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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2025

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 001-39314

TALKSPACE, INC.
(Exact name of Registrant as specified in its Charter)

Delaware	**84-4636604**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
622 Third Avenue, New York, NY	**10017**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (212) 284-7206

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	TALK	The NASDAQ Stock Market LLC
Warrants to purchase common stock	TALKW	The NASDAQ Stock Market LLC

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

Not Applicable
(Title of class)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

The aggregate market value of the voting common stock held by non-affiliates of the Company on June 30, 2025 was $393.2 million based on the per share closing price of the Company's common stock on June 30, 2025 of $2.78.

The number of shares of common stock outstanding on March 10, 2026 was 167,076,010.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive Proxy Statement for the 2026 Annual Meeting of Stockholders to be filed by the Company pursuant to Regulation 14A are incorporated by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the Company's fiscal year ended December 31, 2025.

PCAOB ID: 1281	**Auditor Name:** Kost Forer Gabbay & Kasierer, a member of EY Global	**Auditor Location:** Tel-Aviv, Israel

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PART I

Item 1. BUSINESS

Our Mission

Our mission is to make behavioral health care available to all and help people everywhere to heal.

Overview

Talkspace, Inc. together with its consolidated subsidiaries (referred to herein as the "Company," "we," "our," "us," or "Talkspace") is a leading virtual behavioral healthcare company offering its members convenient and affordable access to a fully-credentialed network of highly qualified providers across a wide and growing spectrum of care through virtual psychotherapy and psychiatry. Founded in 2012, Talkspace pioneered message-based therapy, fulfilling an unmet desire of many people to connect with a licensed therapist from anywhere. Today we are a single destination for comprehensive mental health care, including therapy for individuals, couples, and teens, as well as psychiatric treatment and medication management (18+), and self-guided tools and resources. Most Americans have access to Talkspace through their health insurance plans, employee assistance programs, our partnerships with leading healthcare companies, or as a free benefit through their employer, school, or government agency. All care offered at Talkspace is delivered through an easy-to-use, fully-encrypted web and mobile platform that meets HIPAA, federal, and state regulatory requirements.

Our customers are comprised of the following:

- Health insurance plans from commercial and government institutions, and employee assistance programs ("Payor"), who offer their members access to our platform at in-network reimbursement rates,
- Direct-to-Enterprise ("DTE"), comprised of enterprises who offer their enterprise members access to our platform while their enterprise is under an active contract with Talkspace, and
- Individual subscribers ("Consumer") who subscribe directly to our platform.

Our vast nationwide network of 5,700+ licensed providers, located across all 50 U.S. states and the District of Columbia, include therapists and psychiatric providers with specialized knowledge of more than 150 conditions and treatment modalities. Our psychiatry clinicians, may at their discretion, refer the member to a primary care provider or in-person psychiatrist if the clinical need arises, including to address potential needs for controlled substances. In accordance with the Drug Enforcement Administration ("DEA") Ryan Haight Act, Talkspace providers do not prescribe controlled substances.

Our network of fully-credentialed providers is sustained and enhanced by an attractive value proposition to providers, including flexibility, convenience, efficiency, professional development opportunities and compensation. We also believe that our platform provides other benefits to providers through expanded clinical reach, steady access to member referrals, reduced administrative burdens, more efficient time utilization and data-driven clinical insights. We designed our provider network to be scalable and to leverage a hybrid model of both employee providers and independently contracted providers to support multiple growth scenarios.

For the year ended December 31, 2025 our revenues were $228.9 million compared to $187.6 million for the year ended December 31, 2024. For the year ended December 31, 2025, our clinicians completed 1,617,000 sessions related to members covered under our Payor customers compared to 1,229,200 completed sessions for the year ended December 31, 2024. As of December 31, 2025, we had approximately 5,000 Consumer active members compared to 7,200 Consumer active members as of December 31, 2024.

Pending Merger with Universal Health Services, Inc.

On March 9, 2026, we entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with Universal Health Services, Inc., a Delaware corporation ("UHS"), and UHS Merger Subsidiary, Inc., a Delaware corporation and an indirect wholly owned subsidiary of UHS ("Merger Subsidiary"), pursuant to which, among other things, Merger Subsidiary will merge with and into us (the "Merger"), with us continuing as the surviving corporation and a wholly-owned subsidiary of UHS.

Under the terms of the Merger Agreement, at the effective time of the Merger, each issued and outstanding share of our common stock (subject to certain exceptions set forth in the Merger Agreement) will be cancelled and converted into the right to receive $5.25 per share in cash. Following completion of the Merger, we will be delisted from the NASDAQ Global Select Market and deregistered under the Securities Exchange Act of 1934.

We have made customary representations and warranties in the Merger Agreement and have agreed to customary covenants regarding the operation of our business prior to the consummation of the Merger.

Consummation of the Merger is subject to customary closing conditions, including termination or expiration of any waiting periods required under the Hart-Scott-Rodino ("HSR") Act and certain specified state healthcare laws, approval by our stockholders and other customary closing conditions. The transaction is expected to close in the third quarter of 2026.

The foregoing description of the Merger Agreement does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Merger Agreement, a copy of which is filed as Exhibit 2.1 to the Current Report on Form 8-K filed by us on March 9, 2026. For additional information related to the Merger Agreement, please also refer to the other relevant materials in connection with the transaction that we have filed and will file with the SEC and that will contain important information about us and the Merger.

Our Offerings

By seeking to eliminate barriers in accessing and utilizing mental healthcare and offering providers technology-enabled tools to provide high-quality clinical care with a data-driven approach to treatment, we offer our members a robust ecosystem for end-to-end behavioral healthcare which includes psychotherapy and psychiatry services.

Psychotherapy: In psychotherapy, or “talk therapy,” members work with a licensed therapist or counselor to treat specific mental health conditions like depression or anxiety, trauma and other human challenges, including development of positive thinking and coping skills. We offer text, audio and video-based psychotherapy from licensed therapists.

Psychiatry: In psychiatry, members receive personalized, expert care from a prescriber who specializes in mental healthcare and prescription management. Typical packages include an initial video consultation and follow-up video appointments as needed based on clinical need. Like the traditional in-person medication management models, Talkspace providers can prescribe medication they deem necessary with the exception of controlled substances. If, in the provider’s discretion, the member requires in-person care in order to be prescribed a controlled substance or because their needs are unable to be met in a virtual care setting, referrals and coordination of care can be made with local providers.

Our Customers

In pursuit of our mission to expand access to all individuals in need of behavioral healthcare services, we strive to deliver effective care to a diverse customer base, with members from all socioeconomic backgrounds, ages, genders, ethnicities, geographies and income level who are located across all 50 U.S. states and select international markets. Our customers include:

Payor: We contract with a number of health insurance plans from commercial and government institutions and employee assistance programs to provide virtual therapy to their members. Members receive care directly covered through their individual health insurance plan or employee assistance program where our providers are considered in-network or pay a flat rate per session or interaction.

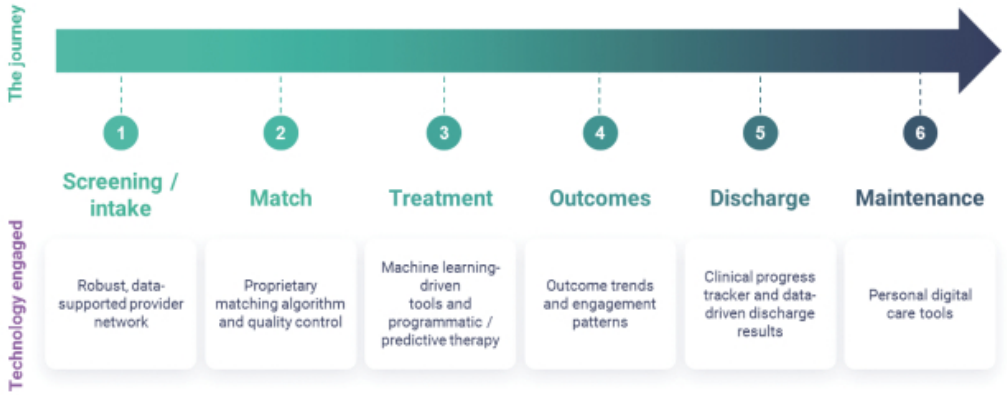
DTE: We contract directly with enterprises to provide their enterprise members unlimited synchronous and asynchronous care primarily on a per-member-per-month (“PMPM”) or paid-per-use (“PPU”) basis or as a fixed monthly fee. Enterprises include employers, academic organizations, higher education, and government entities and their members include employees, military personnel, students, and teens.

Consumer: We offer monthly, quarterly, bi-annual and annual membership subscription as well as supplementary a la carte offerings to individual subscribers who subscribe directly to our platform through a subscription plan.

Technology Platform

We believe that virtual therapy offers an attractive opportunity to improve behavioral health through data science and machine learning. Through digital phenotyping and predictive modeling, the data imprint left by interactions on our platform opens a new, quantitative viewpoint into the behavioral health condition of our members. By securely leveraging our unique dataset to identify patterns, which is augmented by advanced, data-driven tools to personalize care, we believe we are able to optimize clinical outcomes. We have designed our technology platform and information practices to achieve and maintain compliance with HIPAA and other legal requirements regarding the confidentiality of patient information. We maintain a written privacy and information security management program, led by designated subject matter experts, in order to (i) limit how we use and disclose protected health information of the members who utilize our technology platform or therapeutic services, (ii) implement reasonable administrative, physical, and technical safeguards to protect such information from misuse or cyber-attacks, and (iii) assist our customers with certain duties such as access to information under the privacy standards, among other program elements. We require our agents and subcontractors who have access to such information to enter into written agreements that require them to meet the same standards for security and privacy. We obtain third-party examinations of our controls relating to security and data privacy. In particular, we regularly obtain a Type II Service Organization Control SOC 2 report (Reporting on Controls at a Service Organization relevant to security, availability and privacy). We also retain outside consultants to regularly assess our vulnerability through penetration testing and analysis of our compliance with the HIPAA Security Rule.

The following table depicts the technology-enabled process flow that supports our platform:



Matching algorithm: We utilize machine learning to create a custom match for each new member. Our matching algorithm combines information from both structured and unstructured sources to predict which therapists have the greatest chance of success with each patient. Our matching model concurrently gathers member and historical outcomes and screens the therapists' population to match the patient's characteristics, clinical needs and preferences. Our machine learning technology also enables us to track the frequency and quality of clinical interactions, allowing us to provide a better therapist match should the patient request a new clinician.

Robust data ecosystem: We have a closed-loop data ecosystem providing a multi-dimensional view of the individuals who seek treatment on our platform. This data provides a holistic picture of each user – diagnoses, treatment plans, medical history, personal history, and clinical outcomes. Our data contains over 8.6 billion words sent by millions of users via approximately 153 million anonymized messages. We have over 7.3 million completed psychological assessments. Our data contains information about members collected by therapists, including approximately 1.6 million diagnoses and approximately 6.2 million progress and psychotherapy notes. Our data also contains information about therapists reported by members, including over 3.6 million therapist ratings. We believe the size and depth of our clinical data is vast relative to the industry and is a differentiating element of our digitally-native modality.

Empowering providers to deliver enhanced care: Our providers are equipped with tools that allow them to optimize time utilization and improve clinical efficacy. One of the leading challenges in behavioral healthcare is a patient's premature termination of engagement with the provider and, thus, a core focus of our machine learning strategy is to drive member engagement and increase care continuity, helping members to continue treatment long enough to reap its benefits. In order to extend the lifetime duration of our member base, we provide our providers insights on their patients' needs and behaviors and offer techniques and suggestions that we believe are likely to maximize their patients' satisfaction and engagement. These insights, delivered through our fully-integrated data intelligence platform, help providers to deliver effective treatments to their patients, and raise members' awareness when tracking their own clinical progress.

Performance tracking and feedback: Our "Intro and Expectations" system detects whether providers have followed best practices in the crucial introductory phase of the therapy relationship and reminds them to do so if they have not. Our "Crisis Risk system" monitors all incoming members' messages for linguistic features associated with potential danger or self-harm and draws providers' attention to these cases. Our "Session Highlights system" provides a weekly digest of patient messages and helps therapists draft notes on clinical progress.

Competition

We view as competitors those companies whose primary business is developing and marketing telehealth and virtual behavioral health platforms and services. Key competitive factors include technology, breadth and depth of functionality, range of associated services, operational experience, customer support, extent of customer and member bases and reputation, among other factors. Our key competitors in the telehealth and teletherapy markets are Teladoc Health, Inc., Lyra Health, Inc., American Well Corp., and Spring Care, Inc., among other industry participants.

In addition, large, well-financed health systems and health plans have in some cases developed their own virtual behavioral health tools and may provide these solutions to their consumers at discounted prices. In the future we may face competition from large technology companies, such as Apple, Meta, Verizon, or Microsoft, who may wish to develop their own virtual behavioral health solutions, as well as from large retailers like Walmart. We believe that the breadth of our existing customer and member bases, the depth of our technology platform, and our business-to-business focus on integrating freely with multiple platforms increases the likelihood that stakeholders seeking to develop virtual behavioral healthcare solutions will choose instead to collaborate with Talkspace.

Therapists, Physicians and Healthcare Professionals

Talkspace LLC, our wholly-owned subsidiary, is party to various agreements including Management Services Agreements ("MSAs") with Talkspace Provider Network, PA ("TPN"), a Texas professional association entity, which in turn contracts with our other affiliated professional entities ("PC entities"), physicians, therapists, and other licensed professionals for clinical and professional services provided to our members. Pursuant to the MSAs, Talkspace LLC is the managing entity (the "Manager") and provides management and administrative resources and services essential to the operations of these entities and receives a management fee for these services and reimbursement of expenses incurred. TPN and the PC entities in turn have the obligation under the MSAs to engage all licensed physicians and other health professionals to provide behavioral healthcare services to our customers.

This structure in which we operate under various MSAs with professional associations and professional corporations authorized by state law to contract with affiliated professionals to deliver teletherapy services to our customers, helps ensure we are able to comply with all applicable regulatory requirements, including the corporate practice of medicine and fee-splitting laws, that are necessarily implicated by engaging in telehealth care that can only be delivered by physicians.

Refer to Note 13, "Variable Interest Entities" in the notes to consolidated financial statements included in Part II, Item 8 of this Form 10-K.

Human Capital Overview

The Company's workforce is critical to the creation and delivery of its services and the success of the Company. Our ability to attract, develop and retain talented employees and independent contractors with the skills and capabilities needed by our business is a key component of our long-term growth and our mission of providing more people with convenient access to quality, affordable behavioral healthcare. The Company views full-time employees and independently contracted providers as its total workforce, and each is eligible for the various formal and informal programs and resources to support, recruit, train and retain its team members. The Company's human capital network includes, but is not limited to, employee and independently contracted providers (licensed therapists, psychologists, psychiatrists), as well as employees in various support functions throughout the Company. The human capital needs and strategy of our business is overseen by the Company's Board of Directors and Chief Executive Officer and supported by the Company's Human Resources Department, which reports directly to the Chief Executive Officer. As of December 31, 2025, we had 598 employees comprised of 349 providers and 249 professionals supporting the accounting, finance, technology, sales, marketing and other support functions and 5,396 independently contracted providers.

Culture and Values

Tone at the top is what drives us. We are committed to maintaining a respectful, secure and supportive workplace culture with open communication and accessible, safe channels for feedback. Our Company's Core Values are Innovation, Quality and Kindness. In addition, all employees are required to complete training and affirm compliance with the Talkspace Code of Business Conduct and Ethics (the "Code"), which confirms the Company's policy to conduct its affairs in compliance with all applicable laws and regulations and observe the highest standards of business ethics. The Code is reviewed regularly by the Audit Committee and approved by the Board of Directors and is complemented by other policies and training. Any violations of our Code are encouraged to be immediately reported and are kept anonymously.

Diversity and Inclusion

Talkspace is committed to creating and maintaining a workplace in which all employees have an opportunity to participate and contribute to the success of the business. Talkspace provides equal employment opportunities to all employees and applicants for employment without regard to race, color, ancestry, national origin, gender, sexual orientation, marital status, religion, age, disability, gender identity, results of genetic testing, or service in the military. Equal employment opportunity applies to all terms and conditions of employment, including hiring, placement, promotion, separation, transfers, compensation, and training. The Company is committed to cultivating diversity and broadening opportunities for inclusion across its business through its recruitment practices, employee development and mentoring and inclusivity programs.

Compensation and Benefits

The Company is committed to hiring the most qualified candidates to fill open positions. Whenever appropriate and possible, open positions are filled with internal candidates to help team members in their career development and enrich a culture of growth. Compensation and benefits programs are focused on attracting, retaining and motivating the top talent necessary to achieve the Company's mission in ways that reflect its diverse workforce's needs and priorities. In addition to competitive salaries, the Company and its businesses have established short and long-term incentive programs including stock-based compensation awards and cash-based performance bonus awards, which are designed to motivate and reward performance against key business objectives and facilitate retention. Performance bonus allocations are provided based on the organization meeting its financial goals, the employee achieving goals set by their supervisor, and per the employment agreements and/or any other written agreement. In addition, the Company provides retirement benefits and other comprehensive benefit options to meet the needs of its employees, including healthcare benefits, 401(k) Company match, tax advantaged savings vehicles, life and disability insurance, paid time off, flexible working arrangements, generous parental leave policies and access to wellness programs.

Training and Development

Our growth mindset culture begins with valuing learning over knowing – seeking out new ideas, driving innovation, embracing challenges, learning from failure, and improving over time. The Company strives to provide mentorship and career development to existing employees to help everyone on the team reach their full potential and employees are encouraged to reach out to their supervisors if further development training is needed.

The Company provides people leader learning and development, including self-paced learning modules, regular People Leader sessions and asynchronous learning and communication opportunities. In addition, the Company provides ongoing training in areas related to HIPAA, Cybersecurity, Security and Privacy Controls, Fraud Waste, and Abuse and Anti-Harassment and Discrimination training, among others.

U.S. Government Regulation

Our operations are subject to comprehensive United States federal, state and local and international regulation in the jurisdictions in which we do business. Our ability to operate profitably will depend in part upon our ability, and that of our affiliated providers, to maintain all necessary licenses and to operate in compliance with applicable laws and rules. Those laws and rules continue to evolve and can become more restrictive, and we therefore devote significant resources to monitoring developments in healthcare and medical practice regulation. As the applicable laws and rules change, we are likely to make conforming modifications in our business processes from time to time. In some jurisdictions where we operate, neither our current nor our anticipated business model has been the subject of formal judicial or administrative interpretation. We cannot be assured that a review of our business by courts or regulatory authorities will not result in determinations that could adversely affect our operations or that the healthcare regulatory environment will not change in a way that impacts our operations.

For an additional discussion of our regulatory environment, see "Risk Factors—Risk Related to Our Legal and Regulatory Environment" included in Part I, Item 1A of this Form 10-K.

Telehealth and Teletherapy Provider Licensing, Medical Practice, Certification and Related Laws and Guidelines

The practice of medicine, including the provision of therapy services, is subject to various federal, state and local certification and licensing laws, regulations, approvals and standards, relating to, among other things, the adequacy of medical care, the practice of medicine and licensed professional services (including the provision of remote care), equipment, personnel, operating policies and procedures and the prerequisites for the prescription of medication and ordering of tests. The application of some of these laws to telehealth and teletherapy is evolving, and subject to ongoing rulemaking, regulatory guidance, and differing interpretations. Certain aspects of remote prescribing, including prescribing of controlled substances via telemedicine, are also subject to evolving federal requirements, including through agency rules and guidance, and state requirements.

Physicians, therapists and other licensed professionals who provide professional medical and therapy services to a patient via telehealth and teletherapy must, in most instances, hold a valid license to practice medicine or another licensed profession in the state in which the patient is located. We have established systems for ensuring that our affiliated professionals are appropriately licensed under applicable state law and that their provision of telehealth and teletherapy to our members occurs in each instance in compliance with applicable rules governing telehealth and teletherapy. Failure to comply with these laws and regulations could result in licensure actions against the professionals, our services being found to be non-reimbursable, or prior payments being subject to recoupments and can give rise to civil, criminal or administrative penalties.

Corporate Practice of Medicine Laws in the U.S.; Fee Splitting

We contract with therapists directly, or through their affiliated professional entities, as well as with professional associations and, professional corporations owned by affiliated physicians (collectively, "PCs"), to provide access to our platform and to provide therapy to their patients. We have entered into MSAs with TPN and the PC entities pursuant to which we provide billing, scheduling and a wide range of other administrative and management services in exchange for management and other service fees. These contractual relationships are subject to various state laws that prohibit fee splitting or the corporate practice of the applicable professional services by lay entities or persons and that are intended to prevent unlicensed persons from interfering with or influencing a licensed professional's clinical judgment. Activities other than those directly related to the delivery of healthcare may be considered an element of the practice of the applicable profession in many states. Under the corporate practice of doctrines of certain states, decisions and activities such as contracting, setting rates and the hiring and management of personnel may fall under the restrictions on the corporate practice prohibition.

State corporate practice doctrines and fee splitting laws and rules vary from state to state. In addition, these requirements are subject to broad interpretation and enforcement by state regulators. Some of these requirements may apply to us even if we do not have a physical presence in the state, based solely on our engagement of a provider licensed in the state or the provision of telehealth and teletherapy to a resident of the state. Thus, regulatory authorities or other parties, including our providers, may assert that, despite these arrangements, we are engaged in the corporate practice of medicine or a licensed profession or that our contractual arrangements with affiliated providers constitute unlawful fee splitting.

In such event, failure to comply could lead to adverse judicial or administrative action against us and/or our affiliated providers, civil, criminal or administrative penalties, receipt of cease and desist orders from state regulators, loss of provider licenses, the need to make changes to the terms of engagement of our providers that interfere with our business, and other materially adverse consequences.

U.S. Federal and State Fraud and Abuse Laws

With the enrollment in Medicare, some services are currently reimbursed by government healthcare programs, which could expose our business to broadly applicable fraud and abuse laws and other healthcare laws and regulations that would regulate the business. Applicable and potentially applicable U.S. federal and state healthcare laws and regulations include, but are not limited to, those discussed below.

Federal Stark Law

We are subject to the federal self-referral prohibitions, commonly known as the Stark Law. Where applicable, this law prohibits a physician from referring Medicare patients to an entity providing "designated health services" such as laboratory and other diagnostic services and prescription drugs that are furnished at an entity if the physician or a member of such physician's immediate family has a "financial relationship" with the entity, unless an exception applies. Sanctions for violating the Stark Law include denial of payment, civil monetary penalties of up to $26,125 per claim submitted and twice the value of each such service and exclusion from the federal healthcare programs.

Failure to refund amounts received as a result of a prohibited referral on a timely basis may constitute a false or fraudulent claim and may result in civil penalties and additional penalties under the federal False Claims Act ("FCA"). The statute also provides for a penalty of up to $174,172 for a circumvention scheme. The Stark Law is a strict liability statute, which means proof of specific intent to violate the law is not required. In addition, the government and some courts have taken the position that claims presented in violation of the various statutes, including the Stark Law, can be considered a violation of the FCA (described below) based on the contention that a provider impliedly certifies compliance with all applicable laws, regulations and other rules when submitting claims for reimbursement. A determination of liability under the Stark Law for TPN, the PC entities or our affiliated physicians could have a material adverse effect on our business, financial condition and results of operations.

Federal Anti-Kickback Statute

We are subject to the federal Anti-Kickback Statute for services reimbursable by government healthcare programs. The Anti-Kickback Statute is broadly worded and prohibits the knowing and willful offer, payment, solicitation or receipt of any form of remuneration in return for, or to induce, (i) the referral of a person covered by Medicare, Medicaid or other governmental programs, (ii) the furnishing or arranging for the furnishing of items or services reimbursable under Medicare, Medicaid or other governmental programs or (iii) the purchasing, leasing or ordering or arranging or recommending purchasing, leasing or ordering of any item or service reimbursable under Medicare, Medicaid or other governmental programs. Certain federal courts have held that the Anti-Kickback Statute can be violated if "one purpose" of a payment is to induce referrals. In addition, a person or entity does not need to have actual knowledge of this statute or specific intent to violate it to have committed a violation, making it easier for the government to prove that a defendant had the requisite state of mind or "scienter" required for a violation. Moreover, the government may assert that a claim including items or services resulting from a violation of the Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the FCA, as discussed below. Violations of the federal Anti-Kickback Statute may result in civil monetary penalties up to $105,563 for each violation, plus up to three times the remuneration involved. Civil penalties for such conduct can further be assessed under the FCA. Violations of the federal Anti-Kickback Statute can also result in criminal penalties, including criminal fines of more than $100,000 and imprisonment of up to 10 years. Similarly, violations can result in exclusion from participation in government healthcare programs, including Medicare and Medicaid. Imposition of any of these remedies could have a material adverse effect on our business, financial condition and results of operations, if in the future we provide services reimbursable by government healthcare programs. In addition to a few statutory exceptions, the Office of Inspector General ("OIG") has published safe-harbor regulations that outline categories of activities that are deemed protected from prosecution under the Anti-Kickback Statute provided all applicable criteria are met. The failure of a financial relationship to meet all of the applicable safe harbor criteria does not necessarily mean that the particular arrangement violates the Anti-Kickback Statute. However, conduct and business arrangements that do not fully satisfy each applicable safe harbor may result in increased scrutiny by government enforcement authorities, such as the OIG.

False Claims Act

Both federal and state government agencies have continued civil and criminal enforcement efforts as part of numerous ongoing investigations of healthcare companies and their executives and managers. Although there are a number of civil and criminal statutes that can be applied to healthcare providers, a significant number of these investigations involve the FCA. These investigations can be initiated not only by the government but also by a private party asserting direct knowledge of fraud. These "qui tam" whistleblower lawsuits may be initiated against any person or entity alleging such person or entity has knowingly or recklessly presented, or caused to be presented, a false or fraudulent request for payment from the federal government or has made a false statement or used a false record to get a claim approved. In addition, the improper retention of an overpayment for 60 days or more is also a basis for an FCA action, even if the claim was originally submitted appropriately. Penalties for FCA violations include fines ranging from $13,508 to $27,018 for each false claim, plus up to three times the amount of damages sustained by the federal government. An FCA violation may provide the basis for exclusion from the federally funded healthcare programs.

State Fraud and Abuse Laws

Several states in which we operate have also adopted or may adopt similar self-referral, anti-kickback, fraud, whistleblower and false claims laws as described above. The scope of these laws and the interpretations of them vary by jurisdiction and are enforced by local courts and regulatory authorities, each with broad discretion. Some state fraud and abuse laws apply to items or services reimbursed by Medicaid programs and any third-party payer, including commercial insurers or to any payer, including to funds paid out of pocket by a patient. A determination of liability under such state fraud and abuse laws could result in fines and penalties and restrictions on our ability to operate in these jurisdictions.

Other Healthcare Laws

FCA established several separate criminal penalties for making false or fraudulent claims to insurance companies and other non-governmental payers of healthcare services. Under FCA, these two additional federal crimes are: "Healthcare Fraud" and "False Statements Relating to Healthcare Matters." The Healthcare Fraud statute prohibits knowingly and recklessly executing a scheme or artifice to defraud any healthcare benefit program, including private payers. A violation of this statute is a felony and may result in fines, imprisonment, or exclusion from government sponsored programs. The False Statements Relating to Healthcare Matters statute prohibits knowingly and willfully falsifying, concealing, or covering up a material fact by any trick, scheme or device or making any materially false, fictitious, or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items, or services. A violation of this statute is a felony and may result in fines or imprisonment. This statute could be used by the government to assert criminal liability if a healthcare provider knowingly fails to refund an overpayment. These provisions are intended to punish some of the same conduct in the submission of claims to private payers as the federal False Claims Act covers in connection with governmental health programs. In addition, the Civil Monetary Penalties Law imposes civil administrative sanctions for, among other violations, inappropriate billing of services to federally funded healthcare programs and employing or contracting with individuals or entities who are excluded from participation in federally funded healthcare programs. Moreover, a person who offers or transfers to a Medicare or Medicaid beneficiary any remuneration, including waivers of copayments and deductible amounts (or any part thereof), that the person knows or should know is likely to influence the beneficiary's selection of a particular provider, practitioner or supplier of Medicare or Medicaid payable items or services may be liable for civil monetary penalties of up to $10,000 for each wrongful act. Furthermore, in certain cases, providers who routinely waive copayments and deductibles for Medicare and Medicaid beneficiaries can also be held liable under the Anti-Kickback Statute and civil False Claims Act, which can impose additional penalties associated with the wrongful act. One of the statutory exceptions to the prohibition is non-routine, unadvertised waivers of copayments or deductible amounts based on individualized determinations of financial need or exhaustion of reasonable collection efforts. The OIG emphasizes, however, that this exception should only be used occasionally to address special financial needs of a particular patient. Although this prohibition applies only to federal healthcare program beneficiaries, the routine waivers of copayments and deductibles offered to patients covered by commercial payers may implicate applicable state laws related to, among other things, unlawful schemes to defraud, excessive fees for services, tortious interference with patient contracts, and statutory or common law fraud.

U.S. State and Federal Health Information Privacy and Security Laws

There are numerous U.S. federal and state laws and regulations related to the privacy and security of personal information, including health information. In particular, HIPAA imposes a number of requirements on covered entities and their business associates relating to the use, disclosure and safeguarding of protected health information.

These requirements include uniform standards of common electronic healthcare transactions; privacy and security regulations; and unique identifier rules for employers, health plans and providers. In addition, the Health Information Technology for Economic and Clinical Health Act, or HITECH, provisions of the American Recovery and Reinvestment Act of 2009 and corresponding implementing regulations have imposed additional requirements on the use and disclosure of protected health information such as additional breach notification and reporting requirements, contracting requirements for HIPAA business associate agreements, strengthened enforcement mechanisms and increased penalties for HIPAA violations. Federal consumer protection laws may also apply in some instances to privacy and security practices related to personal information.

Regulatory expectations regarding administrative, technical, and physical safeguards continue to evolve, including through regulatory guidance and proposed updates to HIPAA security requirements.

Violations of HIPAA may result in civil and criminal penalties. However, a single breach incident can result in violations of multiple standards, including privacy, security, and breach notification requirements. Our management responsibilities to TPN and the PC entities include assisting it with its obligations under HIPAA's breach notification rule. Under the breach notification rule, covered entities must notify affected individuals without unreasonable delay and no later than 60 days following the discovery of a breach of unsecured protected health information ("PHI"), which may compromise the privacy, security or integrity of the PHI. In addition, notification must be provided to the U.S. Department of Health and Human Services ("HHS") and the local media in cases where a breach affects more than 500 individuals. Breaches affecting fewer than 500 individuals must be reported to HHS on an annual basis. HIPAA also requires a business associate to notify its covered entity customers of breaches by the business associate. State attorneys general may also enforce HIPAA violations, and overlapping state laws may impose additional obligations.

State attorneys general also have the right to prosecute HIPAA violations committed against residents of their states. While HIPAA does not create a private right of action that would allow individuals to sue in civil court for a HIPAA violation, its standards have been used as the basis for the duty of care in state civil suits, such as those for negligence or recklessness in misusing personal information. In addition, HIPAA mandates that HHS conduct periodic compliance audits of HIPAA covered entities and their business associates for compliance. It also tasks HHS with establishing a methodology whereby harmed individuals who were the victims of breaches of unsecured PHI may receive a percentage of the civil monetary penalty fine paid by the violator. In light of the HIPAA Omnibus Final Rule, recent enforcement activity, and statements from HHS, we expect increased federal and state HIPAA privacy and security enforcement efforts.

Many states in which we operate and in which our patients reside also have laws that protect the privacy and security of sensitive and personal information, including health information. Moreover, state laws may be similar to or even more protective than HIPAA and other federal privacy laws. For example, the laws of the State of California, in which we operate, are more restrictive than HIPAA. Where state laws are more protective/restrictive than HIPAA, we must comply with the state laws we are subject to, in addition to HIPAA. In certain cases, it may be necessary to modify our existing or planned operations and procedures to comply with these more stringent state laws. Not only may some of these state laws impose fines and penalties upon violators, but, unlike HIPAA, some may afford private rights of action to individuals who believe their personal information has been misused. In addition, state laws could change rapidly, and there is currently a new federal privacy law or federal breach notification law under consideration to which we may be subject.

In addition to HIPAA and state health information privacy laws, we may be subject to other state and federal privacy laws, including laws that prohibit unfair privacy and security acts or practices and deceptive statements about privacy and security and laws that place specific requirements on certain types of activities, such as data security and texting. The FTC and states' attorneys general have brought enforcement actions and prosecuted some data breach cases as unfair and/or deceptive acts or practices under the FTC Act and similar state laws. Further, the California Consumer Protection Act of 2018 (the "CCPA"), which took effect in 2020 and to which we are subject, imposes obligations and restrictions on businesses regarding their collection, use, and sharing of personal information and provides new and enhanced data privacy rights to California residents, such as affording them the right to access and delete their personal information and to opt out of certain sharing of personal information. Additionally, the California Privacy Rights Act ("CPRA"), which came into effect on January 1, 2023, significantly amends and expands the CCPA, including by providing consumers with additional rights with respect to their personal information. The CPRA also creates a new state agency that will be vested with authority to implement and enforce the CCPA and the CPRA. Laws similar to the CCPA and CPRA have passed in Colorado, Connecticut, Iowa, Indiana, Montana, Tennessee, Texas, Oregon, Utah, Virginia, and Washington and are expected in other states and at the federal level, reflecting a trend toward more stringent privacy legislation in the United States.

In addition, certain states have adopted or may adopt laws that regulate consumer health data specifically and may impose requirements beyond those applicable to other categories of personal information. In recent years, there have been a number of well publicized data breaches involving the improper use and disclosure of personal information and PHI. Many states have responded to these incidents by enacting laws requiring holders of personal information to maintain safeguards and to take certain actions in response to a data breach, such as providing prompt notification of the breach to affected individuals and state officials and providing credit monitoring services and/or other relevant services to impacted individuals. In addition, under HIPAA, breach notification laws and pursuant to the related contracts that we enter into with our customers who are covered entities, we must report breaches of unsecured PHI to our customers following discovery of the breach. Notification must also be made in certain circumstances to affected individuals, federal authorities and others.

Intellectual Property

It is important to our business that we establish intellectual property and maintain, protect and enforce our intellectual property rights. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as confidentiality procedures and contractual provisions and other legal rights to establish and enforce our brand, proprietary technology and other intellectual property rights.

Through March 13, 2026, the Company has been approved for one patent in the United States related to “System and Method in Monitoring Engagement” which relates to the tracking of therapeutic progress between therapist and customer. We also have one patent that is pending and several other provisional applications in the United States. We intend to continue to apply for additional patents relating to our software and technology. We cannot assure whether any of our patent applications will result in the issuance of a patent or whether the examination process will require us to narrow our claims.

Sentia AI, LLC is Talkspace’s wholly-owned subsidiary dedicated to proprietary AI development. “Sentia” refers to Talkspace’s behavioral-health-focused large language model (“LLM”) that Talkspace intends to utilize in future products, primarily where a member has a conversation with an agent. Other products that may use the LLM could be using the model in other healthcare systems, creating a special condition-based agent, or other use cases. Sentia is also the name of the user-facing product, currently in beta testing, that enables people to chat with the Sentia LLM about their mental health and well-being (the “Sentia Project”). The Sentia Project incorporates several other subsystems, including risk models, quality models, and the quality management system. Talkspace has developed a proprietary Clinical Quality Model to evaluate the quality of the content the Sentia LLM produces. More specifically, we use this algorithm to assess the Sentia LLM’s alignment with what a well-trained, skilled, and licensed therapist would say in a given clinical setting — recognizing that the Sentia Project is not therapy and is not intended to diagnose, treat, cure, or prevent any disease. The Sentia Project instead utilizes five distinct risk algorithms to automatically assess the potential presence of clinical risk based on the user’s asynchronous communications with the model. At this point, the system can flag chat sessions needing elevated therapy service.

We own and use trademarks and service marks on or in connection with our business and services, including both registered marks and unregistered trademarks in the United States. In addition, we rely on other forms of intellectual property protection including trade secrets, know-how and other unpatented proprietary processes, in each case in support of our business. We make efforts to maintain and protect our intellectual property and the proprietary aspects of our products and technologies, including through the use of nondisclosure agreements and the monitoring of our competitors. Although we take steps to protect our trade secrets and know-how, third parties may independently develop or otherwise gain access to our trade secrets and know-how by lawful means. We require our employees, consultants and certain of our contractors to execute confidentiality agreements in connection with their employment or consulting relationships with us but we cannot guarantee that we have executed such agreements with all applicable counterparties. Furthermore, these agreements may be breached, and we may not have an adequate remedy for any such breach. We also require our employees and consultants to disclose and assign to us inventions conceived during the term of their employment or engagement while using our property or which relate to our business. We also license certain intellectual property rights that are used in our business from third parties.

From time to time, we may become involved in legal proceedings relating to intellectual property arising in the ordinary course of our business, including opposition to our applications for patents, trademarks, challenges to the validity of our intellectual property rights, and claims of intellectual property infringement. We are not presently a party to any such legal proceedings that, in the opinion of our management, would individually or taken together have a material adverse effect on our business, financial condition, results of operations or cash flows.

Additional Information

The Company's principal place of business is at 622 Third Avenue, New York, NY 10017 and its telephone number is (212) 284-7206. The Company's website address is talkspace.com. The Company makes available free of charge on the investors section of its website the Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements and other SEC filings and all amendments to those reports filed or furnished to the SEC pursuant to Section 13(a), 14 or 15(d) of the Exchange Act, as soon as reasonably practicable after we file or furnish such materials to the SEC. The SEC also maintains a website (www.sec.gov) that contains these reports, proxy, information statements and other information. The information on our website is not, and will not be deemed to be, a part of this Annual Report on Form 10-K or incorporated into any of our other filings with the SEC, except where we expressly incorporated such information.

Item 1A. RISK FACTORS

In the course of conducting our business operations, we are exposed to a variety of risks. Any of the risk factors we describe below have affected or could materially adversely affect our business, financial condition and results of operations. Certain statements in "Risk Factors" are forward-looking statements, see "Forward-Looking Statements" in Part II Item 7.

Unless the context otherwise requires, all references in this subsection as to "Talkspace," the "Company," "we," "us" or "our" refer to the business of Talkspace, Inc. and its consolidated subsidiaries.

SUMMARY RISK FACTORS

The following is a summary of the material risks known to us. Please carefully consider the following risk factors together with all other information included in this Form 10-K and our other publicly filed documents when investing in our common stock.

Risks Related to the Pending Merger with Universal Health Services, Inc.

- The announcement and pendency of the Merger may result in disruptions to our business, divert management's attention, disrupt our relationships with third parties and employees, and result in negative publicity, customer concerns, or legal proceedings, any of which could negatively impact our operating results and ongoing business.
- Failure to complete the Merger could negatively impact our stock price and future business. The Merger is subject to several closing conditions, including the approval by our stockholders, regulatory clearances, and other customary closing conditions, which may not be satisfied at all or in the anticipated timeframe.
- The Merger Agreement contains provisions that limit our ability to pursue alternative transactions and may require us to pay a substantial termination fee.
- We may be targets of securities class action and derivative lawsuits, which could result in substantial costs and may prevent or delay consummation of the Merger, divert management's attention, and otherwise materially harm our business.
- We have incurred, and will continue to incur, significant direct and indirect costs as a result of the Merger.
- If the Merger is not consummated, our stock price may decline, and we will have incurred substantial costs.

Risks Related to our Operating Results

- We may not grow at the rates we historically have achieved or at all, even if our key metrics may indicate growth, and we may experience difficulties in managing our growth and expanding our operations, which could have a material adverse effect on the market price of our common stock.

Risks Related to our Business and Industry

- Rapid technological change in our industry presents us with significant risks and challenges.
- We operate in a competitive industry, and if we are not able to compete effectively, our business, financial condition and results of operations will be harmed.
- We derive a material portion of our revenue from our largest customers. The loss, termination, or renegotiation of any contract with such customers could negatively impact our results.
- If we are unable to secure customers' contract renewals, our business, financial condition and results of operations will be harmed.
- The future growth and profitability of our business will depend in large part upon the effectiveness and efficiency of our marketing efforts, and our ability to develop brand awareness cost-effectively.
- We may be unsuccessful in achieving broad market education and changing consumer purchasing habits.
- Our growth depends in part on the success of our strategic relationships with third parties that we provide services to.

- Our virtual behavioral healthcare strategies depend on our ability to maintain and expand our network of therapists, psychiatrists and other providers. If we are unable to do so, our future growth would be limited and our business, financial condition and results of operations would be harmed.
- Developments affecting spending by the healthcare industry could adversely affect our business.
- Negative media coverage and social media engagement could adversely affect our business.
- We may become subject to medical liability claims, which could cause us to incur significant expenses and may require us to pay significant damages if not covered by insurance.
- A decline in the prevalence of enterprise-sponsored healthcare or the emergence of new technologies may adversely impact our DTE business or require us to expend significant resources in order to remain competitive.
- We rely on third-party platforms such as the Apple App Store and the Google Play App Store, to distribute our platform and offerings.
- We rely on data center providers, Internet infrastructure, bandwidth providers, third-party computer hardware and software, other third parties and our own systems for providing services to our customers and members, and any failure or interruption in the services provided by these third parties or our own systems could expose us to litigation and negatively impact our relationships with customers and members, adversely affecting our brand and our business.
- We and our third-party vendors have experienced cybersecurity incidents from time to time. If our or our vendors' security measures fail or are breached in the future and unauthorized access to a customer's data or information systems is obtained, our services may be perceived as insecure, we may incur significant liabilities, our reputation may be harmed, and we could lose sales, customers and members.
- There may be adverse tax, legal and other consequences if the employment status of providers on our platform is challenged.
- Changes in consumer sentiment or laws, rules or regulations regarding the use of cookies, and other tracking technologies and other privacy matters could have a material adverse effect on our ability to generate net revenues and could adversely affect our ability to collect proprietary data on consumer behavior.
- Certain U.S. state and local tax authorities may assert that we have a nexus with such states or localities and may seek to impose state and local income taxes on our income allocated to such state and localities and assert we are required to collect sales and use taxes.
- Our ability to use our net operating losses and certain other attributes may be subject to certain limitations.
- We depend on our senior management team, and the loss of one or more of our executive officers or key employees or an inability to attract and retain highly skilled employees could adversely affect our business.
- We may acquire other companies or technologies, which could divert our management's attention, result in dilution to our stockholders and otherwise disrupt our operations and we may have difficulty integrating any such acquisitions successfully or realizing the anticipated benefits therefrom, any of which could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to our Legal and Regulatory Environment

- Our business could be adversely affected by legal challenges to our business model or by actions restricting our ability to provide the full range of our services in certain jurisdictions.
- Evolving government regulations may result in increased costs or adversely affect our results of operations.
- We are dependent on our relationships with affiliated professional entities, which we do not own, to provide physician and other professional services, and our business, financial condition and our ability to operate in certain jurisdictions would be adversely affected if those relationships were disrupted or if our arrangements with our providers or customers are found to violate state laws prohibiting the corporate practice of medicine or fee splitting.
- The impact on us of ongoing healthcare legislation and other changes in the healthcare industry and in healthcare spending is currently unknown, but may adversely affect our business, financial condition and results of operations.
- We conduct business in a heavily regulated industry and if we fail to comply with these laws and government regulations, we could incur penalties or be required to make significant changes to our operations or experience adverse publicity, which could have a material adverse effect on our business, financial condition, and results of operations.

- Our use and disclosure of personal information, including protected health information ("PHI"), personal data, and other health information, is subject to state, federal or other privacy and security regulations, and our failure to comply with those regulations or to adequately secure the information we hold could result in significant liability or reputational harm and, in turn, a material adverse effect on our customer base and member bases and revenue.
- We may be exposed to compliance obligations and risks under anti-corruption, export controls and economic sanctions laws and regulations of the United States and applicable non-U.S. jurisdictions, and any instances of noncompliance could have a material adverse effect on our reputation and the results of our operations.

Risks Related to our Intellectual Property

- Any failure to protect, enforce or defend our intellectual property rights could impair our ability to protect our technology and our brand.
- Third parties may challenge the validity of our trademarks and patents or oppose trademark and patent applications. Companies with other patents could require us to stop using or pay to use required technology.
- We could incur substantial costs as a result of any claim of infringement of another party’s intellectual property rights.
- Our proprietary software may not operate properly, which could damage our reputation, give rise to claims against us or divert application of our resources from other purposes, any of which could harm out business, financial conditions and results of operations.
- We may enter into collaborations, in-licensing arrangements, joint ventures, strategic alliances or partnerships with third-parties that may not result in the development of commercially viable solutions or the generation of significant future revenues.

Risks Related to Ownership of our Common Stock, our Warrants and Operating as a Public Company

- If we fail to maintain effective internal control over financial reporting in the future, our ability to produce accurate and timely financial statements could be impaired, which may adversely affect investor confidence in us and, as a result, the value of our common stock.
- Future sales and resales of our common stock may cause the market price of our securities to drop significantly, even if our business is doing well.
- An investor's percentage of ownership in the Company may be diluted in the future.
- We do not intend to pay cash dividends for the foreseeable future.
- You may only be able to exercise your public warrants on a “cashless basis” under certain circumstances, and if you do so, you will receive fewer shares of common stock from such exercise than if you were to exercise such warrants for cash.
- We may amend the terms of the warrants in a manner that may be adverse to holders of public warrants with the approval by the holders of at least 50% of the then outstanding public warrants. As a result, the exercise price of your warrants could be increased, the exercise period could be shortened and the number of common stock purchasable upon exercise of a warrant could be decreased, all without your approval.
- The Warrant Agreement designates the courts of the State of New York or the United States District Court for the Southern District of New York as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by holders of our warrants, which could limit the ability of warrant holders to obtain a favorable judicial forum for disputes with us.
- We may redeem your unexpired warrants prior to their exercise at a time that is disadvantageous to you, thereby making your warrants worthless.

RISKS RELATED TO THE PENDING MERGER WITH UNIVERSAL HEALTH SERVICES, INC.

The announcement and pendency of the Merger may result in disruptions to our business, divert management's attention, disrupt our relationships with third parties and employees any of which could negatively impact our operating results and ongoing business.

The Merger Agreement generally requires us to operate our business in the ordinary course, consistent with past practices, subject to certain exceptions, including as required by applicable law, pending consummation of the Merger, and restricts us from taking certain actions without UHS's consent until the Merger is completed or the Merger Agreement is terminated in accordance with its terms. These limitations include, among other things, restrictions on our ability to acquire other businesses and assets, dispose of our assets, enter into certain contracts, repurchase or issue securities, pay dividends, make capital expenditures, take certain actions relating to intellectual property, amend our organizational documents, and incur indebtedness. These restrictions may prevent us from pursuing strategic business opportunities, making new significant capital expenditures, or reacting to changing market conditions and may affect our ability to execute our business strategies and attain financial and other goals and may impact our financial condition, results of operations and cash flows.

The proposed Merger could cause disruptions to our business or business relationships with our existing and potential Payors, enterprise clients customers, other business partners and therapy providers, and this could have an adverse impact on our results of operations. Parties with which we have business relationships may experience uncertainty as to the future of such relationships and may delay or defer certain business decisions, seek alternative relationships with third parties, or seek to negotiate changes or alter their present business relationships with us. Parties with whom we otherwise may have sought to establish business relationships may seek alternative relationships with third parties.

In connection with the pending Merger, our current and prospective employees may experience uncertainty about their future roles with us following the Merger, which may materially adversely affect our ability to attract and retain key personnel and other employees while the Merger is pending. Key employees may depart because of issues relating to the uncertainty or a desire not to remain with us following the Merger, and may depart prior to the consummation of the Merger. Accordingly, no assurance can be given that we will be able to attract and retain key employees to the same extent that we have been able to in the past.

The pursuit of the Merger may place a significant burden on management and internal resources, which may have a negative impact on our ongoing business. It may also divert management's time and attention from the day-to-day operation of our remaining businesses and the execution of our other strategic initiatives. This could adversely affect our financial results. In addition, we have incurred and will continue to incur other costs, expenses, and fees for professional services and other transaction costs in connection with the proposed Merger.

Any of the foregoing, individually or in combination, could materially and adversely affect our business, our financial condition and our results of operations and prospects.

Failure to complete the Merger could negatively impact our stock price and future business. The Merger is subject to several closing conditions, including the approval by our stockholders, regulatory clearances, and other customary closing conditions, which may not be satisfied at all or in the anticipated timeframe.

Under the terms of the Merger Agreement, the completion of the Merger is subject to customary conditions. Satisfaction of certain of the conditions is not within our control, and difficulties in otherwise satisfying the conditions may prevent, delay or otherwise materially adversely affect the consummation of the Merger. It also is possible that an event, occurrence, revelation or development of a state of circumstances or facts since the date of the Merger Agreement may have or reasonably be expected to have a "Material Adverse Effect" (as defined in the Merger Agreement) on us, the non-occurrence of which is a condition to the consummation of the Merger. We cannot predict with certainty whether and when any of the required conditions will be satisfied (or waived, if applicable). If the Merger does not receive, or timely receive, the required regulatory approvals and clearances, including antitrust clearance under the HSR Act or approval under state healthcare laws, or if another event occurs delaying or preventing the Merger, such delay or failure to complete the Merger may create uncertainty or otherwise have negative consequences that may materially and adversely affect our financial condition and results of operations, as well as the price per share for our common stock. If the Merger is not completed within the expected timeframe or at all, we may be subject to a number of material risks, including:

- Our stock price may decline significantly, as the current market price may reflect the market assumption that the Merger will be completed and, thus, an "acquisition premium".
- The market's perception of our ability to remain an independent, viable competitor in the virtual behavioral health space may be diminished.

- We may experience negative publicity and/or reactions from our investors, Payors, enterprise clients customers, other business partners, therapy providers and employees.

The Merger Agreement contains provisions that limit our ability to pursue alternative transactions and may require us to pay a substantial termination fee.

The Merger Agreement includes "no-shop" restrictions that prohibit us from soliciting alternative takeover proposals from third parties or engaging in discussions regarding such proposals, subject to limited fiduciary exceptions. If the Merger Agreement is terminated under specified circumstances, including if the Board changes its recommendation or if we terminate the agreement to enter into a "Superior Proposal" (as defined in the Merger Agreement), we will be required to pay UHS a termination fee of $32.4 million. These provisions could discourage potential third-party acquirers from proposing a transaction that might be more favorable to our stockholders.

We may be targets of securities class action and derivative lawsuits, which could result in substantial costs and may prevent or delay consummation of the Merger, divert management's attention, and otherwise materially harm our business.

Public companies and their directors often face security class action and derivative lawsuits after having entered into acquisition, merger, or other business combination agreements like the Merger Agreement. Among other remedies, the plaintiffs in these lawsuits may seek damages or to enjoin the Merger. There can be no assurances that we will be successful in the outcome of any lawsuits challenging the Merger.

Regardless of the outcome of any pending or future litigation related to the Merger, such litigation can be costly, time-consuming, may distract our management from running the day-to-day operations of our business and could delay the completion of the Merger, which could prevent the Merger from becoming effective, or otherwise negatively impact our business, operating results and financial condition.

We have incurred, and will continue to incur, significant direct and indirect costs as a result of the Merger.

We have already incurred, and expect to continue to incur, substantial non-recurring costs in connection with the Merger. These costs include:

- Advisory and Professional Fees: Significant financial advisory, legal, and accounting fees that are payable regardless of whether the Merger is consummated.
- Employee Retention and Compensation: Costs associated with retention bonuses or other payments to key executives and employees to ensure business continuity through the expected completion of the Merger in the third quarter of 2026.
- Diversion of Resources: Significant management time and internal resources have been, and will continue to be, diverted from our long-term strategic plan (such as expanding our Payor network) to focus on the merger integration and regulatory approvals.

These expenses will reduce our cash reserves and could adversely affect our financial condition and results of operations in the quarters leading up to the completion of the Merger. If the Merger is not completed, we will have spent significant sums without realizing any of the benefits of the transaction.

If the Merger is not consummated, our stock price may decline, and we will have incurred substantial costs.

If the Merger is not completed for any reason, we will remain an independent public company. In such an event:

- Market Price: Our stock price may decline to the extent that the current market price reflects the market assumption that the Merger will be completed and, thus, an "acquisition premium".
- Transaction Costs: We will have incurred significant legal, financial, and advisory fees regardless of whether the Merger closes, diverting significant resources from other strategic opportunities and ongoing business activities without realizing the anticipated benefits of the Merger.
- Reputational Damage: Failure to complete the Merger could result in negative perceptions among investors and employees.

RISKS RELATED TO OUR OPERATING RESULTS

We may not grow at the rates we historically have achieved or at all, even if our key metrics may indicate growth, and we may experience difficulties in managing our growth and expanding our operations, which could have a material adverse effect on the market price of our common stock.

We have experienced significant growth in the last several years, and therefore our recent revenue growth rate and financial performance should not be considered indicative of our future performance. From 2023 to 2024 and 2024 to 2025, our revenue grew at a compound annual rate of 25.0% and 22.0%, respectively. You should not rely on our revenue or key business metrics for any previous quarterly or annual period as any indication of our revenue, revenue growth, key business metrics, or key business metrics growth in future periods. In particular, our revenue growth rate has fluctuated in prior periods. Even if our key metrics suggest potential growth, we may not continue to grow our revenue or generate net income.

Our future growth will depend, in part, on our ability to grow our revenue from existing customers and members, to acquire potential future customers and members, especially our Payor and DTE customers, and to expand our customer, member and provider bases. We can provide no assurances that we will be successful in executing on these growth strategies. Our ability to execute on our existing sales pipeline, create additional sales pipelines, and expand our customer and member bases depends on, among other things, the attractiveness of our services relative to those offered by our competitors, our ability to demonstrate the value of our existing and future services, and our ability to attract and retain a sufficient number of qualified sales and marketing leadership and support personnel. In addition, our existing customers and members may be slower to adopt our services than we currently anticipate, which could adversely affect our results of operations and growth prospects.

Moreover, managing growth and expanding our operations will require us to continue to improve our operational, financial and management controls, compliance programs and reporting systems. We may not be able to implement improvements in an efficient or timely manner and may discover deficiencies in existing controls, programs, systems and procedures, which could have an adverse effect on our business, reputation and financial results. If we fail to maintain effective internal control over financial reporting in the future, our ability to produce accurate and timely financial statements could be impaired, which may adversely affect investor confidence in us and, as a result, the value of our common stock. Additionally, rapid growth in our business may place a strain on our human and capital resources as well as our systems and controls. Any inability to effectively scale our operations or maintain robust controls could materially and adversely affect our business, financial condition, results of operations, and the market price of our common stock.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Rapid technological change in our industry presents us with significant risks and challenges.

The virtual behavioral health market is characterized by rapid technological change, changing consumer requirements, short product lifecycles and evolving industry standards. Currently, the virtual behavioral health sector is undergoing a transformation in technological capabilities. As LLMs and ML architectures evolve at an unprecedented pace, market leadership depends on the ability to integrate next-generation intelligence that anticipates—rather than just reacts to—changing consumer needs. Our success is tethered to our agility: we must not only refine our current ecosystem but aggressively pioneer and acquire the breakthrough technologies that define the future of clinical engagement.

Sentia AI, LLC, our wholly-owned subsidiary focused on proprietary AI development, has created a behavioral-health-specialized LLM named “Sentia” designed to power the next generation of member-agent interactions. Sentia currently exists as a beta-tested, user-facing interface product where members engage with our LLM regarding their mental well-being. This model does not replace clinicians but extends their reach, adhering to strict clinical standards while identifying millions of new users who may require human intervention. While we believe this integration will enhance member engagement and reduce clinician burnout, the cost of compute resources associated with LLMs may impact our technology and development expenses. Furthermore, if the AI-generated outputs fail to meet clinical or regulatory standards, it could result in increased liability or decreased user trust, reputational harm, additional regulatory scrutiny, and reduced demand for our services.

There is no guarantee that we will be able to utilize our resources successfully and avoid technological or market obsolescence. Further, there can be no assurance that advancements in artificial intelligence and machine-learning by one or more of our competitors or future competitors, will not result in our present or future software-based products and services becoming uncompetitive or obsolete.

We operate in a competitive industry, and if we are not able to compete effectively, our business, financial condition and results of operations will be harmed.

The virtual behavioral health market is competitive, and we expect it to attract increased competition, which could make it difficult for us to succeed. We currently face competition from a range of companies, including specialized software and solution providers that offer similar solutions and that are continuing to develop additional products and becoming more sophisticated and effective. These competitors include Teladoc Health, Inc., Lyra Health, Inc., American Well Corp., and Spring Care, Inc., among other small industry participants.

In addition, large, well-financed health systems and health plans have in some cases developed their own telehealth and teletherapy tools and may provide these solutions to their consumers at discounted prices. Competition may also increase from large technology companies, such as Apple, Meta, Google, Verizon, or Microsoft, who may wish to develop their own virtual behavioral health solutions, as well as from large retailers like Walmart. Competition from large software companies or other specialized solution providers, health systems and health plans, communication tools and other parties could result in continued pricing pressures, which is likely to lead to price declines in certain product segments, which could negatively impact our sales, profitability and market share.

Some of our competitors have greater name recognition, longer operating histories and significantly greater resources than we do. Further, our current or potential competitors may be acquired by third parties with greater available resources. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or consumer requirements and may have the ability to initiate or withstand substantial price competition. In addition, current and potential competitors have established, and may in the future establish, cooperative relationships with vendors of complementary products, technologies or services to increase the availability of their solutions in the marketplace. Accordingly, new competitors or alliances may emerge that have greater market share, a larger consumer base, more widely adopted proprietary technologies, greater marketing expertise, greater financial resources and larger sales forces than we have, which could put us at a competitive disadvantage.

We also expect our competitors to continue to improve their technology infrastructure, including with the use of AI and ML solutions, to interact with customers, members and insurance companies, sell their services, utilize (and even monetize) their data and support and grow their customer base. Our ability to innovate our own technology infrastructure and appropriately address user experience will affect our ability to compete. In addition, new developments in cloud computing, AI, and machine learning have made it easier to enter our markets due to lower up-front technology costs.

Many healthcare provider organizations are consolidating to create integrated healthcare delivery systems with greater market power. As provider networks and managed care organizations consolidate, thus decreasing the number of market participants, competition to provide products and services like ours could become more intense, and the importance of establishing and maintaining relationships with key industry participants could increase. These industry participants may try to use their market power to negotiate price reductions for our products and services. In light of these factors, even if our solution is more effective than those of our competitors, current or potential customers and members may accept competitive solutions in lieu of purchasing our solution. If we are unable to successfully compete in the virtual behavioral health market, our business, financial condition and results of operations could be materially adversely affected.

We derive a material portion of our revenue from our largest customers. The loss, termination, or renegotiation of any contract with such customers could negatively impact our results.

We derive a material portion of our revenue from our largest customers. The loss, termination, or renegotiation of any contract with such customers could negatively impact our results. For the year ended December 31, 2025, four customers each represented 10% or more of the Company’s total revenue. For the year ended December 31, 2024, three customers each represented 10% or more of the Company’s total revenue. The loss of business from any of the Company’s significant customers, as a result of competition, customer needs, or other factors beyond the Company’s control, could have a material adverse effect on our business, financial condition and results of operations.

Because we rely on a limited number of our largest customers for a material portion of our revenue, we depend on the creditworthiness of these customers. If the financial condition of our customers declines, our credit risk could increase. Should one or more of our significant customers declare bankruptcy, be declared insolvent, or otherwise be restricted by state or federal laws or regulation from continuing in some or all of their operations, this could adversely affect our ongoing revenue, the collectability of our accounts receivable, affect our bad debt reserves and negatively impact our net income.

If we are unable to secure customers' contract renewals, our business, financial condition and results of operations will be harmed.

We currently generate a significant portion of our revenues from our Payor and DTE customers. Payor contracts include annual evergreen clauses and generally may be terminated by either party typically upon advance notice per the terms of the contract. DTE contracts are one to three years in length. Consumer subscriptions generally have stated initial terms of one-to-six months and members may cancel their subscription at any time and will receive a pro-rata refund for the subscription price. Most of our customers and members have no obligation to renew their subscriptions for our services after the initial term expires. In addition, our customers may negotiate terms that are less advantageous to us upon renewal, which may reduce our revenue from these customers. Additionally, our future results of operations depend, in part, on our ability to expand our services and offerings, including broadening our continuum of care. If our customers and members fail to renew their contracts, renew their contracts upon less favorable terms or at lower fee levels or fail to purchase new products and services from us, our revenue may decline or our future revenue growth may be constrained.

Additional factors that could affect our ability to sell products and services include, but are not limited to:

- price, performance and functionality of our solution;
- availability, price, performance and functionality of competing solutions;
- our ability to develop and sell complementary products and services;
- stability, performance and security of our hosting infrastructure and hosting services; and
- changes in healthcare marketing laws, regulations or trends.

Any of these consequences could lower retention and have a material adverse effect on our business, financial condition and results of operations.

The future growth and profitability of our business will depend in large part upon the effectiveness and efficiency of our marketing efforts, and our ability to develop brand awareness cost-effectively.

We believe that developing and maintaining widespread awareness of our brand in a cost-effective manner is critical to achieving widespread adoption of our solution and attracting new customers and members. Our brand promotion activities may not generate consumer awareness or increase revenue, and even if they do, any increase in revenue may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial expenses in doing so, we may fail to attract or retain customers and members necessary to realize a sufficient return on our brand-building efforts or to achieve the widespread brand awareness that is critical for broad adoption of our brands.

We may be unsuccessful in achieving broad market education and changing consumer purchasing habits.

Our success and future growth largely depend on our ability to increase consumer awareness of virtual behavioral therapy in general and our platform and offerings, in particular, and on the willingness of current and potential members to utilize our platform to access information and behavioral health services. We believe the vast majority of consumers make purchasing decisions for behavioral health services on the basis of traditional factors, such as insurance coverage. This traditional decision-making process does not always account for restrictive and complex insurance plans, high deductibles, expensive co-pays and other factors, such as discounts or savings available at alternative therapists or practices. To effectively market our platform, we must educate consumers about the various purchase options and the benefits of using Talkspace for behavioral healthcare, including when such services may not be covered by their health insurance benefits. We focus our marketing and education efforts on potential customers, members and other consumers, but also aim to educate and inform healthcare providers and other participants that interact with consumers, including at the point of purchase. However, we cannot assure you that we will be successful in changing consumer purchasing habits or that we will achieve broad market education or awareness among consumers. Even if we are able to raise awareness among consumers, they may be slow in changing their habits and may be hesitant to use our platform for a variety of reasons.

If we fail to achieve broad market education of our platform and/or the options for purchasing healthcare products and services, or if we are unsuccessful in changing consumer purchasing habits, our business, financial condition and results of operations would be adversely affected.

Our growth depends in part on the success of our strategic relationships with third parties that we provide services to.

In order to grow our business, we anticipate that we will continue to depend on our existing and future relationships with third parties, such as third-party Payor customers, including government agencies, as well as our ability to expand our DTE business. Identifying potential customers, and negotiating and documenting relationships with them, requires significant time and resources. Our competitors may be effective in providing incentives to third parties to favor their products or services or to prevent or reduce subscriptions to, or utilization of, our products and services. In addition, acquisitions of our customers by our competitors could result in a decrease in the number of our current and potential customers and members, as our customers may no longer facilitate the adoption of our applications by potential members. If we are unsuccessful in establishing or maintaining our relationships with third parties that we provide services to, our ability to compete in the marketplace or to grow our revenue could be impaired and our results of operations may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased customer use of our services or increased revenue.

Our virtual behavioral healthcare strategies depend on our ability to maintain and expand our network of therapists, psychiatrists and other providers. If we are unable to do so, our future growth would be limited and our business, financial condition and results of operations would be harmed.

Our success is dependent upon our continued ability to grow and maintain a network of highly trained and qualified therapists, psychiatrists and other providers, especially since our providers are generally not exclusive to our platform. If we are unable to recruit and retain licensed therapists, psychiatrists and other providers, it would have a material adverse effect on our business and ability to grow and would adversely affect our results of operations.

In any particular market, providers could demand higher payments or take other actions that could result in higher medical costs, less attractive service for our customers or members or difficulty meeting regulatory or accreditation requirements.

The ability to develop and maintain satisfactory relationships with providers also may be negatively impacted by other factors not associated with us, such as state therapist or psychiatrist licensing laws and standard of care requirements, and other pressures on healthcare providers and consolidation activity among hospitals, physician groups and healthcare providers. Our failure to maintain or to secure new cost-effective provider contracts may result in a loss of or inability to grow our customer and member bases, higher costs, less attractive services for our customers and members and/or difficulty in meeting regulatory or accreditation requirements, any of which could have a material adverse effect on our business, financial condition and results of operations.

Developments affecting spending by the healthcare industry could adversely affect our business.

The U.S. healthcare industry has changed significantly in recent years, and we expect that significant changes will continue to occur. General reductions in expenditures by healthcare industry participants could result from, among other things:

- government regulations or private initiatives that affect the manner in which healthcare providers interact with patients, payors or other healthcare industry participants, including changes in pricing or means of delivery of healthcare products and services;
- consolidation of healthcare industry participants;
- federal amendments to, lack of enforcement or development of applicable regulations for, or repeal of The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (the “Affordable Care Act” or the “ACA”);
- federal budget proposals and/or approvals impacting funding for government health care programs, such as Medicare and Medicaid; and
- adverse changes in business or economic conditions affecting healthcare payors or providers or other healthcare industry participants.

Any of these changes in healthcare spending could adversely affect our revenue. Even if general expenditures by industry participants remain the same or increase, developments in the healthcare industry may result in reduced spending in some or all of the specific market segments that we serve now or in the future. We cannot assure you that the demand for our solutions and services will continue to exist at current levels or that we will have adequate technical, financial, and marketing resources to react to changes in the healthcare industry.

Negative media coverage and social media engagement could adversely affect our business.

Unfavorable publicity regarding, among others, the healthcare industry, litigation or regulatory activity, the actions of the entities included or otherwise involved in our platform, virtual behavioral health services included on our platform or by other industry participants, our data privacy or data security practices, or our platform could materially adversely affect our reputation. In addition, from time to time, news media outlets have provided negative coverage regarding our platform and privacy practices and any such negative media coverage, regardless of the accuracy of such reporting, may have an adverse impact on our business and reputation, as well as have an adverse effect on our ability to attract and retain customers, members, other consumers, or employees, and result in decreased revenue, which would materially adversely affect our business, financial condition and results of operations.

Our customers and members may engage with us online through our social media pages, including, for example, our presence on Facebook, Instagram and X, by providing feedback and public commentary about all aspects of our business. Information concerning us or our platform and offerings, whether accurate or not, may be posted on social media pages at any time and may have a disproportionately adverse impact on our brand, reputation or business. The harm may be immediate without affording us an opportunity for redress or correction and could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may become subject to medical liability claims, which could cause us to incur significant expenses and may require us to pay significant damages if not covered by insurance.

Our overall business entails the risk of medical liability claims. Although our affiliate, TPN, and our other affiliated professionals carry or will carry insurance covering medical malpractice claims in amounts that we believe are appropriate in light of the risks attendant to the services rendered, successful medical liability claims could result in substantial damage awards that exceed the limits of the insurance coverage. TPN carries professional liability insurance for itself and each of its healthcare professionals (our providers). Additionally, all of our network providers that contract or will contract with TPN separately carry or will carry professional liability insurance for itself and its healthcare professionals. Professional liability insurance is expensive and insurance premiums may increase significantly in the future, particularly as we expand our services through TPN and our affiliated professionals. As a result, adequate professional liability insurance may not be available to TPN and our affiliated professionals in the future at acceptable costs or at all, which may negatively impact TPN and our affiliated professionals to provide services to our members, and thereby adversely affect our overall business and operations.

Any claims made against TPN or our affiliated professionals that are not fully covered by insurance could be costly to defend against, result in substantial damage awards, and divert the attention of our management and our affiliated professional entities from our operations, which could have a material adverse effect on our business, financial condition and results of operations. In addition, any claims may adversely affect our business or reputation.

A decline in the prevalence of enterprise-sponsored healthcare or the emergence of new technologies may adversely impact our DTE business or require us to expend significant resources in order to remain competitive.

The U.S. healthcare industry is massive, with a number of large market participants with conflicting agendas, and it is subject to significant government regulation and is currently undergoing significant change. Some experts have predicted that future healthcare reform will encourage enterprise-sponsored health insurance to become significantly less prevalent as enterprise members migrate to obtain their own insurance over the state-sponsored insurance marketplaces. Were this to occur, there is no guarantee that we would be able to compensate for the loss in revenue from enterprises by increasing sales of our solution to health insurance companies or to individuals or government agencies. In such a case, our results of operations would be adversely impacted.

We rely on third-party platforms such as the Apple App Store and Google Play App Store, to distribute our platform and offerings.

Our apps are accessed and operated through third-party platforms or marketplaces, including the Apple App Store and Google Play App Store, which also serve as significant online distribution platforms for our apps. As a result, the expansion and prospects of our business and our apps depend on our continued relationships with these providers and any other emerging platform providers that are widely adopted by consumers. We are subject to the standard terms and conditions that these providers have for application developers, which govern the content, promotion, distribution and operation of apps on their platforms or marketplaces, and which the providers can change unilaterally on short or no notice.

Our business would be harmed if the providers discontinue or limit our access to their platforms or marketplaces; the platforms or marketplaces decline in popularity; the platforms modify their algorithms, communication channels available to developers, respective terms of service or other policies, including fees; the providers adopt changes or updates to their technology that impede integration with other software systems or otherwise require us to modify our technology or update our apps in order to ensure that consumers can continue to access and use our virtual behavioral health services.

We could be adversely impacted if we fail to create compatible versions of our apps in a timely manner, or if we fail to establish a relationship with such alternative providers. Likewise, if our current providers alter their operating platforms, we could be adversely impacted as our offerings may not be compatible with the altered platforms or may require significant and costly modifications in order to become compatible. If our providers do not perform their obligations in accordance with our platform agreements, we could be adversely impacted.

In the past, some of these platforms or marketplaces have been unavailable for short periods of time. If this or a similar event were to occur on a short- or long-term basis, or if these platforms or marketplaces otherwise experience issues that adversely impact the ability of consumers to download or access our apps and other information, it could have a material adverse effect on our brand and reputation, as well as our business, financial condition and operating results.

We rely on data center providers, Internet infrastructure, bandwidth providers, third-party computer hardware and software, other third parties and our own systems for providing services to our customers and members, and any failure or interruption in the services provided by these third parties or our own systems could expose us to litigation and negatively impact our relationships with customers and members, adversely affecting our brand and our business.

We serve all of our customers and members from third party interconnection and data centers, such as Amazon Web Services. While we control and have access to our servers, we do not control the operation of these facilities. The cloud vendors and the owners of our data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, or if one of our cloud vendors or data center operators is acquired, we may be required to transfer our servers and other infrastructure to a new vendor or a new data center facility, and we may incur significant costs and possible service interruption in connection with doing so. Problems faced by our cloud vendors or third-party data center locations with the telecommunications network providers with whom we or they contract, or with the systems by which our telecommunications providers allocate capacity among their customers, including us, could adversely affect the experience of our customers and members. Our third-party data center operators could decide to close their facilities without adequate notice. In addition, any financial difficulties, such as bankruptcy faced by our cloud vendors or third-party data centers operators or any of the service providers with whom we or they contract may have negative effects on our business, the nature and extent of which are difficult to predict.

Additionally, if our cloud or data center vendors are unable to keep up with our growing needs for capacity, this could have an adverse effect on our business. For example, a rapid expansion of our business could affect the service levels at our cloud vendors or data centers or cause such data centers and systems to fail. Any changes in third-party service levels at our data centers or any disruptions or other performance problems with our solution could adversely affect our reputation and may damage our customers and members' stored files or result in lengthy interruptions in our services. Interruptions in our services may reduce our revenue, cause us to issue refunds to customers and members for prepaid and unused subscriptions, subject us to potential liability or adversely affect customer retention.

In addition, our ability to deliver our Internet-based services depends on the development and maintenance of the infrastructure of the Internet by third parties. This includes maintenance of a reliable network backbone with the necessary speed, data capacity, bandwidth capacity and security. Our services are designed to operate without interruption in accordance with our service level commitments. However, we have experienced, and expect that we may experience in the future, interruptions and delays in services and availability from time to time. In the event of a catastrophic event with respect to one or more of our systems, we may experience an extended period of system unavailability, which could negatively impact our relationship with customers and members.

We also rely on computer hardware purchased and software licensed from third parties in order to offer our services. These licenses are generally commercially available on varying terms. However, it is possible that this hardware and software may not continue to be available on commercially reasonable terms, or at all. Any loss of the right to use any of this hardware or software could result in delays in the provisioning of our services until equivalent technology is either developed by us, or, if available from third parties, is identified, obtained and integrated.

Our ability to rely on these services of third-party vendors could be impaired as a result of the failure of such providers to comply with applicable laws, regulations and contractual covenants. In addition, the occurrence of a natural disaster, power loss, telecommunications failure, data loss, computer virus, an act of terrorism, cyberattack, vandalism or sabotage, act of war or any similar event, or a decision to close our third-party data centers on which we normally operate or the facilities of any other third-party provider without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in the availability of our apps and websites. Certain natural events may become more frequent or intense as a result of climate change. Cloud computing, in particular, is dependent upon having access to an internet connection in order to retrieve data. If a natural disaster, blackout or other unforeseen event were to occur that disrupted the ability to obtain an internet connection, we may experience a slowdown or delay in our operations. While we have some limited disaster recovery arrangements in place, our preparations may not be adequate to account for disasters or similar events that may occur in the future and may not effectively permit us to continue operating in the event of any problems with respect to our systems or those of our third-party data centers or any other third-party facilities. Our disaster recovery and data redundancy plans may be inadequate, and our business interruption insurance may not be sufficient to compensate us for the losses that could occur. If any such event were to occur to our business, our operations could be impaired and our business, financial condition and results of operations may be materially and adversely affected.

We and our third-party vendors have experienced cybersecurity incidents from time to time. If our or our vendors' security measures fail or are breached in the future and unauthorized access to a customer's data or information systems is obtained, our services may be perceived as insecure, we may incur significant liabilities, our reputation may be harmed, and we could lose sales, customers and members.

Our services involve the storage and transmission of our customers' and members' proprietary information, sensitive or confidential data, including valuable intellectual property and personal information of employees, customers, members and others, as well as the PHI of our customers and members. We are subject to laws and regulations relating to the collection, use, retention, security and transfer of this information, including to vendors. Because of the extreme sensitivity of the information we store and transmit, the security features of our and our third-party vendors' computer, network, and communications systems infrastructure are critical to the success of our business. A breach or failure of our or our third-party vendors' network, hosted service providers or vendor systems could result from a variety of circumstances and events, including third-party action, employee negligence or error, malfeasance, computer viruses, cyber-attacks by malicious actors such as denial-of-service and phishing attacks, failures during the process of upgrading or replacing software and databases, power outages, hardware failures, telecommunication failures, or catastrophic events.

Information security risks have generally increased in recent years because of the proliferation of new technologies, including the increased adoption of AI technologies, and the increased sophistication and activities of perpetrators of cyber-attacks. Malicious actors are increasingly sophisticated and operating large-scale and complex automated attacks, including on companies within the healthcare industry. The techniques, sources and targets of these attacks change and are often not recognized until such attacks are launched or have been in place for some time. In an increasing amount of cases, these malicious actors are or are acting on behalf of state sponsors which further increases the risk of sophistication, capability and funding for the attack. As cyber threats continue to evolve, we may be required to expend additional resources to further enhance our information security measures, develop additional protocols and/or to investigate and remediate any information security vulnerabilities. Although the cybersecurity incidents we and our third-party vendors have experienced to date have been non-material, if our or our third-party vendors' security measures fail or are breached in the future, it could result in unauthorized persons accessing sensitive customer or member data (including PHI), a loss of or damage to our data, an inability to access data sources, or process data or provide our services to our customers and members. Such failures or breaches of our or our third-party vendors' security measures, or our or our third-party vendors' inability to effectively resolve such failures or breaches in a timely manner, could severely damage our reputation, adversely affect customer, member or investor confidence in us, and reduce the demand for our services from existing and potential customers and members. In addition, we could face litigation, damages for contract breach, monetary penalties, or regulatory actions for violation of applicable laws or regulations and incur significant costs for remedial measures to prevent future occurrences and mitigate past violations.

Any potential future security breach could result in increased costs associated with liability for stolen assets or information, repairing system damage that may have been caused by such breaches, incentives offered to customers or other business partners in an effort to maintain our business relationships after a breach and implementing measures to prevent future occurrences, including organizational changes, deploying additional personnel and protection technologies, training employees and engaging third-party experts and consultants.

Although we maintain insurance covering certain security and privacy damages and claim expenses, we may not carry insurance or maintain coverage sufficient to compensate for all liability and we cannot be certain that our insurance coverage will be adequate for data security liabilities actually incurred, will cover any indemnification claims against us relating to any incident, will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. In any event, insurance coverage would not address the reputational damage that could result from a security incident.

Data privacy is also subject to frequently changing laws, rules and regulations in the various jurisdictions in which we operate. Such initiatives around the country could increase the cost of developing, implementing or securing our servers and require us to allocate more resources to improved technologies, adding to our IT and compliance costs. Our Board of Directors is briefed periodically on cybersecurity and risk management issues and we have implemented a number of processes to avoid cyber threats and to protect privacy. However, the processes we have implemented in connection with such initiatives may be insufficient to prevent or detect improper access to confidential, proprietary or sensitive data, including personal data. In addition, the competition for talent in the data privacy and cybersecurity space is intense, and we may be unable to hire, develop or retain suitable talent capable of adequately detecting, mitigating or remediating these risks. Our failure to adhere to, or successfully implement processes in response to, changing legal or regulatory requirements in this area could result in legal liability or damage to our reputation in the marketplace. While we and third parties we utilize have experienced, and expect to continue to experience, cybersecurity incidents that could lead to other disruptions of the Company's and the third parties' information and operational technology systems and infrastructure, we do not believe that any such cybersecurity incidents have had a material impact on the Company to date.

There may be adverse tax, legal and other consequences if the employment status of providers on our platform is challenged.

There is often uncertainty in the application of worker classification laws, especially in the medical field where individuals are required to hold professional licenses, and, consequently, there is risk that providers could be deemed to be misclassified under applicable law. We and TPN structure our relationships with the majority of our respective providers in a manner that we believe results in an independent contractor relationship, not an employee relationship. The tests governing whether a service provider is an independent contractor, or an employee are typically highly fact sensitive and vary by governing law. An independent contractor is generally distinguished from an employee by his or her degree of autonomy and independence in providing services. A high degree of autonomy and independence is generally indicative of a contractor relationship, while a high degree of control is generally indicative of an employment relationship. Although we believe that our and TPN's providers are properly characterized as independent contractors, tax or other regulatory authorities may in the future challenge our characterization of these relationships. An actual or alleged misclassification determination creates potential exposure for us, including but not limited to: monetary exposure arising from or relating to failure to withhold and remit taxes, unpaid wages and wage and hour laws and requirements (such as those pertaining to minimum wage and overtime); claims for employee benefits, social security, Medicare, workers' compensation and unemployment; claims of discrimination, harassment and retaliation under civil rights laws; claims under laws pertaining to unionizing, collective bargaining and other concerted activity; and other claims, charges, or other proceedings under laws and regulations applicable to employers and employees, including risks relating to allegations of joint employer liability. Such claims could result in monetary damages or other liability, and any adverse determination, including potentially the requirement for us to indemnify a user, could also harm our brand, which could materially and adversely affect our business, prospects, financial condition and results of operations. While these risks are mitigated, in part, by our contractual rights of indemnification against third-party claims, such indemnification agreements could be determined to be unenforceable or costly to enforce and indemnification under such agreements may otherwise prove inadequate. As a result, any determination that our and/or TPN's providers are employees could have a material adverse effect on our business, financial condition and results of operations.

Changes in consumer sentiment or laws, rules or regulations regarding the use of cookies, and other tracking technologies and other privacy matters could have a material adverse effect on our ability to generate net revenues and could adversely affect our ability to collect proprietary data on consumer behavior.

Consumers may become increasingly resistant to the collection, use and sharing of information online, including information used to deliver and optimize advertising, and take steps to prevent such collection, use and sharing of information. For example, consumer complaints and/or lawsuits regarding online advertising or the use of cookies or other tracking technologies in general and our practices specifically could adversely impact our business.

Consumers can currently opt out of the placement or use of most cookies for online advertising purposes by either deleting or disabling cookies on their browsers, visiting websites that allow consumers to place an opt-out cookie on their browsers, which instructs participating entities not to use certain data about consumers' online activity for the delivery of targeted advertising, or by downloading browser plug-ins and other tools that can be set to: identify cookies and other tracking technologies used on websites; prevent websites from placing third-party cookies and other tracking technologies on the consumer's browser; or block the delivery of online advertisements on apps and websites.

We may be subject to evolving EU and UK privacy national laws, including rules related to cookies and similar technologies. There may be enforcement actions or regulatory scrutiny reflecting evolving guidance and interpretations which could lead to substantial costs, require significant systems changes, limit the effectiveness of our marketing activities, divert the attention of our technology personnel, adversely affect our margins, increase costs and subject us to additional liabilities. Regulation of cookies and similar technologies, and any limitations on the use or effectiveness of cookies or similar online tracking technologies as a means to identify and potentially target users, may lead to broader restrictions and impairments on our marketing and personalization activities and may negatively impact our efforts to understand users.

In response to marketplace concerns about the usage of third-party cookies and web beacons to track user behaviors, providers of major browsers have included features that allow users to limit the collection of certain data generally or from specified websites. In addition, various software tools and applications have been developed that can block advertisements from a consumer's screen or allow consumers to shift the location in which advertising appears on webpages or opt out of display, search and internet-based advertising entirely. These developments, among others, could impair our ability to collect user information, including personal data and usage information, that helps us provide more targeted advertising to our current and prospective consumers, which could adversely affect our business, given our use of cookies and similar technologies to target our marketing and personalize the consumer experience.

If consumer sentiment regarding privacy issues or the development and deployment of new browser solutions or other Do Not Track mechanisms result in a material increase in the number of consumers who choose to opt out or block cookies and other tracking technologies or who are otherwise using browsers where they need to, and fail to, allow the browser to accept cookies, or otherwise result in cookies or other tracking technologies not functioning properly, our ability to advertise effectively and conduct our business will be impaired, and our results of operations and financial condition would be adversely affected.

Certain U.S. state and local tax authorities may assert that we have a nexus with such states or localities and may seek to impose state and local income taxes on our income allocated to such state and localities and assert we are required to collect sales and use taxes.

There is a risk that certain state tax authorities where we do not currently file a state income tax return could assert that we are liable for state and local income taxes based upon income or gross receipts allocable to such states or localities. States and localities are becoming increasingly aggressive in asserting nexus for state and local income tax purposes. We could be subject to additional state and local income taxation, including penalties and interest attributable to prior periods, if a state or local tax authority in a state or locality where we do not currently file an income tax return successfully asserts that our activities give rise to nexus for state income tax purposes. Such tax assessments, penalties and interest may adversely affect our cash, tax liabilities, results of operations and financial condition.

In addition, state taxing authorities may assert that we had economic nexus with their state and were required to collect sales and use or similar taxes with respect to past or future services that we have provided or will provide, which could result in tax assessments and penalties and interest.

Our ability to use our net operating losses and certain other attributes may be subject to certain limitations.

Under current federal income tax rules, net operating loss carryovers ("NOLs") generated in tax years beginning after December 31, 2017 generally may be carried forward indefinitely, but the amount that may be utilized in a given year is generally limited to 80% of taxable income. In addition, our ability to utilize NOLs and certain other attributes could be restricted under Sections 382 and 383 of the Internal Revenue Code if we experience an "ownership change." State law changes may also limit or delay utilization; for example, California has suspended the NOL deduction for taxable years 2024 through 2026 for taxpayers above specified income thresholds (generally $1 million), which could delay our ability to benefit from California NOLs.

We depend on our senior management team, and the loss of one or more of our executive officers or key employees or an inability to attract and retain highly skilled employees could adversely affect our business.

Our success depends largely upon the continued services of our key members of senior management. These members of senior management are at-will employees and therefore they may terminate their employment with us at any time with no advance notice. We also rely on our leadership team in the areas of research and development, marketing, clinical operations, and general and administrative functions. From time to time, there may be changes in our management team resulting from the hiring or departure of executives, which could disrupt our business. The replacement of one or more of our executive officers or other key employees will likely involve significant time and costs and may significantly delay or prevent the achievement of our business objectives. Our business would also be adversely affected if we fail to adequately plan for succession of our executives and senior management; or if we fail to effectively recruit, integrate, retain and develop key talent and/or align our talent with our business needs, in light of the current rapidly changing environment. While we have employment arrangements with a limited number of key executives, these do not guarantee that the services of these or suitable successor executives will continue to be available to us.

We may not be successful in continuing to attract and retain qualified personnel. We have from time to time in the past experienced and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled personnel with appropriate qualifications. The pool of qualified personnel with experience working in the healthcare market is limited overall.

In addition, in making employment decisions, particularly in high-technology industries, job candidates often consider the value of the stock options or other equity instruments they are to receive in connection with their employment. Volatility in the price of our stock may, therefore, adversely affect our ability to attract or retain highly skilled personnel. Failure to attract new personnel or failure to retain and motivate our current personnel could have a material adverse effect on our business, financial condition and results of operations.

We may acquire other companies or technologies, which could divert our management's attention, result in dilution to our stockholders and otherwise disrupt our operations and we may have difficulty integrating any such acquisitions successfully or realizing the anticipated benefits therefrom, any of which could have a material adverse effect on our business, financial condition and results of operations.

We intend to seek to acquire or invest in businesses, software-based products and services or technologies that we believe could complement or expand our solution, enhance our technical capabilities or otherwise offer growth opportunities. To pursue this strategy successfully, we must identify attractive acquisition or investment opportunities and successfully complete transactions, some of which may be large and complex. We may not be able to identify or complete attractive acquisition or investment opportunities due to, among other things, the intense competition for these transactions. If we are not able to identify and complete such acquisition or investment opportunities, our future results of operations and financial condition may be adversely affected. Additionally, the pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated.

If we acquire additional businesses, we may not be able to integrate the acquired personnel, operations and technologies successfully, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business as a result of unanticipated costs or liabilities, difficulty converting the customers of the acquired business onto our platform and contract terms, diversion of management's attention from other business concerns and employee retention issues, among other reasons.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which generally must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our results of operations based on this impairment assessment process, which could adversely affect our results of operations.

RISKS RELATED TO OUR LEGAL AND REGULATORY ENVIRONMENT

Our business could be adversely affected by legal challenges to our business model or by actions restricting our ability to provide the full range of our services in certain jurisdictions.

Our ability to conduct telehealth and teletherapy services through our network of providers in a particular jurisdiction is directly dependent upon the applicable laws governing remote care, the practice of medicine and healthcare delivery in general in such location, which are subject to changing political, regulatory and other influences. With respect to telehealth and teletherapy services, in the past, state licensing boards have established new rules or interpreted existing rules in a manner that has limited or restricted our ability to conduct our business as it was conducted in other states. Some of these actions have resulted in the suspension or modification of our telehealth and teletherapy operations in certain states. In addition, the extent to which a jurisdiction considers particular actions or relationships to comply with the applicable standard of care is subject to change and to evolving interpretations by (in the case of U.S. states) medical boards and state attorneys general, among others, each with broad discretion. Accordingly, we must monitor our compliance with the law in every jurisdiction in which we operate, on an ongoing basis, and we cannot provide assurance that our activities and arrangements, if challenged, will be found to be in compliance with the law.

Additionally, it is possible that the laws and rules governing the practice of medicine and therapy, including telehealth and prescribing medication online, in one or more jurisdictions may change in a manner deleterious to our business. For instance, a few states have imposed different, and, in some cases, additional, standards regarding the provision of services via telehealth and teletherapy. The unpredictability of this regulatory landscape means that sudden changes in policy regarding standards of care and reimbursement are possible. If a successful legal challenge or an adverse change in the relevant laws were to occur, and we or an affiliated medical group were unable to adapt our business model accordingly, our operations in the affected jurisdictions would be disrupted, which could have a material adverse effect on our business, financial condition and results of operations.

Evolving government regulations may result in increased costs or adversely affect our results of operations.

In a regulatory climate that is uncertain, our operations may be subject to direct and indirect adoption, expansion or reinterpretation of various laws and regulations. Compliance with these future laws and regulations may require us to change our practices at an undeterminable and possibly significant initial monetary and recurring expense. These additional monetary expenditures may increase future overhead, which could have a material adverse effect on our results of operations. We have identified certain areas of government regulation that, if changed, would be costly to us. These include rules governing the practice of medicine by physicians and other licensed professionals; laws relating to licensure requirements for physicians and other licensed health professionals; laws limiting the corporate practice of medicine and professional fee-splitting; laws governing the issuances of prescriptions in an online setting; cybersecurity and privacy laws; and laws and rules relating to the distinction between independent contractors and employees. There could be laws and regulations applicable to our business that we have not identified or that, if changed, may be costly to us, and we cannot predict all the ways in which implementation of such laws and regulations may affect us.

In the jurisdictions in which we operate, even where we believe we are in compliance with all applicable laws, due to the uncertain regulatory environment, certain jurisdictions may determine that we are in violation of their laws. In the event that we must remedy such violations, we may be required to modify our services and products in a manner that undermines our solution’s attractiveness to our customers, members or providers or experts, we may become subject to fines or other penalties or, if we determine that the requirements to operate in compliance in such jurisdictions are overly burdensome, we may elect to terminate our operations in such places. In each case, our revenue may decline and our business, financial condition and results of operations could be materially adversely affected.

Additionally, the introduction of new services may require us to comply with additional, yet undetermined, laws and regulations. Compliance may require obtaining appropriate licenses or certificates, increasing our security measures and expanding additional resources to monitor developments in applicable rules and ensure compliance. The failure to adequately comply with these future laws and regulations may delay or possibly prevent some of our products or services from being offered to members and customers, which could have a material adverse effect on our business, financial condition and results of operations.

Several jurisdictions globally have proposed or enacted laws governing AI development and use, which may increase compliance costs, trigger regulatory actions, or require business practice changes. AI or ML models may contain inaccuracies or biases that could adversely impact individuals' rights or access to services. Restrictions on AI use could impact our service offerings, reduce business efficiency, or place us at a competitive disadvantage.

As with many technological innovations, AI and ML present risks and challenges that could affect its adoption, and therefore our business. AI and ML present emerging ethical issues and if we enable or offer solutions that draw controversy due to their perceived or actual impact on society, we may experience brand or reputational harm, competitive harm or legal liability. Potential government regulation in the space of AI and ML ethics also may increase the burden and cost of research and development in this area, subjecting us to brand or reputational harm, competitive harm or legal liability. Failure to address AI and ML ethics issues by us or others in our industry could undermine public confidence in AI and ML and slow adoption of AI and ML in our products and services.

We are dependent on our relationships with affiliated professional entities, which we do not own, to provide physician and other professional services, and our business, financial condition and our ability to operate in certain jurisdictions would be adversely affected if those relationships were disrupted or if our arrangements with our providers or customers are found to violate state laws prohibiting the corporate practice of medicine or fee splitting.

We have various agreements with TPN and other affiliated PC entities. There is a risk that U.S. state authorities in some jurisdictions may find that these contractual relationships with professional entities, physicians and other healthcare providers providing telehealth and teletherapy violate laws prohibiting the corporate practice of medicine (and other professional services) and professional fee splitting. These laws generally prohibit the practice of medicine by lay persons or entities and prohibit us from employing physicians and certain licensed professionals, directing the clinical practice of physicians and certain licensed professionals, holding an ownership interest in an entity that employs physicians and certain licensed professionals or from engaging in certain financial arrangements, such as splitting professional fees with physicians and certain licensed professionals. The laws are intended to prevent unlicensed persons or entities from interfering with or inappropriately influencing a healthcare provider’s professional judgment. The extent to which each state considers particular actions or contractual relationships to constitute improper influence of professional judgment varies across the states and is subject to change and to evolving interpretations by state boards of medicine and professional counselors and therapists, and state attorneys general, among others. As such, we must monitor our compliance with applicable laws in every jurisdiction in which we operate on an ongoing basis and we cannot guarantee that subsequent interpretation of the corporate practice of medicine or fee splitting laws will not circumscribe our business operations.

We do not own TPN or the PC entities; TPN and the PC entities are 100% owned by an independent licensed physician qualified to own TPN and such professional entities in the respective states of incorporation. A material change in our relationship with TPN or among TPN and the contracted professional entities, whether resulting from a dispute among the entities, a change in government regulation, or the loss of these affiliations, could impair our ability to provide services to members as we intend under the transitioned structure and could have a material adverse effect on our business, financial condition, and results of operations.

State corporate practice of medicine doctrines also often impose penalties on physicians themselves for aiding the corporate practice of medicine, which could discourage physicians from participating in our network of providers and contracting structure. One such agreement is a management services agreement with TPN, pursuant to which TPN reserves exclusive control and responsibility for all aspects of the practice of medicine and the delivery of medical services and we provide non-clinical management and administrative services in exchange for a management fee. The PC entities, physicians, therapists and other licensed professionals who provide clinical and professional services to our members through contracts with TPN, also retain exclusive control and responsibility for all aspects of medical services provided to our members. Although we seek to substantially comply with applicable state prohibitions on the corporate practice of medicine and fee splitting, state officials who administer these laws or other third parties may successfully challenge our organization and contractual arrangements with our providers once implemented. If such a claim were successful, we could be subject to civil and criminal penalties and could be required to restructure or terminate the applicable contractual arrangements. A determination that these arrangements violate state statutes, or our inability to successfully restructure our relationships with our providers to comply with these statutes, could eliminate customers located in certain states from the market for our services. Furthermore, these arrangements could subject us to additional scrutiny by federal and state regulatory bodies regarding federal and state fraud and abuse laws. Any scrutiny, investigation, adverse determination or litigation with regard to our arrangements with TPN and the PC entities could have a material adverse effect on our business, financial condition, and results of operations.

The impact on us of ongoing healthcare legislation and other changes in the healthcare industry and in healthcare spending is currently unknown, but may adversely affect our business, financial condition and results of operations.

Our revenue is dependent on the healthcare industry and could be affected by changes in healthcare spending, reimbursement and policy. The healthcare industry is subject to changing political, regulatory and other influences. The ACA made major changes in how healthcare is delivered and reimbursed, and it increased access to health insurance benefits to the uninsured and underinsured population of the United States.

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the ACA. It is uncertain the extent to which any such changes may impact our business or financial condition.

Other legislative changes have been proposed and adopted since the ACA was enacted. These changes include aggregate reductions to Medicare payments pursuant to the federal budget legislation that began in 2013, and are schedule to remain in effect through 2030, with limited exceptions, unless additional Congressional action is taken. In January 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. New laws may result in additional reductions in Medicare and other healthcare funding, which may materially adversely affect consumer demand and affordability for our products and services and, accordingly, the results of our financial operations. Additional changes that may affect our business include the expansion of new programs such as Medicare payment for performance initiatives for physicians under the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) which first affected physician payment in 2019. At this time, it is unclear how the introduction of the Medicare quality payment program will impact overall physician reimbursement.

In addition, in 2022, the No Surprises Act went into effect to prevent surprise medical bills to non-federal healthcare program patients. Such changes in the regulatory environment may also result in changes to our payer mix that may affect our operations and revenue. In addition, certain provisions of the ACA authorize voluntary demonstration projects, which include the development of bundling payments for acute, inpatient hospital services, physician services and post-acute services for episodes of hospital care. Further, the ACA may adversely affect payers by increasing medical costs generally, which could have an effect on the industry and potentially impact our business and revenue as payers seek to offset these increases by reducing costs in other areas. Certain of these provisions are still being implemented and the full impact of these changes on us cannot be determined at this time.

Uncertainty regarding future amendments to the ACA as well as new legislative proposals to reform healthcare and government insurance programs, along with the trend toward managed healthcare in the United States, could result in reduced demand and prices for our services. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments and other third-party payers will pay for healthcare products and services, which could adversely affect our business, financial condition and results of operations.

We conduct business in a heavily regulated industry and if we fail to comply with these laws and government regulations, we could incur penalties or be required to make significant changes to our operations or experience adverse publicity, which could have a material adverse effect on our business, financial condition, and results of operations.

Reimbursement from federal and/or state healthcare programs could expose our business to broadly applicable fraud and abuse laws and other healthcare laws and regulations that would regulate the business. As we enter the teen behavioral health market, we will encounter parental consent rules and regulations that vary by state, creating another level of compliance risks. The U.S. healthcare industry is heavily regulated and closely scrutinized by federal and state governments. Comprehensive statutes and regulations govern the manner in which we and our affiliated professional entities may provide and bill for services and collect reimbursement from governmental programs and private payers, our contractual relationships with TPN and its corresponding relationship with its contracted providers, vendors and customers, our marketing activities and other aspects of our operations.

For a summary of the potential applicable U.S. federal and state healthcare laws, see, “Item 1. Business – U.S. Regulation.”

Because of the breadth of these laws and the need to fit certain activities within one of the statutory exceptions and safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws. Achieving and sustaining compliance with these laws may prove costly.

Failure to comply with these laws and other laws can result in civil and criminal penalties such as fines, damages, overpayment recoupment, loss of enrollment status and, exclusion from these programs if applicable to government health care services. The risk of our being found in violation of these laws and regulations is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are sometimes open to a variety of interpretations. Our failure to accurately anticipate the application of these laws and regulations to our business or any other failure to comply with regulatory requirements could create liability for us and negatively affect our business. Any action against us for violation of these laws or regulations, even if we successfully defend ourselves against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business and result in adverse publicity.

The laws, regulations and standards governing the provision of healthcare services may change significantly in the future. We cannot assure you that any new or changed healthcare laws, regulations or standards will not materially adversely affect our business. We cannot assure you that a review of our business by judicial, law enforcement, regulatory or accreditation authorities will not result in a determination that could adversely affect our operations.

Failure by us, our employees, affiliates, partners or others with whom we work to comply with applicable laws and regulations could result in administrative, civil, commercial or criminal liabilities, including exclusion from participation in government healthcare programs, including Medicare and Medicaid. Any such penalties could have a material adverse effect on our reputation, our ability to compete for other contracts and our financial position, results of operations and/or cash flows.

Our use and disclosure of personal information, including PHI, personal data, and other health information, is subject to state, federal or other privacy and security regulations, and our failure to comply with those regulations or to adequately secure the information we hold could result in significant liability or reputational harm and, in turn, a material adverse effect on our customer base and member bases and revenue.

The privacy and security of personal information stored, maintained, received or transmitted electronically is subject to regulatory scrutiny in the United States and internationally. While we strive to comply with all applicable privacy and security laws and regulations, as well as our own posted privacy policies and legal standards for privacy, any failure or perceived failure to comply with such requirements may result in proceedings or actions against us by government entities or private parties, or could cause us to lose customers or members, any of which could have a material adverse effect on our business. Recently, there has been an increase in public awareness of privacy issues in the wake of revelations about the activities of various government agencies and in the number of private privacy-related lawsuits filed against companies. Any allegations about our practices with regard to the collection, use, disclosure, or security of personal information or other privacy-related matters, even if unfounded and even if we are in compliance with applicable laws, could damage our reputation and harm our business.

In the United States, numerous federal and state laws and regulations govern collection, storage, dissemination, use, retention, transfer, disposal, security and confidentiality of personal information, including but, not limited to, HIPAA; U.S. state privacy, security and breach notification and healthcare information laws; the California Consumer Protection Act ("CCPA"); and other data protection laws.

HIPAA requires us to maintain policies and procedures governing PHI that are used or disclosed, and to implement administrative, physical and technical safeguards to protect PHI, including PHI maintained, used and disclosed in electronic form. Ongoing implementation and oversight of these measures involves significant time, effort and expense.

HIPAA also requires that patients be notified of any unauthorized acquisition, access, use or disclosure of their unsecured PHI that compromises the privacy or security of such information, with certain exceptions related to unintentional or inadvertent use or disclosure by employees or authorized individuals. Further, if a breach affects 500 patients or more, it must be reported to the U.S. Department of Health and Human Services Office ("HHS") without unreasonable delay, and HHS will post the name of the breaching entity on its public web site. Breaches affecting 500 patients or more in the same state or jurisdiction must also be reported to the local media. If a breach involves fewer than 500 people, the covered entity must record it in a log and notify HHS at least annually.

Entities that are found to be in violation of HIPAA as the result of a breach of unsecured PHI or following a complaint about privacy practices or an audit by HHS, may be subject to significant civil, criminal and administrative fines and penalties and/or additional reporting and oversight obligations if required to enter into a resolution agreement and corrective action plan with HHS to settle allegations of HIPAA non-compliance.

HIPAA also authorizes state attorneys general to file suit on behalf of their residents and HIPAA's standards have been used as the basis for duty of care in state civil suits such as those for negligence or recklessness in the misuse or breach of PHI. Any such penalties or lawsuits could harm our business, financial condition, results of operations and prospects.

In addition to HIPAA, the U.S. federal government and various states and governmental agencies have adopted or are considering adopting various laws, regulations and standards regarding the collection, use, retention, security, disclosure, transfer and other processing of sensitive and personal information, to which we are or may become subject. For example, California implemented the California Consumer Privacy Act, or CCPA, which came into effect in 2020, and the California Privacy Rights Act ("CPRA"), which came into effect on January 1, 2023, which we are subject. The CCPA imposes obligations and restrictions on businesses regarding their collection, use, processing, retaining and sharing of personal information and provides new and enhanced data privacy rights to California residents. Protected health information that is subject to HIPAA is excluded from the CCPA; however, information we hold about individual residents of California that is not subject to HIPAA would be subject to the CCPA. The CPRA significantly amends and expands the CCPA, including by providing consumers with additional rights with respect to their personal information. The CPRA also creates a new state agency that will be vested with authority to implement and enforce the CCPA and the CPRA. We expect states to continue to enact legislation similar to the CCPA and CPRA that provides consumers with new privacy rights and increases the privacy and security obligations of entities handling certain personal information of such consumers. Laws similar to the CCPA and CPRA have passed in Virginia and Colorado, and have been proposed in other states and at the federal level, reflecting a trend toward more stringent privacy legislation in the United States.

Moreover, we are subject to certain other state laws such as the California Confidentiality of Medical Information Act, which imposes restrictive requirements regulating the use and disclosure of health information and other personal information. Such laws and regulations are not necessarily preempted by HIPAA, particularly if a state affords greater protection to individuals than HIPAA. Where state laws are more protective, we have to comply with the stricter provisions. Further, in addition to fines and penalties imposed upon violators, some of these state laws, such as the CCPA, also afford private rights of action to individuals who believe their personal information has been misused.

In the aggregate, state-based data privacy and security laws and regulations may impact our business. All of these evolving compliance and operational requirements impose significant costs that are likely to increase over time, may require us to modify our data processing practices and policies, divert resources from other initiatives and projects, could restrict the way services involving data are offered and could subject us to additional liabilities, all of which may adversely affect our results of operations, business, and financial condition.

Furthermore, there are numerous foreign laws, regulations and directives regarding privacy and the collection, storage, transmission, use, processing, disclosure and protection of personal information, the scope of which is continually evolving and subject to differing interpretations. If we provide services to users outside the United States, we may be subject to such laws, regulations, directives and obligations in relation to processing of personal information, and we may be subject to significant consequences, including penalties, fines and contractual liability, for our failure to comply. We are subject to the EU GDPR and the UK data privacy regime consisting primarily of the UK General Data Protection Regulation and the UK Data Protection Act 2018 (the "UK GDPR") (the EU GDPR and the UK GDPR, collectively the "GDPR"), which impose a strict data protection compliance regime including stringent data protection requirements. EU Member States and the UK are also able to legislate separately on sensitive data (i.e., mental health), and we must comply with these local laws where we offer our services.

The GDPR also imposes strict rules on the transfer of personal data out of the EEA and the UK, including to the United States. The European Commission has published revised standard contractual clauses for data transfers from the EEA. We continue to monitor updates and we may be required to implement new or revised documentation and processes in relation to our data transfers subject to the UK GDPR, within the relevant time frames. As supervisory authorities issue further guidance on data export mechanisms, including circumstances where the standard contractual clauses cannot be used, and/or start taking enforcement action, we could suffer additional costs, complaints and/or regulatory investigations or fines, and/or if we are otherwise unable to transfer personal information between and among countries and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations, and could adversely affect our financial results.

Failure to comply with the requirements of the GDPR may result in fines of up to €20,000,000/ £17.5 million or up to 4% of our total worldwide annual revenue for the preceding financial year, whichever is higher.

In addition, a breach of the GDPR could result in regulatory investigations, reputational damage, orders to cease/ change our processing of our data, enforcement notices, and/ or assessment notices (for a compulsory audit). We may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, and reputational harm.

We also publish statements to our customers and members that describe how we handle and protect personal information. If federal or state regulatory authorities or private litigants consider any portion of these statements to be inaccurate, incomplete, or not fully implemented, we may be subject to claims of deceptive practices or other violation of law, which could lead to significant liabilities and consequences, including, without limitation, costs of responding to investigations, defending against litigation, settling claims and complying with regulatory or court orders.

Because of the breadth of these laws and the narrowness of their exceptions and safe harbors, it is possible that our business activities can be subject to challenge under one or more of such laws. The applicability, scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform. Federal, state and foreign enforcement bodies have recently increased their scrutiny of interactions between healthcare companies and healthcare providers and of processing of health data generally, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Any such investigations, prosecutions, convictions or settlements could result in significant financial penalties, damage to our brand and reputation, and a loss of customers and/or members, any of which could have an adverse effect on our business.

In addition, any significant change to applicable laws, regulations or industry practices regarding the collection, use, retention, security or disclosure of our users' personal information content, or regarding the manner in which the express or implied consent of users for the collection, use, retention or disclosure of such content is obtained, could increase our costs and require us to modify our services and features, possibly in a material manner, which we may be unable to complete and may limit our ability to store and process users' personal information data or develop new services and features. Any of the foregoing could harm our competitive position, business, financial condition, results of operations and prospects.

We may be exposed to compliance obligations and risks under anti-corruption, export controls and economic sanctions laws and regulations of the United States and applicable non-U.S. jurisdictions, and any instances of noncompliance could have a material adverse effect on our reputation and the results of our operations.

Although we have limited international operations, we may be or may become subject to compliance obligations under anti-corruption laws and regulations imposed by governmental authorities around the world with jurisdiction over our operations. As a U.S. corporation, we are subject to the regulations imposed by the FCPA, which generally prohibits U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or maintaining business. As a result, the Company faces the risk that an unauthorized payment or offer of payment could be made by one of its employees or intermediaries, even if such parties are not always subject to the Company's control or are not themselves subject to the FCPA or other similar laws to which the Company may be subject. Any allegation or determination that the Company has violated the FCPA (or any other applicable anti-bribery laws in countries in which the Company does business, including the U.K. Bribery Act 2010) could have a material adverse effect on the Company's business, financial position, results of operations, cash flows and prospects.

RISKS RELATED TO OUR INTELLECTUAL PROPERTY

Any failure to protect, enforce or defend our intellectual property rights could impair our ability to protect our technology and our brand.

Our success depends in part on our ability to maintain, protect and enforce our intellectual property and other proprietary rights. We rely upon a combination of trademark, patent and trade secret laws, as well as license and access agreements and other contractual provisions, to protect our intellectual property rights. These laws, procedures and agreements provide only limited protection and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed, diluted or misappropriated.

We attempt to protect our intellectual property and proprietary information by requiring our employees, consultants and certain of our contractors to execute confidentiality and assignment of inventions agreements. However, we may not obtain these agreements in all circumstances, and individuals with whom we have these agreements may not comply with their terms.

The assignment of intellectual property rights under these agreements may not be self-executing or the assignment agreements may be breached, and we may be forced to bring claims against third parties, or defend claims that they may bring against us, to determine the ownership of what we regard as our intellectual property. In addition, we may not be able to prevent the unauthorized disclosure or use of our technical know-how or other trade secrets by the parties to these agreements despite the existence generally of confidentiality agreements and other contractual restrictions.

Monitoring unauthorized uses and disclosures is difficult and we do not know whether the steps we have taken to protect our proprietary technologies will be effective. Additionally, if a competitor lawfully obtains or independently develops the technology we maintain as a trade secret, we would have no right to prevent such competitor from using that technology or information to compete with us, which could harm our competitive position.

In addition, we use open-source software in connection with our proprietary software and expect to continue to use open-source software in the future. Some open-source licenses require licensors to provide source code to licensees upon request or prohibit licensors from charging a fee to licensees. While we try to insulate our proprietary code from the effects of such open-source license provisions, we cannot guarantee we will be successful. Accordingly, we may face claims from others claiming ownership of, or seeking to enforce the license terms applicable to such open-source software, including by demanding release of the open-source software, derivative works or our proprietary source code that was developed or distributed with such software. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our software, any of which would have a negative effect on our business and results of operations. In addition, if the license terms for the open-source code change, we may be forced to re-engineer our software or incur additional costs. We cannot assure you that we have not incorporated open-source software into our proprietary software in a manner that may subject our proprietary software to an open-source license that requires disclosure, to customers or members or the public, of the source code to such proprietary software. Any such disclosure would have a negative effect on our business and the value of our proprietary software.

Third parties may challenge the validity of our trademarks and patents or oppose trademark and patent applications. Companies with other patents could require us to stop using or pay to use required technology.

We rely on our trademarks, trade name and brand names to distinguish our products and services from the products and services of our competitors, and we have registered or applied to register many of these trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand products or services, which could result in time and expense to re-program our software and websites, loss of brand recognition, and could require us to devote resources to advertising and marketing new brands.

We have applied for, and intend to continue to apply for, patents relating to our software and technology. Such applications may not result in the issuance of any patents, and any patents that may be issued may not provide adequate protection from competition. Furthermore, because the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, it is possible that patents issued to us may be challenged successfully and found to be invalid or unenforceable in the future. If we are unable to secure or maintain patent coverage, our technology could become subject to competition from the sale of similar competing products. Competitors may also be able to design around our now held or later issued patents. Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of such patents or narrow the scope of our patent protection. If these developments were to occur, we could face increased competition.

From time to time, patents issued to us relating to our software and technology may be infringed by the products or processes of others. The cost of enforcing patent rights against infringers, if such enforcement is required, could be significant and the time demands could interfere with our normal operations. Efforts to defend our intellectual property rights could incur significant costs and may or may not be resolved in our favor. If we fail to successfully enforce our intellectual property rights, our competitive position could suffer, which could harm our operating results. Regardless of the outcome, the cost and distraction associated with any such enforcement efforts could harm our business.

We could incur substantial costs as a result of any claim of infringement of another party's intellectual property rights.

We could become a party to intellectual property litigation and other infringement proceedings. The cost to us of any intellectual property litigation or other infringement or misappropriation proceeding, even if resolved in our favor, could be substantial. Some of our would-be competitors may sustain the costs of such litigation more effectively than we can because of their greater financial resources.

Regardless of the merits of any intellectual property litigation, we may be required to expend significant management time and financial resources on the defense of such claims, and any adverse outcome of any such claim or the above referenced review could have a material adverse effect on our business, financial condition or results of operations. We expect that we may receive in the future notices that claim we or our customers using our solution have misappropriated, misused or otherwise infringed other parties' intellectual property rights, particularly as the number of competitors in our market grows and the functionality of applications amongst competitors overlaps. Our existing, or any future, litigation, whether or not successful, could be extremely costly to defend, divert our management's time, attention and resources, damage our reputation and brand and substantially harm our business.

We employ individuals who were previously employed at other companies in our field, including our competitors or potential competitors. Although we try to ensure that our employees and consultants do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed intellectual property, including trade secrets or other proprietary information, of a former employer or other third parties. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel.

Additionally, in connection with such litigation, our use of such intellectual property could be temporarily or permanently enjoined, forcing us to stop using such intellectual property altogether. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

In addition, in most instances, we have agreed to indemnify our customers against certain third-party claims, which may include claims that our solution infringes the intellectual property rights of such third parties. Our business could be adversely affected by any significant disputes between us and our customers as to the applicability or scope of our indemnification obligations to them. The results of any intellectual property litigation to which we may become a party, or for which we are required to provide indemnification, may require us to do one or more of the following:

- cease offering or using technologies that incorporate the challenged intellectual property;
- make substantial payments for legal fees, settlement payments or other costs or damages;

If we are required to make substantial payments or undertake any of the other actions noted above as a result of any intellectual property infringement claims against us or any obligation to indemnify our customers for such claims, such payments or costs could have a material adverse effect on our business, financial condition and results of operations.

Our proprietary software may not operate properly, which could damage our reputation, give rise to claims against us or divert application of our resources from other purposes, any of which could harm our business, financial condition and results of operations.

Proprietary software development is time-consuming, expensive and complex, and may involve unforeseen difficulties. We encounter technical obstacles from time to time, and it is possible that we may discover additional problems that prevent our proprietary applications from operating properly. If our solution does not function reliably or fails to achieve customer expectations in terms of performance, customers could assert liability claims against us or attempt to cancel their contracts with us. This could damage our reputation and impair our ability to attract or maintain customers. Moreover, data services are complex and those we offer have in the past contained, and may in the future develop or contain, undetected defects or errors. Material performance problems, defects or errors in our existing or new software-based products and services may arise in the future and may result from the interface of our solution with systems and data that we did not develop and the function of which is outside of our control or from issues undetected in our testing. These defects and errors, and any failure by us to identify and address them, could result in loss of revenue or market share, diversion of development resources, harm to our reputation and increased service and maintenance costs. Defects or errors may discourage existing or potential customers from purchasing our solution from us. Correction of defects or errors could prove to be impossible or impracticable. The costs incurred in correcting any defects or errors may be substantial and could have a material adverse effect on our business, financial condition and results of operations.

We may enter into collaborations, in-licensing arrangements, joint ventures, strategic alliances or partnerships with third-parties that may not result in the development of commercially viable solutions or the generation of significant future revenues.

In the ordinary course of our business, we may enter into collaborations, in-licensing arrangements, joint ventures, strategic alliances, partnerships or other arrangements to develop products and to pursue new markets. Proposing, negotiating and implementing collaborations, in-licensing arrangements, joint ventures, strategic alliances or partnerships may be a lengthy and complex process. Other companies, including those with substantially greater financial, marketing, sales, technology or other business resources, may compete with us for these opportunities or arrangements. We may not identify, secure, or complete any such transactions or arrangements in a timely manner, on a cost-effective basis, on acceptable terms or at all. We have limited institutional knowledge and experience with respect to these business development activities, and we may also not realize the anticipated benefits of any such transaction or arrangement.

In particular, these collaborations may not result in the development of products that achieve commercial success or result in significant revenues and could be terminated prior to developing any products. Additionally, we may not own, or may jointly own with a third party, the intellectual property rights in products and other works developed under our collaborations, joint ventures, strategic alliances or partnerships. If any conflicts arise with any future collaborators, they may act in their self-interest, which may be adverse to our best interest, and they may breach their obligations to us. In addition, we may have limited control over the amount and timing of resources that any future collaborators devote to our or their future products. Disputes between us and our collaborators may result in litigation or arbitration which would increase our expenses and divert the attention of our management. Further, these transactions and arrangements will be contractual in nature and will generally be terminable under the terms of the applicable agreements and, in such event, we may not continue to have rights to the products relating to such a transaction or arrangement or may need to purchase such rights at a premium.

RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK, OUR WARRANTS AND OPERATING AS A PUBLIC COMPANY

If we fail to maintain effective internal control over financial reporting in the future, our ability to produce accurate and timely financial statements could be impaired, which may adversely affect investor confidence in us and, as a result, the value of our common stock.

As a public company, we are required to establish and maintain internal controls over financial reporting and, pursuant to Section 404 of the Sarbanes-Oxley Act, we are required to provide a report by management on, among other things, the effectiveness of our internal control over financial reporting for our annual reports on Form 10-K filed with the SEC. In addition, Section 404 of the Sarbanes-Oxley Act also generally requires an attestation from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting.

Failure to maintain internal control over financial reporting could limit our ability to prevent or detect a misstatement of our financial results, limit our ability to report financial information on a timely and accurate basis, lead to a loss of investor confidence and have a negative impact on the trading price of our common stock and could subject us to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities. A failure to implement and maintain effective control systems could also restrict our future access to the capital markets.

Moreover, the Company's internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumventions or overriding of controls or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. The existence of a material weakness could result in errors in the Company's financial statements that could result in a restatement of financial statements, which could cause the Company to fail to meet its reporting obligations, lead to a loss of investor confidence and have a negative impact on the trading price of the Company's common stock.

Delaware law and our organizational documents contain certain provisions, including anti-takeover provisions that limit the ability of stockholders to take certain actions and could delay or discourage takeover attempts that stockholders may consider favorable.

Our organizational documents and the Delaware General Corporation Law ("DGCL") contain provisions that could have the effect of rendering more difficult, delaying, or preventing an acquisition that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares.

These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, and therefore depress the trading price of our common stock. These provisions could also make it difficult for stockholders to take certain actions, including electing directors who are not nominated by the current members of our board of directors or taking other corporate actions, including effecting changes in our management. Among other things, our organizational documents include the following provisions or features that may make the acquisition of our company more difficult:

- we have a classified board of directors with staggered, three-year terms;
- our board of directors is permitted to issue shares of preferred stock, including “blank check” preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the Certificate of Incorporation prohibits cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the limitation of the liability of, and the indemnification of, our directors and officers;
- certain transactions are not “corporate opportunities” and the Identified Persons (as defined in the Certificate of Incorporation) are not subject to the doctrine of corporate opportunity and such Identified Persons do not have any fiduciary duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business as us;
- we are not governed by Section 203 of the DGCL and, instead, our Certificate of Incorporation includes a provision that is substantially similar to Section 203 of the DGCL, and acknowledges that certain stockholders cannot be “interested stockholders” (as defined in the Certificate of Incorporation);
- our board of directors has the ability to amend the bylaws, which may allow our board of directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend the bylaws to facilitate an unsolicited takeover attempt; and
- our bylaws contain advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders’ meeting, which could preclude stockholders from bringing matters before annual or special meetings of stockholders and delay changes in our board of directors and also may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of us.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our board of directors or management.

The provision of our Certificate of Incorporation requiring exclusive forum in certain courts in the State of Delaware or the federal district courts of the United States for certain types of lawsuits may have the effect of discouraging lawsuits against our directors and officers.

The Certificate of Incorporation requires, to the fullest extent permitted by law, that (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or stockholders to us or our stockholders, (iii) any action asserting a claim against us arising pursuant to any provision of the DGCL or the Certificate of Incorporation or our bylaws or (iv) any action asserting a claim against us governed by the internal affairs doctrine will have to be brought in a state court located within the state of Delaware (or if no state court of the State of Delaware has jurisdiction, the federal district court for the District of Delaware), in all cases subject to the court’s having personal jurisdiction over the indispensable parties named as defendants. The foregoing provisions do not apply to claims arising under the Securities Act, the Exchange Act or other federal securities laws for which there is exclusive federal or concurrent federal and state jurisdiction.

Additionally, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act; provided, however, that our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. The enforceability of similar choice of forum provisions in other companies' organizational documents has been challenged in legal proceedings, and it is possible that, in connection with claims arising under federal securities laws, a court could find the choice of forum provisions contained in the Certificate of Incorporation to be inapplicable or unenforceable.

Although we believe these exclusive forum provisions benefit us by providing increased consistency in the application of Delaware law and federal securities laws in the types of lawsuits to which each applies, the exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers or stockholders, which may discourage lawsuits with respect to such claims. Further, in the event a court finds either exclusive forum provision contained in the Certificate of Incorporation to be unenforceable or inapplicable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition.

Future sales and resales of our common stock may cause the market price of our securities to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. As restrictions on resale end and registration statements (to provide for the resale of such shares from time to time) are available for use, the sale or possibility of sale of these shares could have the effect of increasing the volatility in our share price or the market price of our common stock could decline if the holders of currently restricted shares sell them or are perceived by the market as intending to sell them.

In addition, we may issue additional common stock or other equity securities without the approval of investors, including for among other purposes to raise capital or pay for an acquisition, which would dilute investors' ownership interests and may depress the market price of our common stock.

An investor's percentage of ownership in the Company may be diluted in the future.

As with any publicly traded company, an investor's percentage ownership in the Company may be diluted in the future because of equity issuances for acquisitions, capital markets transactions, or other circumstances, including the equity awards that the Company has and will continue to grant its directors, officers and employees. Certain holders also have outstanding warrants to purchase shares of common stock that are exercisable in accordance with the terms of the Warrant Agreement governing those securities. To the extent such warrants are exercised, additional shares of common stock will be issued, which will result in dilution to the holders of our common stock and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market or the fact that such warrants may be exercised could adversely affect the market price of our common stock. However, there is no guarantee that the public warrants will ever be in the money prior to their expiration, and as such, the warrants may expire worthless.

We do not intend to pay cash dividends for the foreseeable future.

We currently intend to retain our future earnings, if any, to finance the further development and expansion of our business and do not intend to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements and future agreements and financing instruments, business prospects and such other factors as our board of directors deems relevant.

You may only be able to exercise your public warrants on a "cashless basis" under certain circumstances, and if you do so, you will receive fewer shares of common stock from such exercise than if you were to exercise such warrants for cash.

The Warrant Agreement provides that in the following circumstances holders of warrants who seek to exercise their warrants will not be permitted to do for cash and will, instead, be required to do so on a cashless basis in accordance with Section 3(a)(9) of the Securities Act: (i) if the common stock issuable upon exercise of the warrants are not registered under the Securities Act in accordance with the terms of the Warrant Agreement; (ii) if we have so elected and the common stock are at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of "covered securities" under Section 18(b)(1) of the Securities Act; and (iii) if we have so elected and we call the public warrants for redemption. If you exercise your public warrants on a cashless basis, you would pay the warrant exercise price by surrendering the warrants for that number of common stock equal to the quotient obtained by dividing (x) the product of the number of common stock underlying the warrants, multiplied by the excess of the "fair market value" of our common stock (as defined in the next sentence) over the exercise price of the warrants by (y) the fair market value. The "fair market value" is the average reported closing price of the common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of exercise is received by the warrant agent or on which the notice of redemption is sent to the holders of warrants, as applicable. As a result, you would receive fewer shares of common stock from such exercise than if you were to exercise such warrants for cash.

We may amend the terms of the warrants in a manner that may be adverse to holders of public warrants with the approval by the holders of at least 50% of the then outstanding public warrants. As a result, the exercise price of your warrants could be increased, the exercise period could be shortened and the number of common stock purchasable upon exercise of a warrant could be decreased, all without your approval.

The Warrant Agreement provides that the terms of the warrants may be amended without the consent of any holder for, among other things, the purpose of adding or changing any provisions with respect to matters or questions arising under the Warrant Agreement as the parties to the Warrant Agreement may deem necessary or desirable and that the parties deem to not adversely affect the rights of the registered holders of the warrants, provided that the approval by the holders of at least 50% of the then-outstanding public warrants is required to make any change that adversely affects the interests of the registered holders of public warrants. Accordingly, we may amend the terms of the public warrants in a manner adverse to a holder of public warrants if holders of at least 50% of the then outstanding public warrants approve of such amendment. Although our ability to amend the terms of the public warrants with the consent of at least 50% of the then outstanding public warrants is unlimited, examples of such amendments could be amendments to, among other things, increase the exercise price of the warrants, convert the warrants into cash or shares, shorten the exercise period or decrease the number of common stock purchasable upon exercise of a warrant.

The Warrant Agreement designates the courts of the State of New York or the United States District Court for the Southern District of New York as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by holders of our warrants, which could limit the ability of warrant holders to obtain a favorable judicial forum for disputes with us.

The Warrant Agreement provides that, subject to applicable law, (i) any action, proceeding or claim against us arising out of or relating in any way to the warrant agreement, including under the Securities Act, will be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and (ii) that we irrevocably submit to such jurisdiction, which jurisdiction shall be the exclusive forum for any such action, proceeding or claim. We will waive any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum.

Notwithstanding the foregoing, these provisions of the Warrant Agreement will not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal district courts of the United States of America are the sole and exclusive forum. Any person or entity purchasing or otherwise acquiring any interest in any of our warrants shall be deemed to have notice of and to have consented to the forum provisions in our Warrant Agreement. If any action, the subject matter of which is within the scope the forum provisions of the warrant agreement, is filed in a court other than a court of the State of New York or the United States District Court for the Southern District of New York (a "foreign action") in the name of any holder of our warrants, such holder shall be deemed to have consented to: (x) the personal jurisdiction of the state and federal courts located in the State of New York in connection with any action brought in any such court to enforce the forum provisions (an "enforcement action"), and (y) having service of process made upon such warrant holder in any such enforcement action by service upon such warrant holder's counsel in the foreign action as agent for such warrant holder.

This choice-of-forum provision may limit a warrant holder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us, which may discourage such lawsuits. Alternatively, if a court were to find this provision of our Warrant Agreement inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and board of directors.

We may redeem your unexpired warrants prior to their exercise at a time that is disadvantageous to you, thereby making your warrants worthless.

We have the ability to redeem outstanding warrants at any time after they become exercisable and prior to their expiration, at a price of $0.01 per warrant, provided that the closing price of our common stock equals or exceeds $18.00 per share (as adjusted for stock splits, stock recapitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading-day period ending on the third trading day prior to the date on which we give proper notice of such redemption to the warrants holders and provided certain other conditions are met. If and when the warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding warrants could force you to (i) exercise your warrants and pay the exercise price at a time when it may be disadvantageous for you to do so, (ii) sell your warrants at the then-current market price when you might otherwise wish to hold your warrants or (iii) accept the nominal redemption price which, at the time the outstanding warrants are called for redemption, is likely to be substantially less than the market value of your warrants. None of the private placement warrants will be redeemable by us so long as they are held by the Sponsor or its permitted transferees.

GENERAL RISK FACTORS

The price of our securities may be volatile.

The price of our securities may fluctuate due to a variety of factors, including:

- the success of competitive services or technologies;
- developments related to our existing or any future collaborations;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning our intellectual property or other proprietary rights;
- the recruitment or departure of key personnel;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems;
- changes in the market's expectations about our operating results;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- speculation in the press or investment community;
- commencement of, or involvement in, litigation involving us;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- the volume of our securities available for public sale;
- changes in our board of directors or management;
- general economic, geopolitical industry and market conditions; and
- the other factors described in this "Risk Factors" section.

These market and industry factors may materially reduce the market price of our common stock and warrants regardless of our operating performance.

Economic uncertainties or downturns in the general economy or the industries in which our customers operate could disproportionately affect the demand for our solution and negatively impact our results of operations.

General worldwide economic and geopolitical conditions have experienced significant volatility during the last ten years, and market volatility and uncertainty remain widespread, making it potentially very difficult for our customers and us to accurately forecast and plan future business activities. The demand for our service is dependent on the general economy, which is in turn affected by geopolitical conditions and the stability of the global credit markets. The ongoing and potential future impacts of escalating global conflicts, including those between Russia and Ukraine as well as rising tensions between China and Taiwan, has heightened global economic and geopolitical uncertainty. During challenging economic times, our customers may have difficulty gaining timely access to sufficient credit or obtaining credit on reasonable terms, which could impair their ability to make timely payments to us and adversely affect our revenue. If that were to occur, our financial results could be harmed. Further, challenging economic conditions may impair the ability of our customers to pay for the software-based products and services they already have purchased from us and, as a result, our write-offs of accounts receivable could increase. We cannot predict the timing, strength or duration of any economic slowdown or recovery. If the condition of the general economy or markets in which we operate worsens, our business could be harmed.

We may need to raise additional capital in the future in order to execute our business plans, which may not be available on terms acceptable to us, or at all.

We believe our cash and cash equivalents on hand, together with cash we expect to generate from future operations, will be sufficient to meet our working capital and capital expenditure requirements in the near future. However, in the future we may still require additional capital to respond to technological advancements, competitive dynamics or technologies, customer demands, business opportunities, challenges, acquisitions or unforeseen circumstances and we may determine to engage in equity or debt financings or enter into credit facilities for other reasons. We may not be able to timely secure additional debt or equity financing on favorable terms, or at all. If we raise additional funds through the issuance of equity or convertible debt or other equity-linked securities, our existing stockholders could experience significant dilution. Any debt financing obtained by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

Changes in tax laws could adversely affect our operating results and financial condition.

We are subject to income and other taxes in the United States and in other jurisdictions, and our tax position depends on the application of complex and evolving laws, regulations, administrative guidance, and treaties. Changes in law, the issuance of new guidance, or changes in enforcement or interpretation could increase our effective tax rate, reduce cash flows, or increase compliance costs and could require us to revise our tax accounting, including deferred tax assets and liabilities. Recent U.S. legislative and administrative developments—including the One Big Beautiful Bill Act enacted July 4, 2025, which modified aspects of the U.S. international tax rules (including changes to Net CFC Tested Income (formerly Global Intangible Low-Taxed Income) and Foreign-Derived Deduction Eligible Income (formerly Foreign-Derived Intangible Income)) effective for taxable years beginning after December 31, 2025—could increase our tax liabilities or limit our ability to utilize credits and deductions.

In addition, the OECD Pillar Two global minimum tax continues to evolve. Although the U.S. executive branch disavowed prior commitments to the Pillar Two framework on January 20, 2025, the OECD released administrative guidance in January 2026 (the “side-by-side” package) that may reduce exposure of certain U.S.-parented groups to some foreign “top-up” taxes, but its effect depends on adoption and implementation by relevant jurisdictions and does not eliminate other Pillar Two-related obligations (including QDMTTs and reporting in many cases).

We also remain subject to provisions of the Inflation Reduction Act, including the 15% Corporate Alternative Minimum Tax and the 1% excise tax on certain stock repurchases. Additional IRS notices and other guidance could change the manner in which these taxes apply to us, including in connection with transactions and reorganizations.

We may be subject to litigation, which is expensive, time-consuming and could divert management attention.

We may become subject, from time to time, to legal proceedings, payor audits, investigations, and claims that arise in the ordinary course of business such as claims brought by our customers in connection with commercial disputes or employment claims made by our current or former associates. Litigation disputes, including the disputes we are currently facing, could cause us to incur unforeseen expenses, result in content unavailability, and otherwise occupy a significant amount of our management's time and attention, any of which could negatively affect our business operations and financial position. While the ultimate outcome of investigations, inquiries, information requests and legal proceedings is difficult to predict, such matters can be expensive, time-consuming and distracting, and adverse resolutions or settlements of those matters may result in, among other things, modification of our business practices, reputational harm or costs and significant payments, any of which could negatively affect our business operations and financial position. Insurance may not cover such claims, may not provide sufficient payments to cover all of the costs to resolve one or more such claims and may not continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, thereby reducing our earnings and leading analysts or potential investors to reduce their expectations of our performance, which could reduce the market price of our stock.

Reports published by analysts, including projections in those reports that differ from our actual results, could adversely affect the price and trading volume of our common stock.

Securities research analysts may establish and publish their own periodic projections for our business. These projections may vary widely and may not accurately predict the results we actually achieve. Our share price may decline if our actual results do not match the projections of these securities research analysts. Similarly, if one or more of the analysts who write reports on us downgrades our stock or publishes inaccurate or unfavorable research about our business, our share price could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, our securities price or trading volume could decline. While we expect to receive research analyst coverage, if no analysts commence coverage of us, the market price and volume for our securities could be adversely affected.

We could experience losses or liability not covered by insurance.

Our business exposes us to risks that are inherent in the provision of virtual behavioral healthcare. If customers, members or other individuals assert liability claims against us, any ensuing litigation, regardless of outcome, could result in a substantial cost to us, divert management's attention from operations, and decrease market acceptance of our solution. We attempt to limit our liability to customers and members by contract; however, the limitations of liability set forth in the contracts may not be enforceable or may not otherwise protect us from liability for damages. Additionally, we may be subject to claims that are not explicitly covered by contract. We also maintain general liability coverage; however, this coverage may not continue to be available on acceptable terms, may not be available in sufficient amounts to cover one or more large claims against us, and may include larger self-insured retentions or exclusions for certain products. In addition, the insurer might disclaim coverage as to any future claim. A successful claim not fully covered by our insurance could have a material adverse impact on our liquidity, financial condition, and results of operations.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 1C. CYBERSECURITY

Risk Management and Strategy

Talkspace recognizes the importance of assessing, identifying, and managing material risks associated with cybersecurity threats as a vital component to the success of our business. We have established policies and processes for assessing, identifying, and managing the material risk from cybersecurity threats which may include, among other things, operational risks; fraud; extortion; harm to our business, employees or customers; violation of privacy or security laws and other litigation and legal risk; and reputational risks.

We routinely assess material risks from cybersecurity threats, which include unauthorized access to our information systems that may result in adverse effects on the confidentiality, integrity, or availability of such systems or any information residing therein. Our process for identifying and assessing material risks from cybersecurity threats operates alongside our broader overall risk assessment process, covering all company risks. For additional information regarding risks from cybersecurity threats, please refer to Item 1A, "Risk Factors," in this annual report on Form 10-K.

We also have a cybersecurity specific risk assessment process, which helps identify residual risk from cybersecurity threats. Our risk assessments include the identification of reasonably foreseeable internal and external information security and cybersecurity risks, the likelihood that such events may occur and the impact or potential damage that could result from such risks. The assessments examine the adequacy of our policies, procedures, systems, and the safeguards in place to manage and mitigate the identified risks. The impact of these assessments is the refinement of existing safeguards and the implementation of new safeguards to improve our cybersecurity protections; reasonably address any identified gaps in existing safeguards; and ensure that we regularly monitor the effectiveness of those safeguards.

As part of the above processes, we engage with a third-party to review our information security program and related cybersecurity safeguards to help identify areas for continued focus, improvement, and/or compliance. Along with these third parties we ensure that the appropriate personnel collaborate with subject matter specialists, as necessary, to gather insights for identifying and assessing material cybersecurity threat risks, their impact and potential mitigations. We have implemented the following activities (among others) to mitigate risk:

- Periodic risk assessments to identify and assess cybersecurity risks and vulnerabilities in our information technology systems;
- Background checks prior to hire;
- Encryption of data at rest and in transit;
- Logging and event monitoring;
- Threat detection to monitor for malicious activity and anomalous behavior;
- Malware protection and restricting connections to malicious websites;
- Data loss protection mechanisms;
- Third party penetration testing and internal vulnerability assessments;
- Cybersecurity risk assessments of our third-party vendors;
- Reviews by internal and external audit of the effectiveness of information security-related internal controls;
- Closely monitor emerging data protection laws and implement changes to our processes designed to comply as needed; and
- Carry information security risk insurance that provides protection against the potential losses arising from a cybersecurity incident.

Our incident response plan, as implemented by management, coordinates the activities we take to prepare for, detect, contain, eradicate, and recover from cybersecurity incidents as well as to comply with potentially applicable legal obligations and mitigate brand and reputational damage. The incident response plan also outlines the appropriate communication flow and response for certain categories of potential cybersecurity incidents. The Chief Technology Officer escalates material events, including to the Chief Executive Officer and Board.

We require all employees to participate in cybersecurity awareness, privacy, security training annually and provide mechanisms to report potential threats. In addition, we use a third-party phishing awareness vendor to increase employee awareness of cybersecurity threats.

Our processes also address cybersecurity threat risks associated with our use of third-party service providers. Third-party risks are included within our broader overall risk assessment process, as well as our cybersecurity-specific risk identification program. In addition, cybersecurity considerations affect the selection and oversight of our third-party service providers and we continually monitor cybersecurity threat risks identified through such diligence.

There can be no guarantee that our policies and procedures will be effective. Although our risk factors include further detail about the material cybersecurity risks we face and how cybersecurity incidents may affect our business, management has not determined that any cybersecurity incidents the Company has experienced to date have resulted in, or are reasonably likely to result in, a material impact to our financial condition, results of operations, or business strategy. We can provide no assurances that there will not be additional incidents in the future or that they will not materially affect us, including our business strategy, results of operations, or financial condition. See “Item 1A. Risk Factors” for further information about these risks.

Cybersecurity Governance

Cybersecurity is an important part of our risk management processes and an area of increasing focus for our Board and management. Our Audit Committee is responsible for the oversight of risks from cybersecurity threats. At least quarterly, and more frequently as relevant, the Audit Committee receives an overview from management covering topics such as security posture, results from third-party assessments, progress towards pre-determined risk-mitigation-related goals, and material cybersecurity threat risks or incidents and developments, as well as the steps management has taken to respond to such risks.

Members of the Audit Committee are also encouraged to regularly engage in ad hoc conversations with management on cybersecurity-related news and discuss any updates to our cybersecurity risk management and strategy programs. Material cybersecurity risks are also considered during separate Board meeting discussions of important matters like risk management, and other relevant matters. Management or the Audit Committee will provide a comprehensive update to the Board on cybersecurity threats and risk mitigation generally at least annually, and more frequently as relevant.

The Company’s information security and cybersecurity program is managed by our Chief Information Security Officer (CISO) and our Chief Technology Officer (CTO). The CISO and the Senior Director Information Security are responsible for our overall security and assessing and managing cybersecurity risks and threats. The CISO has over 21 years of information security, privacy, auditing and compliance experience and holds numerous certifications. The Senior Director of Information Security has over 16 years of experience in information security, and holds numerous certifications. The CTO has over 21 years of experience and leads our Company’s information systems and technological advancements. The SVP of Engineering has over 21 years of experience in IT and has specialized knowledge in systems and network infrastructure. The Director of Site Reliability Engineering and Security has 10 years of experience and has principal responsibility for our network operations and system administration.

These members of management are informed about and monitor the prevention, mitigation, detection, and remediation of cybersecurity incidents through their management of, and participation in, the cybersecurity risk management and strategy processes described above.

Item 2. PROPERTIES

Our headquarters, located in midtown Manhattan, NYC, is available to NYC-area employees who typically work a hybrid schedule. As of December 31, 2025, the majority of our employees are working remotely.

We have limited operations outside the United States. We have one foreign subsidiary located in Israel which leases its operating facilities under a month-to-month operating lease agreement.

We do not view any of our leased facilities as material to our business.

Item 3. LEGAL PROCEEDINGS

We have no material pending legal proceedings as of December 31, 2025, however we may in the future be involved in various legal proceedings, claims and litigation that arise in the normal course of business. We accrue for estimated loss contingencies related to legal matters when available information indicates that it is probable a liability has been incurred and we can reasonably estimate the amount of that loss. In many proceedings, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount of any loss. In addition, even where a loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is often not possible to reasonably estimate the size of the possible loss or range of loss or possible additional losses.

For additional information, see Note 8, “Commitments and Contingent Liabilities,” in the notes to the consolidated financial statements included in Part II, Item 8 of this Form 10-K.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Talkspace, Inc.'s common stock and warrants are listed and traded on Nasdaq under the symbols “TALK” and “TALKW,” respectively.

As of December 31, 2025, there were 166,718,150 shares of common stock issued and outstanding, and 12,757,500 Private Placement Warrants and 20,722,500 Public Warrants to purchase the Company’s common stock at an exercise price of $11.50 per share. As of December 31, 2025, there were 9,090,150 and 5,525,326 shares underlying outstanding stock options and non-vested restricted stock units, respectively.

Holders of Record

As of March 10, 2026, there were 63 holders of record of our common stock and 12 holders of record of our warrants. However, because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we believe there are substantially more beneficial holders of our common stock than record holders. The number of record holders also does not include stockholders whose shares may be held in trust by other entities.

Dividends

We have not paid any cash dividends on our common stock to date. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and general financial condition. The payment of any cash dividends will be within the discretion of our board of directors. Our ability to declare dividends may be limited by the terms of financing or other agreements entered into by us or our subsidiaries from time to time.

Stock-Based Compensation Plans

The Company maintains a stock-based compensation plan under which the Company may grant cash and equity incentive awards to officers, employees, directors, consultants and service providers and one employee stock purchase plan under which employees of the Company and its participating subsidiaries are provided with the opportunity to purchase Talkspace common stock at a discount through accumulated payroll deductions during successive offering periods. As of December 31, 2025, no shares of common stock have been issued under the employee stock purchase plan. For additional information regarding our stock-based compensation plans see Note 10, “Stock-based Compensation,” in the notes to the consolidated financial statements included in Part II, Item 8 of this Form 10-K.

Issuer Repurchases of Equity Securities

The following table provides information with respect to purchases by the Company of shares of its Common Stock during the fourth quarter of 2025:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program or Plan (in Thousands) [1]
October 1, 2025 to October 31, 2025	—	$ -	—	—
November 1, 2025 to November 30, 2025	—	—	—	—
December 1, 2025 to December 31, 2025	—	—	—	$ 11,797
Total	—		—	

Share Repurchase Program

On February 22, 2024, the Company announced that its Board of Directors approved a share repurchase program to authorize the repurchase of up to $15.0 million of the currently outstanding shares of the Company’s common stock over a period of twenty-four months beginning on March 1, 2024 (the “Share Repurchase Program”).

On August 1, 2024, the Company's Board of Directors amended the Share Repurchase Program to authorize the Company to repurchase up to an additional $25.0 million of its common stock for a total of $40.0 million. The Share Repurchase Program will remain in effect until the earliest: 1) the total authorized dollar amount of shares is repurchased, or 2) August 1, 2026. All shares repurchased will be retired.

During the year ended December 31, 2025, the Company repurchased and retired an aggregate of 6,577,115 shares of its common stock for a total consideration of $17.2 million ($2.62 per share). As of December 31, 2025, $11.8 million remained available under the Share Repurchase Program.

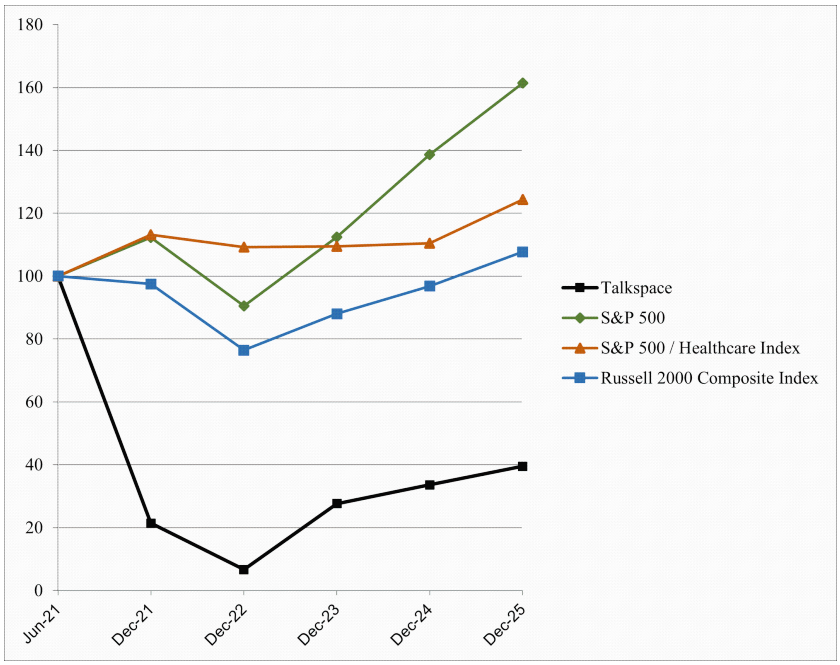
Such purchases will be at times and in amounts as the Company deems appropriate, based on factors such as price, market conditions, corporate and regulatory requirements, constraints specified in any Rule 10b5-1 trading plans, alternative investment opportunities and other business considerations. The program does not obligate the Company to repurchase any dollar amount or number of shares, and may be modified, suspended, or discontinued at any time at the Company's discretion without prior notice.

Recent Sales of Unregistered Securities

In October 2025, as consideration for the acquisition of a business, we issued 551,066 shares of common stock to the seller in connection with the closing in reliance on exemption from the registration requirements of the Securities Act of 1933 pursuant to Section 4(a)(2) thereof because the issuance of securities did not involve a public offering.

Stock Performance Graph

The following graph and table illustrate the cumulative total return from June 23, 2021 through December 31, 2025, for (i) our common stock, (ii) the Standard & Poor's 500 Index, (iii) the Standard & Poor's 500 Healthcare Index and (iv) the Russell 2000 Composite Index. The graph and the table assume that $100 was invested on June 23, 2021 in each of our common stock, the Standard & Poor's 500 Index, the Standard & Poor's 500 Healthcare Index and the Russell 2000 Composite Index, and that any dividends were reinvested. The comparisons reflected in the graph and table are not intended to forecast the future performance of our stock and may not be indicative of our future performance.



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Item 6. Reserved.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context otherwise requires, all references in this section as to "Talkspace," the "Company," "we," "us" or "our" refer to the business of Talkspace, Inc. and its consolidated subsidiaries.

The following discussion and analysis of our financial condition and results of operations should be read together with the financial statements and the related notes contained in this Annual Report. This discussion contains forward-looking statements that reflect our plans, estimates, and beliefs that involve risks and uncertainties. As a result of many factors, such as those discussed in the "Risk Factors" and "Forward-Looking Statements" sections and elsewhere in this Annual Report, our actual results may differ materially from those anticipated in these forward-looking statements.

The purpose of this section is to discuss and analyze our consolidated financial condition, liquidity and capital resources and results of operations for the years ended December 31, 2025 and 2024. For a discussion of our results of operations, liquidity and capital resources for the year ended December 31, 2023, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Overview

Talkspace is a leading virtual behavioral healthcare company offering its members convenient and affordable access to a fully-credentialed network of highly qualified providers across a wide and growing spectrum of care through virtual psychotherapy and psychiatry. All care offered at Talkspace is delivered through an easy-to-use, fully-encrypted web and mobile platform that meets HIPAA, federal, and state regulatory requirements.

Our customers are comprised of the following:

- Health insurance plans from commercial and government institutions, and employee assistance programs ("Payor"), who offer their members access to our platform at in-network reimbursement rates,
- Direct-to-Enterprise ("DTE"), comprised of enterprises who offer their enterprise members access to our platform while their enterprise is under an active contract with Talkspace, and
- Individual subscribers ("Consumer") who subscribe directly to our platform.

For the year ended December 31, 2025 our revenues were $228.9 million compared to $187.6 million for the year ended December 31, 2024. For the year ended December 31, 2025, our clinicians completed 1,617,000 sessions related to members covered under our Payor customers compared to 1,229,200 completed sessions for the year ended December 31, 2024. As of December 31, 2025, we had approximately 5,000 Consumer active members compared to 7,200 Consumer active members as of December 31, 2024.

Pending Merger with Universal Health Services, Inc.

On March 9, 2026, we entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with Universal Health Services, Inc., a Delaware corporation ("UHS"), and UHS Merger Subsidiary, Inc., a Delaware corporation and an indirect wholly owned subsidiary of UHS ("Merger Subsidiary"), pursuant to which, among other things, Merger Subsidiary will merge with and into us (the "Merger"), with us continuing as the surviving corporation and a wholly-owned subsidiary of UHS.

Under the terms of the Merger Agreement, at the effective time of the Merger, each issued and outstanding share of our common stock (subject to certain exceptions set forth in the Merger Agreement) will be cancelled and converted into the right to receive $5.25 per share in cash. Following completion of the Merger, we will be delisted from the NASDAQ Global Select Market and deregistered under the Securities Exchange Act of 1934.

We have made customary representations and warranties in the Merger Agreement and have agreed to customary covenants regarding the operation of our business prior to the consummation of the Merger.

Consummation of the Merger is subject to customary closing conditions, including termination or expiration of any waiting periods required under the Hart-Scott-Rodino ("HSR") Act and certain specified state healthcare laws, approval by our stockholders and other customary closing conditions. The transaction is expected to close in the third quarter of 2026.

We have incurred, and expect to continue to incur, significant transaction-related costs, including financial advisory, legal, and accounting fees, which will be recognized as expense in the periods incurred during fiscal year 2026.

The foregoing description of the Merger Agreement does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Merger Agreement, which was filed as Exhibit 2.1 to the Current Report on Form 8-K filed by us on March 9, 2026. For additional information related to the Merger Agreement, please also refer to the other relevant materials in connection with the transaction that we will file with the SEC and that will contain important information about us and the Merger.

Clinical Automation and Artificial Intelligence

Sentia AI, LLC is Talkspace's wholly-owned subsidiary dedicated to proprietary Artificial Intelligence ("AI") development. "Sentia" refers to Talkspace's behavioral-health-focused large language model ("LLM") that Talkspace intends to utilize in future products, primarily where a member has a conversation with an agent. Sentia currently exists as a beta-tested, user-facing interface product where members engage with our LLM regarding their mental well-being. This model does not replace clinicians but extends their reach, adhering to strict clinical standards while identifying millions of new users who may require human intervention. While we believe this integration will enhance member engagement and reduce clinician burnout, the cost of compute resources associated with LLMs may impact our technology and development expenses. Furthermore, if the AI-generated outputs fail to meet clinical or regulatory standards, it could result in increased liability or decreased user trust, reputational harm, additional regulatory scrutiny, and reduced demand for our services.

Business Acquisition

On October 1, 2025, Talkspace acquired Wisdo Health,a clinically-proven and AI-powered social health and peer support platform. Social health and the presence of supportive human connections are critical components of overall health and the acquisition of Wisdo better positions Talkspace to address loneliness and isolation, conditions that affect nearly half of U.S. adults, drive significant costs, and were declared a public health crisis by the U.S. Surgeon General. Backed by peer-reviewed research, Wisdo has demonstrated significant improvements in health outcomes, including reductions in loneliness and depression. The results of this acquisition is included in the Company's consolidated financial statements from the date of acquisition. Refer to Note 2, "Summary of Significant Accounting Policies and Estimates" in notes to the consolidated financial statements included in Part II, Item 8 of this Form 10-K.

Inflation Risk and Economic Conditions

The demand for our solution is dependent on the general economy, which is in turn affected by geopolitical conditions, the stability of the global credit markets, inflationary pressures, higher interest rates, the industries in which our Payor and DTE customers operate or serve, and other factors. Downturns in the general economy could disproportionately affect the demand for our solution and cause it to decrease.

Our operations could also be impacted by inflation and higher interest rates. Inflation did not have a material effect on our business, financial condition or results of operations for the years ended December 31, 2025 and 2024. However, if our costs were to become subject to significant inflationary pressures (such as Provider cost), we may not be able to fully offset such higher costs through price increases or cost savings. Our inability or failure to do so could harm our business, financial condition or results of operations.

One Big Beautiful Bill Act

In July 2025, the One Big Beautiful Act ("OBBBA") was enacted, introducing amendments to the U.S. federal income tax code. The OBBBA permanently restores 100% bonus depreciation for qualified property acquired and placed in service after January 19, 2025, and allows immediate expensing of domestic research and experimental expenditures for tax years beginning after December 31, 2024. Although we continue to maintain a full valuation allowance against our U.S. deferred tax assets as of December 31, 2025, we expect these provisions to increase available deductions and extend the period during which future taxable income may be sheltered, improving liquidity to the extent we generate taxable income.

Quarterly Fluctuations

Our financial results may fluctuate from period-to-period as a result of a variety of factors, many of which are outside of our control, including, without limitation, the factors described in this section. Most of our revenue in any given quarter is derived from contracts entered into with our customers during previous quarters. Consequently, a decline in new or renewed contracts in any one quarter may not be fully reflected in our revenue for that quarter. Such declines, however, would negatively affect our revenue in future periods and the effect of significant downturns in sales of and market demand for our solution, and potential changes in our renewals or renewal terms, may not be fully reflected in our results of operations until future periods. Our subscription model also makes it difficult for us to rapidly increase our total revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable term of the contract. Accordingly, the effect of changes in the industry impacting our business or changes we experience in our new sales may not be reflected in our short-term results of operations. Any fluctuation in our quarterly results may not accurately reflect the underlying performance of our business and could cause a decline in the trading price of our securities.

Operating Segments

The Company operates as a single segment, which is how the chief operating decision maker ("CODM"), who is the Chief Executive Officer, reviews financial performance and allocates resources.

Key Business Metrics

We monitor the following key metrics to help us evaluate our business, identify trends affecting our business, formulate business plans and make strategic decisions. We believe the following metrics are useful in evaluating our business:

	Year Ended December 31,	
(in thousands, except number of health plan and enterprise customers or otherwise indicated)	**2025**	**2024**
Number of completed Payor sessions during the year	1,617.0	1,229.2
Number of health plan customers at year end	35	27
Number of enterprise customers at year end	159	188
Number of Consumer active members at year end	5.0	7.2

	Three Months Ended December 31,	
(in thousands)	**2025**	**2024**
Unique Payor active members during the period	124.1	95.7

Consumer Active Members: We consider consumer members "active" commencing on the date such member initiates contact with a provider on our platform until the term of their monthly, quarterly or bi-annual subscription plan expires, unless terminated early.

Unique Payor Active Members: Represents unique users who had a session completed during the period.

Components of Results of Operations

Revenue

We generate revenues from services provided to individuals who are qualified to receive access to the Company's services through our arrangements with health insurance plans, employee assistance organizations and enterprises. We also generate revenues from the sale of monthly, quarterly, bi-annual and annual membership subscriptions to the Company's therapy platform as well as supplementary a la carte offerings directly to individual consumers through a subscription plan. Revenue growth is generated from a combination of increasing utilization within our Payor members and expanding enterprise customers. See Note 2, "Summary of Significant Accounting Policies and Estimates" in notes to the consolidated financial statements for further details.

Costs and Operating Expenses

Cost of Revenue, excluding depreciation and amortization

Cost of revenue is comprised primarily of therapist payments. Cost of revenue is largely driven by the number of sessions and the size of our provider network that is required to service the growth of our Payor and DTE customers, in addition to the growth of our customer base.

We designed our business model and our provider network to be scalable and to leverage a hybrid model of both employee providers and independently contracted providers to support multiple growth scenarios. The compensation paid to our independently contracted providers is variable, and the amount paid to a provider is generally based on the amount of time committed by such provider to our members. Our employee providers receive a fixed-salary and discretionary bonuses, where applicable, all of which is included in cost of revenue.

While we expect to make increased investments to support accelerated growth and scale our provider network, we also expect increased efficiencies and economies of scale. Our cost of revenue as a percentage of revenue is expected to fluctuate from period to period depending on the interplay of these factors as well as pricing fluctuations.

Operating Expenses:

Research and Development Expenses

Research and development expenses include personnel and related expenses for software development and engineering, information technology infrastructure, security, privacy compliance and product development (inclusive of stock-based compensation for our research and development employees), third-party services and contractors related to research and development, information technology and software-related costs. Research and development expenses exclude amounts reflected as capitalized internal-use software costs.

Clinical Operations Expenses

Clinical operations expenses are associated with the management of our network of therapists. This item is comprised of costs related to recruiting, onboarding, credentialing, training and ongoing quality assurance activities (inclusive of stock-based compensation for our clinical operations employees), costs of third-party services and contractors related to recruiting and training and software-related costs.

Sales and Marketing Expenses

Sales expenses consist primarily of employee-related expenses, including salaries, benefits, commissions, travel and stock-based compensation costs for our employees engaged in sales and account management.

Marketing expenses consist primarily of advertising and marketing expenses for member acquisition and engagement, as well as personnel costs, including salaries, benefits, bonuses, stock-based compensation expense for marketing employees, third-party services and contractors. Marketing expenses also include third-party software subscription services, participation in trade shows, brand messaging and costs of communications materials that are produced for our customers to generate greater awareness and utilization of our platform among our Payor and DTE customers.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs, including salaries, benefits, bonuses and stock-based compensation expense for certain executives, finance, accounting, legal and human resources functions, as well as professional fees.

Depreciation and amortization

Depreciation and amortization expense consist primarily of depreciation expense on computer and equipment, and amortization of capitalized internal use-software costs and intangible assets.

Financial income, net

Financial income, net includes the impact from (i) interest earned in investments in marketable securities and other highly liquid investments, (ii) non-cash changes in the fair value of our warrant liabilities, and (iii) other financial expenses in connection with bank charges.

Income tax expense

Income tax expense consists of U.S. State income taxes related to income generated by our U.S. subsidiaries and foreign income taxes related to income generated by our subsidiary organized under the laws of Israel.

We have a full valuation allowance for our U.S. deferred tax assets, including federal and state NOLs. We expect to maintain this valuation allowance until it becomes more likely than not that the benefit of our federal and state deferred tax assets will be realized through expected future taxable income in the United States.

Results of Operations

The following table presents the results of operations for the years ended December 31, 2025 and 2024 and the dollar and percentage change between the respective years:

	Year Ended December 31,		Variance	
	2025	2024	$	%
(in thousands, except percentages)				
Revenue:				
Payor revenue	$ 171,518	$ 124,339	$ 47,179	37.9
DTE revenue	39,880	$ 38,466	1,414	3.7
Consumer revenue	17,473	24,788	(7,315)	(29.5)
Total revenue	228,871	187,593	41,278	22.0
Costs and operating expenses:				
Cost of revenue, excluding depreciation and amortization	130,522	101,311	29,211	28.8
Research and development	9,544	10,280	(736)	(7.2)
Clinical operations, net	7,208	6,542	666	10.2
Sales and marketing	53,803	50,525	3,278	6.5
General and administrative	21,767	22,573	(806)	(3.6)
Depreciation and amortization	2,875	859	2,016	234.7
Total costs and operating expenses	225,719	192,090	33,629	17.5
Income (loss) from operations	3,152	(4,497)	7,649	*
Financial income, net	(5,215)	(5,739)	524	(9.1)
Income before income tax	8,367	1,242	7,125	573.7
Income tax expense	574	94	480	510.6
Net income	$ 7,793	$ 1,148	$ 6,645	578.8

Year Ended December 31, 2025 compared to December 31, 2024

Revenue

Overall, the increase in revenue for the year ended December 31, 2025 compared to year ended December 31, 2024 was predominantly volume-driven reflecting a shift in revenue mix towards Payor.

Total revenue increased by $41.3 million, or 22.0%, to $228.9 million for the year ended December 31, 2025 from $187.6 million for the year ended December 31, 2024, primarily due to a 37.9% increase in Payor revenue, which was driven by a 31.5% increase in the number of completed Payor sessions, partially offset by a 29.5% decline in Consumer revenue. The increase in Payor sessions is primarily due to a 29.7% increase in active payor members and a 29.6% increase in the number of health plan customers. Consumer subscription revenue decreased by $7.3 million, or 29.5%, to $17.5 million for the year ended December 31, 2025 from $24.8 million for the year ended December 31, 2024, primarily due to a 30.0% decline in Consumer active members due to the Company's intentional and strategic decision to optimize and focus marketing efforts on attracting Payor members.

Costs and Operating Expenses

Cost of revenue, excluding depreciation and amortization

Cost of revenues, excluding depreciation and amortization, increased by $29.2 million or 28.8%, to $130.5 million for the year ended December 31, 2025 from $101.3 million for the year ended December 31, 2024, primarily due to a 21.7% increase in hours worked by therapists as a result of increased Payor sessions.

Operating Expenses:

Research and development expenses

Research and development expenses decreased by $0.7 million, or 7.2%, to $9.5 million for the year ended December 31, 2025 from $10.3 million for the year ended December 31, 2024, primarily due to a $0.8 million decrease in employee-related costs, as a result of the exclusion of amounts reflected as capitalized internal-use software development costs.

Clinical operations expenses.

Clinical operations expenses increased by $0.7 million, or 10.2%, to $7.2 million for the year ended December 31, 2025 from $6.5 million for the year ended December 31, 2024, primarily due to a $0.6 million increase in employee-related costs.

Sales and marketing expenses

Sales and marketing expenses increased by $3.3 million, or 6.5%, to $53.8 million for the year ended December 31, 2025 from $50.5 million for the year ended December 31, 2024. The increase in sales and marketing expenses was primarily driven by a $4.6 million increase in direct marketing and promotional costs, partially offset by a $1.0 million decrease in employee-related costs.

General and administrative expenses

General and administrative expenses decreased by $0.8 million, or 3.6%, to $21.8 million for the year ended December 31, 2025 from $22.6 million for the year ended December 31, 2024. The decrease in general and administrative expenses was primarily due to a $1.1 million decrease in employee-related costs, partially offset by a $0.4 million increase in software tools and subscriptions.

Depreciation and amortization expenses

Depreciation and amortization expenses increased by $2.0 million to $2.9 million for the year ended December 31, 2025 from $0.9 million for the year ended December 31, 2024. The increase in depreciation and amortization expense was primarily due a $1.8 million increase in amortization expense related to capitalized internal-use software assets.

Financial income, net

Financial income, net decreased by $0.5 million, or 9.1%, to $5.2 million for the year ended December 31, 2025 from $5.7 million for the year ended December 31, 2024. The decrease in financial income, net was primarily due to a $1.6 million decrease in interest income earned on marketable securities and other highly liquid investments due to a reduction in interest rates, partially offset by a $1.3 million unrealized gain on the remeasurement of warrant liabilities.

Income tax expense

Income tax expense increased by $0.5 million, or 510.6%, to $0.6 million for the year ended December 31, 2025 from $0.1 million for the year ended December 31, 2024, mainly due to U.S. State income taxes.

Year Ended December 31, 2024 compared to December 31, 2023

For a detailed discussion of the results for the year ended December 31, 2024 compared to the year ended December 31, 2023, please refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 filed on March 12, 2025.

Non-GAAP Financial Measures

In addition to our financial results determined in accordance with GAAP, we believe adjusted EBITDA, a non-GAAP measure, is useful in evaluating our operating performance, and our management uses it as a key performance measure to assess our operating performance. Because adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we use this measure for business planning purposes and in evaluating acquisition opportunities.

We also use adjusted EBITDA to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that this non-GAAP financial measure, when taken together with the corresponding GAAP financial measures, provides meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our business, results of operations or outlook. We believe that the use of adjusted EBITDA is helpful to our investors as it is a metric used by management in assessing the health of our business and our operating performance. However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP.

Some of the limitations of adjusted EBITDA include (i) adjusted EBITDA does not necessarily reflect capital commitments to be paid in the future and (ii) although depreciation and amortization are non-cash charges, the underlying assets may need to be replaced and adjusted EBITDA does not reflect these requirements. In evaluating adjusted EBITDA, you should be aware that in the future we will incur expenses similar to the adjustments described herein. Our presentation of adjusted EBITDA should not be construed as an inference that our future results will be unaffected by these expenses or any unusual or non-recurring items. Our adjusted EBITDA may not be comparable to similarly titled measures of other companies because they may not calculate adjusted EBITDA in the same manner as we calculate the measure, limiting its usefulness as a comparative measure. Adjusted EBITDA should not be considered as an alternative to income (loss) before income taxes, net income (loss), income (loss) per share, or any other performance measures derived in accordance with U.S. GAAP. When evaluating our performance, you should consider adjusted EBITDA alongside other financial performance measures, including our net income and other GAAP results.

A reconciliation is provided below for adjusted EBITDA to net income, the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review our financial statements prepared in accordance with GAAP and the reconciliation of our non-GAAP financial measure to its most directly comparable GAAP financial measure, and not to rely on any single financial measure to evaluate our business. We do not provide a forward-looking reconciliation of adjusted EBITDA guidance as the amount and significance of the reconciling items required to develop meaningful comparable GAAP financial measures cannot be estimated at this time without unreasonable efforts. These reconciling items could be meaningful.

We calculate adjusted EBITDA as net income adjusted to exclude (i) depreciation and amortization, (ii) stock-based compensation expense, (iii) financial income, net, (iv) income tax expense, and (v) certain non-recurring expenses, where applicable.

The following table presents a reconciliation of adjusted EBITDA from the most comparable GAAP measure, net income for the years ended December 31, 2025 and 2024:

	Year Ended December 31,	
(in thousands)	**2025**	**2024**
Net income	$ 7,793	$ 1,148
Add:		
Depreciation and amortization	2,875	859
Stock-based compensation	8,445	9,173
Financial income, net	(5,215)	(5,739)
Income tax expense	574	94
Non-recurring expenses [(1)]	1,300	1,427
Adjusted EBITDA	$ 15,772	$ 6,962

(1) For the year-ended December 31, 2025, non-recurring expenses primarily consisted of acquisition related expenses and severance costs related to the departure of a key executive of the Company. For the year-ended December 31, 2024, non-recurring expenses primarily consisted of severance costs related to the departure of key executives of the Company and other related costs.

Liquidity and Capital Resources

As of December 31, 2025, we maintained a strong capital position with $92.6 million in cash, cash equivalents, and short-term marketable securities ($117.8 million as of December 31, 2024), which we use to finance our operations and support a variety of growth initiatives and investments. We have no debt as of December 31, 2025 and December 31, 2024.

Our primary cash needs are to fund operating activities and invest in technology development. Our future capital requirements will depend on many factors including our growth rate, contract renewal activity, the timing and extent of investments to support product development efforts, our expansion of sales and marketing activities, the introduction of new and enhanced service offerings and the continuing market acceptance of virtual behavioral healthcare services. Additionally, we may enter into arrangements to acquire or invest in complementary businesses, services and technologies.

We currently anticipate to be able to fund our cash needs for at least the next 12 months and thereafter for the foreseeable future using available cash and cash equivalent balances. However, in the future we may require additional capital to respond to technological advancements, competitive dynamics, customer demands, business and investment opportunities, acquisitions or unforeseen circumstances and we may determine to engage in equity or debt financings for other reasons. We may not be able to timely secure additional debt or equity financing on favorable terms, or at all. If we raise additional funds through the issuance of equity or convertible debt or other equity-linked securities, our existing stockholders could experience significant dilution. Any debt financing obtained by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we cannot raise capital when needed, we may be forced to undertake asset sales or similar measures to ensure adequate liquidity.

Share Repurchase Program

On February 22, 2024, the Company announced that its Board of Directors approved a share repurchase program to authorize the repurchase of up to $15.0 million of the currently outstanding shares of the Company's common stock over a period of 24 months beginning on March 1, 2024 (the "Share Repurchase Program"). On August 1, 2024, the Company's Board of Directors amended the Share Repurchase Program to authorize the Company to repurchase up to an additional $25.0 million of its common stock for a total of $40.0 million. The Share Repurchase Program will remain in effect until the earliest: 1) the total authorized dollar amount of shares is repurchased or 2) August 1, 2026. All shares repurchased will be retired. Refer to Note 9, "Capital Stock" in notes to the consolidated financial statements included in Part II, Item 8 of this Form 10-K.

Cash Flows from Operating, Investing and Financing Activities

The following table presents the summary consolidated cash flow information for the years ended December 31, 2025 and 2024:

	Year Ended December 31,	
(in thousands)	**2025**	**2024**
Net cash provided by operating activities	$ 8,534	$ 11,704
Net cash used in investing activities	(28,877)	(46,732)
Net cash used in financing activities	(18,997)	(12,188)
Net decrease in cash and cash equivalents	$ (39,340)	$ (47,216)

Operating Activities

Net cash provided by operating activities was $8.5 million for the year ended December 31, 2025 compared to $11.7 million for the year ended December 31, 2024. The decline in net cash provided by operating activities was primarily due to timing of customer payments which increased accounts receivable, partially offset by higher net income during the year ended December 31, 2025 compared to December 31, 2024.

Investing Activities

Net cash used in investing activities was $28.9 million for the year ended December 31, 2025 compared to $46.7 million for the year ended December 31, 2024. The decrease in net cash used in investing activities was driven primarily by higher proceeds from maturities of marketable securities, partially offset by purchases of marketable securities, capitalized internal-use software development costs and the acquisition of Wisdo Health.

Financing Activities

Net cash used in financing activities was $19.0 million for the year ended December 31, 2025 compared to $12.2 million for the year ended December 31, 2024. The increase in net cash used in financing activities was driven primarily by an increase in repurchases of common stock for retirement, partially offset by a decrease in proceeds from the exercise of stock options.

Contractual Obligations, Commitments and Contingencies

As of December 31, 2025, we did not have any short-term or long-term debt, or any significant long-term liabilities. As of December 31, 2025, we have a non-material long-term operating lease for our office space in New York, NY.

As of December 31, 2025 there were no material legal proceedings, claims or litigation. We may in the future be involved in various legal proceedings, claims and litigation that arise in the normal course of business. We accrue for estimated loss contingencies related to legal matters when available information indicates that it is probable a liability has been incurred and we can reasonably estimate the amount of that loss. In many proceedings, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount of any loss. In addition, even where a loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is often not possible to reasonably estimate the size of the possible loss or range of loss or possible additional losses or range of additional losses. Should any of our estimates and assumptions change or prove to be incorrect, it could have a material impact on our results of operations, financial position, and cash flows.

Our commercial contract arrangements generally include certain provisions requiring us to indemnify customers against liabilities if there is a breach of a customer's data or if our service infringes a third party's intellectual property rights. To date, we have not incurred any material costs as a result of such indemnifications.

We have also agreed to indemnify our officers and directors for costs associated with any fees, expenses, judgments, fines and settlement amounts incurred by any of these persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person's service as a director or officer, including any action by us, arising out of that person's services as our director or officer or that person's services provided to any other company or enterprise at our request. We maintain director and officer liability insurance coverage that would generally enable us to recover a portion of any future amounts paid. We may also be subject to indemnification obligations by law with respect to the actions of our employees under certain circumstances and in certain jurisdictions.

Off-Balance Sheet Arrangements

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources, market or credit risk support, or engage in any activities that expose us to any liability that is not reflected in our consolidated financial statements.

Critical Accounting Policies and Estimates

Our accounting policies are essential to understanding and interpreting the financial results reported on the consolidated financial statements. The significant accounting policies used in the preparation of our consolidated financial statements are summarized in Note 2, "Summary of Significant Accounting Policies and Estimates" in the notes to the consolidated financial statements. Certain of those policies are considered to be particularly important to the presentation of our financial results because they require management to make difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain. The following is a discussion of these estimates:

Revenue Recognition

We recognize revenues in accordance with ASC 606, "Revenue from Contracts with Customers". Revenues are recognized when we satisfy our performance obligation to perform our defined contractual obligations to provide virtual behavioral healthcare services. The transaction price is determined based on the consideration to which we will be entitled in exchange for the service rendered. To the extent the transaction price includes variable consideration, we estimate the amount of variable consideration that is included in the transaction price at contract inception and reassesses this estimate at each reporting date. Variable consideration is included in the transaction price if it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration estimate is primarily based on actual historical collection experience.

Internal-use Software Costs

We capitalize certain costs related to the development of our proprietary virtual behavioral health platform and clinical automation tools, including those incorporating generative AI. In accordance with ASC 350-40, Internal Use Software, software development activities generally consist of three stages (i) the preliminary project stage, (ii) the application development stage, and (iii) the post-implementation operational stage. Costs incurred during the preliminary project stage and during the post-implementation operational stage are expensed as incurred. Eligible costs incurred during the application development stage of the project are capitalized and are amortized on a straight-line basis over the software's estimated useful life, generally 3 years. Maintenance costs are expensed as incurred.

Stock-based Compensation

We account for stock-based compensation in accordance with ASC 718, "Compensation - Stock Compensation". Compensation costs for share-based awards are measured at the fair value on the grant date and recognized as expense using the straight-line method for service-based awards over the requisite service period. The fair value of stock options is determined using the Black-Scholes-Merton option pricing model. The option-pricing model requires a number of assumptions, of which the most significant is the expected stock price volatility and the expected option term. Expected volatility is calculated based upon our historical share price movements as well as similar traded companies' historical share price movements as adequate historical experience is not available to provide a reasonable estimate based only on our share price. Expected term is calculated based on the simplified method as adequate historical experience is not yet available to provide a reasonable estimate. The simplified method will continue to apply until enough historical experience is available to provide a reasonable estimate of the expected term.

Recent Accounting Pronouncements

See Note 2, "Summary of Significant Accounting Policies and Estimates" in notes to the consolidated financial statements for information regarding recent accounting developments and their impact on our results.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts contained in this Annual Report on Form 10-K may be forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "targets," "projects," "contemplates," "believes," "estimates," "forecasts," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements regarding our future results of operations and financial position, industry and business trends, stock-based compensation, revenue recognition, business strategy, plans and market growth.

The forward-looking statements in this Annual Report on Form 10-K and other such statements we publicly make from time to-time are only predictions. We base these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition, and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to, the important factors discussed in Part I, Item 1A, "Risk Factors" in this Annual Report on Form 10-K for the fiscal year ended December 31, 2025. The forward-looking statements in this Annual Report on Form 10-K are based upon information available to us as of the date of this Annual Report on Form 10-K, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

This Annual Report on Form 10-K and the documents that we reference herein and have filed as exhibits to this Annual Report on Form 10-K should be read with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Annual Report on Form 10-K or any forward-looking statements we may publicly make from time-to-time, whether as a result of any new information, future events or otherwise.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

As of December 31, 2025, we had cash and cash equivalents totaling $37.4 million and $55.2 million in marketable securities, which are held for a variety of growth initiatives and investments as well as working capital purposes. We do not have any indebtedness for borrowed money outstanding.

We do not believe that a hypothetical increase or decrease of 100 basis points in interest rates would have a material effect on our business, financial condition or results of operations. However, our earnings on cash equivalents are subject to market risk due to changes in interest rates.

Foreign Currency Exchange Risk

To date, a substantial majority of our revenue from customer arrangements has been denominated in U.S. dollars. We have limited operations outside the United States. Accordingly, we believe we do not have a material exposure to foreign currency risk. In the future, we may choose to focus on international expansion, which may increase our exposure to foreign currency exchange risk.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Talkspace, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Talkspace, Inc. (the Company) as of December 31, 2025 and 2024, the related consolidated income statements, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2025, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 13, 2026 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Estimation of transaction price and variable consideration for revenue recognition

Description of the Matter

As discussed in Note 2 of the consolidated financial statements, the Company recognizes revenues from contracted insurance payors and employee assistance organizations at a point in time based on contracted rates, net of implicit price concessions, as virtual therapy or psychiatry session is rendered ("payor revenues"). The Company estimates the amount of variable consideration that is included in the transaction price mainly by estimating claims denials by insurance payor, primarily based on actual historical collection experience by insurance payor. For the year ended December 31, 2025, payor revenues were $171.5 million.

Auditing management's determination of the transaction price, including variable consideration, was complex and judgmental due to significant data inputs and subjective assumptions used in the process. In determining the transaction price, management develops estimates based on actual historical collection experience by insurance payor.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's process for estimating the amount of variable consideration included in the transaction price, including management's review of the assumptions used, results of calculations, and assessment of the underlying data.

To test the estimate of variable consideration, our audit procedures also included, assessing the methodology and testing the underlying data used by the Company in its analysis. We compared the collection rates used by management to historical collection trends and evaluated whether changes in the Company's business model, payor mix, and other factors would affect the estimate of variable consideration. We also assessed the historical accuracy of management's estimates and performed a sensitivity analysis to evaluate changes in variable consideration resulting from changes in the expected collection rates used and the corresponding effect on revenues.

/s/ Kost Forer Gabbay & Kasierer
A Member of EY Global

We have served as the Company's auditor since 2014.

Tel-Aviv, Israel
March 13, 2026

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Talkspace, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Talkspace, Inc.'s internal control over financial reporting as of December 31, 2025, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Talkspace, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2025 and 2024, the related consolidated income statements, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2025, and the related notes and our report dated March 13, 2026 expressed an unqualified opinion thereon.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Kost Forer Gabbay & Kasierer
A Member of EY Global

Tel-Aviv, Israel
March 13, 2026

TALKSPACE, INC.
CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands (except share and per share data)

	December 31,	
	2025	2024
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents [1]	$ 37,352	$ 76,692
Marketable securities	55,234	41,118
Accounts receivable, net [1]	16,061	9,643
Other current assets	2,415	2,729
Total current assets	111,062	130,182
Fixed assets, net	15,794	6,259
Goodwill	3,318	—
Other long-term assets	4,689	2,236
Total assets	$ 134,863	$ 138,677
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 8,501	$ 7,710
Accrued expenses and other current liabilities [1]	6,672	8,031
Deferred revenues	2,223	3,282
Total current liabilities	17,396	19,023
Other long-term liabilities	452	2,259
Total liabilities	17,848	21,282
Commitments and contingencies (Note 8)		
STOCKHOLDERS' EQUITY:		
Common stock of $0.0001 par value — Authorized: 1,000,000,000 shares at December 31, 2025 and 2024; Issued and outstanding: 166,718,150 and 168,849,591 shares at December 31, 2025 and 2024, respectively	17	17
Additional paid-in capital	378,384	386,612
Accumulated deficit	(261,443)	(269,236)
Accumulated other comprehensive income	57	2
Total stockholders' equity	117,015	117,395
Total liabilities and stockholders' equity	$ 134,863	$ 138,677

(1) Talkspace, Inc's consolidated balance sheets include assets of consolidated variable interest entities ("VIEs") that can only be used to settle obligations of these VIEs and liabilities of consolidated VIEs for which creditors do not have recourse to Talkspace, Inc. or its affiliates. At December 31, 2025 and December 31, 2024, assets of these consolidated VIEs totaled $13,562 and $6,875, respectively. At December 31, 2025 and December 31, 2024, liabilities of these consolidated VIEs totaled $3,755 and $2,528, respectively. See Note 13, "Variable Interest Entities," in the notes to the consolidated financial statements for further details.

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

TALKSPACE, INC.
CONSOLIDATED INCOME STATEMENTS
U.S. dollars in thousands (except share and per share data)

	Year Ended December 31,		
	2025	2024	2023
Revenue	$ 228,871	$ 187,593	$ 150,045
Costs and operating expenses:			
Cost of revenue, excluding depreciation and amortization	130,522	101,311	75,219
Research and development	9,544	10,280	17,066
Clinical operations	7,208	6,542	6,159
Sales and marketing	53,803	50,525	52,224
General and administrative	21,767	22,573	21,301
Depreciation and amortization	2,875	859	1,285
Total costs and operating expenses	225,719	192,090	173,254
Income (loss) from operations	3,152	(4,497)	(23,209)
Financial income, net	(5,215)	(5,739)	(4,245)
Income (loss) before income tax	8,367	1,242	(18,964)
Income tax expense	574	94	218
Net income (loss)	$ 7,793	$ 1,148	$ (19,182)
Net income (loss) per share:			
Basic	$ 0.05	$ 0.01	$ (0.12)
Diluted	$ 0.04	$ 0.01	$ (0.12)
Weighted average number of common shares used in computing basic and diluted net income (loss) per share			
Basic	167,089,060	168,906,900	165,039,920
Diluted	173,648,431	176,495,872	165,039,920

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

TALKSPACE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
U.S. dollars in thousands

	Year Ended December 31,		
	2025	2024	2023
Net income (loss)	$ 7,793	$ 1,148	$ (19,182)
Other comprehensive income:			
Change in unrealized gains on marketable debt securities	55	2	—
Total other comprehensive income	55	2	—
Total comprehensive income (loss)	$ 7,848	$ 1,150	$ (19,182)

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

TALKSPACE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
U.S. dollars in thousands (except share and per share data)

	Common Stock		Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total stockholders' equity
	Number of Shares Outstanding	Amount				
Balance as of January 1, 2023	161,155,030	$ 16	$ 378,722	$ —	$ (251,202)	$ 127,536
Exercise of stock options	4,592,195	*	2,707	—	—	2,707
Restricted stock units vested, net of tax	2,681,631	*	(810)	—	—	(810)
Stock-based compensation	—	—	8,395	—	—	8,395
Net loss	—	—	—	—	(19,182)	(19,182)
Balance as of December 31, 2023	168,428,856	16	389,014	—	(270,384)	118,646
Exercise of stock options	1,710,285	*	2,010	—	—	2,010
Restricted stock units vested, net of tax	2,621,709	1	(3,196)	—	—	(3,195)
Repurchase of common stock for retirement	(3,911,259)	*	(11,003)	—	—	(11,003)
Stock-based compensation	—	—	9,787	—	—	9,787
Other comprehensive income	—	—	—	2	—	2
Net income	—	—	—	—	1,148	1,148
Balance as of December 31, 2024	168,849,591	17	386,612	2	(269,236)	117,395
Exercise of stock options	1,167,495	*	913	—	—	913
Restricted stock units vested, net of tax	2,727,113	*	(2,707)	—	—	(2,707)
Repurchase of common stock for retirement	(6,577,115)	*	(17,289)	—	—	(17,289)
Issuance of common stock as consideration for acquisition	551,066	*	1,488	—	—	1,488
Stock-based compensation	—	—	9,367	—	—	9,367
Other comprehensive income	—	—	—	55	—	55
Net income	—	—	—	—	7,793	7,793
Balance as of December 31, 2025	166,718,150	$ 17	$ 378,384	$ 57	$ (261,443)	$ 117,015

* Represents an amount lower than $1

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

TALKSPACE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands

	Year Ended December 31,		
	2025	2024	2023
Cash flows from operating activities:			
Net income (loss)	$ 7,793	$ 1,148	$ (19,182)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,875	859	1,196
Accretion of discount on marketable securities, net	(856)	(417)	—
Stock-based compensation	8,445	9,173	8,395
Remeasurement of warrant liabilities	(1,491)	(152)	903
(Increase) decrease in accounts receivable	(6,418)	531	(534)
Decrease (increase) in other current assets	405	2,989	(1,346)
Increase (decrease) in accounts payable	791	1,599	(350)
(Decrease) increase in deferred revenues	(1,182)	213	(1,286)
Decrease in accrued expenses and other current liabilities	(1,644)	(4,437)	(4,034)
Other	(184)	(219)	(155)
Net cash provided by (used in) operating activities	8,534	11,287	(16,393)
Cash flows from investing activities:			
Purchases of marketable securities	(49,344)	(40,701)	—
Proceeds from maturities of marketable securities	36,084	—	—
Capitalized internal-use software costs	(10,641)	(5,443)	—
Acquisition of business, net of cash acquired	(4,904)	—	—
Other	(72)	(171)	(141)
Net cash used in investing activities	(28,877)	(46,315)	(141)
Cash flows from financing activities:			
Proceeds from exercise of stock options	913	2,010	2,707
Payments for employee taxes withheld related to vested stock-based awards	(2,707)	(3,195)	(810)
Repurchase of common stock for retirement	(17,203)	(11,003)	—
Net cash (used in) provided by financing activities	(18,997)	(12,188)	1,897
Net decrease in cash and cash equivalents	(39,340)	(47,216)	(14,637)
Cash and cash equivalents at the beginning of the year	76,692	123,908	138,545
Cash and cash equivalents at the end of the year	$ 37,352	$ 76,692	$ 123,908
Supplemental cash flow data:			
Cash paid during the year for income taxes, net	$ 417	$ 96	$ 219
Non-cash investing activity:			
Stock-based compensation capitalized as part of capitalization of internal-use software costs	$ 922	$ 614	$ —
Lease liabilities arising from obtaining right-of-use assets	$ —	$ 595	$ —
Non-cash financing activities:			
Issuance of common stock as consideration for acquisition	$ 1,488	$ —	$ —
Excise tax liability incurred for repurchase of common stock	$ 86	$ —	$ —

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

TALKSPACE, INC.
Notes to Consolidated Financial Statements

NOTE 1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

Talkspace, Inc. (together with its consolidated subsidiaries, the "Company" or "Talkspace") is a leading behavioral healthcare company enabled by a purpose-built technology platform. Talkspace provides individuals and licensed therapists, psychologists and psychiatrists with an online platform for one-on-one therapy delivered via messaging, audio and video. Since its founding in 2012, the Company has connected millions of patients with licensed mental health providers across a wide and growing spectrum of care through virtual counseling, psychotherapy and psychiatry.

The Company's principal executive office is located in New York, NY. The Company has wholly-owned subsidiaries and holds a variable interest in professional associations and professional corporations, which have been established pursuant to the requirements of their respective domestic jurisdiction governing the corporate practice of medicine. These entities are considered Variable Interest Entities ("VIEs"). See Note 13, "Variable Interest Entities," for further details.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Basis of Presentation

The consolidated financial statements and accompanying notes have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"). In management's opinion, the consolidated financial statements reflect all adjustments of a normal recurring nature that are necessary for a fair presentation of the results for the periods presented.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, together with amounts disclosed in the related notes to the consolidated financial statements. The Company's significant estimates and assumptions used in these consolidated financial statements include, but are not limited to, the recognition of revenue, stock-based compensation awards and internal-use software costs. The Company bases its estimates on historical factors, current circumstances and the experience and judgment of management. The Company evaluates its assumptions on an ongoing basis. The Company's management believes that the estimates, judgments, and assumptions used are reasonable based on information available at the time they are made. Estimates, by their nature, are based on judgment and available information, therefore, actual results could be materially different from these estimates.

Consolidation

The Company consolidates all subsidiaries in which it has a controlling financial interest, as well as any VIEs where the Company is deemed to be the primary beneficiary. Intercompany transactions and balances have been eliminated in the preparation of the consolidated financial statements.

Reclassification

Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on the reported results of operations.

Operating Segments

Talkspace provides virtual behavioral healthcare services through its online platform for one-on-one therapy delivered via messaging, audio and video. The Company's chief operating decision maker ("CODM") is the Chief Executive Officer, who manages the Company by reviewing consolidated results. Accordingly, the Company operates as one operating and reportable segment. The CODM uses the Company's consolidated net income to assess the financial performance of the Company and allocate resources. Since the Company operates in one operating segment, financial information, including consolidated net income information evaluated by the CODM, can be found in the consolidated income statements.

The Company's assets are managed on a consolidated basis. For total asset information please refer to the consolidated balance sheets included within the consolidated financial statements. Most of the Company's long-lived tangible assets, as well as the Company's operating lease right-of-use asset, are located in the United States. Other financial information regarding the Company's operating segment is presented elsewhere in the consolidated financial statements.

For the years ended December 31, 2025, 2024 and 2023, all of the Company's revenue was generated from customers located in the United States. For the types of services from which the reportable segment derives its revenue refer to Note 3, "Revenue Recognition."

Stock Repurchases

The Company repurchases its common stock from time to time pursuant to a board-authorized share repurchase program. Stock repurchases are accounted under ASC 505-30, Treasury Stock. The Company's policy is to retire all stock repurchased immediately after the transaction is completed. The Company records the amounts repurchased in excess of par value as a reduction to additional paid in capital. See Note 9, "Capital Stock," for further details.

Financial Statements in U.S. Dollars

The majority of the Company's operations are based in the United States. Most of the Company's revenues and costs are denominated in United States dollars ("dollar"). The Company's management believes that the dollar is the primary currency of the economic environment in which the Company and each of its subsidiaries operate. Thus, the dollar is the Company's functional and reporting currency.

Accordingly, non-dollar denominated transactions and balances have been re-measured into the functional currency in accordance with ASC 830, "Foreign Currency Matters". These transactions were not material for the years ended December 31, 2025, 2024 and 2023.

Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to cash, with original maturities of three months or less at the date acquired. The Company's cash and cash equivalents generally consist of bank deposits and investments in money market funds, U.S. treasury securities and commercial paper.

The Company's cash and cash equivalents are invested in major banks in the United States. Generally, these cash and cash equivalents and deposits may be redeemed upon demand. The Company deposits may exceed federally insured limits; however management believes that the financial institutions that hold the Company's and its subsidiaries' cash and cash equivalents are institutions with high credit standing, and accordingly, minimal credit risk exists with respect to these assets.

Marketable Securities

The Company invests excess cash primarily in U.S. treasury securities, U.S. government securities, corporate debt securities, certificates of deposit and commercial paper. These investments represent investments of cash which are available to support current operations as such the Company classifies all marketable securities that have effective maturities of three months or less from the date of purchase as cash equivalents and those with effective maturities of greater than three months, including highly liquid securities with maturities beyond twelve months, as marketable securities within current assets on the consolidated balance sheets. As the Company may sell these investments prior to their effective maturities, these investments are classified and accounted for as available for sale securities. The Company determines the appropriate classification of these investments at the time of purchase and reevaluates such designation at each balance sheet date.

The Company carries these at fair value and determines any realized gains or losses on the sale of these investments on a specific identification method, and includes such gains or losses in financial income, net, in the consolidated income statements. Unrealized gains and losses are excluded from earnings and reported as a component of other comprehensive income (loss).

In each reporting period, the Company evaluates whether declines in fair value below carrying value are due to expected credit losses, as well as the ability and intent to hold the investment until a forecasted recovery occurs, in accordance with ASC 326. Allowance for credit losses on available for sale debt securities are recognized as a charge in financial income, net, in the consolidated income statements. See Note 5, "Fair Value Measurements," for further details.

Fixed Assets, net

The following table presents the average useful life used for the Company's fixed assets:

	Average Useful Life (years)
Computers and software	3
Furniture and equipment	5

Fixed assets are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the average useful lives of the assets. See Note 6, “Fixed Assets, net,” for further details.

Internal-use Software

The Company capitalizes costs related to software acquired, developed, or modified solely to meet its internal requirements with no substantive plans to market such software at the time of development. In accordance with ASC 350-40, Internal Use Software, software development activities generally consist of three stages (i) the preliminary project stage, (ii) the application development stage, and (iii) the post-implementation operational stage. Costs incurred during the preliminary project stage and during the post-implementation operational stage are expensed as incurred. Eligible costs incurred during the application development stage of the project are capitalized and are amortized on a straight-line basis over the software’s estimated useful life, generally 3 years. Maintenance costs are expensed as incurred. Capitalized costs include employee-related costs, inclusive of non-cash stock compensation expense for employees who are directly associated with and who devote time to software projects. See Note 6, “Fixed Assets, net,” for further details.

Leases

The Company accounts for its leases in accordance with ASC 842, “Leases”. The right-of-use (“ROU”) asset represents the Company’s right to use an underlying asset for the lease term and the lease liability represents an obligation to make payments based on the present value of lease payments over the lease term. The Company uses incremental borrowing rates based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The lease term includes options to extend or terminate the lease when it is reasonably certain these will be exercised.

The Company has elected not to record operating lease ROU assets and lease liabilities for leases with an initial term of 12 months or less. The Company also elected the practical expedient to not separate lease and non-lease components for its leases. The Company's lease assets and liabilities were immaterial as of December 31, 2025 and 2024. The Company's ROU lease asset is included within other long-term assets on the consolidated balance sheet. The short-term portion of the lease liability is included within accrued expenses and other current liabilities and the long-term portion of the lease liability is included within other long-term liabilities on the consolidated balance sheets.

Business Combinations

The Company accounts for business combinations using the acquisition method of accounting under ASC 805. Under this method, the purchase price (consideration transferred) is allocated to the identifiable assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the total consideration over the net fair value of identifiable assets acquired is recognized as Goodwill. All acquisition-related costs (e.g., legal fees, due diligence, advisory fees) are expensed as incurred and are not included in the purchase price. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates, and selection of comparable companies. The estimates and assumptions used to determine the fair values and useful lives of identified intangible assets could change due to numerous factors, including market conditions, technological developments, economic conditions, and competition. In connection with determination of fair values, the Company may engage a third-party valuation specialist to assist with the valuation of intangible and certain tangible assets acquired and certain obligations assumed.

On October 1, 2025 (the “Acquisition Date”), Talkspace acquired Wisdo Health, a digital social health and peer support platform, for a total consideration of $4.9 million in cash and $1.5 million in common stock. The Company recognized $3.3 million of goodwill as a result of this acquisition. All acquisition-related costs were expensed as incurred and were not included in the total consideration. The results of this acquisition are included in the Company’s consolidated financial statements from the date of acquisition. Pro forma results of operations related to this acquisition have not been presented because they are not material to the Company’s consolidated income statements and consolidated statements of comprehensive income (loss).

The following table presents the fair value of the intangible assets and their estimated amortization period, and goodwill recognized as a result of this acquisition:

(in thousands)		Fair Value	Amortization period (years)
Intangible assets:			
Technology	$	981	5.25
Customer relationship	$	2,124	6.25
Goodwill	$	3,318	infinite

Goodwill

Goodwill reflects the excess of the consideration transferred, including the fair value of any contingent consideration and any non-controlling interest in the acquiree, over the assigned fair values of the identifiable net assets acquired. Goodwill is not amortized, instead, it is tested for impairment at least annually on October 1 (or more frequently if a "triggering event" occurs) at the reporting unit level. These events include: (i) severe adverse industry or economic trends; (ii) significant company-specific actions, including exiting an activity in conjunction with restructuring of operations; (iii) current, historical or projected deterioration of our financial performance; or (iv) a sustained decrease in the Company's market capitalization, as indicated by its publicly quoted share price.

When testing goodwill for impairment, the Company has the option of first performing a qualitative assessment to determine whether it is more likely than not that the fair value of its reporting unit is less than its carrying amount. If the Company elects to bypass the qualitative assessment, or if a qualitative assessment indicates it is more likely than not that carrying value exceeds its fair value, the Company performs a quantitative goodwill impairment test. Under the quantitative goodwill impairment test, if the Company’s reporting unit’s carrying amount exceeds its fair value, the Company will record an impairment charge based on that difference.

The Company operates as one reporting unit and the fair value of the reporting unit is estimated using quoted market prices of the Company’s stock in active markets.

Intangible Assets

Acquired identifiable finite-lived intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets. The basis of amortization approximates the pattern in which the assets are utilized, over their estimated useful lives. The Company routinely reviews the remaining estimated useful lives of finite-lived intangible assets. The Company's intangible assets are included within other long-term assets on the consolidated balance sheets. See Note 4, “Intangible Assets, net” for further details.

Impairment of Long-Lived Assets and Intangible Assets subject to Amortization, including ROU Lease Asset

Fixed assets, internal-use software, intangible assets and ROU lease assets are reviewed for impairment in accordance with ASC 360, “Accounting for the Impairment or Disposal of Long-Lived Assets”, whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. If indicators are present, management performs a recoverability test by comparing the sum of the estimated undiscounted future cash flows attributable to the asset to its carrying amount. If the undiscounted cash flows used in the test for recoverability are less than the carrying amount of the asset, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There are no impairment charges for the years ended December 31, 2025, 2024 and 2023.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606, "Revenue from Contracts with Customers", when the Company satisfies its performance obligation to perform its defined contractual obligations to provide virtual behavioral healthcare services. Revenue is recognized in an amount that reflects the consideration that the Company will be entitled in exchange for the service rendered. To the extent the transaction price includes variable consideration, the Company estimates the amount of variable consideration that is included in the transaction price. Variable consideration is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Company's customers are comprised of the following:

- Health insurance plans from commercial and government institutions, and employee assistance programs ("Payor"), who offer their insured members access to our platform at in-network reimbursement rates,
- Direct-to-Enterprise ("DTE") comprised of enterprises who offer their enterprise members access to our platform while their enterprise is under an active contract with Talkspace, and
- Individual subscribers ("Consumer") who subscribe directly to our platform.

Payor

The Company contracts with health insurance plans and employee assistance programs to provide therapy and psychiatry services to their eligible members. Revenue is recognized at a point in time, as virtual therapy or psychiatry sessions are rendered. The transaction price is determined based on contracted rates and includes variable consideration in the form of implicit price concessions. The Company determines the total transaction price, including an estimate of variable consideration, at contract inception and reassesses this estimate at each reporting date. The Company estimates the amount of variable consideration that is included in the transaction price primarily based on actual historical collection experience for each Payor. Revenue is presented net of implicit price concessions. Contracts include annual evergreen clauses and generally may be terminated by either party upon advance notice per the terms of the contract.

DTE

The Company contracts with enterprises to provide access to the Company's therapist platform for their enterprise members, primarily based on a per-member-per-month ("PMPM") or paid-per-use ("PPU") basis or as a fixed monthly fee. Revenues from access fees is recognized ratably over the contract term, as the customer simultaneously receives and consumes the benefits provided by our performance as we provide access to our platform. To the extent the transaction price includes variable consideration, revenue is recognized using the variable consideration allocation exception, or, if the allocation exception is not met, the Company recognizes revenue ratably over the contract term based on estimates of the variable consideration to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequent resolved. The majority of the contracts typically range in length from one to three years and are generally non-cancelable during the initial contractual term.

Consumer

The Company also generates revenues from the sale of monthly, quarterly, bi-annual and annual membership subscriptions to the Company's therapy platform as well as supplementary a la carte offerings directly to individual consumers through a subscription plan. The Company recognizes consumer revenues ratably over the subscription period (beginning when therapy services commence), as the customer simultaneously receives and consumes the benefits provided by our performance as we provide access to our platform. The Company recognizes revenues from supplementary a la carte offerings at a point in time, as virtual therapy sessions are rendered. Members may cancel their subscription at any time and will receive a pro-rata refund for the subscription price. The transaction price includes variable consideration in the form of refunds. The Company estimates the refund liability for the variable consideration portion of the transaction price primarily based on historical experience. The refund liability is recorded within the "Accrued expenses and other current liabilities" line item in the consolidated balance sheets. The refund liability was immaterial as of December 31, 2025 and 2024. Revenue from Consumer members is presented net of refunds.

See Note 3, "Revenue Recognition," for further details.

Accounts Receivable, net

Accounts receivable is stated net of credit losses allowance. The Company's methodology for estimating expected credit losses is generally based on historical collection experience, customer creditworthiness, and an assessment of current and future economic and market conditions. Additionally, specific allowance amounts are established to for customers with a higher probability of default. Accounts receivable are written off after all reasonable means of collection have been exhausted. See Note 3, "Revenue Recognition," for further details.

Deferred Revenue

The Company records deferred revenues when cash payments from customers are received in advance of the Company's performance obligations to provide services. As of December 31, 2025 and 2024, deferred revenue related mainly to Consumer subscriptions. The Company expects to satisfy the majority of its performance obligations associated with deferred revenue within one year or less. See Note 3, "Revenue Recognition," for further details.

Contract Costs

The Company capitalizes incremental costs of obtaining a contract if these costs are determined to be recoverable. Capitalized contract costs are expensed over the life the contract. As of December 31, 2025 and 2024, capitalized contract costs were immaterial.

Stock-based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation - Stock Compensation". Compensation costs for share-based awards are measured at the fair value on the grant date and recognized as expense using the straight-line method for service-based awards over the requisite service period. The Company recognizes forfeitures of awards as they occur.

The fair value of stock options is determined using the Black-Scholes-Merton option pricing model. The option-pricing model requires a number of assumptions, of which the most significant is the expected stock price volatility and the expected option term. Expected volatility is calculated based upon the Company's historical share price movements as well as similar traded companies' historical share price movements as adequate historical experience is not available to provide a reasonable estimate based only on the Company's share price. Expected term is calculated based on the simplified method as adequate historical experience is not available to provide a reasonable estimate. The simplified method will continue to apply until enough historical experience is available to provide a reasonable estimate of the expected term. The risk-free interest rate is calculated based on the yield from U.S. Treasury zero-coupon bonds with an equivalent term. The Company has historically not paid dividends and has no foreseeable plans to pay dividends. The fair value of restricted stock units is measured as the grant-date closing price of the Company's common stock. See Note 10, "Stock-based Compensation," for further details.

Advertising Costs

Advertising costs are expensed as incurred and are included within sales and marketing expenses. Advertising costs were $30.5 million, $26.1 million and $25.2 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Research and Development Costs

Research and development costs are expensed as incurred and include personnel and related expenses for software development and engineering, information technology infrastructure, security, privacy compliance and product development (inclusive of stock-based compensation for our research and development employees), third-party services and contractors related to research and development, information technology and software-related costs. Research and development expenses exclude amounts reflected as capitalized internal-use software costs.

Employee Benefit Plan

The Company has established a 401(k) plan that qualifies as a deferred compensation arrangement under Section 401 of the Internal Revenue Code. All U.S. employees over the age of 21 are eligible to participate in the plan. The Company contributes 100% of eligible employees' elective deferral up to 4% of eligible earnings. The Company's matching contributions to participants' accounts were immaterial for the years ended December 31, 2025, 2024 and 2023.

Fair Value of Financial Instruments

The Company applies ASC 820, "Fair Value Measurements and Disclosures". Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. Accounting guidance for the fair value measurement establishes a framework for measuring fair value, establishes a fair value measurement hierarchy, and requires certain fair value measurement disclosures. The fair value hierarchy established by this accounting guidance prioritizes the inputs used in valuation techniques into the following three categories (highest to lowest priority):

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's marketable securities are recorded at fair value and are generally classified within Level 1 or Level 2 of the fair value hierarchy using quoted market prices or quotes from market makers or broker-dealers. Marketable securities classified within Level 1 are valued based on quoted market prices in active markets and consist of commercial paper. Level 2 marketable securities primarily consist of investment grade and high-yield corporate debt, U.S. Treasury securities, U.S. Government securities, certificates of deposit and commercial paper. Financial instruments classified as Level 2 are valued based on quoted market prices for similar assets of liabilities or quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

In June 2021, the Company assumed Public Warrants, issued equity warrants to certain consultants and issued Private Placement Warrants as a result of a business combination. Private Placement Warrants are accounted for as liabilities in accordance with ASC 815-40 and are presented within other current liabilities in the accompanying consolidated balance sheets. The warrants were measured at fair value at inception and thereafter on a recurring, quarterly basis, with changes in fair value presented within financial income, net, in the consolidated income statements. Private Placement Warrants are classified within Level 3 in the fair value hierarchy. These warrants were valued using the Black-Scholes-Merton Model, which is considered to be a Level 3 fair value measurement. The primary unobservable input utilized in determining the fair value of the Private Placement Warrants is the implied volatility from trading prices of the Company's Public Warrants. Significant increases (decreases) in this input in isolation would have resulted in a significantly higher (lower) fair value measurement. See Note 5, "Fair Value Measurements," for further details.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets ("DTAs") and liabilities ("DTLs") for the expected future tax consequences of events that have been included in the financial statements. Under this method, DTAs and DTLs are determined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Company records a valuation allowance to reduce its DTAs to the amount that is more-likely-than-not to be realized. In making this determination, management evaluates all available evidence, both positive and negative, including projected future taxable income, tax planning strategies, and history of cumulative losses. If the Company determines it is more-likely-than-not that it will not be able to realize all or part of its DTAs in the future, an adjustment is made to the valuation allowance, with a corresponding charge to income tax expense in the period such determination is made.

The Company follows the provisions in ASC 740 and the guidance related to accounting for uncertainty in income taxes, which prescribe a two-step approach to recognizing and measuring a liability for uncertain tax positions. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination by the taxing authorities, based solely on the technical merits of the position. The second step is to recognize the tax benefit as the largest amount that is greater than 50% likely to be realized upon ultimate settlement for positions meeting the recognition threshold. As of December 31, 2025 and 2024 the Company did not record any provision for uncertain tax positions.

The Company's policy is to classify interest and penalties related to unrecognized tax benefits as a component of income tax expense. This classification is applied consistently across all periods presented. No interest or penalties were accrued as of December 31, 2025 and 2024.

The Company does not provide deferred tax liabilities when it intends to reinvest earnings of a foreign subsidiary indefinitely or if distributed, no tax liability will be imposed. Undistributed earnings of a foreign subsidiary and unrecognized deferred tax liability related to such earnings are immaterial as of December 31, 2025 and 2024.

The Tax Cuts and Jobs Act of 2017 (the "Tax Act") contains provisions that subject a U.S. parent of a foreign subsidiary to current U.S. tax on its global intangible low-taxed income ("GILTI"). The Company has elected an accounting policy to report the tax impact of GILTI as a period cost in the year incurred. Accordingly, the Company does not provide deferred taxes for temporary basis differences expected to reverse as GILTI in future years. On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted. While the Company's 2025 GILTI calculation continues to reflect the provisions of the Tax Act, the OBBBA introduces significant modifications effective for tax years beginning after December 31, 2025. These include the rebranding of GILTI as Net CFC Tested Income ("NCTI"), an increase in the effective rate through a reduction of the Section 250 deduction to 40%, and the elimination of the QBAI exclusion. The Company has evaluated the impact of this enacted legislation and has determined the impact is not material.

See Note 12, "Income Taxes," for further details.

Net Income (Loss) Per Share

The Company's basic net income (loss) per share is calculated by dividing net income (loss) attributable to ordinary shareholders by the weighted-average number of shares of common stock outstanding for the period, without consideration of potentially dilutive securities. The diluted net income (loss) per share is calculated by giving effect to all potentially dilutive securities outstanding for the period using the treasury stock method or the if-converted method based on the nature of such securities. Diluted net income (loss) per share is the same as basic net income (loss) per share in periods when the effects of potentially dilutive shares of common stock are anti-dilutive. See Note 11, "Net Income (Loss) per Share," for further details.

Recently Issued and Recently Adopted Accounting Pronouncements

The following Accounting Standards Updates ("ASU") issued by the Financial Accounting Standards Board ("FASB") have been adopted by the Company:

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which amended existing income tax disclosure guidance, primarily requiring more detailed disclosures on the effective tax rate reconciliation and income taxes paid. This guidance became effective for the annual reporting periods beginning the year ended December 31, 2025. The Company adopted this ASU prospectively during the year ended December 31, 2025 and provided required disclosures in Note 12, "Income Taxes".

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, which provides a practical expedient that in developing reasonable and supportable forecasts as part of estimating expected credit losses, all entities may assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. This guidance will be effective for annual reporting periods beginning the year ended December 31, 2026, and for interim reporting periods within those annual reporting periods, with early adoption permitted and should be applied prospectively. The Company early adopted this ASU prospectively during the year ended December 31, 2025. The adoption of this ASU did not have a significant impact on the Company's consolidated financial statements or related disclosures.

Recently Issued Accounting Pronouncements Not yet Adopted

The following ASUs issued by the FASB have not yet been adopted by the Company:

In November 2024, the FASB issued ASU 2024-03, *Income Statement-Reporting Comprehensive Income (Topic 220): Expense Disaggregation Disclosures*, which requires additional disclosures of specified information about certain costs and expenses. This guidance will be effective for annual reporting periods beginning the year ended December 31, 2027, and interim periods beginning January 1, 2028, with early adoption permitted and can be applied either on either a prospective or retroactive basis. The Company is currently evaluating the impact of adopting this ASU.

In September 2025, the FASB issued ASU 2025-06, *Intangibles-Goodwill and Other (Topic 350): Targeted Improvements to the Accounting for Internal-Use Software*, which provides updates on the criteria for capitalizing internal-use software costs and related disclosure requirements. This guidance will be effective for annual reporting periods beginning the year ended December 31, 2028, and for interim reporting periods within those annual reporting periods, with early adoption permitted and can be applied using either a prospective transition approach, a modified transition approach or a retrospective transition approach. The Company is currently evaluating the impact of adopting this ASU.

In December 2025, the FASB issued ASU No. 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*, which clarifies interim disclosure requirements and the applicability of Topic 270. This guidance will be effective for annual reporting periods beginning the year ended December 31, 2028, and for interim reporting periods within those annual reporting periods, with early adoption permitted and can be applied prospectively or retrospectively. The Company is currently evaluating the impact of adopting this ASU.

NOTE 3. REVENUE RECOGNITION

The following table presents the Company's consolidated revenues from sales to unaffiliated customers disaggregated by revenue source:

	Year Ended December 31,		
	2025	2024	2023
(in thousands)			
Payor	$ 171,518	$ 124,339	$ 80,823
DTE	39,880	38,466	33,614
Consumer	17,473	24,788	35,608
Total revenue	$ 228,871	$ 187,593	$ 150,045

For the year ended December 31, 2025, four customers represented 10% or more of the Company's consolidated revenues and these amounts were approximately $32.1 million, $27.4 million, $24.8 million and $24.0 million. For the year ended December 31, 2024, three customers represented 10% or more of total revenue. For the year ended December 31, 2023, two customers represented 10% or more of total revenue.

Accounts Receivable, net

The Company had accounts receivable, net, related to revenue from DTE customers of $8.8 million and $6.0 million at December 31, 2025 and December 31, 2024, respectively. As of December 31, 2025 and 2024, the balance of accounts receivable, net, related to revenue from Payor customers was $7.3 million and $3.6 million, respectively. Credit losses related to these receivables were immaterial for the years ended December 31, 2025, 2024 and 2023.

Deferred Revenues

For the year ended December 31, 2025 and 2024, the Company recognized revenues of $2.4 million and $2.0 million, respectively, that were included in deferred revenues at the beginning of the year. As of December 31, 2025, deferred revenue mainly related to the Company's Consumer subscription business.

NOTE 4. INTANGIBLE ASSETS, NET

Intangible assets are comprised of the following:

(in thousands)	As of December 31, 2025	2024
Intangible asset with finite lives:		
Acquired technology	$ 4,182	$ 3,201
Customer relationship	2,124	—
Less: accumulated amortization	(2,440)	(1,862)
Intangible assets, net	$ 3,866	$ 1,339

Amortization expense was $0.6 million for the year ended December 31, 2025 ($0.4 million and $0.7 million for the years ended December 31, 2024 and 2023, respectively).

Future amortization that will be charged to expense over the remaining life of the intangible asset as of December 31, 2025 is as follows:

December 31,	*In thousands*
2026	973
2027	973
2028	527
2029	527
2030	527
2031 and thereafter	339
	$ 3,866

NOTE 5. FAIR VALUE MEASUREMENTS

The carrying value of the Company's cash, cash equivalents, accounts receivable, other current assets, accounts payable, and accrued expenses and other current liabilities approximate fair value because of the relatively short-term nature of the underlying assets or liabilities.

Cash, Cash Equivalents and Marketable Securities

The following tables show the Company's cash, cash equivalents and marketable securities by significant investment category as of December 31, 2025 and 2024:

	Fair Value Measurements as of December 31, 2025					
(in thousands)	Adjusted Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Cash	$ 1,059	$ —	$ —	$ 1,059	$ 1,059	$ —
Level 1:						
Money market funds	36,293	—	—	36,293	36,293	—
Commercial paper	986	—	—	986	—	986
Total level 1	37,279	—	—	37,279	36,293	986
Level 2:						
U.S. Treasury securities	3,783	2	—	3,785	—	3,785
U.S. Government securities	14,988	28	—	15,016	—	15,016
Certificates of deposit	1,201	1	—	1,202	—	1,202
Corporate debt securities	34,219	28	(2)	34,245	—	34,245
Total level 2	54,191	59	(2)	54,248	—	54,248
	$ 92,529	$ 59	$ (2)	$ 92,586	$ 37,352	$ 55,234

	Fair Value Measurements as of December 31, 2024					
(in thousands)	Adjusted Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Cash	$ 911	$ —	$ —	$ 911	$ 911	$ —
Level 1:						
Money market funds	68,639	—	—	68,639	68,639	—
Commercial paper	6,876	3	—	6,879	648	6,231
Total level 1	75,515	3	-	75,518	69,287	6,231
Level 2:						
U.S. Treasury securities	7,232	2	—	7,234	6,494	740
U.S. Government securities	1,439	2	—	1,441	—	1,441
Certificates of deposit	2,920	1	—	2,921	—	2,921
Corporate debt securities	29,791	7	(13)	29,785	—	29,785
Total level 2	41,382	12	(13)	41,381	6,494	34,887
	$ 117,808	$ 15	$ (13)	$ 117,810	$ 76,692	$ 41,118

Contractual Maturities

The following table summarizes the remaining contractual maturities of our marketable securities as of December 31, 2025:

(in thousands)	As of December 31, 2025 Fair Value
Due within one year	$ 47,396
Due after one year through two years	7,838
Total	$ 55,234

Level 3

The following table presents changes in Level 3 liabilities measured at fair value on a recurring basis for the years ended December 31, 2025 and 2024:

	Level 3 Liabilities Year Ended December 31, 2025		
(in thousands)	Beginning Balance	Change in Fair Value	Ending Balance
Private Placement Warrants	$ 1,690	$ (1,491)	$ 199

	Level 3 Liabilities Year Ended December 31, 2024		
(in thousands)	Beginning Balance	Change in fair Value	Ending Balance
Private Placement Warrants	$ 1,842	$ (152)	$ 1,690

The following were the inputs utilized in determining the fair value of the Private Placement Warrants as of December 31, 2025 and 2024:

	Year Ended December 31,	
	2025	2024
Dividend yield [1]	0%	0%
Expected volatility [2]	75.20%	68.80%
Risk-free interest rate [3]	3.60%	4.20%
Time to maturity (years)	0.47	1.47

(1) No dividends were paid for the years ending December 31, 2025 and 2024.

(2) The expected volatility is based on the volatility implied by backsolving to the Public Warrants' price as of the valuation date.

(3) The risk -free interest rate is based on the yield from U.S. Treasury bonds with an equivalent term to the time to maturity of the warrants.

NOTE 6. FIXED ASSETS, NET

Fixed assets, net as of December 31, 2025 and 2024 consisted of the following:

(in thousands)	December 31, 2025	December 31, 2024
Capitalized internal-use software costs	$ 17,945	$ 6,488
Computers and equipment	802	755
Other	144	139
Total cost	18,891	7,382
Less: accumulated depreciation	(3,097)	(1,123)
Fixed assets, net	$ 15,794	$ 6,259

During the year ended December 31, 2025, the Company capitalized $11.5 million of qualifying internal-use software development costs ($6.3 million for the year ended December 31, 2024). Depreciation and amortization expense related to the Company's fixed assets was $2.0 million for the year ended December 31, 2025 ($0.3 million and $0.5 million for the years ended December 31, 2024 and 2023, respectively).

NOTE 7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities are comprised of the following:

(in thousands)	As of December 31, 2025	As of December 31, 2024
Employee compensation	$ 4,655	$ 5,144
Professional fees	417	912
Other	1,600	1,975
Accrued expenses and other current liabilities	$ 6,672	$ 8,031

NOTE 8. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

The Company may in the future be involved in various legal proceedings, claims and litigation that arise in the normal course of business. The Company accrues for estimated loss contingencies related to legal matters when available information indicates that it is probable a liability has been incurred and the Company can reasonably estimate the amount of that loss. In many proceedings, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount of any loss. In addition, even where a loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is often not possible to reasonably estimate the size of the possible loss or range of loss or possible additional losses or range of additional losses. As of December 31, 2025, there were no material pending legal proceedings, claims or litigation.

Warranties and Indemnification

The Company's arrangements generally include certain provisions for indemnifying customers against liabilities if there is a breach of a customer's data or if the Company's service infringes a third party's intellectual property rights. To date, the Company has not incurred any material costs as a result of such indemnifications.

The Company has also agreed to indemnify its directors and executive officers for costs associated with any fees, expenses, judgments, fines and settlement amounts incurred by any of these persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person's service as a director or officer, including any action by the Company, arising out of that person's services as a director or officer or that person's services provided to any other company or enterprise at the Company's request. The Company maintains director and officer liability insurance coverage that would generally enable it to recover a portion of any future amounts paid. The Company may also be subject to indemnification obligations by law with respect to the actions of its employees under certain circumstances and in certain jurisdictions.

NOTE 9. CAPITAL STOCK

The Company's authorized capital stock consists of (a) 1,000,000,000 shares of common stock, par value $0.0001 per share; and (b) 100,000,000 shares of preferred stock, par value $0.0001 per share. As of December 31, 2025 there were 12,757,500 Private Placement Warrants and 20,722,500 Public Warrants (12,757,500 Private Placement Warrants and 20,722,500 Public Warrants as of December 31, 2024) to purchase the Company's common stock at an exercise price of $11.50 per share. No shares of preferred stock were issued or outstanding for any years presented.

Share Repurchase Program

On February 22, 2024, the Company announced that its Board of Directors approved a share repurchase program to authorize the repurchase of up to $15.0 million of the currently outstanding shares of the Company's common stock over a period of twenty-four months beginning on March 1, 2024 (the "Share Repurchase Program"). On August 1, 2024, the Company's Board of Directors amended the Share Repurchase Program to authorize the Company to repurchase up to an additional $25.0 million of its common stock for a total of $40.0 million. The Share Repurchase Program will remain in effect until the earliest: (1) the total authorized dollar amount of shares is repurchased or (2) August 1, 2026. All shares repurchased will be retired.

During the year ended December 31, 2025, the Company repurchased and retired an aggregate of 6,577,115 shares of its common stock for a total consideration of $17.2 million ($2.62 per share). During the year ended December 31, 2024, the Company repurchased and retired an aggregate of 3,911,259 shares of its common stock for a total consideration of $11.0 million ($2.81 per share). As of December 31, 2025, $11.8 million remained available under the Share Repurchase Program.

The Share Repurchase Program does not obligate the Company to repurchase any dollar amount or number of shares, and may be modified, suspended, or discontinued at any time at the Company's discretion without prior notice.

NOTE 10. STOCK-BASED COMPENSATION

The Company may grant cash and equity incentive awards to officers, employees, directors, consultants and service providers in order to attract, motivate and retain talent under the Talkspace's 2021 Incentive Award Plan (the "2021 Plan"). All stock-based awards are measured based on the grant date fair value and are recognized on a straight-line basis in the Company's consolidated income statements over the requisite service period (generally requiring a four-year vesting period).

The following table sets forth the total stock-based compensation expense related to stock options and RSUs included in the respective components of operating expenses in the consolidated income statements:

	Year Ended December 31,		
(in thousands)	2025	2024 [1]	2023
Research and development	$ 1,485	$ 1,781	$ 2,463
Clinical Operations	400	293	455
Sales and Marketing	1,748	1,860	1,722
General and administrative	4,812	5,239	3,755
Total stock-based compensation expense	$ 8,445	$ 9,173	$ 8,395

(1) During the year ended December 31, 2024, the Company modified certain equity awards in connection with certain key executives' separation from the Company and recognized $1.2 million of additional stock-based compensation expense as a result of these modifications.

Stock Options

Stock options generally vest over a four-year period and are exercisable a maximum period of ten years. The following table summarizes the activity for stock options for the year ended December 31, 2025:

	Year Ended December 31, 2025			
	Number of options	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value [1] *(in thousands)*
Outstanding at beginning of year	9,725,095	$ 2.93	6.39	$ 12,974
Granted	1,147,500	$ 2.81		
Exercised	(1,167,495)	$ 0.78		
Expired	(547,171)	$ 5.55		
Forfeited	(67,779)	$ 2.44		
Outstanding at end of year	9,090,150	$ 3.04	6.55	$ 14,169
Exercisable at end of year	7,379,105	$ 3.23	6.13	$ 11,735

(1) The aggregate intrinsic value of stock options outstanding and exercisable at end of year does not include 2,267,953 of stock options that are out of the money.

The weighted average grant-date fair value of stock options granted to employees during the years ended December 31, 2025 was $1.80 per share ($1.48 per share and $0.74 per share for the years ended December 31, 2024 and 2023, respectively).

The total intrinsic value of stock options exercised during the year ended December 31, 2025 was $2.4 million ($3.0 million and $2.5 million for the years ended December 31, 2024 and 2023, respectively).

The fair value for options granted for the years ended December 31, 2025, 2024 and 2023 was estimated on the date of grant using a Black-Scholes-Merton options pricing model with the following weighted average assumptions:

	Year Ended December 31,		
	2025	2024	2023
Dividend yield	0%	0%	0%
Expected volatility	67.88% - 68.79%	60.81% - 61.65%	58.63% - 68.40%
Risk-free interest rate	3.73%-4.09%	3.71%-4.19%	3.70%-4.22%
Expected term (years)	5.3 - 6.06	5.27 - 6.11	5.23 - 6.25

As of December 31, 2025, there was $2.3 million of total unrecognized compensation cost related to non-vested stock options that are expected to be recognized over a weighted average period of 2.3 years.

Restricted Stock Units

Restricted Stock Units ("RSUs") typically vest over a four-year period. The following table summarizes the activity for RSUs for the year ended December 31, 2025:

	Year Ended December 31, 2025	
	Number of restricted stock units	Weighted average grant-date fair value
Nonvested at beginning of year	7,027,075	$ 1.73
Granted	2,722,473	$ 2.91
Vested	(3,628,229)	$ 2.02
Forfeited	(595,993)	$ 2.00
Nonvested at end of year	5,525,326	$ 2.17

The total fair value of RSUs vested during the year ended December 31, 2025 was $7.3 million ($10.4 million and $5.0 million for the years ended December 31, 2024 and 2023, respectively).

As of December 31, 2025, there was $11.1 million of total unrecognized compensation cost related to non-vested RSUs that are expected to be recognized over a weighted average period of 2.5 years.

NOTE 11. NET INCOME (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted net income (loss) per share attributable to common stockholders for the years ended December 31, 2025, 2024 and 2023:

(in thousands except share and per share data)	Year Ended December 31, 2025	2024	2023
Net income (loss)	$ 7,793	$ 1,148	$ (19,182)
Weighted-average shares used to compute net income (loss) per share:			
Basic	167,089,060	168,906,900	165,039,920
Dilutive effect of share-based awards	6,559,371	7,588,972	—
Diluted	173,648,431	176,495,872	165,039,920
Net income (loss) per share:			
Basic	$ 0.05	$ 0.01	$ (0.12)
Diluted	$ 0.04	$ 0.01	$ (0.12)

For the year ended December 31, 2025, the following were excluded from the calculation of diluted net income per share since each would have had an anti-dilutive effect: 3,696,456 stock options, 85,688 restricted stock units, 12,757,500 Private Placement Warrants and 20,722,500 Public Warrants to purchase the Company's common stock.

For the year ended December 31, 2024, the following were excluded from the calculation of diluted net income per share since each would have had an anti-dilutive effect: 437,694 stock options, 40,149 restricted stock units, 12,757,500 Private Placement Warrants and 20,722,500 Public Warrants to purchase the Company's common stock.

For the year ended December 31, 2023, the following were excluded from the calculation of diluted loss per share since each would have had an anti-dilutive effect given the Company's net loss: 11,208,573 stock options, 8,984,827 restricted stock units, 12,780,000 Private Placement Warrants and 20,700,000 Public Warrants to purchase the Company's common stock.

NOTE 12. INCOME TAXES

In December 2023, the FASB issued a new accounting standard which includes new and updated income tax disclosures, including disaggregation of information in the rate reconciliation and income taxes paid, which we adopted on a prospective basis for the year ended December 31, 2025.

A reconciliation of the statutory federal income tax rate to the Company's effective income tax rate for the year ended December 31, 2025 is as follows:

(in thousands, except percentages)	Year Ended December 31, 2025	
	Amount	%
U.S. Federal Statutory Tax Rate	$ 1,757	21.0%
State and local income taxes, net of federal income tax effect [1]	(439)	(5.2)%
Foreign tax effects:		
Statutory tax rate difference between Israel and U.S.	(8)	(0.1)%
Effects of cross-border tax laws:		
Global intangible low-taxed income	400	4.8%
Changes in valuation allowance	(1,351)	(16.1)%
Nontaxable or nondeductible items:		
Stock-based compensation	(317)	(3.8)%
IRC Section 162M limitation	189	2.3%
Other	42	0.5%
Other adjustments:		
Reduction in NOL carry-forwards (Section 382 limitation)	301	3.6%
Income tax expense	$ 574	6.9%

(1) State taxes in California, New York, Maine, Missouri and Massachusetts made up the majority (greater than 50 percent) of the tax effect in this category.

A reconciliation of the statutory federal income tax rate to the Company's effective income tax rate for the year ended December 31, 2024 and 2023 is as follows:

(in thousands, except percentages)	Year Ended December 31,	
	2024	2023
Income (loss) before income tax	$ 1,242	$ (18,964)
Statutory tax rate	21%	21%
Federal taxes	261	(3,982)
Increase (decrease) in effective tax rate due to:		
State taxes, net of federal effect	(164)	276
Permanent differences	683	897
Other adjustments	(648)	(373)
Valuation allowance	(38)	3,400
Income tax expense	$ 94	$ 218

The main reconciling item between the statutory tax rate and the effective tax rate for the year ended December 31, 2025 is the change in valuation allowance which was impacted by higher net income during the year ended December 31, 2025 and the enactment of the OBBBA in July 2025, which altered the treatment of unamortized Section 174 expenses and impacted the projected realization of deferred tax assets.

Income (loss) before income taxes is attributable to the following tax jurisdictions:

(in thousands)	Year Ended December 31, 2025	2024	2023
U.S.	$ 8,200	$ 1,078	$ (19,576)
Foreign	167	164	612
Income (loss) before income tax	$ 8,367	$ 1,242	$ (18,964)

Income tax expense applicable to income (loss) before income taxes consists of the following:

(in thousands)	Year Ended December 31, 2025	2024	2023
Current income taxes:			
Federal	$ —	$ —	$ —
State	468	169	44
Foreign	106	46	174
Total current	574	215	218
Deferred income taxes:			
Federal	—	—	—
State	—	(121)	—
Foreign	—	—	—
Total deferred	—	(121)	—
Income tax expense	$ 574	$ 94	$ 218

The amount of cash paid for income taxes (net of refunds) for the year ended December 31, 2025 is as follows:

(in thousands)	Year Ended December 31, 2025
Federal	$ —
State	
Texas	57
Pennsylvania	30
Maryland	30
Tennessee	23
Other	81
Foreign	
Israel	196
Total income taxes paid, net of refunds	$ 417

For the years ended December 31, 2024 and 2023, we paid $0.1 million and $0.2 million, respectively, in income taxes, net of refunds received.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

(in thousands)	As of December 31, 2025	2024
Net deferred tax assets:		
Net operating loss carryforwards	$ 72,523	$ 70,373
Stock based compensation	3,282	3,338
Lease liability	125	164
Depreciation and amortization	44	232
Other	91	37
Total gross deferred tax assets	76,065	74,144
Valuation allowance	(72,627)	(73,978)
Deferred tax liabilities:		
Section 174	(3,312)	—
Right-of-use asset	(126)	(166)
Net deferred tax assets	$ —	$ —

Realization of the future tax benefits is dependent on the Company's ability to generate sufficient taxable income within the carryforward period. A valuation allowance is provided for deferred tax assets when it is "more likely than not" that some portion of the deferred tax asset will not be realized. Because of the Company's history of operating losses, management believes the recognition of the deferred tax assets arising from the above-mentioned future tax benefits is currently not more likely than not to be realized and, accordingly, has provided a full valuation allowance. A valuation allowance has been recorded for the deferred tax assets at December 31, 2025 and 2024.

The Company maintains a full valuation allowance on its net deferred tax assets. The assessment regarding whether a valuation allowance is required considers both positive and negative evidence when determining whether it is more likely than not that deferred tax assets are recoverable. In making this assessment, significant weight is given to evidence that can be objectively verified. Management considered the Company's cumulative loss in recent years as significant negative evidence. Based upon a review of the four sources of income identified within ASC 740, management determined that the negative evidence outweighed the positive evidence and that a full valuation allowance on the net deferred tax assets will be maintained. Management will continue to assess the realizability of our deferred tax assets going forward and will adjust the valuation allowance as needed. The valuation allowance decreased approximately $1.4 million for the year ended December 31, 2025. This change was primarily driven by the enactment of the OBBBA in July 2025, which altered the treatment of unamortized Section 174 expenses and impacted the projected realization of deferred tax assets.

At December 31, 2025, the Company has federal and state net operating loss carryovers ("NOL") of approximately $283.2 million and $210.4 million, respectively, which are available to reduce future taxable income. The NOL carryforwards begin to expire in 2035 and may become subject to annual limitation in the event of certain cumulative changes in the ownership interest of significant stockholders over a three-year period in excess of 50%, as defined under I.R.C. Section 382. This could limit the amount of tax attributes that can be utilized annually to offset future taxable income or future tax liabilities. The federal losses generated from 2018 onward do not expire.

The Company is subject to U.S. federal and state and Israeli income taxes with varying statutes of limitations. The Company is no longer subject to U.S. federal, state or local income tax examinations by the tax authorities for years before 2022. The Israel subsidiary tax filings filed by the Company through the year 2020 are considered closed.

In July 2025, the OBBBA was enacted, introducing amendments to the U.S. federal income tax code. The OBBBA permanently restores 100% bonus depreciation for qualified property acquired and placed in service after January 19, 2025, and allows immediate expensing of domestic research and experimental expenditures for tax years beginning after December 31, 2024. Certain provisions are effective for fiscal 2025 and are recognized in the consolidated financial statements for the year ended December 31, 2025. Certain other provisions are effective in future fiscal years. Although we continue to maintain a full valuation allowance against our U.S. deferred tax assets as of December 31, 2025, we expect these provisions to increase available deductions and extend the period during which future taxable income may be sheltered, improving liquidity to the extent we generate taxable income.

NOTE 13. VARIABLE INTEREST ENTITIES

The Company, through its subsidiary Talkspace LLC, is party to various agreements including Management Services Agreements ("MSAs") with a Texas professional association entity (Talkspace Provider Network, PA or "TPN"), which in turn contracts with the Company's other affiliated professional entities ("PC entities"), physicians, therapists, and other licensed professionals to provide clinical and professional services to the Company's members.

Pursuant to the MSAs, Talkspace LLC is the managing entity (the "Manager") and provides management and administrative resources and services essential to the operations of TPN and the PC entities and receives a management fee for these services and reimbursement of expenses incurred. TPN and the PC entities in turn have the obligation under the MSAs to engage all licensed physicians and other health professionals to provide behavioral healthcare services to the Company's members. In addition, to the extent that TPN or the PC entities lack sufficient funds to meet their obligations, the Manager may, at its sole discretion, advance funds to TPN or the PC entities to cover these obligations. Such advances would be considered loans made by the Manager and should be repaid as per the terms of the management agreement. No such advances have been made by the Manager to TPN or the PC entities as of December 31, 2025.

The Company evaluates its ownership, contractual and other interests in entities that are not wholly-owned to determine if these entities are Variable Interest Entities ("VIEs"), and, if so, whether the Company is the primary beneficiary of the VIE. The Company's policy is to consolidate any VIEs where the Company is deemed to be the primary beneficiary. The Company determined that it holds a variable interest in TPN and the PC entities. The Company evaluates whether an entity in which it has a variable interest is considered a VIE as defined under ASC 810, "Consolidation." VIEs are generally entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. The Company determined that TPN and the PC entities are VIEs and that it is the primary beneficiary of these VIEs as it is able to direct the activities of TPN and the PC entities that most significantly impact their economic performance and fund and absorb all their losses; therefore, the Company consolidates these VIEs.

The assets of the Company's consolidated VIEs are subject to legal, contractual, and regulatory restrictions that limit their use to specified purposes such as funding clinical operations, paying salaries to employees and providers, servicing practice-related debt, and meeting regulatory or Payor obligations. The liabilities of these VIEs may be subject to contractual limitations on settlement. Creditors and beneficial interest holders of the VIEs generally have recourse only to the assets of the VIEs and not to the general credit of the Company. The Company's maximum exposure to loss from these VIEs is limited to its interests in the VIEs and any specific contractual requirements, including guarantees or other commitments, if any.

The following table details the assets and liabilities of the VIEs as of December 31, 2025 and 2024. The assets and liabilities in the table below are presented prior to consolidation and thus a portion of these assets and liabilities are eliminated in consolidation.

(in thousands)	December 31, 2025	December 31, 2024
ASSETS		
Cash and cash equivalents	$ 229	$ 132
Accounts receivable, net	13,333	6,743
Other assets	32,695	20,986
Total Assets	$ 46,257	$ 27,861
LIABILITIES		
Accrued expenses and other current liabilities	3,755	2,528
Total Liabilities	$ 3,755	$ 2,528

NOTE 14. SUBSEQUENT EVENTS

On March 9, 2026, the Company entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with Universal Health Services, Inc., a Delaware corporation ("UHS"), under which UHS will acquire all outstanding shares of Talkspace for $5.25 per share in cash, without interest. The transaction is valued at approximately $835.0 million and is expected to close in the third quarter of 2026. Transaction-related costs will be expensed in the periods incurred during fiscal year 2026.

The consummation of the merger is subject to certain customary closing conditions and approvals, as defined in the agreement. In addition, the Merger Agreement contains certain termination rights for both parties. If the agreement is terminated under specified circumstances, the Company may be required to pay UHS a termination fee of $32.4 million.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

In connection with the preparation of this report, an evaluation was carried out by certain members of Company management, with the participation of the Chief Executive Officer and our Chief Financial Officer of the effectiveness of the Company's disclosure controls and procedures (as defined in Securities and Exchange Commission's ("SEC") Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")), as of December 31, 2025. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures. Based upon that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of December 31, 2025.

Management also believes that the consolidated financial statements in this Annual Report on Form 10-K present, in all material aspects, the company's financial condition as reported, in conformity with U.S. Generally Accepted Accounting Principles ("US GAAP").

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and the dispositions of our assets; (2) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with appropriate authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.

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

Under the supervision of and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2025, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework (2013)*. Based upon that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2025.

The Company's independent registered public accounting firm, Kost Forer Gabbay & Kasierer, a member of EY Global, which audited our consolidated financial statements included in this Form 10-K, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2025, and has issued an attestation, which appears in their report in Item 8 Financial Statements and Supplementary Data of this form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the fourth quarter of fiscal year 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We will continue to evaluate each quarter whether there are changes that materially affect our internal control over financial reporting.

Item 9B. OTHER INFORMATION

During the fiscal quarter ended December 31, 2025, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as the terms are defined in Item 408(a) of Regulation S-K.

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2026 Annual Meeting of Stockholders or an amendment to this Annual Report on Form 10-K/A, which will be filed with the SEC no later than 120 days after December 31, 2025.

Policy Prohibiting Insider Trading and Related Procedures

We have adopted insider trading policies and procedures applicable to our directors, officers, employees, and other covered persons, and have implemented processes for the Company, that we believe are reasonably designed to promote compliance with insider trading laws, rules and regulations, and the Nasdaq Stock Market LLC listing standards. Our insider trading policy is filed as Exhibit 19.1 to this Annual Report on Form 10-K.

Item 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2026 Annual Meeting of Stockholders or an amendment to this Annual Report on Form 10-K/A, which will be filed with the SEC no later than 120 days after December 31, 2025.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2026 Annual Meeting of Stockholders or an amendment to this Annual Report on Form 10-K/A, which will be filed with the SEC no later than 120 days after December 31, 2025.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2026 Annual Meeting of Stockholders or an amendment to this Annual Report on Form 10-K/A, which will be filed with the SEC no later than 120 days after December 31, 2025.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2026 Annual Meeting of Stockholders or an amendment to this Annual Report on Form 10-K/A, which will be filed with the SEC no later than 120 days after December 31, 2025.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)

(1) Our Consolidated Financial Statements are listed in the Index to Consolidated Financial Statements and Supplemental Data filed as part of this Form 10-K. See Item 8 (pages 65 to 89)

(2) Financial Statement Schedules. Financial statement schedules are omitted as they are either not required or not applicable, or the information is otherwise included in the consolidated financial statements.

(3) The exhibits which are filed with this Form 10-K or are incorporated herein by reference are set forth in the Exhibit Index (pages 94 to 95)

(b) Exhibits
See the Exhibit Index included hereinafter on pages 94 to 95

(c) Financial Statement Schedules excluded from the annual report to stockholders
None

Item 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
2.1+	Agreement and Plan of Merger, dated as of January 12, 2021, by and among Hudson Executive Investment Corp., Tailwind Merger Sub I, Inc., Tailwind Merger Sub II, LLC, and Groop Internet Platform, Inc. (d/b/a Talkspace).	S-4	333-252638	2.1	2/2/21	
3.1	Second Amended and Restated Certificate of Incorporation of Talkspace, Inc.	8-K/A	001-39314	3.1	6/23/21	
3.2	Bylaws of Talkspace, Inc.	8-K/A	001-39314	3.2	6/23/21	
4.1	Warrant Agreement, dated as of June 8, 2020, by and between Continental Stock Transfer & Trust Company and Hudson Executive Investment Corp.	8-K	001-39314	4.1	6/11/20	
4.2	Specimen Warrant Certificate of the Registrant.	S-1/A	333-238583	4.3	6/5/20	
4.3	Specimen Common Stock Certificate.	S-4/A	333-252638	4.5	5/20/21	
4.4	Description of Common Stock and Warrants.	10-K	001-39314	4.4	2/25/22	
10.1†	2021 Incentive Award Plan.	S-8	333-259165	99.1	8/30/21	
10.2†	2021 Employee Stock Purchase Plan.	S-8	333-259165	99.2	8/30/21	
10.3†	2014 Stock Incentive Plan.	S-8	333-259165	99.3	8/30/21	
10.4†	Form of Indemnification Agreement.	8-K	001-39314	10.1	6/23/21	
10.5	Amended and Restated Registration Rights Agreement, by and among Talkspace, Inc. and the holders party thereto.	8-K	001-39314	10.2	6/23/21	
10.6†	Non-Employee Director Compensation Program.	8-K	001-39314	10.3	6/23/21	
10.7†	Form of Stock Option Agreement under the Talkspace, Inc. 2021 Incentive Award Plan.	8-K	001-39314	10.7(a)	6/23/21	
10.8†	Form of Restricted Stock Unit Agreement under the Talkspace, Inc. 2021 Incentive Award Plan.	8-K	001-39314	10.7(b)	6/23/21	
10.9†	Executive Severance Plan.	8-K	001-39314	10.9	6/23/21	
10.16†	Employment Offer Letter, dated as of June 22, 2021, by and between Talkspace, Inc. and Gil Margolin.	10-K	001-39314	10.16	2/25/22	
10.18†	Employment Offer Letter, dated as of June 22, 2021, by and between Talkspace, Inc. and John C. Reilly.	10-K	001-39314	10.18	2/25/22	
10.19†	Retention Agreement, dated as of December 6, 2021, by and between Talkspace, Inc. and Gil Margolin.	10-K	001-39314	10.19	2/25/22	
10.21†	Retention Agreement, dated as of December 6, 2021, by and between Talkspace, Inc. and John C. Reilly.	10-K	001-39314	10.21	2/25/22	
10.22†	Employment Offer Letter, dated as of November 9, 2022, by and between Talkspace, Inc. and Jon R. Cohen.	10-K	001-39314	10.22	3/10/23	
10.23†	Employment Offer Letter, dated as of August 11, 2023, by and between Talkspace, Inc. and Nikole Benders-Hadi.	10-K	001-39314	10.23	3/13/24	
97.1	Talkspace, Inc. Clawback Policy.	10-K	001-39314	97.1	3/13/24	
10.24†	Employment Offer Letter, dated as of May 17, 2024, by and between Talkspace, Inc. and Ian Harris.	10-Q	001-39314	10.24	8/8/24	
2.2	Agreement and Plan of Merger, dated March 9, 2026, by and among Universal Health Services, Inc., UHS Merger Subsidiary, Inc. and Talkspace, Inc.	8-K	001-39314	2.1	3/9/26	
19.1	Talkspace, Inc. Insider Trading Policy.					*
21.1	List of Subsidiaries of Talkspace, Inc.					*
23.1	Consent of Kost Forer Gabbay & Kasierer, a member of EY Global, Independent Registered Public Accounting Firm.					*
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.					**
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.					*
101.SCH	Inline XBRL Taxonomy Extension Schema with Embedded Linkbase Documents					*

104	Cover Page Interactive Data File (as formatted as Inline XBRL and contained in Exhibit 101).	*

* Filed herewith.

** Furnished herewith.

† Indicates management contract or compensatory plan.

+ Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.

SIGNATURES

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

TALKSPACE, INC.

Date: March 13, 2026

By: /s/ Jon R. Cohen
Jon R. Cohen
Chief Executive Officer

Date: March 13, 2026

By: /s/ Ian Harris
Ian Harris
Chief Financial Officer

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

Name	Title	Date
/s/ Jon R. Cohen **Jon R. Cohen**	Chief Executive Officer and Director (Principal Executive Officer)	March 13, 2026
/s/ Ian Harris **Ian Harris**	Chief Financial Officer (Principal Financial and Accounting Officer)	March 13, 2026
/s/ Douglas Braunstein **Douglas Braunstein**	Chairman of the Board	March 13, 2026
/s/ Erez Shachar **Erez Shachar**	Director	March 13, 2026
/s/ Curtis Warfield **Curtis Warfield**	Director	March 13, 2026
/s/ Jacqueline Yeaney **Jacqueline Yeaney**	Director	March 13, 2026
/s/ Michael Hansen **Michael Hansen**	Director	March 13, 2026
/s/ Madhu Pawar **Madhu Pawar**	Director	March 13, 2026
/s/ Liat Ben-Zur **Liat Ben-Zur**	Director	March 13, 2026
/s/ Swati Abbott **Swati Abbott**	Director	March 13, 2026

TALKSPACE, INC.

INSIDER TRADING COMPLIANCE POLICY

This Insider Trading Compliance Policy (this "***Policy***") consists of seven sections:

- Section I provides an overview;
- Section II sets forth the policies of the Company prohibiting insider trading;
- Section III explains insider trading;
- Section IV consists of procedures that have been put in place by the Company to prevent insider trading;
- Section V sets forth additional transactions that are prohibited by this Policy;
- Section VI explains Rule 10b5-1 trading plans; and
- Section VII refers to the execution and return of a certificate of compliance.

I. SUMMARY

Preventing insider trading is necessary to comply with securities laws and to preserve the reputation and integrity of Talkspace, Inc. (the "***Company***") as well as that of all persons affiliated with the Company. "Insider trading" occurs when any person purchases or sells a security while in possession of inside information relating to the security. As explained in Section III below, "inside information" is information that is both "material" and "non-public." Insider trading is a crime. The penalties for violating insider trading laws include imprisonment, disgorgement of profits, civil fines, and significant criminal fines. Insider trading is also prohibited by this Policy, and violation of this Policy may result in Company-imposed sanctions, including termination of employment for cause.

This Policy applies to all officers, directors and employees of the Company. Individuals subject to this Policy are responsible for ensuring that members of their households also comply with this Policy. This Policy also applies to any entities controlled by individuals subject to the Policy, including any corporations, limited liability companies, partnerships or trusts (such entities, together with all officers, directors and employees of the Company, are referred to as the "***Covered Persons***"), and transactions by these entities should be treated for the purposes of this Policy and applicable securities laws as if they were for the individual's own account. This Policy extends to all activities within and outside an individual's Company duties. Every officer, director and employee must review this Policy. Questions regarding the Policy should be directed to the Company's General Counsel.

II. STATEMENT OF POLICIES PROHIBITING INSIDER TRADING

No officer, director or employee shall purchase or sell any type of security while in possession of material, non-public information relating to the security, whether the issuer of such security is the Company or any other company.

These prohibitions do not apply to:

- purchases of the Company's securities by a Covered Person from the Company or sales of the Company's securities by a Covered Person to the Company;

- exercises of stock options or other equity awards or the surrender of shares to the Company in payment of the exercise price or in satisfaction of any tax withholding obligations in a manner permitted by the applicable equity award agreement, or vesting of equity-based awards, that in each case do not involve a market sale of the Company's securities (the "cashless exercise" of a Company stock option through a broker does involve a market sale of the Company's securities, and therefore would not qualify under this exception);
- *bona fide* gifts of the Company's securities, unless the person making the gift has reason to believe that the recipient intends to sell the securities while the donor is in possession of material, non-public information about the Company; or
- purchases or sales of the Company's securities made pursuant to any binding contract, specific instruction or written plan entered into outside of a black-out period and while the purchaser or seller, as applicable, was unaware of any material, non-public information and which contract, instruction or plan (i) meets all of the requirements of the affirmative defense provided by Rule 10b5-1 ("***Rule 10b5-1***") promulgated under the Securities Exchange Act of 1934, as amended (the "***1934 Act***"), (ii) was pre-cleared in advance pursuant to this Policy and (iii) has not been amended or modified in any respect after such initial pre-clearance without such amendment or modification being pre-cleared in advance pursuant to this Policy. For more information about Rule 10b5-1 trading plans, see Section VI below.

In addition, no officer, director or employee shall directly or indirectly communicate (or "***tip***") material, non-public information to anyone outside of the Company (except in accordance with the Company's policies regarding the protection or authorized external disclosure of Company information) or to anyone within the Company other than on a need-to-know basis.

III. EXPLANATION OF INSIDER TRADING

*"**Insider trading**"* refers to the purchase or sale of a security while in possession of "material," "non-public" information relating to the security or its issuer.

*"**Securities**"* includes stocks, bonds, notes, debentures, options, warrants and other convertible securities, as well as derivative instruments.

*"**Purchase**"* and *"**sale**"* are defined broadly under the federal securities law. *"Purchase"* includes not only the actual purchase of a security, but any contract to purchase or otherwise acquire a security. *"Sale"* includes not only the actual sale of a security, but any contract to sell or otherwise dispose of a security. These definitions extend to a broad range of transactions,

including conventional cash-for-stock transactions, conversions, the exercise of stock options, and acquisitions and exercises of warrants or puts, calls or other derivative securities.

It is generally understood that insider trading includes the following:

- trading by insiders while in possession of material, non-public information;
- trading by persons other than insiders while in possession of material, non-public information, if the information either was given in breach of an insider's fiduciary duty to keep it confidential or was misappropriated; and
- communicating or tipping material, non-public information to others, including recommending the purchase or sale of a security while in possession of such information.

A. What Facts are Material?

The materiality of a fact depends upon the circumstances. A fact is considered "material" if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to buy, sell or hold a security, or if the fact is likely to have a significant effect on the market price of the security. Material information can be positive or negative and can relate to virtually any aspect of a company's business or to any type of security, debt or equity.

Examples of material information include (but are not limited to) information about:

- corporate earnings or earnings forecasts;
- possible mergers, acquisitions, tender offers or dispositions;
- major new products or product developments;
- important business developments such as developments regarding strategic collaborations;
- management or control changes;
- significant financing developments including pending public sales or offerings of debt or equity securities;
- defaults on borrowings;
- bankruptcies; and
- significant litigation or regulatory actions.

Moreover, material information does not have to be related to a company's business. For example, the contents of a forthcoming newspaper column that is expected to affect the market price of a security can be material.

A good general rule of thumb: **When in doubt, do not trade.**

B. What is Non-Public?

Information is "non-public" if it is not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors through such media as Dow Jones, Business Wire, Reuters, The Wall Street Journal, Associated Press, or United Press International, a broadcast on widely available radio or television programs, publication in a widely available newspaper, magazine or news web site, a Regulation FD-compliant conference call, or public disclosure documents filed with the Securities and Exchange Commission ("***SEC***") that are available on the SEC's web site.

The circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination. In addition, even after a public announcement, a reasonable period of time must lapse in order for the market to react to the information. Generally, one should allow two full trading days following publication as a reasonable waiting period before such information is deemed to be public. For the purposes of this Policy, a "trading day" is a day on which national stock exchanges are open for trading. If, for example, the Company were to make an announcement on a Monday prior to 9:30 a.m. Eastern time, the information would be deemed public after the close of trading on Tuesday. If an announcement were made on a Monday after 9:30 a.m. Eastern time, the information would be deemed public after the close of trading on Wednesday. If you have any question as to whether information is publicly available, please direct an inquiry to the

General Counsel.

C. Who is an Insider?

"Insiders" include officers, directors and employees of a company and anyone else who has material non-public information about a company. Insiders have independent fiduciary duties to their company and its stockholders not to trade on material, non-public information relating to the company's securities. All officers, directors and employees of the Company should consider themselves insiders with respect to material, non-public information about the Company's business, activities and securities.

Individuals subject to this Policy are responsible for ensuring that members of their households also comply with this Policy. This Policy also applies to any entities controlled by individuals subject to the Policy, including any corporations, partnerships or trusts, and transactions by these entities should be treated for the purposes of this Policy and applicable securities laws as if they were for the individual's own account.

D. Trading by Persons Other than Insiders

Insiders may be liable for communicating or tipping material, non-public information to a third party ("***tippee***"), and insider trading violations are not limited to trading or tipping by insiders. Persons other than insiders also can be liable for insider trading, including tippees who trade on material, non-public information tipped to them or individuals who trade on material, non-public information that has been misappropriated.

Tippees inherit an insider's duties and are liable for trading on material, non-public information illegally tipped to them by an insider. Similarly, just as insiders are liable for the insider trading of their tippees, so are tippees who pass the information along to others who trade. In other words, a tippee's liability for insider trading is no different from that of an insider. Tippees can obtain material, non-public information by receiving overt tips from others or through, among other things, conversations at social, business, or other gatherings.

E. Penalties for Engaging in Insider Trading

Penalties for trading on or tipping material, non-public information can extend significantly beyond any profits made or losses avoided, both for individuals engaging in such unlawful conduct and their employers. The SEC and Department of Justice have made the civil and criminal prosecution of insider trading violations a top priority. Enforcement remedies available to the government or private plaintiffs under the federal securities laws include:

- SEC administrative sanctions;
- securities industry self-regulatory organization sanctions;
- civil injunctions;
- damage awards to private plaintiffs;
- disgorgement of all profits;
- civil fines for the violator of up to three times the amount of profit gained or loss avoided;
- civil fines for the employer or other controlling person of a violator (i.e., where the violator is an employee or other controlled person) of up to the

greater of
$2,166,279 (subject to adjustment for inflation) or three times the amount of profit gained or loss avoided by the violator;

- criminal fines for individual violators of up to $5,000,000 ($25,000,000 for an entity); and
- jail sentences of up to 20 years.

In addition, insider trading could result in serious sanctions by the Company, including dismissal. Insider trading violations are not limited to violations of the federal securities laws. Other federal and state civil or criminal laws, such as the laws prohibiting mail and wire fraud and the Racketeer Influenced and Corrupt Organizations Act (RICO), also may be violated in connection with insider trading.

F. Size of Transaction and Reason for Transaction Do Not Matter

The size of the transaction or the amount of profit received does not have to be significant to result in prosecution. The SEC has the ability to monitor even the smallest trades, and the SEC performs routine market surveillance. Brokers and dealers are required by law to inform the SEC of any possible violations by people who may have material, non-public information. The SEC aggressively investigates even small insider trading violations.

G.Examples of Insider Trading Examples
of insider trading cases include:

- actions brought against corporate officers, directors, and employees who traded in a company's securities after learning of significant confidential corporate developments;
- friends, business associates, family members and other tippees of such officers, directors, and employees who traded in the securities after receiving such information;
- government employees who learned of such information in the course of their employment; and
- other persons who misappropriated, and took advantage of, confidential information from their employers.

The following are illustrations of insider trading violations. These illustrations are hypothetical and, consequently, not intended to reflect on the actual activities or business of the Company or any other entity.

Trading by Insider

An officer of X Corporation learns that earnings to be reported by X Corporation will increase dramatically. Prior to the public announcement of such earnings, the officer purchases X Corporation's stock. The officer, an insider, is liable for all profits as well as penalties of up to three times the amount of all profits. The officer also is subject to, among other things, criminal prosecution, including up to $5,000,000 in additional fines and 20 years in jail. Depending upon the circumstances, X Corporation and the individual to whom the officer reports also could be liable as controlling persons.

Trading by Tippee

An officer of X Corporation tells a friend that X Corporation is about to publicly announce that it has signed an agreement for a major acquisition. This tip causes the friend to purchase X Corporation's stock in advance of the announcement. The officer is jointly liable with his friend for all of the friend's profits, and each is liable for all civil penalties of up to three times the amount of the friend's profits. The officer and his friend are also subject to criminal prosecution and other remedies and sanctions, as described above.

H. Prohibition of Records Falsification and False Statements

Section 13(b)(2) of the 1934 Act requires companies subject to the Act to maintain proper internal books and records and to devise and maintain an adequate system of internal accounting controls. The SEC has supplemented the statutory requirements by adopting rules that prohibit (1) any person from falsifying records or accounts subject to the above requirements and (2) officers or directors from making any materially false, misleading, or incomplete statement to any accountant in connection with any audit or filing with the SEC. These provisions reflect the SEC's intent to discourage officers, directors and other persons with access to the Company's books and records from taking action that might result in the communication of materially misleading financial information to the investing public.

IV. STATEMENT OF PROCEDURES PREVENTING INSIDER TRADING

The following procedures have been established, and will be maintained and enforced, by the Company to prevent insider trading. Every officer, director and designated employee is required to follow these procedures.

A. Pre-Clearance of All Trades by All Officers, Directors and Certain Employees

To provide assistance in preventing inadvertent violations of applicable securities laws and to avoid the appearance of impropriety in connection with the purchase and sale of the Company's securities, **all transactions in the Company's securities (including without limitation, acquisitions and dispositions of Company stock, the exercise of stock options and the sale of Company stock issued upon exercise of stock options) by officers, directors and such other employees as are designated in Schedule I, as may be amended from time to time by the Board of Directors, the Chief Executive Officer, Chief Financial Officer or the General Counsel as being subject to this pre-clearance process (each, a "*Pre-Clearance Person*") must be pre- cleared** by the Company's General Counsel. Pre-clearance does not relieve anyone of his or her responsibility under SEC rules. For the avoidance of doubt, any designation by the Board of Directors of the employees who are subject to pre-clearance may be updated from time to time by the Chief Executive Officer, the Chief Financial Officer or the General Counsel.

A request for pre-clearance may be oral or in writing (including without limitation by e-mail), should be made at least two (2) business days in advance of the proposed transaction and should include the identity of the Pre-Clearance Person, the type of proposed transaction (for example, an open market purchase, a privately negotiated sale, an option exercise, etc.), the proposed date of the transaction and the number of shares, options or other securities to be involved. In addition, unless otherwise determined by the General Counsel, the Pre-Clearance Person must execute a certification (in the form approved by the General Counsel) that he, she or it is not aware of material, non-public information about the Company. The General Counsel shall have sole discretion to decide whether to clear any contemplated transaction, provided that the

Chief Financial Officer shall have sole discretion to decide whether to clear transactions by the General Counsel or persons or entities subject to this policy as a result of their relationship with the General Counsel. All trades that are pre-cleared must be effected within five business days of receipt of the pre-clearance unless a specific exception has been granted by the General Counsel (or the Chief Financial Officer, in the case of the General Counsel or persons or entities subject to this policy as a result of their relationship with the General Counsel). A pre-cleared trade (or any portion of a pre-cleared trade) that has not been effected during the five business day period must be pre-cleared again prior to execution. Notwithstanding receipt of pre-clearance, if the Pre-Clearance Person becomes aware of material, non-public information or becomes subject to a black-out period before the transaction is effected, the transaction may not be completed.

B. Black-Out Periods

No officer, director or other employee designated in Schedule II, as may be amended from time to time by the Board of Directors, the Chief Executive Officer, the Chief Financial Officer or the General Counsel as being subject to quarterly blackout periods shall purchase or sell any security of the Company during the period beginning at 11:59 p.m., Eastern time, on the 10th calendar day before the end of any fiscal quarter of the Company and ending upon the completion of the second full trading day after the public release of earnings data for such fiscal quarter or during any other trading suspension period declared by the Company, except for purchases and sales made pursuant to the permitted transactions described in Section II. For example, if the Company's fourth fiscal quarter ends at 11:59 p.m., Eastern time, on December 31, the corresponding blackout period would begin at 11:59 p.m., Eastern time, on

December 21. For the avoidance of doubt, any designation by the Board of Directors of the employees who are subject to quarterly blackout periods may be updated from time to time by the Chief Executive Officer, Chief Financial Officer or General Counsel.

Exceptions to the black-out period policy may be approved only by the Company's General Counsel (or, in the case of an exception for the General Counsel or persons or entities subject to this policy as a result of their relationship with the General Counsel, the Chief Financial Officer or, in the case of exceptions for directors or persons or entities subject to this policy as a result of their relationship with a director, the Board of Directors).

From time to time, the Company, through the Board of Directors, the Company's disclosure committee, the Chief Financial Officer or the General Counsel, may recommend that officers, directors, employees or others suspend trading in the Company's securities because of developments that have not yet been disclosed to the public. Subject to the exceptions noted above, all of those affected should not trade in the Company's securities while the suspension is in effect, and should not disclose to others that the Company has suspended trading.

If the Company is required to impose a "pension fund black-out period" under Regulation BTR, each director and executive officer shall not, directly or indirectly sell, purchase or otherwise transfer during such black-out period any equity securities of the Company acquired in connection with his or her service as a director or officer of the Company, except as permitted by Regulation BTR.

C. Post-Termination Transactions

If an individual is in possession of material, non-public information when his or her service terminates, that individual may not trade in the Company's securities until that information has become public or is no longer material.

D. Information Relating to the Company

1. *Access to Information*

Access to material, non-public information about the Company, including the Company's business, earnings or prospects, should be limited to officers, directors and employees of the Company on a need-to-know basis. In addition, such information should not be communicated to anyone outside the Company under any circumstances (except in accordance with the Company's policies regarding the protection or authorized external disclosure of Company information) or to anyone within the Company on an other than need-to-know basis.

In communicating material, non-public information to employees of the Company, all officers, directors and employees must take care to emphasize the need for confidential treatment of such information and adherence to the Company's policies with regard to confidential information.

2. *Inquiries From Third Parties*

Inquiries from third parties, such as industry analysts or members of the media, about the Company should be directed to the Chief Financial Officer or the General Counsel.

E. Limitations on Access to Company Information

The following procedures are designed to maintain confidentiality with respect to the Company's business operations and activities.

All officers, directors and employees should take all steps and precautions necessary to restrict access to, and secure, material, non-public information by, among other things:

- maintaining the confidentiality of Company-related transactions;
- conducting their business and social activities so as not to risk inadvertent disclosure of confidential information. Review of confidential documents in public places should be conducted so as to prevent access by unauthorized persons;
- restricting access to documents and files (including computer files) containing material, non-public information to individuals on a need-to-know basis (including maintaining control over the distribution of documents and drafts of documents);
- promptly removing and cleaning up all confidential documents and other materials from conference rooms following the conclusion of any meetings;
- disposing of all confidential documents and other papers, after there is no longer any business or other legally required need, through shredders when appropriate;
- restricting access to areas likely to contain confidential documents or material, non- public information;
- safeguarding laptop computers, mobile devices, tablets, memory sticks, CDs and other items that contain confidential information; and
- avoiding the discussion of material, non-public information in places where the information could be overheard by others such as in elevators, restrooms, hallways, restaurants, airplanes or taxicabs.

Personnel involved with material, non-public information, to the extent feasible, should conduct their business and activities in areas separate from other Company activities.

V. ADDITIONAL PROHIBITED TRANSACTIONS

The Company has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if the persons subject to this Policy engage in certain types of transactions. Therefore, officers, directors and employees shall comply with the following policies with respect to certain transactions in the Company securities:

A. Short Sales

Short sales of the Company's securities evidence an expectation on the part of the seller that the securities will decline in value, and therefore signal to the market that the seller has no confidence in the Company or its short-term prospects. In addition, short sales may reduce the seller's incentive to improve the Company's performance. For these reasons, short sales of the Company's securities are prohibited by this Policy. In addition, Section 16(c) of the 1934 Act absolutely prohibits Section 16 reporting persons (i.e., directors, certain officers and the Company's 10% stockholders) from making short sales of the Company's equity securities, *i.e.*, sales of shares that the insider does not own at the time of sale, or sales of shares against which the insider does not deliver the shares within 20 days after the sale.

B. Options

A transaction in options is, in effect, a bet on the short-term movement of the Company's stock and therefore creates the appearance that an officer, director or employee is trading based on inside information. Transactions in options, whether traded on an exchange, on any other organized market or on an over-the-counter market, also may focus an officer's, director's or employee's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in puts, calls or other derivative securities involving the Company's equity securities, on an exchange, on or in any other organized market or on an over-the-counter market, are prohibited by this Policy.

C. Hedging Transactions

Purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars, and exchange funds, or otherwise engaging in transactions that hedge or offset, or are designed to hedge or offset, any decrease in the market value of the Company's equity securities, may cause an officer, director, or employee to no longer have the same objectives as the Company's other stockholders. Therefore, all such transactions involving the Company's equity securities, whether such securities were granted as compensation or are otherwise held, directly or indirectly, are prohibited by this Policy.

D. Purchases of the Company's Securities on Margin; Pledging the Company's Securities to Secure Margin or Other Loans

Purchasing on margin means borrowing from a brokerage firm, bank or other entity in order to purchase the Company's securities (other than in connection with a cashless exercise of stock options through a broker under the Company's equity plans). Margin purchases of the Company's securities are prohibited by this Policy except as otherwise pre-approved by the Board of Directors in each instance. Pledging the Company's securities as collateral to secure loans is prohibited. This prohibition means, among other things, that you cannot hold the Company's securities in a "margin account" (which would allow you to borrow against your holdings to buy

securities).

E. Director and Executive Officer Cashless Exercises

The Company will not arrange with brokers to administer cashless exercises on behalf of directors and executive officers of the Company. Directors and executive officers of the Company may use the cashless exercise feature of their equity awards only if (i) the director or officer retains a broker independently of the Company, (ii) the Company's involvement is limited to confirming that it will deliver the stock promptly upon payment of the exercise price, (iii) the director or officer

uses a "T+2" cashless exercise arrangement, in which the Company agrees to deliver stock against the payment of the purchase price on the same day the sale of the stock underlying the equity award settles and (iv) the director or officer otherwise complies with this Policy. Under a T+2 cashless exercise, a broker, the issuer, and the issuer's transfer agent work together to make all transactions settle simultaneously. This approach is to avoid any inference that the Company has "extended credit" in the form of a personal loan to the director or executive officer. Questions about cashless exercises should be directed to the General Counsel.

F. Partnership Distributions

Nothing in this Policy is intended to limit the ability of a venture capital partnership or other similar entity with which a director is affiliated to distribute Company securities to its partners, members or other similar persons. It is the responsibility of each affected director and the affiliated entity, in consultation with their own counsel (as appropriate), to determine the timing of any distributions, based on all relevant facts and circumstances and applicable securities laws.

VI. RULE 10B5-1 TRADING PLANS

A. Overview

Rule 10b5-1 presents an opportunity for insiders to establish arrangements to sell (or purchase) Company stock without the restrictions of trading windows and black-out periods, even when there is undisclosed material information. Rule 10b5-1 will protect directors, officers and employees from insider trading liability under Rule 10b5-1 for transactions under a previously established contract, plan or instruction to trade in the Company's stock (a "***Trading Plan***") entered into in good faith and in accordance with the terms of Rule 10b5-1 and all applicable state laws and will be exempt from the trading restrictions set forth in this Policy. The initiation of, and any modification to, any such Trading Plan will be deemed to be a transaction in the Company's securities, and such initiation or modification is subject to all limitations and prohibitions relating to transactions in the Company's securities. Each such Trading Plan, and any modification thereof, must be submitted to and pre-approved by the Company's General Counsel, or such other person as the Board of Directors may designate from time to time (the "***Authorizing Officer***"), who may impose such conditions on the implementation and operation of the Trading Plan as the Authorizing Officer deems necessary or advisable. However, compliance of the Trading Plan to the terms of Rule 10b5-1 and the execution of transactions pursuant to the Trading Plan are the sole responsibility of the person initiating the Trading Plan, not the Company or the Authorizing Officer.

Trading Plans do not exempt individuals from complying with Section 16 reporting obligations or from short-swing profit rules or liability. Furthermore, a Trading Plan only

provides an "affirmative defense" in the event there is an insider trading lawsuit. It does not prevent someone from bringing a lawsuit.

A director, officer or employee may enter into a Trading Plan only when he or she is not in possession of material, non-public information, and only during a trading window period outside of the trading black-out period. Although transactions effected under a Trading Plan will not require further pre-clearance at the time of the trade, any transaction (including the quantity and price) made pursuant to a Trading Plan of a Section 16 reporting person must be reported to the

Company promptly on the day of each trade to permit the Company's filing coordinator to assist in the preparation and filing of a required Form 4. However, the ultimate responsibility, and liability, for timely filing remains with the Section 16 reporting person. The Company reserves the right from time to time to suspend, discontinue or otherwise prohibit any transaction in the Company's securities, even pursuant to a previously approved Trading Plan, if the Authorizing Officer or the Board of Directors, in its discretion, determines that such suspension, discontinuation or other prohibition is in the best interests of the Company. Any Trading Plan submitted for approval hereunder should explicitly acknowledge the Company's right to prohibit transactions in the Company's securities. Failure to discontinue purchases and sales as directed shall constitute a violation of the terms of this Section VI and result in a loss of the exemption set forth herein.

Officers, directors and employees may adopt Trading Plans with brokers that outline a pre- set plan for trading of the Company's stock, including the exercise of options. Trades pursuant to a Trading Plan generally may occur at any time. However, the Company requires a cooling-off period of 30 calendar days between the establishment of a Trading Plan and commencement of any transactions under such plan. An individual may adopt more than one Trading Plan. Please review the following description of how a Trading Plan works.

Pursuant to Rule 10b5-1, an individual's purchase or sale of securities will not be "on the basis of" material, non-public information if:

- First, before becoming aware of the information, the individual enters into a binding contract to purchase or sell the securities, provides instructions to another person to sell the securities or adopts a written plan for trading the securities (i.e., the Trading Plan).
- Second, the Trading Plan must either:
    - specify the amount of securities to be purchased or sold, the price at which the securities are to be purchased or sold and the date on which the securities are to be purchased or sold;
    - include a written formula or computer program for determining the amount, price and date of the transactions; or
    - prohibit the individual from exercising any subsequent influence over the purchase or sale of the Company's stock under the Trading Plan in question.
- Third, the purchase or sale must occur pursuant to the Trading Plan and the individual must not enter into a corresponding hedging transaction or alter or deviate from the Trading Plan.

For clarity, the requirements of this Section VI.A do not apply to any Trading Plan entered into by a venture capital partnership or other similar entity with which a director is affiliated. It is the responsibility of each such venture capital partnership or other entity, in consultation with their

own counsel (as appropriate), to comply with applicable securities laws in connection with any Trading Plan.

B. Revocation of and Amendments to Trading Plans

Revocation of Trading Plans should occur only in unusual circumstances. Effectiveness of any revocation or amendment of a Trading Plan will be subject to the prior review and approval of the Authorizing Officer. Revocation is effected upon written notice to the broker. Once a Trading Plan has been revoked, the participant should wait at least 30 calendar days before trading outside of a Trading Plan and 90 calendar days before establishing a new Trading Plan.

A person acting in good faith may amend a prior Trading Plan so long as such amendments are made outside of a quarterly trading black-out period and at a time when the Trading Plan participant does not possess material, non-public information. Plan amendments must not take effect for at least 30 calendar days after the plan amendments are made.

Under certain circumstances, a Trading Plan *must* be revoked. This may include circumstances such as the announcement of a merger or the occurrence of an event that would cause the transaction either to violate the law or to have an adverse effect on the Company. The Authorizing Officer or administrator of the Company's stock plans is authorized to notify the broker in such circumstances, thereby insulating the insider in the event of revocation.

C. Discretionary Plans

Although non-discretionary Trading Plans are preferred, discretionary Trading Plans, where the discretion or control over trading is transferred to a broker, are permitted if pre-approved by the Authorizing Officer.

The Authorizing Officer of the Company must pre-approve any Trading Plan, arrangement or trading instructions, etc., involving potential sales or purchases of the Company's stock or option exercises, including but not limited to, blind trusts, discretionary accounts with banks or brokers, or limit orders. The actual transactions effected pursuant to a pre-approved Trading Plan will not be subject to further pre-clearance for transactions in the Company's stock once the Trading Plan or other arrangement has been pre-approved.

D. Reporting (if Required)

If required, an SEC Form 144 will be filled out and filed by the individual/brokerage firm in accordance with the existing rules regarding Form 144 filings. A footnote at the bottom of the Form 144 should indicate that the trades "are in accordance with a Trading Plan that complies with Rule 10b5-1 and was adopted on __." For Section 16 reporting persons, Form 4s should be filed before the end of the second business day following the date that the broker, dealer or plan administrator informs the individual that a transaction was executed, provided that the date of such notification is not later than the third business day following the trade date. A similar footnote should be placed at the bottom of the Form 4 as outlined above.

E. Options

Exercises of options for cash may be executed at any time. "Cashless exercise" option exercises through a broker are subject to trading windows. However, the Company will permit same day sales under Trading Plans. If a broker is required to execute a cashless exercise in accordance with a Trading Plan, then the Company must have exercise forms attached to the Trading Plan that are signed, undated and with the number of shares to be exercised left blank.

Once a broker determines that the time is right to exercise the option and dispose of the shares in accordance with the Trading Plan, the broker will notify the Company in writing and the administrator of the Company's stock plans will fill in the number of shares and the date of exercise on the previously signed exercise form. The insider should not be involved with this part of the exercise.

F. Trades Outside of a Trading Plan

During an open trading window, trades differing from Trading Plan instructions that are already in place are allowed as long as the Trading Plan continues to be followed.

G. Public Announcements

The Company may make a public announcement that Trading Plans are being implemented in accordance with Rule 10b5-1. It will consider in each case whether a public announcement of a particular Trading Plan should be made. It may also make public announcements or respond to inquiries from the media as transactions are made under a Trading Plan.

H. Prohibited Transactions

The transactions prohibited under Section V of this Policy, including among others short sales and hedging transactions, may not be carried out through a Trading Plan or other arrangement or trading instruction involving potential sales or purchases of the Company's securities.

I. Limitation on Liability

None of the Company, the Chief Executive Officer, the Chief Financial Officer, General Counsel, the Authorizing Officer, the Company's other employees or any other person will have any liability for any delay in reviewing, or refusal of, a Trading Plan submitted pursuant to this Section VI or a request for pre-clearance submitted pursuant to Section IV of this Policy. Notwithstanding any review of a Trading Plan pursuant to this Section VI or pre-clearance of a transaction pursuant to Section IV of this Policy, none of the Company, the Chief Financial Officer, General Counsel, the Authorizing Officer, the Company's other employees or any other person assumes any liability for the legality or consequences of such Trading Plan or transaction to the person engaging in or adopting such Trading Plan or transaction.

VII. Execution and Return of Certification of Compliance

After reading this Policy and on an annual basis, all officers, directors and employees should execute and return to the Company's General Counsel the Certification of Compliance form.

* * * * *

Effective Date: June 22, 2021

Exhibit 21.1

Subsidiaries of Talkspace, Inc.

As of December 31, 2025

Legal Name	Jurisdiction of Incorporation
Talkspace LLC	Delaware
Teenspace LLC	Delaware
Sentia AI LLC	Delaware
Groop Internet Platform Israel LTD	Israel

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-257686) of Talkspace, Inc.,

(2) Registration Statement (Form S-8 No. 333-285763) pertaining to the 2021 Incentive Award Plan of Talkspace, Inc.,

(3) Registration Statement (Form S-8 No. 333-277905) pertaining to the 2021 Incentive Award Plan of Talkspace, Inc.,

(4) Registration Statement (Form S-8 No. 333-270825) pertaining to the 2021 Incentive Award Plan of Talkspace, Inc.,

(5) Registration Statement (Form S-8 No. 333-263329) pertaining to the 2021 Incentive Award Plan and 2021 Employee Stock Purchase Plan of Talkspace, Inc., and

(6) Registration Statement (Form S-8 No. 333-259165) pertaining to the 2014 Stock Incentive Plan, 2021 Incentive Award Plan and 2021 Employee Stock Purchase Plan of Talkspace, Inc.;

of our reports dated March 13, 2026, with respect to the consolidated financial statements of Talkspace, Inc. and the effectiveness of internal control over financial reporting of Talkspace, Inc. included in this Annual Report (Form 10-K) of Talkspace, Inc. for the year ended December 31, 2025.

/s/ Kost Forer Gabbay & Kasierer
A Member of EY Global

Tel-Aviv, Israel
March 13, 2026

Exhibit 31.1

CERTIFICATION

I, Jon R. Cohen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Talkspace, Inc.;

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: March 13, 2026

By: /s/ Jon R. Cohen
Jon R. Cohen
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Ian Harris, certify that:

1. I have reviewed this Annual Report on Form 10-K of Talkspace, Inc.;

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: March 13, 2026

By: /s/ Ian Harris
Ian Harris
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 Annual Report on Form 10-K of Talkspace, Inc. (the "Company") for the year ended December 31, 2025, 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:

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

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

Date: March 13, 2026

By: /s/ Jon R. Cohen
Jon R. Cohen
Chief Executive Officer

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 Annual Report on Form 10-K of Talkspace, Inc. (the "Company") for the year ended December 31, 2025, 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:

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

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

Date: March 13, 2026

By: /s/ Ian Harris
Ian Harris
Chief Financial Officer