by Bank to Borrower from time to time.

"**Borrowing Resolutions**" are, with respect to any Person, those resolutions adopted by such Person's board of directors (and, if required under the terms of such Person's Operating Documents, stockholders) and delivered by such Person to Bank approving the Loan Documents to which such Person is a party and the transactions contemplated thereby, together with a certificate executed by its secretary on behalf of such Person certifying (a) such Person has the authority to execute, deliver, and perform its obligations under each of the Loan Documents to which it is a party, (b) that set forth as a part of or attached as an exhibit to such certificate is a true, correct, and complete copy of the resolutions then in full force and effect authorizing and ratifying the execution, delivery, and performance by such Person of the Loan Documents to which it is a party, (c) the name(s) of the Person(s) authorized to execute the Loan Documents, including making (and executing if applicable) any Credit Extension request, on behalf of such Person, together with a sample of the true signature(s) of such Person(s), and (d) that Bank may conclusively rely on such certificate unless and until such Person shall have delivered to Bank a further certificate canceling or amending such prior certificate.

"**Business Day**" is a day other than a Saturday, Sunday or other day on which commercial banks in the State of California are authorized or required by law to close.

"**Cash Collateral Account**" is defined in Section 5.4(c).

"**Cash Equivalents**" are (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition; (b) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc.; (c) Bank's certificates of deposit issued maturing no more than one (1) year after issue; and (d) money market funds at least 95.0% of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (c) of this definition.

"**Cayman Islands Electronic Signature Law**" is defined in Section 11.9.

"**Change in Control**" means the entering into any transaction or series of related transactions (A) which result in each of Innovid Corp (the "**Parent**") and/or any Borrower owning less than one hundred percent (100.0%) of the equity interests, directly or indirectly, in all of their respective direct and/or indirect Subsidiaries, or (B) in which the shareholders of Parent who were not shareholders immediately prior to the first such transaction own more than forty-nine percent (49.0%) of the voting share of Parent immediately after giving effect to such transaction or related series of such transactions (other than by the sale of Borrower's equity securities in a public offering or to venture capital investors so long as Borrower identifies to Bank such investors at least Seven (7) Business Days prior to the closing of the transaction and provides to Bank a description of the material terms of the transaction).

"**Change in Law**" means the occurrence, after the Effective Date, of: (a) the adoption or taking effect of any law, rule, regulation or treaty; (b) any change in Applicable Law or in the administration, interpretation, implementation or application thereof by any Governmental Authority; or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"**Claims**" is defined in Section 11.3.

"**Code**" is the Uniform Commercial Code, as the same may, from time to time, be enacted and in effect in the State of California; provided, that, to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, or priority of, or remedies with respect to, Bank's Lien on any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than the State of California, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies and for purposes of definitions relating to such provisions, and (b) with respect any assets located outside of the United States, any applicable law.

"**Collateral**" consists of: all of Borrower's right, title and interest in and to the following personal property: (i) all goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles, Intellectual Property, except as provided below, commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, certificates of deposit, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, securities accounts, securities entitlements and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and (ii) all Borrower's Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

"**Collateral Account**" is any Deposit Account, Securities Account, or Commodity Account.

"**Commodity Account**" is any "commodity account" as defined in the Code with such additions to such term as may hereafter be made.

"**Compliance Statement**" is that certain statement in the form attached hereto as Exhibit A.

"**Connection Income Taxes**" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"**Contingent Obligation**" is, for any Person, any direct or indirect liability of that Person for (a) any direct or indirect guaranty by such Person of any indebtedness, lease, dividend, letter of credit, credit card or other obligation of another, (b) any other obligation endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (c) any obligations for undrawn letters of credit for the account of that Person; and (d) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

"**Control Agreement**" is any control agreement entered into among the depository institution at which Borrower maintains a Deposit Account or the securities intermediary or commodity intermediary at which Borrower maintains a Securities Account or a Commodity Account, Borrower, and Bank pursuant to which Bank obtains control (within the meaning of the Code) over such Deposit Account, Securities Account, or Commodity Account.

"**Copyrights**" are any and all copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret.

"**Credit Extension**" is any Advance or any other extension of credit by Bank for Borrower's benefit.

"**Currency**" is coined money and such other banknotes or other paper money as are authorized by law and circulate as a medium of exchange.

"**Current Liabilities**" are all obligations and liabilities of Borrower to Bank (including without limitation, all obligations and liabilities in connection with the Revolving Line), plus, without duplication, the aggregate amount of Borrower's Total Liabilities that mature within one (1) year.

"**Default**" means any event which with notice or passage of time or both, would constitute an Event of Default.

"**Default Rate**" is defined in Section 1.4(c).

"**Deferred Revenue**" is all amounts received or invoiced in advance of performance under contracts and not yet recognized as revenue.

"**Deposit Account**" is any "**deposit account**" as defined in the Code with such additions to such term as may hereafter be made.

"**Designated Deposit Account**" is the deposit account established by Borrower with Bank for purposes of receiving Credit Extensions.

"**Division**" means, in reference to any Person which is an entity, the division of such Person into two (2) or more separate Persons, with the dividing Person either continuing or terminating its existence as part of such division, including, without limitation, as contemplated under Section 18-217 of the Delaware Limited Liability Company Act for limited liability companies formed under Delaware law, Section 17-220 of the Delaware Revised Uniform Limited Partnership Act for limited partnerships formed under Delaware law, or any analogous action taken pursuant to any other Applicable Law with respect to any corporation, limited liability company, partnership or other entity.

"**Dollars**," "**dollars**" or use of the sign "$" means only lawful money of the United States and not any other currency, regardless of whether that currency uses the "$" sign to denote its currency or may be readily converted into lawful money of the United States.

"**Dollar Equivalent**" is, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in a Foreign Currency, the equivalent amount therefor in Dollars as determined by Bank at such time on the basis of the then-prevailing rate of exchange in San Francisco, California, for sales of the Foreign Currency for transfer to the country issuing such Foreign Currency.

"**Effective Date**" is set forth on Schedule I hereto.

"**Environmental Laws**" means any Applicable Law (including any permits, concessions, grants, franchises, licenses, agreements or governmental restrictions) relating to pollution or the protection of health, safety or the environment or the release of any materials into the environment (including those related to hazardous materials, air emissions, discharges to waste or public systems and health and safety matters).

"**Equipment**" is all "equipment" as defined in the Code with such additions to such term as may hereafter be made, and includes without limitation all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.

"**ERISA**" is the Employee Retirement Income Security Act of 1974, as amended, and its regulations.

"**Event of Default**" is defined in Section 7.

"**Exchange Act**" is the Securities Exchange Act of 1934, as amended.

"**Excluded Taxes**" means any of the following Taxes imposed on or with respect to Bank or required to be withheld or deducted from a payment to Bank, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of Bank being organized under the laws of, or having its principal office or its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) U.S. federal withholding Taxes imposed on amounts payable to or for the account of Bank with respect to an applicable interest in a Credit Extension or the Revolving Line pursuant to a law in effect on the date on which (i) Bank acquires such interest in the Credit Extensions or Revolving Line or (ii) Bank changes its lending office, except in each case to the extent that, pursuant to Section 1.9, amounts with respect to such Taxes were payable either to Bank's assignor immediately before Bank became a party hereto or to Bank immediately before it changed its lending office, (c) Taxes attributable to Bank's failure to comply with Section 1.9(e), and (d) any withholding Taxes imposed under FATCA.

"**FATCA**" means Sections 1471 through 1474 of the Internal Revenue Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Internal Revenue Code.

"**Financial Statement Repository**" is Bank's e-mail address specified in Section 9 or such other means of collecting information approved and designated by Bank after providing notice thereof to Borrower from time to time.

"**Foreign Currency**" is the lawful money of a country other than the United States.

"**Funding Date**" is any date on which a Credit Extension is made to or for the account of Borrower which shall be a Business Day.

"**FX Contract**" is any foreign exchange contract by and between Borrower and Bank under which Borrower commits to purchase from or sell to Bank a specific amount of Foreign Currency at a set price or on a specified date.

"**GAAP**" is generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"**General Intangibles**" is all "general intangibles" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation, all Intellectual Property, claims, income and other tax refunds, security and other deposits, payment intangibles, contract rights, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort or otherwise), insurance policies (including without limitation key man, property damage, and business interruption insurance), payments of insurance and rights to payment of any kind.

"**Governmental Approval**" is any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

"**Governmental Authority**" is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

"**Guarantor**" is any Person providing a Guaranty in favor of Bank.

"**Guaranty**" is any guarantee of all or any part of the Obligations, as the same may from time to time be amended, restated, modified or otherwise supplemented.

"**Indebtedness**" is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, (d) Contingent Obligations and (e) other short- and long-term obligations under debt agreements, lines of credit and extensions of credit.

"**Indemnified Person**" is defined in Section 11.3.

"**Indemnified Taxes**" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of Borrower under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

"**Information**" is defined in Section 11.8.

"**Initial Audit**" is Bank's inspection of Borrower's Accounts, the Collateral, and Borrower's Books, with results satisfactory to Bank in its sole discretion.

"**Insolvency Proceeding**" is any proceeding by or against any Person under the United States Bankruptcy Code or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, receivership or other relief.

"**Intellectual Property**" means, with respect to any Person, all of such Person's right, title, and interest in and to the following:

(a) its Copyrights, Trademarks and Patents;

(b) any and all trade secrets and trade secret rights, including, without limitation, any rights to unpatented inventions, know-how and operating manuals;

(c) any and all source code;

(d) any and all design rights which may be available to such Person;

(e) any and all claims for damages by way of past, present and future infringement of any of the foregoing, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the Intellectual Property rights identified above; and

(f) all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents.

"**IP Agreement**" is that certain Intellectual Property Security Agreement between Borrower and Bank dated as of the Effective Date, as may be amended, modified or restated from time to time.

"**Internal Revenue Code**" means the U.S. Internal Revenue Code of 1986, and the rules and regulations promulgated thereunder, each as amended or modified from time to time.

"**Inventory**" is all "**inventory**" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products, including without limitation such inventory as is temporarily out of Borrower's custody or possession or in transit and including any returned goods and any documents of title representing any of the above.

"**Investment**" is any beneficial ownership interest in any Person (including stock, partnership, membership, or other ownership interest or other equity securities), and any loan, advance or capital contribution to any Person.

"**Key Person**" is each of Zvika Netter, Parent's Chief Executive Officer as of the Effective Date and Tal Chalozin, Parent's Chief Technological Officer as of the Effective Date.

"**Letter of Credit**" is a standby or commercial letter of credit issued by Bank upon request of Borrower based upon an application, guarantee, indemnity, or similar agreement.

"**Lien**" is a claim, mortgage, deed of trust, levy, attachment charge, pledge, hypothecation, security interest or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

"**Loan Documents**" are, collectively, this Agreement, the IP Agreements and any schedules, exhibits, certificates, notices, and any other documents related to this Agreement, the Perfection Certificate, IP Agreement, Control Agreements (if any), any Bank Services Agreement, any subordination agreement, any warrant, any note, or notes or guaranties executed by Borrower or any Guarantor, landlord waivers and consents, bailee waivers and consents, and any other present or future agreement by Borrower and/or any Guarantor with or for the benefit of Bank in connection with this Agreement or Bank Services, all as amended, restated, or otherwise modified in accordance with the terms thereof.

"**Material Adverse Change**" is (a) a material impairment in the perfection or priority of Bank's Lien in the Collateral or in the value of such Collateral; (b) a material adverse change in the business, operations, or condition (financial or otherwise) of Borrower and/or Parent; (c) a material impairment of the prospect of repayment of any portion of the Obligations; or (d) Bank determines, based upon information available to it and in its reasonable judgment, that there is a likelihood that Borrower shall fail to comply with one or more of the financial covenants in Section 5 during the next succeeding financial reporting period.

"**Measurement Period**" is each calendar quarter.

"**Obligations**" are Borrower's obligations to pay when due any debts, principal, interest, fees, Bank Expenses, the Unused Revolving Line Facility Fee, and other amounts Borrower owes Bank now or later, whether under this Agreement, the other Loan Documents, or otherwise, including, without limitation, all obligations relating to Bank Services and interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank, and to perform Borrower's duties under the Loan Documents.

"**OFAC**" is the Office of Foreign Assets Control of the United States Department of the Treasury and any successor thereto.

"**Operating Documents**" are, for any Person, such Person's formation documents, as certified by the Secretary of State (or equivalent agency) of such Person's jurisdiction of organization on a date that is no earlier than 30 days prior to the Effective Date, if applicable, and, (a) if such Person is a corporation, its bylaws in current form, certificate of incorporation or memorandum and/or articles of association (or similar document, as the case may be) (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership or limited partnership, its partnership agreement or limited partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

"**Other Connection Taxes**" means, with respect to Bank, Taxes imposed as a result of a present or former connection between Bank and the jurisdiction imposing such Tax (other than connections arising from Bank having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Credit Extension or Loan Document).

"**Other Taxes**" means all present or future stamp, court, documentary, intangible, recording, filing VAT (including financial institution profits tax) or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

"**Patents**" means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

"**Payment Date**" is set forth on Schedule I hereto.

"**Perfection Certificate**" is each Perfection Certificate delivered by each Borrower in connection with this Agreement.

"**Permitted Indebtedness**" is:

(a) Borrower's Indebtedness to Bank under this Agreement and the other Loan Documents;

(b) Indebtedness existing on the Effective Date which is shown on the Perfection Certificate;

(c) Subordinated Debt;

(d) unsecured Indebtedness to trade creditors incurred in the ordinary course of business;

(e) Indebtedness secured by Liens permitted under clauses (a) and (c) of the definition of "Permitted Liens" hereunder;

(f) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of business; and

(g) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (d) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be.

"**Permitted Investments**" are:

(a) Investments (including, without limitation, Subsidiaries) existing on the Effective Date which are shown on the Perfection Certificate (specifically excluding any future investments in any Subsidiaries unless otherwise permitted hereunder);

(b) Investments consisting of Cash Equivalents, and

(c) Investment by either Borrower in any other Borrower.

(d) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Borrower;

(e) to the extent that such deposit accounts are permitted to be maintained under Section 5.9 of this Agreement, Investments consisting of deposit accounts in which Bank has a first priority perfected security interest;

(f) Investments accepted in connection with Transfers permitted by Section 6.1;

(g) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (ii) loans to employees, officers or directors relating to the purchase of equity securities of Borrower or its Subsidiaries pursuant to employee stock purchase plans or agreements approved by Borrower's board of directors;

(h) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business; and

(i) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (h) shall not apply to Investments of Borrower in any Subsidiary; and

(j) Investments by Borrower in its Subsidiaries for the ordinary and necessary current operating expenses of such Subsidiaries in the ordinary course of business, in an aggregate amount (for all such Investments together) not to exceed Two Million Five Hundred Thousand Dollars (US$2,500,000) per month.

(k) Investments by Borrower in Parent for the ordinary and necessary current operating expenses of Parent in the ordinary course of business, in an aggregate amount (for all such Investments together) not to exceed One Hundred Thousand Dollars (US$100,000) per month.

"**Permitted Liens**" are:

(a) Liens arising under this Agreement or any other Loan Documents.

(b) Liens existing on the Effective Date which are shown on the Perfection Certificate or arising under this Agreement or any other Loan Documents.

(c) Liens for taxes, fees, assessments or other government charges or levies, either (i) not due and payable or (ii) being contested in good faith and for which Borrower maintains adequate reserves on Borrower's Books, provided that no notice of any such Lien has been filed or recorded under the Internal Revenue Code; and

(d) Liens of carriers, warehousemen, suppliers, or other Persons that are possessory in nature arising in the ordinary course of business so long as such Liens attach only to Inventory, securing liabilities in the aggregate amount not to exceed Fifty Thousand Dollars ($50,000.00) and which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(e) Liens to secure payment of workers' compensation, employment insurance, old-age pensions, social security and other like obligations incurred in the ordinary course of business (other than Liens imposed by ERISA);

(f) Liens incurred in the extension, renewal or refinancing of the Indebtedness secured by Liens described in (a) through (c), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase;

(g) non-exclusive licenses of Intellectual Property granted to third parties in the ordinary course of business; and licenses of Intellectual Property that could not result in a legal transfer of title of the licensed property that may be exclusive in respects other than territory and that may be exclusive as to territory only as to discreet geographical areas outside of the United States

(h) Liens arising from attachments or judgments, orders, or decrees in circumstances not constituting an Event of Default under Sections 7.4 and 7.7 of this Agreement; and

(i) Liens in favor of other financial institutions arising in connection with Borrower's deposit and/or securities accounts held at such institutions (but only to the extent that such deposit and/or securities accounts are permitted to be maintained under Section 5.8(a) of this Agreement), provided that Bank has a first priority perfected security interest in the amounts held in such deposit and/or securities accounts.

"**Person**" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"**Prime Rate**" is set forth on Schedule I hereto.

"**Prime Rate Margin**" is set forth on Schedule I hereto.

"**Quick Assets**" is, on any date, Parent's, consolidated, unrestricted and unencumbered cash maintained with Bank and Borrower's net billed accounts receivable.

"**Registered Organization**" is any "registered organization" as defined in the Code with such additions to such term as may hereafter be made.

"**Representatives**" is defined in Section 11.8.

"**Reserves**" means, as of any date of determination, such amounts as Bank may from time to time establish and revise in its sole discretion, reducing the amount of Advances and other financial accommodations which would otherwise be available to Borrower (a) to reflect events, conditions, contingencies or risks which, as determined by Bank in its sole discretion, do or may adversely affect (i) the Collateral or any other property which is security for the Obligations or its value (including without limitation any increase in delinquencies of Accounts), (ii) the assets, business or prospects of Borrower or any Guarantor, or (iii) the security interests and other rights of Bank in the Collateral (including the enforceability, perfection and priority thereof); or (b) to reflect Bank's reasonable belief that any collateral report or financial information furnished by or on behalf of Borrower or any Guarantor to Bank is or may have been incomplete, inaccurate or misleading in any material respect; or (c) in respect of any state of facts which Bank determines in its sole discretion constitutes a Default or an Event of Default.

"**Responsible Officer**" is any of the Chief Executive Officer, President, Chief Financial Officer of Borrower.

"**Restricted License**" is any material license or other material agreement with respect to which Borrower is the licensee (a) that prohibits or otherwise restricts Borrower from granting a security interest in Borrower's interest in such license or agreement or any other property, or (b) for which a default under or termination of could interfere with Bank's right to sell any Collateral.

"**Revolving Line**" is set forth on Schedule I hereto.

"**Revolving Line Maturity Date**" is set forth on Schedule I hereto.

"**Sanctioned Person**" means a Person that: (a) is listed on any Sanctions list maintained by OFAC or any similar Sanctions list maintained by any other Governmental Authority having jurisdiction over Borrower; (b) is located, organized, or resident in any country, territory, or region that is the subject or target of Sanctions; or (c) is 50.0% or more owned or controlled by one (1) or more Persons described in clauses (a) and (b) hereof.

"**Sanctions**" means the economic sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by the United States government and any of its agencies, including, without limitation, OFAC and the U.S. State Department, or any other Governmental Authority having jurisdiction over Borrower.

"**SEC**" is the Securities and Exchange Commission, any successor thereto, and any analogous Governmental Authority.

"**Securities Account**" is any "securities account" as defined in the Code with such additions to such term as may hereafter be made.

"**Subordinated Debt**" is indebtedness incurred by Borrower or any of its Subsidiaries subordinated to all of Borrower's or any of its Subsidiaries' now or hereafter indebtedness to Bank (pursuant to a subordination, intercreditor, or other similar agreement in form and substance satisfactory to Bank entered into between Bank and the other creditor), on terms acceptable to Bank.

"**Subsidiary**" is, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock, partnership, membership, or other ownership interest or other equity securities having ordinary voting power (other than stock, partnership, membership, or other ownership interest or other equity securities having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless the context otherwise requires, each reference to a Subsidiary herein shall be a reference to a Subsidiary of Borrower or Guarantor.

"**Taxes**" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto (including for avoidance of doubt, Other Taxes, Connection Taxes and Excluded Taxes).

"**Trademarks**" means, with respect to any Person, any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of such Person connected with and symbolized by such trademarks.

"**Transfer**" is defined in Section 6.1.

"**Unused Revolving Line Facility Fee**" is defined in Section 1.5(c).

"**US Borrower**" is defined in Schedule I of this Agreement.

"**USA Patriot Act**" means the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (Public Law 107-56, signed into law on October 26, 2001), as amended from time to time.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under the laws of the State of California as of the Effective Date.

BORROWER:

INNOVID LLC

By: /s/ Zvika Netter

Name: Zvika Netter

Title: CEO

TV SQUARED, INC.

By: /s/ Zvika Netter

Name: Zvika Netter

Title: CEO

BANK:

SILICON VALLEY BANK

By: /s/ Ella Botham

Name: Ella Botham

Title: Vice President

SCHEDULE I
LSA PROVISIONS

LSA Section	**LSA Provision**
1.1(a) – Revolving Line – Availability	Amounts borrowed under the Revolving Line may be prepaid or repaid and, prior to the Revolving Line Maturity Date, reborrowed, subject to the applicable terms and conditions precedent herein.
1.4(a)(i) – Interest Payments – Advances	Interest on the principal amount of each Advance is payable in arrears monthly (A) on each Payment Date, (B) on the date of any prepayment and (C) on the Revolving Line Maturity Date.
1.4(b)(i) – Interest Rate – Advances	The outstanding principal amount of any Advance shall accrue interest at a floating rate per annum equal to the greater of (1) four and a one quarter of one percent (4.25%) and (2) the Prime Rate plus the Prime Rate Margin, which interest shall be payable in accordance with Section 1.4(a).
1.4(f) – Interest Computation	Interest shall be computed on the basis of the actual number of days elapsed and a 360-day year for any Credit Extension outstanding.
1.5(a) – Revolving Line Commitment Fee and Anniversary Fee	(i) A fully earned, non-refundable commitment fee of Forty Thousand Dollars ($40,000) on the Effective Date, and (ii) an anniversary fee equal to Seventy Five Thousand Dollars ($75,000), which is due and payable on the earlier to occur of (i) the First Anniversary Date, (ii) the termination of this Agreement, or (iii) the occurrence of an Event of Default, and shall be fully earned and non-refundable as of such date.
8.8 – Borrower Liability	Each Borrower hereunder shall be jointly and severally obligated to repay all Credit Extensions made hereunder and any other Obligations related thereto, regardless of which Borrower actually receives said Credit Extension, as if each Borrower hereunder directly received all Credit Extensions.
12.2 – "Borrower[s]"	"**Borrower(s)**" means each of: (i) Innovid LLC, a Delaware corporation with its principal place of business at 30 Irving Place 12th Floor New York, NY 10003 ("**Innovid LLC**") and (iii) TV Squared, Inc., a Delaware corporation with its principal place of business at 30 Irving Pl, Fl 12, New York, NY 10003 ("**TV Squared**").
12.2 – "Effective Date"	"**Effective Date**" is August 4, 2022.
12.2 – "Payment Date"	"**Payment Date**" is with respect to Advances, the last calendar day of each month.
12.2 – "Prime Rate"	"**Prime Rate**" is the rate of interest per annum from time to time published in the money rates section of The Wall Street Journal or any successor publication thereto as the "prime rate" then in effect; provided that if such rate of interest, as set forth from time to time in the money rates section of The Wall Street Journal, becomes unavailable for any reason as determined by Bank, the "Prime Rate" shall mean the rate of interest per annum announced by Bank as its prime rate in effect at its principal office in the State of California (such Bank announced Prime Rate not being intended to be the lowest rate of interest charged by Bank in connection with extensions of credit to debtors); provided that, in the event such rate of interest is less than zero percent (0.0%) per annum, such rate shall be deemed to be zero percent (0.0%) per annum for purposes of this Agreement.
12.2 – "Prime Rate Margin"	"**Prime Rate Margin**" is point and three quarters of one percent (0.75%).

12.2 – "Revolving Line"	"**Revolving Line**" is an aggregate principal amount equal to Fifty Million Dollars ($50,000,000).
12.2 – "Revolving Line Maturity Date"	"**Revolving Line Maturity Date**" is June 30, 2024.

EXHIBIT A
COMPLIANCE STATEMENT

TO: SILICON VALLEY BANK Date: ______________________
FROM: INNOVID LLC and TV SQUARED, INC.

The undersigned authorized officer of INNOVID LLC and TV SQUARED, INC ("**Borrower**") certifies that under the terms and conditions of the Loan and Security Agreement between Borrower and Bank (as amended, modified, supplemented and/or restated from time to time, the "**Agreement**"), (1) Borrower is in complete compliance for the period ending _______________ with all required covenants except as noted below, (2) there are no Events of Default, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true and correct in all material respects as of such date, (4) Borrower, and each of its Subsidiaries, has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.9 of the Agreement, and (5) no Liens have been levied or claims made against Borrower or any of its Subsidiaries, if any, relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Bank. Attached are the required documents supporting the certification. The undersigned certifies that these are prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under "Complies" column.

Reporting Covenants	Required	Complies
Compliance Statement	Monthly within 30 days of month end	
Quarterly financial statements (income statement, cash flow, and balance sheet)	Quarterly, when reported to the SEC	Yes No
Annual financial statements (CPA Audited)	FYE within 180 days	Yes No
10-Q, 10-K and 8-K	Within 5 days after filing with SEC	Yes No
Annual operating budgets, Capitalization table and projections	as soon as available, at least annually, and within 10 days following board approval, and as revised	Yes No
Copies of materials provided to the Board	at the same time it is delivered to the Board members	Yes No
[The following Intellectual Property was registered after the Effective Date (if no registrations, state "None") ____]		

Financial Covenant	**Required**	**Actual**	**Complies**
Maintain as indicated:			
Adjusted EBITDA**	>____**		**Yes No**
Maintain AQR	**1.3:1.00**		**Yes No**
**** see Section 5.10**			

The following financial covenant analyses and information set forth in Schedule 1 attached hereto are true and correct as of the date of this Compliance Statement.

The following are the exceptions with respect to the statements above: (If no exceptions exist, state "No exceptions to note.")

TV SQUARED, INC.

By: ___________________________
Name: _________________________
Title: __________________________

INNOVID LLC

By: ___________________________
Name: _________________________
Title: __________________________

BANK USE ONLY

Received by: ____________________
AUTHORIZED SIGNER
Date: __________________________

Verified: _______________________
AUTHORIZED SIGNER
Date: __________________________

Compliance Status: Yes No

Schedule I

Financial Covenants of Borrower

In the event of a conflict between this Schedule and the Loan Agreement, the terms of the Loan Agreement shall govern.

Dated: ____________________

Adjusted Quick Ratio (Section 5.10(a))

Required: 1.30:1.00

Actual: ___________

A.	Aggregate value of the unrestricted and unencumbered cash of Borrower and its Subsidiaries	$______
B.	Aggregate value of the net billed accounts receivable of Borrower and its Subsidiaries	$______
C.	Quick Assets (the sum of lines A and B)	$______
D.	Aggregate value of Obligations to Bank	$______
E.	Aggregate value of liabilities of Borrower and its Subsidiaries (including all Indebtedness) that matures within one (1) year and current portion of Subordinated Debt permitted by Bank to be paid by Borrower	$______
F.	Current Liabilities (the sum of lines D and E)	$______
G.	Aggregate value of all amounts received or invoiced by Borrower and its Subsidiaries in advance of performance under contracts and not yet recognized as revenue	$______
H.	Line F minus line G	$______
I.	Adjusted Quick Ratio (line C divided by line H)	_______

Is line I equal to or greater than 1.30:1:00?

_______ No, not in compliance _______ Yes, in compliance

and, if line I equal to or greater than 1.50:1:00:

Minimum Adjusted EBITDA **(Section 5.10(b))**

Required:

Testing Date	**Minimum Adjusted EBITDA**

Calendar quarter ending on March 31, 2022	($3,500,000)
Calendar quarter ending on June 30, 2022	$750,000
Calendar quarter ending on September 30, 2022	$1,500,000
Calendar quarter ending on December 31, 2022	$3,000,000
Calendar quarter ending on March 31, 2023	($3,500,000)
Calendar quarter ending on June 30, 2023	$1,500,000
Calendar quarter ending on September 30, 2023	$3,000,000
Calendar quarter ending on December 31, 2023	$5,000,000

Actual: _________

No, not in compliance ________ _______ Yes, in compliance

Exhibit 31.1

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Zvika Netter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Innovid Corp.;

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

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (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 officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 10, 2022

/s/ Zvika Netter

Zvika Netter
Chief Executive Officer

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Tanya Andreev-Kaspin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Innovid Corp.;

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

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (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 officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 10, 2022

/s/ Tanya Andreev-Kaspin

Tanya Andreev-Kaspin
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Innovid Corp. (the "Company") for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 10, 2022 /s/ Zvika Netter

Zvika Netter
Chief Executive Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Innovid Corp. (the “Company”) for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company..

Dated: August 10, 2022 /s/ Tanya Andreev-Kaspin
Tanya Andreev-Kaspin
Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.