

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

Form 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2019**

**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 001-35647

LIFEVANTAGE CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

90-0224471

(IRS Employer Identification No.)

9785 S. Monroe Street, Suite 400, Sandy, UT 84070

(Address of principal executive offices, including zip code)

(801) 432-9000

(Registrant's telephone number)

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

Common Stock, par value \$0.0001

LFVN

The Nasdaq Stock Market LLC

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

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

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

The number of shares outstanding of the issuer's common stock, par value \$0.0001 per share, as of January 24, 2020 was 14,359,064.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q, in particular “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the information incorporated by reference herein contains “forward-looking statements” (as such term is defined in Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended). These statements, which involve risks and uncertainties, reflect our current expectations, intentions, or strategies regarding our possible future results of operations, performance, and achievements. Forward-looking statements include, without limitation: statements regarding future products or product development; statements regarding future selling, general and administrative costs and research and development spending; statements regarding the future performance of our network marketing efforts; statements regarding our expectations regarding ongoing litigation; statements regarding international growth; and statements regarding future financial performance, results of operations, capital expenditures and sufficiency of capital resources to fund our operating requirements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and applicable rules of the Securities and Exchange Commission and common law.

These forward-looking statements may be identified in this report and the information incorporated by reference by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “plan,” “predict,” “project,” “should” and similar terms and expressions, including references to assumptions and strategies. These statements reflect our current beliefs and are based on information currently available to us. Accordingly, these statements are subject to certain risks, uncertainties, and contingencies, which could cause our actual results, performance, or achievements to differ materially from those expressed in, or implied by, such statements.

The following factors are among those that may cause actual results to differ materially from our forward-looking statements:

- Inability to properly manage, motivate and retain our independent distributors or to attract new customers and independent distributors on an ongoing basis;
- Inability to manage existing markets, open new international markets or expand our operations;
- Non-compliance by our independent distributors with applicable legal requirements or our policies and procedures, including making improper and/or illegal claims about our products or earnings opportunity;
- Inability of new products and technological innovations to gain customer or independent distributor or market acceptance;
- Inability to execute our product launch process due to increased pressure on our supply chain, information systems and management;
- Inability to appropriately manage our inventory;
- Potential adverse effects on our business and stock price due to ineffective internal controls;
- Disruptions in our information technology systems;
- Inability to protect against cyber security risks and to maintain the integrity of data;
- Inability to comply with financial covenants imposed by our credit facility and the impact of debt service obligations and restrictive debt covenants;
- International trade or foreign exchange restrictions, increased tariffs, foreign currency exchange fluctuations;
- Inability to raise additional capital or complete desired acquisitions;
- Dependence upon few products for revenue;
- High quality materials for our products may become difficult to obtain or expensive;
- Dependence on third parties to manufacture our products;
- Disruptions to the transportation channels used to distribute our products;
- We may be subject to a product recall;
- Unfavorable publicity on our business or products;

- Our direct selling program could be found to not be in compliance with current or newly adopted laws or regulations in various markets;
- Legal proceedings may be expensive and time consuming;
- Strict government regulations on our business;
- Regulations governing the production or marketing of our products;
- Risk of investigatory and enforcement action by the Federal Trade Commission;
- Government authorities may question our tax positions or transfer pricing policies or change their laws in a manner that could increase our effective tax rate or otherwise harm our business;
- Failure to comply with anti-corruption laws;
- Loss of, or inability to attract, key personnel;
- We may be held responsible for certain taxes or assessments and other obligations relating to the activity of our independent distributors;
- Competition in the dietary supplement and personal care markets;
- Our inability to protect our intellectual property rights;
- Third party claims that we infringe on their intellectual property;
- Product liability claims against us;
- Economic, political, foreign exchange and other risks associated with international operations;
- Potential delisting of our common stock due to non-compliance with Nasdaq's continued listing requirements;
- Volatility of the market price of our common stock;
- Substantial sales of shares may negatively impact the market price of our common stock; and
- Dilution of outstanding common shares may occur if holders of our existing options exercise their securities or upon future vesting of restricted stock units.

When considering these forward-looking statements, you should keep in mind the cautionary statements in this report and the documents incorporated by reference. Except as required by law, we have no obligation and do not undertake to update or revise any such forward-looking statements to reflect events or circumstances after the date of this report.

LIFEVANTAGE CORPORATION

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PART I. Financial Information**Item 1. Financial Statements**

LIFEVANTAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	December 31, 2019	June 30, 2019
<i>(In thousands, except per share data)</i>		
ASSETS		
Current assets		
Cash and cash equivalents	\$ 14,479	\$ 18,824
Accounts receivable	1,788	2,066
Income tax receivable	1,006	1,236
Inventory, net	14,222	13,753
Prepaid expenses and other	6,117	7,309
Total current assets	37,612	43,188
Property and equipment, net	7,586	7,131
Right-of-use assets	2,136	—
Intangible assets, net	917	983
Deferred income tax asset	3,014	2,693
Equity securities	2,205	—
Other long-term assets	1,548	1,278
TOTAL ASSETS	\$ 55,018	\$ 55,273
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 3,900	\$ 5,180
Commissions payable	8,059	7,916
Income tax payable	170	592
Lease liabilities	2,270	—
Other accrued expenses	10,362	11,053
Current portion of long-term debt, net	484	1,454
Total current liabilities	25,245	26,195
Lease liabilities	288	—
Other long-term liabilities	387	1,879
Total liabilities	25,920	28,074
Commitments and contingencies - Note 8		
Stockholders' equity		
Preferred stock — par value \$0.0001 per share, 5,000 shares authorized, no shares issued or outstanding	—	—
Common stock — par value \$0.0001 per share, 40,000 shares authorized and 14,293 and 14,114 issued and outstanding as of December 31, 2019 and June 30, 2019, respectively	1	1
Additional paid-in capital	125,858	127,096
Accumulated deficit	(96,793)	(99,960)
Accumulated other comprehensive income	32	62
Total stockholders' equity	29,098	27,199
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 55,018	\$ 55,273

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

LIFEVANTAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
<i>(In thousands, except per share data)</i>				
Revenue, net	\$ 61,242	\$ 58,167	\$ 117,470	\$ 113,776
Cost of sales	10,230	9,794	19,421	18,994
Gross profit	51,012	48,373	98,049	94,782
Operating expenses:				
Commissions and incentives	29,235	28,176	56,009	55,961
Selling, general and administrative	18,131	19,616	35,817	36,918
Total operating expenses	47,366	47,792	91,826	92,879
Operating income	3,646	581	6,223	1,903
Other expense:				
Interest expense, net	(41)	(100)	(89)	(209)
Other expense, net	(148)	(72)	(228)	(120)
Total other expense	(189)	(172)	(317)	(329)
Income before income taxes	3,457	409	5,906	1,574
Income tax benefit	846	420	158	166
Net income	\$ 4,303	\$ 829	\$ 6,064	\$ 1,740
Net income per share:				
Basic	\$ 0.31	\$ 0.06	\$ 0.44	\$ 0.12
Diluted	\$ 0.30	\$ 0.06	\$ 0.42	\$ 0.12
Weighted-average shares outstanding:				
Basic	13,902	13,944	13,908	13,996
Diluted	14,562	14,963	14,515	14,996
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	\$ (14)	\$ 121	\$ (30)	\$ (4)
Other comprehensive income (loss), net of tax	(14)	121	(30)	(4)
Comprehensive income	\$ 4,289	\$ 950	\$ 6,034	\$ 1,736

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

LIFEVANTAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
<i>(In thousands)</i>						
Balances, June 30, 2019	14,114	\$ 1	\$ 127,096	\$ (99,960)	\$ 62	\$ 27,199
Cumulative effect of adoption of accounting principle	—	—	—	508	—	508
Balances, July 1, 2019	14,114	\$ 1	\$ 127,096	\$ (99,452)	\$ 62	\$ 27,707
Stock-based compensation	—	—	1,276	—	—	1,276
Exercise of options	3	—	11	—	—	11
Common stock issued under employee stock purchase plan	32	—	339	—	—	339
Shares canceled or surrendered as payment of tax withholding	(4)	—	(61)	—	—	(61)
Repurchase of company stock	(111)	—	—	(1,393)	—	(1,393)
Currency translation adjustment	—	—	—	—	(16)	(16)
Net income	—	—	—	1,761	—	1,761
Balances, September 30, 2019	14,034	\$ 1	\$ 128,661	\$ (99,084)	\$ 46	\$ 29,624
Stock-based compensation	—	—	1,503	—	—	1,503
Exercise of options	21	—	54	—	—	54
Common stock issued under equity award plans	659	—	—	—	—	—
Shares canceled or surrendered as payment of tax withholding	(281)	—	(4,360)	—	—	(4,360)
Repurchase of company stock	(140)	—	—	(2,012)	—	(2,012)
Currency translation adjustment	—	—	—	—	(14)	(14)
Net income	—	—	—	4,303	—	4,303
Balances, December 31, 2019	14,293	\$ 1	\$ 125,858	\$ (96,793)	\$ 32	\$ 29,098

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

LIFEVANTAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended December 31,	
	2019	2018
<i>(In thousands)</i>		
Cash Flows from Operating Activities:		
Net income	\$ 6,064	\$ 1,740
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,245	878
Stock-based compensation	2,918	3,053
Amortization of right-of-use assets	1,148	—
Amortization of deferred financing fees	4	2
Amortization of debt discount	26	13
Deferred income tax	(486)	972
Changes in operating assets and liabilities:		
Accounts receivable	275	(303)
Income tax receivable	230	(2,415)
Inventory, net	(452)	323
Prepaid expenses and other	(1,000)	2,206
Other long-term assets	(279)	7
Accounts payable	(1,268)	308
Income tax payable	(422)	122
Other accrued expenses	(805)	420
Lease liabilities	(1,328)	—
Other long-term liabilities	(105)	(384)
Net Cash Provided by Operating Activities	5,765	6,942
Cash Flows from Investing Activities:		
Investments in convertible note receivable	—	(2,000)
Purchase of equipment	(1,633)	(272)
Net Cash Used in Investing Activities	(1,633)	(2,272)
Cash Flows from Financing Activities:		
Repurchase of company stock	(3,405)	(1,500)
Payment on term loan	(1,000)	(1,000)
Shares purchased as payment of tax withholding	(4,421)	—
Proceeds from common stock issued under employee stock purchase plan	339	—
Exercise of options	65	184
Net Cash Used in Financing Activities	(8,422)	(2,316)
Foreign Currency Effect on Cash	(55)	(17)
Increase (Decrease) in Cash and Cash Equivalents:	(4,345)	2,337
Cash and Cash Equivalents — beginning of period	18,824	16,652
Cash and Cash Equivalents — end of period	\$ 14,479	\$ 18,989
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 36	\$ 152
Cash paid for income taxes	\$ 654	\$ 1,066

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

LIFEVANTAGE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

These unaudited condensed consolidated financial statements and notes should be read in conjunction with the audited financial statements and notes of LifeVantage Corporation (the “Company”) as of and for the year ended June 30, 2019 included in the annual report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on August 14, 2019.

Note 1 — Organization and Basis of Presentation

LifeVantage Corporation is a company focused on biohacking the aging code through nutrigenomics, the study of how nutrition and naturally occurring compounds affect our genes to support good health. The Company is dedicated to helping people achieve their health, wellness and financial goals. The Company provides quality, scientifically-validated products to customers and distributors and a financially rewarding direct sales opportunity to independent distributors. LifeVantage sells its products in the United States, Mexico, Japan, Australia, Hong Kong, Canada, Thailand, the United Kingdom, the Netherlands, Germany, Taiwan, Austria, Spain, Ireland, Belgium and New Zealand. The Company also sells its products in a number of countries to customers for personal consumption only. In addition, the Company sells its products in China through an e-commerce business model.

The Company engages in the identification, research, development and distribution of advanced nutraceutical dietary supplements and skin and hair care products, including Protandim[®], its line of scientifically-validated dietary supplements, LifeVantage[®] Omega+ and ProBio dietary supplements, TrueScience[®], its line of skin and hair care products, Petandim[®] for Dogs, its companion pet supplement formulated to combat oxidative stress in dogs, Axio[®] Smart Energy Drink mixes, and PhysIQ[™], its Smart Weight Management System.

The condensed consolidated financial statements included herein have been prepared by the Company’s management, without audit, pursuant to the rules and regulations of the SEC. In the opinion of the Company’s management, these interim financial statements include all adjustments that are considered necessary for a fair presentation of its financial position as of December 31, 2019, and the results of operations for the three and six months ended December 31, 2019 and 2018, and the cash flows for the six months ended December 31, 2019 and 2018. Interim results are not necessarily indicative of results for a full year or for any future period. Certain amounts in the prior year financial statements have been reclassified for comparative purposes in order to conform with current year presentation.

The condensed consolidated financial statements and notes included herein are presented as required by Form 10-Q, and do not contain certain information included in the Company’s audited financial statements and notes for the fiscal year ended June 30, 2019, pursuant to the rules and regulations of the SEC. For further information, refer to the financial statements and notes thereto as of and for the year ended June 30, 2019, and included in the annual report on Form 10-K on file with the SEC.

Note 2 — Summary of Significant Accounting Policies

Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

The Company prepares the condensed consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America (GAAP). In preparing these statements, the Company is required to use estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates and assumptions. On an ongoing basis, the Company reviews its estimates, including those related to inventory valuation and obsolescence, sales returns, income taxes and tax valuation reserves, transfer pricing methodology and positions, impairment of receivables, share-based compensation, and loss contingencies.

Foreign Currency Translation

A portion of the Company’s business operations occurs outside the United States. The local currency of each of the Company’s subsidiaries is generally its functional currency. All assets and liabilities are translated into U.S. dollars at exchange rates existing at the balance sheet dates, revenue and expenses are translated at weighted-average exchange rates and stockholders’ equity is recorded at historical exchange rates. The resulting foreign currency translation adjustments are recorded as a separate component of stockholders’ equity in the condensed consolidated balance sheets and as a component of

comprehensive income. Transaction gains and losses are included in other expense, net in the condensed consolidated statements of operations and comprehensive income. For the three months ended December 31, 2019 and 2018, a net foreign currency gain of \$0.1 million and a loss of \$0.1 million, respectively, are recorded in other expense, net. For the six months ended December 31, 2019 and 2018, a net foreign currency gain of \$12,000 and a loss of \$0.1 million, respectively, are recorded in other expense, net.

Derivative Instruments and Hedging Activities

The Company's subsidiaries enter into transactions with each other which may not be denominated in the respective subsidiaries' functional currencies. The Company seeks to reduce its exposure to fluctuations in foreign exchange rates through the use of derivatives. The Company does not use such derivative financial instruments for trading or speculative purposes.

To hedge risks associated with the foreign-currency-denominated intercompany transactions, the Company entered into forward foreign exchange contracts which were all settled by the end of December 2019 and were not designated for hedge accounting. For the three months ended December 31, 2019 and 2018, realized losses of \$0.2 million and \$25,000, respectively, related to forward contracts, are recorded in other expense, net. For the six months ended December 31, 2019 and 2018, realized losses of \$0.3 million and \$0.1 million, respectively, related to forward contracts, are recorded in other expense, net. The Company did not hold any derivative instruments at December 31, 2019.

Cash and Cash Equivalents

The Company considers only its monetary liquid assets with original maturities of three months or less as cash and cash equivalents.

Concentration of Credit Risk

Accounting guidance for financial instruments requires disclosure of significant concentrations of credit risk regardless of the degree of such risk. Financial instruments with significant credit risk include cash and investments. At December 31, 2019, the Company had \$10.9 million in cash accounts at one financial institution and \$3.6 million in accounts at other financial institutions. As of December 31, 2019 and June 30, 2019, and during the periods then ended, the Company's cash balances exceeded federally insured limits.

Accounts Receivable

The Company's accounts receivable as of December 31, 2019 and June 30, 2019 consist primarily of credit card receivables. Based on the Company's verification process for customer credit cards and historical information available, management has determined that an allowance for doubtful accounts on credit card sales related to its customer sales as of December 31, 2019 is not necessary. No bad debt expense was recorded during the three and six months ended December 31, 2019 and 2018.

Inventory

As of December 31, 2019 and June 30, 2019, inventory consisted of (in thousands):

	December 31, 2019		June 30, 2019	
Finished goods	\$ 10,738	75.5 %	\$ 9,903	72.0 %
Raw materials	3,484	24.5 %	3,850	28.0 %
Total inventory	<u>\$ 14,222</u>	<u>100.0 %</u>	<u>\$ 13,753</u>	<u>100.0 %</u>

Inventories are carried at the lower of cost or net realizable value, using the first-in, first-out method, which includes a reduction in inventory values of \$0.2 million and \$0.2 million at December 31, 2019 and June 30, 2019, respectively, related to obsolete and slow-moving inventory.

Fair Value of Financial Instruments

The Company accounts for assets and liabilities using a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the fair-value hierarchy below. This hierarchy requires the Company to minimize the use of unobservable inputs and to use observable market data, if available, when determining fair value.

- Level 1—Quoted prices for identical instruments in active markets;

- Level 2—Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Equity securities held by the Company are measured at fair value on a nonrecurring basis; that is, the assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments using fair value measurements with unobservable inputs (level 3), in certain circumstances (e.g., when there is evidence of impairment).

Revenue Recognition

Revenue is recognized when control of the promised goods or services are transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Sales, value add, and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue.

The Company generates the majority of its revenue through product sales to customers. These products include the Protandim® line of dietary supplements, LifeVantage® Omega+ and ProBio dietary supplements, the TrueScience® line of Nrf2-infused skin and hair care products, Petandim® for Dogs, Axio® Smart Energy Drink mixes, and the PhysIQ™ Smart Weight Management System. The Company ships most of its product directly to the consumer and receives substantially all payment for product sales in the form of credit card receipts. Revenue from direct product sales to customers is recognized upon shipment, which is when passage of title and risk of loss occurs. For items sold in packs and bundles, the Company determines the standalone selling price at contract inception for each distinct good, and then allocates the transaction price on a relative standalone selling price basis. Any discounts are accounted for as a direct reduction to the transaction price. Shipping and handling revenue is recognized upon shipment when the performance obligation is completed.

The Company also charges independent distributors to attend certain events held by the Company. Tickets to events are sold as standalone items or included within packs. For event tickets sold in packs, the Company allocates a portion of the transaction price to the ticket on a relative standalone selling price basis. Any discounts are accounted for as a direct reduction to the transaction price. Fee revenue associated with ticket sales is recorded in the month that the event is held, which is when the Company has performed its obligations under the contract.

Estimated returns are recorded when product is shipped. Subject to some exceptions based on local regulations, the Company's return policy is to provide a full refund for product returned within 30 days. After 30 days of purchase, only unopened product that is in a resalable and restockable condition may be returned within twelve months of purchase and shall receive a 100% refund, less a 10% handling and restocking fee and any shipping and handling costs. The Company establishes a refund liability reserve and an asset reserve for its right to recover products based on historical experience. The returns asset reserve and returns liability reserve are evaluated on a quarterly basis. As of December 31, 2019 and June 30, 2019, the returns liability reserve, net was \$0.3 million and \$0.4 million, respectively.

Shipping and Handling

Shipping and handling costs associated with inbound freight and freight out to customers and independent distributors are included in cost of sales. Shipping and handling fees charged to customers are included in revenue.

Research and Development Costs

The Company expenses all costs related to research and development activities, as incurred. Research and development expenses for the three months ended December 31, 2019 and 2018 were \$0.3 million and \$0.5 million, respectively. Research and development expenses for the six months ended December 31, 2019 and 2018 were \$0.5 million and \$0.9 million, respectively.

Leases

The Company accounts for leases in accordance with Accounting Standards Codification ("ASC") 842. The Company reviews all contracts and determines if the arrangement is or contains a lease, at inception. Operating leases are included in right-of-use ("ROU") assets, current lease liabilities and long-term lease liabilities on the condensed consolidated balance sheets. The Company does not have any finance leases.

Operating lease ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The Company uses its estimated incremental borrowing rate based on the information available at commencement date in

determining the present value of future payments. The operating lease ROU asset also includes any upfront lease payments made and excludes lease incentives and initial direct costs incurred. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Leases with a term of 12 months or less are not recorded on the balance sheet. The Company's lease agreements do not contain any residual value guarantees.

Stock-Based Compensation

The Company recognizes stock-based compensation by measuring the cost of services to be rendered based on the grant date fair value of the equity award. The Company recognizes stock-based compensation, net of any estimated forfeitures, over the period an employee is required to provide service in exchange for the award, generally referred to as the requisite service period. For awards with market-based performance conditions, the cost of the awards is recognized as the requisite service is rendered by employees, regardless of when, if ever, the market-based performance conditions are satisfied.

The Black-Scholes option pricing model is used to estimate the fair value of stock options and options under the Company's 2019 Employee Stock Purchase Plan. The determination of the fair value of options is affected by the Company's stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. The Company uses historical data for estimating the expected volatility and expected life of stock options required in the Black-Scholes model. The risk-free interest rate assumption is based on observed interest rates appropriate for the expected terms of the stock options.

The fair value of restricted stock grants is based on the closing market price of the Company's stock on the date of grant less the Company's expected dividend yield. The fair value of performance restricted stock units that include market-based performance conditions is based on the closing market price of the Company's stock on the date of grant less the Company's expected dividend yield, with further adjustments made to reflect the market conditions that must be satisfied in order for the units to vest by using a Monte-Carlo simulation model. Key assumptions for the Monte-Carlo simulation model include the risk-free rate, expected volatility, expected dividends and the correlation coefficient. The fair value of cash-settled performance-based awards, accounted for as liabilities, is remeasured at the end of each reporting period and is based on the closing market price of the Company's stock on the last day of the reporting period. The Company recognizes compensation costs for awards with performance conditions when it concludes it is probable that the performance conditions will be achieved. The Company reassesses the probability of vesting at each balance sheet date and adjusts compensation costs accordingly.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using statutory tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, updated as needed for changes in corporate tax rates. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period that includes the effective date of the change. The Company recognizes tax liabilities or benefits from an uncertain position only if it is more likely than not that the position will be sustained upon examination by taxing authorities based on the technical merits of the issue. The amount recognized would be the largest liability or benefit that the Company believes has greater than a 50% likelihood of being realized upon settlement.

For the six months ended December 31, 2019 and 2018, the Company recognized income tax benefit of \$0.2 million and \$0.2 million, respectively, which is reflective of the Company's current estimated federal, state and foreign effective tax rate. Realization of deferred tax assets is dependent upon future earnings in specific tax jurisdictions, the timing and amount of which are uncertain.

Income Per Share

Basic income per common share is computed by dividing the net income by the weighted-average number of common shares outstanding during the period, less unvested restricted stock awards. Diluted income per common share is computed by dividing net income by the weighted-average common shares and potentially dilutive common share equivalents using the treasury stock method.

For the three months ended December 31, 2019 and 2018, the effects of approximately 0.1 million and 0.1 million common shares, respectively, issuable upon exercise of options and non-vested shares of restricted stock are not included in computations as their effect was anti-dilutive. For the six months ended December 31, 2019 and 2018, the effects of approximately 0.2 million and 0.2 million common shares, respectively, issuable upon exercise of options and non-vested shares of restricted stock are not included in computations as their effect was anti-dilutive.

The following is a reconciliation of net income per share and the weighted-average common shares outstanding for purposes of computing basic and diluted net income per share (in thousands except per share amounts):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
Numerator:				
Net income	\$ 4,303	\$ 829	\$ 6,064	\$ 1,740
Denominator:				
Basic weighted-average common shares outstanding	13,902	13,944	13,908	13,996
Effect of dilutive securities:				
Stock awards and options	660	1,019	607	1,000
Diluted weighted-average common shares outstanding	14,562	14,963	14,515	14,996
Net income per share, basic	\$ 0.31	\$ 0.06	\$ 0.44	\$ 0.12
Net income per share, diluted	\$ 0.30	\$ 0.06	\$ 0.42	\$ 0.12

Segment Information

The Company operates in a single operating segment by selling products directly to customers and through an international network of independent distributors that operates in an integrated manner from market to market. Commissions and incentives expenses are the Company's largest expense comprised of the commissions paid to its independent distributors. The Company manages its business primarily by managing its international network of independent distributors. The Company disaggregates revenue in two geographic regions: the Americas region and the Asia/Pacific & Europe region.

The following table presents the Company's revenue disaggregated by these two geographic regions (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
Americas	\$ 44,284	\$ 42,440	\$ 84,465	\$ 83,519
Asia/Pacific & Europe	16,958	15,727	33,005	30,257
Total revenue	\$ 61,242	\$ 58,167	\$ 117,470	\$ 113,776

Additional information as to the Company's revenue from operations in the most significant geographical areas is set forth below (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
United States	\$ 41,355	\$ 39,633	\$ 78,701	\$ 77,948
Japan	\$ 10,497	\$ 10,028	\$ 21,555	\$ 20,085

The following table presents the Company's long-lived assets for its most significant geographic markets:

	December 31, 2019	June 30, 2019
United States	\$ 11,883	\$ 9,772
Japan	\$ 1,572	\$ 955

Effect of New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which requires all lessees to recognize both a right-of-use asset and lease liability on its balance sheet, representing the obligation to make payments and the right to use or control the use of a specified asset for the lease term. The Company adopted Topic 842 on July 1, 2019, using the modified retrospective transition method. The Company elected the practical expedients available under the provisions of the new standard, including: not reassessing whether expired or existing contracts are or contain leases; not reassessing the classification of expired or existing leases; not reassessing the initial direct cost for any existing leases; and using hindsight in determining the lease term. Upon adoption, the Company recognized cumulative operating lease liabilities of \$3.9 million and operating right-of-use assets of \$3.3 million. Additionally, a one-time beginning balance adjustment of \$0.5 million was recognized in the condensed consolidated statement of stockholders' equity due to an update to the expected term of an operating lease.

Note 3 — Gig Economy Group Investment

Convertible Note Receivable

The Company entered into a convertible promissory note agreement with Gig Economy Group, Inc. ("GEG") pursuant to which the Company agreed to loan to GEG up to an aggregate of \$2.0 million in a series of loan installments, evidenced by a convertible promissory note having a maturity date of May 31, 2019 ("Convertible Note"). The Convertible Note accrued interest at a rate of 8% per annum, compounded annually. On May 17, 2019, the Company and GEG entered into an amendment agreement to extend the maturity date of the Convertible Note to December 31, 2019. In all other aspects, the Convertible Note remained unchanged from the original agreement. Pursuant to a Common Stock Purchase Agreement between the Company and GEG dated December 16, 2019, GEG issued to the Company 1,000,000 shares of GEG's common stock, par value \$0.0001 per share, in consideration for conversion and cancellation of all principal, interest and other amounts due under the Convertible Note (representing \$2.2 million in aggregate consideration).

Equity Securities under ASC 321

At December 31, 2019, the Company held a minority interest (less than 20%) in GEG, accounted for under ASC 321, *Investments - Equity Securities* ("ASC 321"), which is included in equity securities in the condensed consolidated balance sheets. Dividends received are reported in earnings if and when received. The Company reviews securities individually for impairment by evaluating if events or circumstances have occurred that may indicate the fair value of the investment is less than its carrying value. If such events or circumstances have occurred, the Company estimates the fair value of the investment and recognizes an impairment loss in other expense, net on the condensed consolidated statements of operations and comprehensive income equal to the difference between the fair value of the investment and its carrying value. In such cases, the estimated fair value of the investment is determined using unobservable inputs including assumptions by GEG's management and quantitative information such as lower valuations in recently completed or proposed financings. These inputs are classified as Level 3. Because GEG is in the early startup stage, GEG is subject to potential changes in cash flows and valuation, and may be unable to raise additional capital necessary to support its ongoing operations.

Equity securities held by the Company lack readily determinable fair values and therefore the securities are measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar equity securities of the same issuer. The carrying amount of equity securities held by the Company without readily determinable fair values was \$2.2 million at December 31, 2019. During the three months ended December 31, 2019, there were no price changes or impairments recognized.

Note 4 — Leases

The Company has operating leases for current corporate offices and certain equipment. These leases have remaining terms of one year to two years. As of December 31, 2019, the weighted average remaining lease term and weighted average discount rate for operating leases was 1.01 years and 4.92%, respectively.

For the three months ended December 31, 2019, operating lease expense was \$0.7 million. For the six months ended December 31, 2019, operating lease expense was \$1.3 million.

Supplemental cash flow information related to operating leases was as follows (in thousands):

	Three Months Ended December 31, 2019	Six Months Ended December 31, 2019
Operating cash outflows from operating leases	\$ 720	\$ 1,440
Right-of-use assets obtained in exchange for lease obligations	\$ —	\$ —

Maturity of lease liabilities at December 31, 2019 are as follows (in thousands):

Year ended June 30,	Amount
2020 (remaining six months ending June 30, 2020)	\$ 1,413
2021	1,203
Total	2,616
Less: imputed interest	(58)
Present value of lease liabilities	\$ 2,558

Under ASC 840, minimum future operating lease obligations at June 30, 2019 are as follows (in thousands):

Year ending June 30,	Amount
2020	\$ 2,872
2021	1,140
Total	\$ 4,012

Note 5 — Long-Term Debt

On March 30, 2016, the Company entered into a loan agreement (the “2016 Loan Agreement”) to refinance its outstanding debt. In connection with the 2016 Loan Agreement and on the same date, the Company entered into a security agreement (the “Security Agreement”). The 2016 Loan Agreement provides for a term loan in an aggregate principal amount of \$10.0 million (the “2016 Term Loan”) and a revolving loan facility in an aggregate principal amount not to exceed \$2.0 million (the “2016 Revolving Loan,” and collectively with the 2016 Term Loan, the 2016 Loan Agreement and the Security Agreement, the “2016 Credit Facility”).

The principal amount of the 2016 Term Loan is payable in consecutive quarterly installments in the amount of \$0.5 million plus accrued interest beginning with the fiscal quarter ended June 30, 2016. If the Company borrows under the 2016 Revolving Loan, interest will be payable quarterly in arrears on the last day of each fiscal quarter.

On May 4, 2018, the Company entered into a loan modification agreement, which amended the 2016 Credit Facility (“Amendment No. 1”). Amendment No. 1 revised the maturity date from March 30, 2019 to March 31, 2021 (the “Maturity Date”) and increased the fixed interest rate for the term loan from 4.93% to 5.68%. Amendment No. 1 also revised certain financial covenants. The minimum fixed charge coverage ratio (as defined in Amendment No. 1) was revised from a minimum of 1.50 to 1.00 to 1.25 to 1.00, measured on a trailing twelve-month basis, at the end of each fiscal quarter. The minimum working capital was increased from \$5.0 million to \$8.0 million. The funded debt to EBITDA ratio was replaced with the total liabilities to tangible net worth ratio (as defined in Amendment No. 1) of not greater than 3.00 to 1.00 at the end of each quarter. The minimum tangible net worth measure was removed from the financial covenants.

The Company’s obligations under the 2016 Credit Facility, as amended, are secured by a security interest in substantially all of the Company’s assets. Loans outstanding under the 2016 Credit Facility, as amended, may be prepaid in whole or in part at any time without premium or penalty. In addition, if, at any time, the aggregate principal amount outstanding under the 2016 Revolving Loan exceeds \$2.0 million, the Company must prepay an amount equal to such excess. Any principal amount of the 2016 Term Loan which is prepaid or repaid may not be re-borrowed.

On February 1, 2019, the Company entered into a loan modification agreement, which amended the 2016 Credit Facility, as amended (“Amendment No. 2”). Under Amendment No. 2, the Company made a principal payment of \$2.0 million and increased the revolving loan facility from \$2.0 million to \$5.0 million. Amendment No. 2 also revised certain financial covenants. The minimum fixed charge coverage ratio (as defined in Amendment No. 2) was revised from a minimum of 1.25 to 1.00 to 1.10 to 1.00, measured on a trailing twelve-month basis, at the end of each fiscal quarter. The minimum working capital was decreased from \$8.0 million to \$6.0 million.

The 2016 Credit Facility, as amended, contains customary covenants, including affirmative and negative covenants that, among other things, restrict the Company’s ability to create certain types of liens, incur additional indebtedness, declare or pay dividends on or redeem capital stock, make other payments to holders of equity interests in the Company, make certain investments, purchase or otherwise acquire all or substantially all the assets or equity interests of other companies, sell assets or enter into consolidations, mergers or transfers of all or any substantial part of the Company’s assets. The 2016 Credit Facility, as amended, also contains various financial covenants that require the Company to maintain certain consolidated working capital amounts, total liabilities to tangible net worth ratios and fixed charge coverage ratios. Additionally, the 2016 Credit Facility, as amended, contains cross-default provisions, whereby a default under the terms of certain indebtedness or an uncured default of a payment or other material obligation of the Company under a material contract of the Company will cause a default on the remaining indebtedness under the 2016 Credit Facility, as amended. As of December 31, 2019, the Company was in compliance with all applicable covenants under the 2016 Credit Facility, as amended.

The Company’s book value for the 2016 Credit Facility, as amended, approximates the fair value. The Company will repay the remaining \$0.5 million balance of the 2016 Term Loan during fiscal 2020 in accordance with the terms of the 2016 Credit Facility, as amended.

Note 6 — Stockholders' Equity

During the three and six months ended December 31, 2019, the Company issued 21,000 and 24,000 shares, respectively, of common stock upon the exercise of options. During the three and six months ended December 31, 2019, 0.3 million and 0.3 million shares, respectively, of restricted stock were canceled or surrendered as payment of tax withholding upon vesting.

On November 27, 2017, the Company announced a share repurchase program authorizing it to repurchase up to \$5 million in shares of the Company's common stock. The repurchase program permits the Company to purchase shares through a variety of methods, including in the open market, through privately negotiated transactions or other means as determined by the Company's management. As part of the repurchase program, the Company has entered into a pre-arranged stock repurchase plan which operates in accordance with guidelines specified under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. Accordingly, any transactions under such stock repurchase plan will be completed in accordance with the terms of the plan, including specified price, volume and timing conditions. The authorization may be suspended or discontinued at any time and expires on November 27, 2020. On February 1, 2019, the Board of Directors approved an amendment to the share repurchase program to increase the authorized share repurchase amount from \$5 million to \$15 million. During the six months ended December 31, 2019, the Company purchased 0.3 million shares of common stock at an aggregate price of \$3.4 million under this repurchase program. At December 31, 2019, there is \$5.4 million remaining under this repurchase program.

The Company's Certificate of Incorporation authorizes the issuance of preferred shares. However, as of December 31, 2019, none have been issued and no rights or preferences have been assigned to the preferred shares by the Company's board of directors.

Note 7 — Stock-Based Compensation

Long-Term Incentive Plans

Equity-Settled Plans

The Company adopted, and the stockholders approved, the 2007 Long-Term Incentive Plan (the "2007 Plan"), effective November 21, 2006, to provide incentives to eligible employees, directors and consultants. A maximum of 1.4 million shares of the Company's common stock can be issued under the 2007 Plan in connection with the grant of awards. Awards to purchase common stock have been granted pursuant to the 2007 Plan and are outstanding to various employees, officers, directors, Scientific Advisory Board members and independent distributors at prices between \$3.36 and \$10.50 per share, with initial vesting periods of one to three years. Awards expire in accordance with the terms of each award and the shares subject to the award are added back to the 2007 Plan upon expiration of the award. The contractual term of stock options granted is generally ten years. Effective November 21, 2016, no new awards can be granted under the 2007 Plan. As of December 31, 2019, under the 2007 Plan, there were stock option awards outstanding, net of awards expired, for an aggregate of 26,000 shares of the Company's common stock.

The Company adopted, and the stockholders approved, the 2010 Long-Term Incentive Plan (the "2010 Plan"), effective September 27, 2010, as amended on August 21, 2014, to provide incentives to certain employees, directors and consultants. A maximum of 1.0 million shares of the Company's common stock can be issued under the 2010 Plan in connection with the grant of awards. Awards to purchase common stock have been granted pursuant to the 2010 Plan and are outstanding to various employees, officers and directors. Outstanding stock options awarded under the 2010 Plan have exercise prices between \$5.60 and \$20.09 per share, and vest over one to four year vesting periods. Awards expire in accordance with the terms of each award and, upon expiration of the award, the shares subject to the award will be added to the 2017 Plan pool as described below. The contractual term of stock options granted is generally ten years. No new awards will be granted under the 2010 Plan and forfeited or terminated shares may be added to the 2017 Plan pool as described below. As of December 31, 2019, under the 2010 Plan, there were stock option awards outstanding, net of awards expired, for an aggregate of 0.1 million shares of the Company's common stock.

The Company adopted, and the stockholders approved, the 2017 Long-Term Incentive Plan (the "2017 Plan"), effective February 16, 2017, to provide incentives to eligible employees, directors and consultants. On February 2, 2018 and November 15, 2018, the stockholders approved amendments to the 2017 Plan to increase by 425,000 shares and 715,000 shares, respectively, the number of shares of the Company's common stock that are available for issuance under the 2017 Plan. The maximum number of shares that can be issued under the 2017 Plan is not to exceed 2,265,000 shares, calculated as the sum of (i) 1,790,000 shares and (ii) up to 475,000 shares previously reserved for issuance under the 2010 Plan, including shares returned upon cancellation, termination or forfeiture of awards that were previously granted under that plan. As of December 31, 2019, a maximum of 2.3 million shares of the Company's common stock can be issued under the 2017 Plan in connection with the grant of awards. Outstanding stock options awarded under the 2017 Plan have exercise prices of \$4.44 per share, and vest over a three year vesting period. Awards expire in accordance with the terms of each award and, upon expiration of the award, the shares subject to the award are added back to the 2017 Plan. The contractual term of stock options granted are

substantially the same as described above for the 2007 Plan and 2010 Plan. As of December 31, 2019, under the 2017 Plan, there were stock option awards outstanding, net of awards expired, for an aggregate of 0.4 million shares of the Company's common stock.

Cash-Settled Plans

The Company adopted a performance incentive plan effective July 1, 2016 (the "Fiscal 2017 Performance Plan"). The Fiscal 2017 Performance Plan is intended to provide selected employees an opportunity to earn performance-based cash bonuses whose value is based upon the Company's stock value and to encourage such employees to provide services to the Company and to attract new individuals with outstanding qualifications. The Fiscal 2017 Performance Plan seeks to achieve this purpose by providing for awards in the form of performance share units (the "Units"). No shares will be issued under the Fiscal 2017 Performance Plan. Awards may be settled only with cash and will be paid subsequent to award vesting. The fair value of share-based compensation awards, that include performance shares, are accounted for as liabilities. Vesting for the Units is subject to achievement of both service-based and performance-based vesting requirements. Performance-based vesting occurs in three installments if the Company meets certain performance criteria generally set for each year of a three-year performance period. The service-based vesting criteria occurs in a single installment at the end of the third fiscal year after the awards are granted if the participant has continuously remained in service from the date of award through the end of the third fiscal year. The fair value of these awards is based on the trading price of the Company's common stock and is remeasured at each reporting period date until settlement. The Company adopted a separate performance incentive plan effective July 1, 2017 (the "Fiscal 2018 Performance Plan"). The Fiscal 2018 Performance Plan includes performance-based and service-based vesting requirements and payment terms that are substantially the same as described above for the Fiscal 2017 Performance Plan.

Employee Stock Purchase Plan

General. The Company's 2019 Employee Stock Purchase Plan ("ESPP") was adopted by the board of directors in September 2018 and its stockholders approved it in November 2018. The ESPP is intended to qualify under Section 423 of the Internal Revenue Code.

Share Reserve. The Company has reserved 400,000 shares of its common stock for issuance under the ESPP. As of December 31, 2019, 367,114 shares were available for issuance. The number of shares reserved under the ESPP will automatically be adjusted in the event of a stock split, stock dividend or a reverse stock split (including an adjustment to the per-purchase period share limit).

Purchase Price. Employees may purchase each share of common stock under the ESPP at a price equal to 85% of the lower of the fair market values of the stock as of the beginning or the end of the six-month offering periods. An employee's contributions to the ESPP are limited to 15% of their regular hourly or salary compensation, and up to a maximum of 3,000 shares may be purchased during any offering period. A participant shall not be granted an option under the ESPP if such option would permit the participant's rights to purchase stock to accrue at a rate exceeding \$25,000 grant date fair market value of stock for each calendar year in which such option is outstanding at any time.

Offering Periods. Unless otherwise determined by the compensation committee, the ESPP will be operated through a series of successive six-month offering periods, which will begin each year on March 1 and September 1.

During the six months ended December 31, 2019, 32,886 shares of common stock were issued under the ESPP. During the six months ended December 31, 2018, no shares of common stock were issued.

Stock-Based Compensation

In accordance with accounting guidance for stock-based compensation, payments in equity instruments for goods or services are accounted for by the fair value method. For the three and six months ended December 31, 2019, stock-based compensation of \$1.4 million and \$2.7 million, respectively, was reflected as an increase to additional paid-in capital and an increase of \$0.1 million and \$0.2 million, respectively, was included in other accrued expenses, all of which was employee related. For the three and six months ended December 31, 2018, stock-based compensation of \$1.0 million and \$1.6 million, respectively, was reflected as an increase to additional paid-in capital and an increase of \$0.7 million and \$1.4 million, respectively, was included in other accrued expenses, all of which was employee related.

Note 8 — Commitments and Contingencies

Contingencies

The Company accounts for contingent liabilities in accordance with ASC 450, *Contingencies*. This guidance requires management to assess potential contingent liabilities that may exist as of the date of the financial statements to determine the probability and amount of loss that may have occurred, which inherently involves an exercise of judgment. If the assessment of

a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed. For loss contingencies considered remote, no accrual or disclosures are generally made. Management has assessed potential contingent liabilities as of December 31, 2019, and based on the assessment, there are no probable loss contingencies requiring accrual or disclosures within its financial statements.

Legal Accruals

In addition to commitments and obligations in the ordinary course of business, from time to time, the Company is subject to various claims, pending and potential legal actions, investigations relating to governmental laws and regulations and other matters arising out of the normal conduct of its business. Management assesses contingencies to determine the degree of probability and range of possible loss for potential accrual in the consolidated financial statements. An estimated loss contingency is accrued in the consolidated financial statements if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because evaluating legal claims and litigation results are inherently unpredictable and unfavorable results could occur, assessing contingencies is highly subjective and requires judgments about future events. When evaluating contingencies, management may be unable to provide a meaningful estimate due to a number of factors, including the procedural status of the matter in question, the presence of complex or novel legal theories, and/or the ongoing discovery and development of information important to the matters. In addition, damage amounts claimed or asserted against the Company may be unsupported, exaggerated or unrelated to possible outcomes, and as such are not meaningful indicators of a potential liability. Management regularly reviews contingencies to determine the adequacy of financial statement accruals and related disclosures. The amount of ultimate loss may differ from these estimates. It is possible that cash flows or results of operations could be materially affected in any particular period by the unfavorable resolution of one or more of these contingencies. Whether any losses finally determined in any claim, action, investigation or proceeding could reasonably have a material effect on the Company's business, financial condition, results of operations or cash flows will depend on a number of variables, including: the timing and amount of such losses; the structure and type of any remedies; the significance of the impact of any such losses, damages or remedies may have on the consolidated financial statements; and the unique facts and circumstances of the particular matter that may give rise to additional factors.

Class Action Lawsuit (*Smith v. LifeVantage Corp.*): On January 24, 2018, a purported class action was filed in the United States District Court for the District of Connecticut, entitled *Smith v. LifeVantage Corp.*, Case No. 3:18-cv-a35 (D. Connecticut filed Jan. 24, 2018). In this action, Plaintiffs alleged that the Company, its Chief Executive Officer, Chief Sales Officer and Chief Marketing Officer operated a pyramid scheme in violation of a variety of federal and state statutes, including RICO and the Connecticut Unfair Trade Practices Act. On April 16, 2018, the Company filed motions with the court to dismiss the complaint against LifeVantage, dismiss the complaint against the Company's executives, transfer the venue of the case from the State of Connecticut to the State of Utah, and contest class certification. On July 23, 2018, the parties filed a stipulation with the Court agreeing to transfer the case to the Federal District Court for Utah. On September 20, 2018, Plaintiffs filed an amended complaint in Utah. As per the parties stipulated agreement, Plaintiff's amended complaint dropped the RICO and Connecticut state law claims and removed the Company's Chief Sales Officer and Chief Marketing Officer as individual defendants (the Chief Executive Officer remains a defendant in the case). The Plaintiffs' amended complaint added an antitrust claim, alleging that the Company fraudulently obtained patents for its products and is attempting to use those patents in an anti-competitive manner. The Company filed a Motion to Dismiss the amended complaint on November 5, 2018, Plaintiffs filed a response to the Company's Motion to Dismiss on December 17, 2018, and the Company filed a reply brief on January 10, 2019. The Court ruled on the motion on December 5, 2019, dismissing three of the Plaintiff's four claims, including the antitrust claim, unjust enrichment claim, and the securities claim for the sale of unregistered securities. On December 19, 2019, Plaintiffs filed a second amended complaint which included three causes of action, including a 10(b)(5) securities fraud claim, and renewed claims relating to the sale of unregistered securities and unjust enrichment. The Company's response is due on January 28, 2020. The Company has not established a loss contingency accrual for this lawsuit as it believes liability is not probable or estimable, and the Company plans to vigorously defend against this lawsuit. Nonetheless, an unfavorable resolution of this matter could have a material adverse effect on the Company's business, results of operations or financial condition.

Other Matters. In addition to the matters described above, the Company also may become involved in other litigation and regulatory matters incidental to its business and the matters disclosed in this quarterly report on Form 10-Q, including, but not limited to, product liability claims, regulatory actions, employment matters and commercial disputes. The Company intends to defend itself in any such matters and does not currently believe that the outcome of any such matters will have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Note 9 — Related Party Transactions

The Company has entered into a series of agreements with GEG for outsourced software application development services. The Company and GEG have also entered into a common stock purchase agreement. For discussion related to the common stock purchase agreement, see Note 3. Two members of the Company's board of directors serve on the GEG board of directors. During the six months ended December 31, 2019, the Company paid \$1.1 million to GEG for software application development services.

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

Overview

We are a company focused on biohacking the aging code through nutrigenomics, the study of how nutrition and naturally occurring compounds affect human genes to support good health. We are dedicated to helping people achieve their health, wellness and financial goals. We provide quality, scientifically-validated products and a financially rewarding direct sales opportunity to customers and independent distributors. We engage in the identification, research, development and distribution of advanced nutraceutical dietary supplements and skin and hair care products. We currently sell our products to customers and independent distributors in two geographic regions that we have classified as the Americas region and the Asia/Pacific & Europe region.

Our revenue depends on the number and productivity of our independent distributors and sales to our customers. When we are successful in attracting and retaining independent distributors and customers, it is largely because of:

- Our products, including Protandim[®], our line of scientifically-validated dietary supplements, LifeVantage[®] Omega+ and ProBio dietary supplements, TrueScience[®], our line of skin and hair care products, Petandim[®] for Dogs, our companion pet supplement formulated to combat oxidative stress in dogs, Axio[®], our Smart Energy Drink mixes, and PhysIQ[™], our Smart Weight Management System;
- Our compensation plan and other sales initiatives; and
- Our delivery of superior customer service.

As a result, it is vital to our success that we leverage our product development resources to develop and introduce compelling and innovative products and provide opportunities for our independent distributors to sell these products in a variety of markets. We sell our products in the United States, Mexico, Japan, Australia, Hong Kong, Canada, Thailand, the United Kingdom, the Netherlands, Germany, Taiwan, Austria, Spain, Ireland, Belgium and New Zealand. We also sell our products in a number of countries to customers for personal consumption only. In addition, we sell our products in China through our e-commerce business model. Entering a new market requires a considerable amount of time, resources and continued support. If we are unable to properly support an existing or new market, our revenue growth may be negatively impacted.

Our Products

Our line of scientifically-validated dietary supplements includes Protandim[®] NRF1 Synergizer[®], Nrf2 Synergizer[®], and NAD Synergizer[™], LifeVantage[®] Omega+ and ProBio. The Protandim[®] NRF1 Synergizer[®] is formulated to increase cellular energy and performance by boosting mitochondria production to improve cellular repair and slow cellular aging. The Protandim[®] Nrf2 Synergizer[®] contains a proprietary blend of ingredients and has been shown to combat oxidative stress and enhance energy production by increasing the body's natural antioxidant protection at the genetic level, inducing the production of naturally-occurring protective antioxidant enzymes, including superoxide dismutase, catalase, and glutathione synthase. The Protandim[®] NAD Synergizer[™] was specifically formulated to target cell signaling pathways involved in the synthesis and recycling of a specific molecule called NAD (nicotinamide adenine dinucleotide), and has been shown to double sirtuin activity, supporting increased health, focus, energy, mental clarity and mood. LifeVantage[®] Omega+ is a dietary supplement that combines DHA and EPA Omega-3 fatty acids, Omega-7 fatty acids, and Vitamin D3 to support cognitive health, cardiovascular health, skin health, and the immune system. LifeVantage[®] ProBio is a dietary supplement designed to support optimal digestion and immune system function. Our TrueScience[®] line of anti-aging skin and hair care products includes TrueScience[®] Facial Cleanser, TrueScience[®] Perfecting Lotion, TrueScience[®] Eye Serum, TrueScience[®] Anti-Aging Cream, TrueScience[®] Hand Cream, TrueScience[®] Invigorating Shampoo, TrueScience[®] Nourishing Conditioner and TrueScience[®] Scalp Serum. Petandim[®] for Dogs is a supplement specially formulated to combat oxidative stress in dogs through Nrf2 activation. Axio[®] is our line of Smart Energy Drink mixes formulated to promote alertness and support mental performance. PhysIQ[™] is our Smart Weight Management System, which includes PhysIQ[™] Fat Burn, PhysIQ[™] Prebiotic and PhysIQ[™] Whey Protein, all formulated to aid in weight management.

We sell our products both individually and in stacks. A stack consists of multiple products bundled together that are designed to achieve a specific result. The Vitality Stack[™] includes four of our nutrigenomics products — Protandim[®] NRF1 Synergizer[®], Nrf2 Synergizer[®] and LifeVantage[®] Omega+ and ProBio. It was designed to provide a foundation for wellness,

supporting healthy organs, including the brain, heart, eyes, and other vitals. With the Ultimate Stack™, we added Protandim® NAD Synergizer™ and PhysIQ™ Prebiotic to our Vitality Stack to support gut health and increase sirtuin activity, supporting increased health, focus, energy, mental clarity and mood. Our Protandim® Tri-Synergizer™ consists of our Protandim® NRF1 Synergizer®, Nrf2 Synergizer® and NAD Synergizer™, and was designed to effectively reduce oxidative stress, support mitochondria function, increase sirtuin activity, and target cell signaling pathways to fight the effects of aging. We also offer stacks for our PhysIQ™ and TrueScience® product lines.

We currently have additional products in development. Any delays or difficulties in introducing compelling products or attractive initiatives or tools into our markets may have a negative impact on our revenue and our ability to attract new independent distributors and customers.

Accounts

Because we utilize a direct selling model for the distribution of a majority of our products, the success and growth of our business is primarily based on the effectiveness of our independent distributors to attract customers and sell our products and our ability to attract new and retain existing independent distributors. Changes in our product sales typically are the result of variations in product sales volume relating to fluctuations in the number of active independent distributors and customers purchasing our products. The number of active independent distributors and customers is, therefore, used by management as a key non-financial measure.

The following tables summarize the changes in our active accounts base by geographic region. These numbers have been rounded to the nearest thousand as of the dates indicated. For purposes of this report, we define “Active Accounts” as only those independent distributors and customers who have purchased from us at any time during the most recent three-month period, either for personal use or for resale.

	As of December 31,				Change from Prior Year	Percent Change
	2019		2018			
Active Independent Distributors						
Americas	46,000	67.6 %	45,000	68.2 %	1,000	2.2 %
Asia/Pacific & Europe	22,000	32.4 %	21,000	31.8 %	1,000	4.8 %
Total Active Independent Distributors	68,000	100.0 %	66,000	100.0 %	2,000	3.0 %
Active Customers						
Americas	89,000	78.1 %	95,000	80.5 %	(6,000)	(6.3)%
Asia/Pacific & Europe	25,000	21.9 %	23,000	19.5 %	2,000	8.7 %
Total Active Customers	114,000	100.0 %	118,000	100.0 %	(4,000)	(3.4)%
Active Accounts						
Americas	135,000	74.2 %	140,000	76.1 %	(5,000)	(3.6)%
Asia/Pacific & Europe	47,000	25.8 %	44,000	23.9 %	3,000	6.8 %
Total Active Accounts	182,000	100.0 %	184,000	100.0 %	(2,000)	(1.1)%

Results of Operations

Three and Six Months Ended December 31, 2019 and 2018

Revenue. We generated net revenue of \$61.2 million and \$58.2 million during the three months ended December 31, 2019 and 2018, respectively. We generated net revenue of \$117.5 million and \$113.8 million during the six months ended December 31, 2019 and 2018, respectively. Foreign currency fluctuations positively impacted our revenue \$0.3 million or 0.6% and \$0.6 million or 0.5% during the three and six months ended December 31, 2019, respectively.

Americas. The following table sets forth revenue for the three and six months ended December 31, 2019 and 2018 for the Americas region (in thousands):

	Three Months Ended December 31,			Six Months Ended December 31,		
	2019	2018	% Change	2019	2018	% Change
United States	\$ 41,355	\$ 39,652	4.3 %	\$ 78,701	\$ 77,976	0.9 %
Other	2,929	2,788	5.1 %	5,764	5,543	4.0 %
Americas Total	\$ 44,284	\$ 42,440	4.3 %	\$ 84,465	\$ 83,519	1.1 %

Revenue in the Americas region for the three and six months ended December 31, 2019 increased \$1.8 million or 4.3% and \$0.9 million or 1.1%, respectively, from the prior year periods. Although we had an overall decrease of 3.6% in Active Accounts compared to the prior year period in the region, revenue in the Americas increased primarily due to the launch of our new Protandim® NAD Synergizer™ and Protandim® Tri-Synergizer™ system in October 2019, contributing to an increase in average order size during the period.

Asia/Pacific & Europe. The following table sets forth revenue for the three and six months ended December 31, 2019 and 2018 for the Asia/Pacific & Europe region and its principal markets (in thousands):

	Three Months Ended December 31,			Six Months Ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Japan	\$ 10,497	\$ 10,028	4.7 %	\$ 21,555	\$ 20,085	7.3 %
Australia & New Zealand	2,544	1,431	77.8 %	4,627	2,595	78.3 %
Greater China	1,762	2,294	(23.2)%	2,749	3,825	(28.1)%
Other	2,155	1,974	9.2 %	4,074	3,752	8.6 %
Asia/Pacific & Europe Total	\$ 16,958	\$ 15,727	7.8 %	\$ 33,005	\$ 30,257	9.1 %

Revenue in the Asia/Pacific & Europe region increased \$1.2 million or 7.8% and \$2.7 million or 9.1% for the three and six months ended December 31, 2019, respectively, as compared to the prior year periods. Active Accounts in the region increased 6.8% as compared to the prior year period, driving increased revenue in Japan and our Australia and New Zealand market as we continue to grow in this region. Revenue in New Zealand increased as a result of our successful on the ground launch in November 2019. These increases were partially offset by a weakening in our Greater China market in the current year period. Revenue in the Asia/Pacific & Europe region was positively impacted by approximately \$0.3 million or 2.0% and \$0.6 million or 1.9% during the three and six months ended December 31, 2019, as compared to the prior year periods, by foreign currency exchange rate fluctuations. Revenue in Japan was positively impacted approximately \$0.4 million or 3.7% and \$0.8 million or 3.9% during the three and six months ended December 31, 2019, as compared to the prior year periods, by foreign currency exchange rate fluctuations. On a constant currency basis, revenue in Japan increased 1.0% and 3.4% for the three and six months ended December 31, 2019, as compared to the prior year periods.

Globally, we continue to focus on strengthening our core business through our fiscal 2020 initiatives, which include the strengthening of our customer subscription programs, the launch of our Protandim® NAD Synergizer™ product in October 2019, continued investment in our red carpet program, expanding our global footprint, including the roll out of our product lines to international markets, enhancements to our compensation programs, and the continued development and improvement of distributor training tools and technologies that will help our independent distributors grow their businesses and improve the customer experience. During the three months ended December 31, 2019, we held our Elite Academy in Long Beach, California, where we launched our new Protandim® NAD Synergizer™ product, along with the Protandim® Tri-Synergizer™ system which now targets three separate pathways to fight the effects of aging, and successfully launched our New Zealand market in November 2019. We remain committed to refining our mainland China e-commerce business model and pursuing additional expansion and growth opportunities during the remainder of fiscal year 2020.

Gross Margin. Our gross profit percentage for the three months ended December 31, 2019 and 2018 was 83.3% and 83.2%, respectively. Our gross profit percentage for the six months ended December 31, 2019 and 2018 was 83.5% and 83.3%, respectively. The increase in gross margin is primarily due to decreased inventory obsolescence and handling costs and changes to our geographic and product sales mix.

Commissions and Incentives. Commissions and incentives expenses during the three months ended December 31, 2019 were \$29.2 million or 47.7% of revenue as compared to commissions and incentives expenses of \$28.2 million or 48.4% of revenue for the three months ended December 31, 2018. Commissions and incentives expenses during the six months ended December 31, 2019 were \$56.0 million or 47.7% of revenue as compared to commissions and incentives expenses of \$56.0

million or 49.2% of revenue for the six months ended December 31, 2018. The decrease in commissions and incentives expenses as a percentage of revenue is due mainly to the timing and magnitude of investments in our promotional and incentive programs and our red carpet program. Distributor commissions as a percentage of commissionable revenue generated remained consistent during the comparable periods.

We expect commissions and incentives expenses for the remainder of fiscal 2020, as a percentage of revenue, to fluctuate slightly as we execute on our operating plan and continue to be opportunistic with investments in promotional and incentive programs and our red carpet program to drive continued revenue growth.

Selling, General and Administrative. Selling, general and administrative expenses during the three months ended December 31, 2019 were \$18.1 million or 29.6% of revenue as compared to selling, general and administrative expenses of \$19.6 million or 33.7% of revenue for the three months ended December 31, 2018. Selling, general and administrative expenses during the six months ended December 31, 2019 were \$35.8 million or 30.5% of revenue as compared to selling, general and administrative expenses of \$36.9 million or 32.4% of revenue for the six months ended December 31, 2018. The decrease in selling, general and administrative expenses during the three and six months ended December 31, 2019 compared to the prior year periods primarily was due to decreased event expenses due to our October 2018 Global Convention that was held during the prior year, as well as decreases in employee compensation related expenses. These decreases were partially offset by increased depreciation expenses associated with our investment in new technology assets that have been placed in service; increased depreciation in corporate office leasehold improvements due to the exercise of an early termination clause in our current corporate office lease; and increased payment processing fees associated with our increased revenue.

We expect selling, general and administrative expenses, as a percent of revenue, to decrease for the remainder of the fiscal year as we leverage current spending and execute on our strategic investments and initiatives designed to increase revenue and improve operating margins. We do, however, anticipate that there will be fluctuations from period to period due to the timing of product and market launches and other planned events.

Total Other Expense. During the three and six months ended December 31, 2019, we recognized net other expenses of \$0.2 million and \$0.3 million, respectively, as compared to net other expenses of \$0.2 million and \$0.3 million, respectively, for the three and six months ended December 31, 2018. Total other expense for the three and six months ended December 31, 2019 consisted primarily of interest expense and foreign currency gains and losses.

The following table sets forth interest expense for the three and six months ended December 31, 2019 and 2018 (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
Contractual interest expense:				
2016 Term Loan	\$ 15	\$ 73	\$ 37	\$ 153
Amortization of deferred financing fees:				
2016 Term Loan	2	1	4	2
Amortization of debt discount:				
2016 Term Loan	13	5	26	13
Other	11	21	22	41
Total interest expense	\$ 41	\$ 100	\$ 89	\$ 209

Income Tax Benefit. We recognized income tax benefit of \$0.8 million and \$0.2 million, respectively, for the three and six months ended December 31, 2019, as compared to income tax benefit of \$0.4 million and \$0.2 million, respectively, for the three and six months ended December 31, 2018.

The effective tax rate was (2.7)% of pre-tax income during the six months ended December 31, 2019, compared to (10.5)% for the prior year period. The change in the tax rate for fiscal 2020 was due to less favorable tax deductions, relative to pre-tax income, associated with stock awards vesting during the current year, as compared to the prior year period.

We expect that our effective tax rate will increase during the remainder of fiscal 2020 as the impact of favorable discrete items related to vesting of stock awards during the year is applied towards increased pretax income; however, our tax rate can be significantly impacted by various book to tax differences and fluctuations in our stock price that occur during the year which are difficult to forecast.

Liquidity and Capital Resources

Liquidity

Our primary liquidity and capital resource requirements are to service our debt and finance the cost of our planned operating expenses and working capital (principally inventory purchases), as well as capital expenditures. We have generally relied on cash flow from operations to fund operating activities and we have, at times, incurred long-term debt in order to fund stock repurchases and strategic transactions.

As of December 31, 2019, our available liquidity was \$14.5 million, which consisted of available cash and cash equivalents. This represents a decrease of \$4.3 million from the \$18.8 million in cash and cash equivalents as of June 30, 2019.

During the six months ended December 31, 2019, our net cash provided by operating activities was \$5.8 million as compared to net cash provided by operating activities of \$6.9 million during the six months ended December 31, 2018.

During the six months ended December 31, 2019, our net cash used in investing activities was \$1.6 million, as a result of the purchase of fixed assets. During the six months ended December 31, 2018, our net cash used in investing activities was \$2.3 million, as a result of the investment in convertible notes receivable and the purchase of fixed assets.

Cash used in financing activities during the six months ended December 31, 2019 was \$8.4 million as a result of our repurchase of common stock, quarterly principal payments on our 2016 Term Loan and shares purchased as payment of tax withholding, partially offset by proceeds from stock issued under our employee stock purchase plan and stock option exercises. Cash used in financing activities during the six months ended December 31, 2018 was \$2.3 million as a result of our repurchase of common stock and quarterly principal payments on the 2016 Term Loan, partially offset by proceeds from stock option exercises.

At December 31, 2019 and June 30, 2019, the total amount of our foreign subsidiary cash was \$6.4 million and \$6.3 million, respectively. The December 2017 tax reform enacted a 100% dividend deduction for > 10% owned foreign corporations. Therefore, in the future, if needed, we expect to be able to repatriate cash from foreign subsidiaries without paying additional U.S. taxes.

At December 31, 2019, we had working capital (current assets minus current liabilities) of \$12.4 million, compared to working capital of \$17.0 million at June 30, 2019. We believe that our cash and cash equivalents balances and our ongoing cash flow from operations will be sufficient to satisfy our cash requirements for at least the next 12 months. The majority of our historical expenses have been variable in nature and as such, a potential reduction in the level of revenue would reduce our cash flow needs. In the event that our current cash balances and future cash flow from operations are not sufficient to meet our obligations or strategic needs, we would consider raising additional funds, which may not be available on terms that are acceptable to us, or at all. Our credit facility, however, contains covenants that restrict our ability to raise additional funds in the debt markets and repurchase our equity securities without prior approval from the lender. Additionally, our credit facility provides for a revolving loan facility in an aggregate principal amount up to \$5.0 million, as amended. We would also consider realigning our strategic plans including a reduction in capital spending and expenses.

Capital Resources

On March 30, 2016, we entered into a Loan Agreement (the "2016 Loan Agreement") to refinance our outstanding debt. In connection with the 2016 Loan Agreement and on the same date, we entered into a security agreement (the "Security Agreement"). The 2016 Loan Agreement provides for a term loan in an aggregate principal amount of \$10.0 million (the "2016 Term Loan") and a revolving loan facility in an aggregate principal amount not to exceed \$2.0 million (the "2016 Revolving Loan," and collectively with the 2016 Term Loan, the 2016 Loan Agreement and the Security Agreement, the "2016 Credit Facility").

The principal amount of the 2016 Term Loan is payable in consecutive quarterly installments in the amount of \$0.5 million plus accrued interest beginning with the fiscal quarter ended June 30, 2016. If we borrow under the 2016 Revolving Loan, interest will be payable quarterly in arrears on the last day of each fiscal quarter.

On May 4, 2018, we entered into a loan modification agreement, which amended the 2016 Credit Facility ("Amendment No. 1"). Amendment No. 1 revised the maturity date from March 30, 2019 to March 31, 2021 (the "Maturity Date") and increased the fixed interest rate for the term loan from 4.93% to 5.68%. Amendment No. 1 also revised certain financial covenants. The minimum fixed charge coverage ratio (as defined in Amendment No. 1) was revised from a minimum of 1.50 to 1.00 to 1.25 to 1.00, measured on a trailing twelve-month basis, at the end of each fiscal quarter. The minimum working capital was increased from \$5.0 million to \$8.0 million. The funded debt to EBITDA ratio was replaced with the total liabilities to tangible net worth ratio (as defined in Amendment No. 1) of not greater than 3.00 to 1.00 at the end of each quarter. The minimum tangible net worth measure was removed from the financial covenants.

On February 1, 2019, we entered into a loan modification agreement, which amended the 2016 Credit Facility ("Amendment No. 2"). Under Amendment No. 2, we made a principal payment of \$2.0 million and increased the revolving loan facility from \$2.0 million to \$5.0 million. Amendment No. 2 also revised certain financial covenants. The minimum fixed charge coverage ratio (as defined in Amendment No. 2) was revised from a minimum of 1.25 to 1.00 to 1.10 to 1.00, measured on a trailing twelve-month basis, at the end of each fiscal quarter. The minimum working capital was decreased from \$8.0 million to \$6.0 million.

The 2016 Credit Facility, as amended, contains customary covenants, including affirmative and negative covenants that, among other things, restrict our ability to create certain types of liens, incur additional indebtedness, declare or pay dividends on or redeem capital stock, make other payments to holders of our equity interests, make certain investments, purchase or otherwise acquire all or substantially all the assets or equity interests of other companies, sell assets or enter into consolidations, mergers or transfers of all or any substantial part of our assets. As of December 31, 2019, we were in compliance with all applicable non-financial and restrictive covenants under the 2016 Credit Facility, as amended.

The 2016 Credit Facility, as amended, also contains various financial covenants that require us to maintain certain consolidated working capital amounts, total liabilities to tangible net worth ratios and fixed charge coverage ratios. Specifically, we must:

- Maintain a minimum fixed charge coverage ratio (as defined in the 2016 Loan Agreement, as amended) of at least 1.10 to 1.00 at the end of each fiscal quarter, measured on a trailing twelve month basis;
- Maintain minimum consolidated working capital (as defined in the 2016 Loan Agreement, as amended) at the end of each fiscal quarter of at least \$6.0 million; and
- Maintain a ratio of total liabilities to tangible net worth (as defined in the 2016 Loan Agreement, as amended) of not greater than 3.00 to 1.00 at the end of each quarter, measured on a trailing twelve month basis.

As of December 31, 2019, we were in compliance with all applicable financial covenants under the 2016 Credit Facility, as amended. Additionally, management anticipates that in the normal course of operations we will be in compliance with the financial covenants during the ensuing year.

Commitments and Obligations

The following table summarizes our contractual payment obligations and commitments as of December 31, 2019 (in thousands):

Contractual Obligations	Total	Payments due by period			
		Less than 1 year	1-3 years	3-5 years	Thereafter
Long-term debt obligations	\$ 500	\$ 500	\$ —	\$ —	\$ —
Interest on long-term debt obligations	7	7	—	—	—
Operating lease obligations ⁽¹⁾	19,850	2,305	2,142	3,133	12,270
Other operating obligations ⁽²⁾	18,557	9,287	6,179	3,091	—
Total	\$ 38,914	\$ 12,099	\$ 8,321	\$ 6,224	\$ 12,270

(1) Operating lease obligations include current and future obligations associated with corporate office leases.

(2) Other operating obligations represent contractual obligations primarily related to marketing and sponsorship commitments and purchases of inventory.

Off-Balance Sheet Arrangements

As of December 31, 2019, we did not have any off-balance sheet arrangements.

Critical Accounting Policies

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America. As such, we are required to make certain estimates, judgments, and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented. Actual results could differ from these estimates. Our significant accounting policies are described in Note 2 to our unaudited condensed consolidated financial statements. Certain of these significant accounting policies require us to make difficult, subjective, or complex judgments or estimates. We consider an accounting estimate to be critical if (1) the accounting estimate requires us to make

assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (2) changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

There are other items within our financial statements that require estimation, but are not deemed critical as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements. Management has discussed the development and selection of these critical accounting estimates with our board of directors, and the audit committee has reviewed the disclosures noted below.

Allowances for Product Returns

We record allowances for product returns at the time we ship the product based on estimated return rates. Subject to some exceptions based on local regulations, the Company's return policy is to provide a full refund for product returned within 30 days. After 30 days of purchase, only unopened product that is in a resalable and restockable condition may be returned within twelve months of purchase and shall receive a 100% refund, less a 10% handling and restocking fee and any shipping and handling costs. As of December 31, 2019, our shipments of products sold totaling approximately \$19.1 million were subject to the return policy.

We monitor our product returns estimate on an ongoing basis and revise the allowances to reflect our experience. Our allowance for product returns was \$0.3 million at December 31, 2019, compared with \$0.4 million at June 30, 2019. To date, product expiration dates have not played any role in product returns, and we do not expect that they will in the future as it is unlikely that we will ship product with an expiration date earlier than the latest allowable product return date.

Inventory Valuation

We value our inventory at the lower of cost or net realizable value on a first-in first-out basis. Accordingly, we reduce our inventories for the diminution of value resulting from product obsolescence, damage or other issues affecting marketability equal to the difference between the cost of the inventory and its net realizable value. Factors utilized in the determination of net realizable value include: (i) current sales data and historical return rates, (ii) estimates of future demand, (iii) competitive pricing pressures, (iv) new production introductions, (v) product expiration dates, and (vi) component and packaging obsolescence.

During the three months ended December 31, 2019 and 2018, we recognized expenses of \$0.1 million and \$0.3 million, respectively, related to obsolete and slow-moving inventory. During the six months ended December 31, 2019 and 2018, we recognized expenses of \$0.2 million and \$0.6 million, respectively, related to obsolete and slow-moving inventory.

Revenue Recognition

Revenue is recognized when control of the promised goods or services are transferred to the customer, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Sales, value add, and other taxes that we collect concurrent with revenue-producing activities are excluded from revenue.

Stock-Based Compensation

We use the fair value approach to account for stock-based compensation in accordance with current accounting guidance. We recognize compensation costs for awards with performance conditions when we conclude it is probable that the performance conditions will be achieved. We reassess the probability of vesting at each balance sheet date and adjust compensation costs based on our probability assessment. For awards with market-based performance conditions, the cost of the awards is recognized as the requisite service is rendered by the employees, regardless of when, if ever, the market-based performance conditions are satisfied.

Research and Development Costs

We expense all of our payments related to research and development activities as incurred.

Legal Accruals

We are occasionally involved in lawsuits and disputes arising in the normal course of business. Management regularly reviews all pending litigation matters in which we are involved and establishes accruals as we deem appropriate for these litigation matters when a probable loss estimate can be made. Estimated accruals require management judgment about future events. The results of lawsuits are inherently unpredictable and unfavorable resolutions could occur. As such, the amount of loss may differ from management estimates.

Recently Issued Accounting Standards

See Note 2 to our unaudited condensed consolidated financial statements for a discussion of recently issued accounting standards.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We conduct business in several countries and intend to continue to grow our international operations. Net revenue, operating income and net income are affected by fluctuations in currency exchange rates and other uncertainties in doing business and selling products in more than one currency. In addition, our operations are exposed to risks associated with changes in social, political and economic conditions inherent in international operations, including changes in the laws and policies that govern international investment in countries where we have operations, as well as, to a lesser extent, changes in U.S. laws and regulations relating to international trade and investment.

Foreign Currency Risk

During the six months ended December 31, 2019, approximately 33% of our net revenue was realized outside of the United States. The local currency of each international subsidiary is generally the functional currency. All revenue and expenses are translated at weighted-average exchange rates for the periods reported. Therefore, our reported revenue and earnings will be positively impacted by a weakening of the U.S. dollar and will be negatively impacted by a strengthening of the U.S. dollar. Currency fluctuations, however, have the opposite effect on our expenses incurred outside the United States. Given the large portion of our business derived from Japan, any weakening of the Japanese yen will negatively impact our reported revenue and profits, whereas a strengthening of the Japanese yen will positively impact our reported revenue and profits. Because of the uncertainty of exchange rate fluctuations, it is difficult to predict the effect of these fluctuations on our future business, product pricing and results of operations or financial condition. Changes in various currency exchange rates affect the relative prices at which we sell our products. We regularly monitor our foreign currency risks and periodically take measures to reduce the risk of foreign exchange rate fluctuations on our operating results. Additionally, we may seek to reduce our exposure to fluctuations in foreign currency exchange rates through the use of foreign currency exchange contracts. We do not use derivative financial instruments for trading or speculative purposes. At December 31, 2019, we did not have any derivative instruments. A 10% strengthening of the U.S. dollar compared to all of the foreign currencies in which we transact business would have resulted in a 3.0% decrease of our six months ended December 31, 2019 revenue, in the amount of \$3.5 million.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act of 1934, as amended) that are designed to ensure that the information required to be disclosed in the reports we file or submit under the Exchange Act of 1934, as amended, is (a) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and (b) accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this quarterly report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness and design and operation of such disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were designed and operating effectively as of December 31, 2019.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during the quarter ended December 31, 2019 that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

An evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 of the Exchange Act of 1934, as amended, was also performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of any change in our internal control over financial reporting that occurred during our last fiscal quarter. That evaluation did not identify any changes in our internal control over financial reporting during the three months ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Internal Control Over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a

timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II. Other Information

Item 1. Legal Proceedings

See Note 8 to our unaudited condensed consolidated financial statements contained within this quarterly report on Form 10-Q for a discussion of our legal proceedings.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in “Part I. Item 1A — Risk Factors” in our annual report on Form 10-K for the fiscal year ended June 30, 2019, filed on August 14, 2019. The risks and uncertainties described in such risk factors and elsewhere in this report have the potential to materially affect our business, financial condition, results of operations, cash flows, projected results and future prospects. We do not believe that there have been any material changes to the risk factors previously disclosed in our recent SEC filings, including our most recently filed Form 10-K, as referenced above.

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

On November 27, 2017, our Board of Directors approved a stock repurchase plan. Under the plan, which became effective on November 27, 2017, we were authorized to repurchase up to \$5.0 million of our outstanding shares through November 27, 2020. On February 1, 2019, our Board of Directors approved an amendment to the share repurchase program to increase the authorized share repurchase amount to \$15.0 million. The repurchase program permits us to purchase shares from time to time through a variety of methods, including in the open market, through privately negotiated transactions or other means as determined by our management, in accordance with applicable securities laws. As part of the repurchase program, the Company has entered into a pre-arranged stock repurchase plan which operates in accordance with guidelines specified under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. Accordingly, any transactions under such stock repurchase plan will be completed in accordance with the terms of the plan, including specified price, volume and timing conditions. The authorization may be suspended or discontinued at any time and expires on November 27, 2020. During the three months ended December 31, 2019, we repurchased 0.1 million shares of our common stock on the open market at an aggregate purchase price of \$2.0 million under this repurchase program.

The following table provides information with respect to all purchases made by the Company during the three months ended December 31, 2019. All purchases listed below were made in the open market at prevailing market prices.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 - October 31	69,995	\$ 14.24	69,995	\$ 6,455,377
November 1 - November 30	61,734	\$ 14.47	61,734	\$ 5,562,310
December 1 - December 31	8,128	\$ 14.98	8,128	\$ 5,440,582
Total	139,857		139,857	

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On November 14, 2019, we entered into a lease agreement with Traverse Ridge Center III LLC, a Utah limited liability company, for our new corporate headquarters to be located at 3300 N. Triumph Blvd., Suite 700, Lehi, Utah 84043. The lease is for approximately 51,674 square feet with a right of first refusal to lease certain additional space in the building when such

space becomes available. We will not pay rent for the first twelve months of the lease, but will be responsible for building and operating costs in the amount of \$30,143.17 per month. Thereafter, the base rent, inclusive of building and operating costs, will be payable as follows:

Escalation Commencement	Monthly Rent
Commencing the 1st day of the 13th month:	\$ 125,793.89
Commencing the 1st day of the 25th month:	128,938.74
Commencing the 1st day of the 37th month:	132,162.21
Commencing the 1st day of the 49th month:	135,466.26
Commencing the 1st day of the 61st month:	138,852.92
Commencing the 1st day of the 73rd month:	142,324.24
Commencing the 1st day of the 85th month:	145,882.35
Commencing the 1st day of the 97th month:	149,529.41
Commencing the 1st day of the 109th month:	153,267.64
Commencing the 1st day of the 121st month:	157,099.34

The term of the lease will begin January 1, 2021 and will continue for a period of eleven years. We anticipate taking possession of the premises in mid-December 2020. Monthly rent expense of approximately \$131,000 will be recognized on a straight-line basis over the lease term.

The foregoing description of the terms of the lease agreement is qualified in its entirety by reference to the lease, which is filed as an exhibit to this report.

Item 6. Exhibits

Exhibit No.	Document Description	Filed Herewith or Incorporate by Reference From
3.1	<u>Certificate of Incorporation, as filed with the Delaware Secretary of State on March 9, 2018</u>	Exhibit 3.1 to the Current Report on Form 8-K filed on March 13, 2018.
3.2	<u>Amended and Restated Bylaws, August 9, 2019</u>	Exhibit 3.1 to the Current Report on Form 8-K filed on August 15, 2019
10.1	<u>Lease Agreement between Traverse Ridge Center III and LifeVantage Corporation dated November 14, 2019</u>	Filed herewith
31.1	<u>Certification of principal executive officer pursuant to Rule 13a-14(a)/15d-14(a)</u>	Filed herewith
31.2	<u>Certification of principal financial officer pursuant to Rule 13a-14(a)/15d-14(a)</u>	Filed herewith
32.1*	<u>Certification of principal executive officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	Furnished herewith
32.2*	<u>Certification of principal financial officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	Furnished herewith
101	The following financial information from the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2019 formatted in XBRL (extensible Business Reporting Language): (i) Unaudited Condensed Consolidated Balance Sheets at December 31, 2019 and June 30, 2019; (ii) Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Income for the three and six months ended December 31, 2019 and 2018; (iii) Unaudited Condensed Consolidated Statement of Stockholders' Equity for the three and six months ended December 31, 2019; (iv) Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended December 31, 2019 and 2018; and (v) Notes to Unaudited Condensed Consolidated Financial Statements, tagged as blocks of text	Filed herewith

* This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Exchange Act and is not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing

SIGNATURES

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

LIFEVANTAGE CORPORATION

Date: January 28, 2020

/s/ Darren Jensen

Darren Jensen
Chief Executive Officer
(Principal Executive Officer)

Date: January 28, 2020

/s/ Steven R. Fife

Steven R. Fife
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

LEASE AGREEMENT

**LANDLORD: TRAVERSE RIDGE CENTER III LLC,
a Utah limited liability company**

TENANT: LifeVantage Corporation, a Delaware corporation

LEASE SUMMARY

Traverse Ridge Center I

1. "Landlord": Traverse Ridge Center III, LLC.
2. "Tenant": LifeVantage Corporation, a Delaware corporation.
3. "Gross Rentable Area": 51,674.
4. "Leased Premises": Suite 600 and Suite 700.
5. "Parking": 5 spaces per 1,000 rentable square feet.
6. "Term": 11 years and 0 months and, if applicable, a partial month. See Section 2.1.
7. "Commencement Date": See Section 2.2.
8. "Tenant Improvement Allowance": \$70.00 per rentable square foot but excluding 1064 square feet within the completed restrooms on the floors of the Building where the Premises are located.
9. "Basic Annual Rent":

Rentable Sq. Ft. 51,674

Year	Months	# of Months	Basic Annual Rent per		Basic Annual Rent	Monthly Installment
			Sq. Ft.			
1	1/1/2021 - 12/31/2021	12	\$ 7.00	\$	361,718.00	\$ 30,143.17
2	1/1/2022 - 12/31/2022	12	\$ 29.21	\$	1,509,526.73	\$ 125,793.89
3	1/1/2023 - 12/31/2023	12	\$ 29.94	\$	1,547,264.89	\$ 128,938.74
4	1/1/2024 - 12/31/2024	12	\$ 30.69	\$	1,585,946.52	\$ 132,162.21
5	1/1/2025 - 12/31/2025	12	\$ 31.46	\$	1,625,595.18	\$ 135,466.26
6	1/1/2026 - 12/31/2026	12	\$ 32.25	\$	1,666,235.06	\$ 138,852.92
7	1/1/2027 - 12/31/2027	12	\$ 33.05	\$	1,707,890.93	\$ 142,324.24
8	1/1/2028 - 12/31/2028	12	\$ 33.88	\$	1,750,588.21	\$ 145,882.35
9	1/1/2029 - 12/31/2029	12	\$ 34.72	\$	1,794,352.91	\$ 149,529.41
10	1/1/2030 - 12/31/2030	12	\$ 35.59	\$	1,839,211.74	\$ 153,267.64
11	1/1/2031 - 12/31/2031	12	\$ 36.48	\$	1,885,192.03	\$ 157,099.34

10. "Estimated Costs": Initially, (\$ 7.00 x square footage). See Section 4.1.
11. "Tenant's proportionate share of basic costs": Initially, 23.85% (Premises: 51,674 square feet / Building: 261,690 square feet). See Section 4.1.
12. "Landlord's address for notice":

Traverse Ridge Center III LLC
Attention: Matt Swain
17 E. Winchester St., Suite 200
Murray UT, 84107

or at such other place as Landlord may hereafter designate in writing from time to time.

13. "Tenant's address for notice (if other than the Leased Premises)":

14. "Broker(s)": Tenant's Broker: Brandon Fugal and James Bullington of Colliers, Utah

Landlord's Broker: Eric Smith and Laurie Adair of CBRE, Utah

15. "Guarantor" or "Guarantors": _____

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LEASE AGREEMENT

TRAVERSE RIDGE CORPORATE CENTER I OFFICE BUILDING

THIS LEASE AGREEMENT (as amended, restated, supplemented or otherwise modified from time to time, this "Lease") is made and entered into as of this ___ day of _____[Month][Month], 2019[Year], by and between **Traverse Ridge Center III, LLC a Utah limited liability company** (the "Landlord"), and **LifeVantage Corporation, a Delaware corporation**[TENANT NAME][TENANT NAME] (the "Tenant").

For and in consideration of the rental to be paid and of the covenants and agreements set forth below to be kept and performed by Tenant, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Leased Premises (as hereafter defined) and certain other areas, rights and privileges for the term, at the rental and subject to and upon all of the terms, covenants and agreements hereinafter set forth.

I. Leased PREMISES

1.1 Description of Leased Premises. Landlord does hereby demise, lease and let unto Tenant, and Tenant does hereby take and receive from Landlord the following:

(a) That certain floor area containing approximately 51,674[Square Feet][Square Feet] gross rentable square feet (the "Leased Premises") on the 6th and 7th [Floor #]floors of the office building (the "Building") located at approximately 3300 N Triumph Blvd., Suite #700 [Property Address] Lehi, UT 84043 on the real property more particularly described on Exhibit "A" attached hereto and by this reference incorporated herein (the "Property"). The Leased Premises consists of that certain area crosshatched on the floor plan shown on Exhibit "B" which is attached hereto and by this reference incorporated herein. At any time and from time to time during the term of the Lease, Landlord shall have the right to re-measure and re-determine the gross rentable square feet of the Leased Premises and the Building in accordance with commercially reasonable procedures. If the re-measured and re-determined rentable area of the Leased Premises is different than above stated, Landlord shall provide Tenant written notice of the change in square footage (the "Measurement Notice"). The re-measured and re-determined rentable square feet shall then become the gross rentable square feet of the Leased Premises, effective as of the date of the Measurement Notice, in which case the Basic Annual Rent (as defined in Section 3.1 below), and any Tenant Finish Allowance (as defined in Section 2.3 below) shall be proportionately adjusted;

(b) A non-exclusive revocable license to use the Common Areas (as defined in Section 20.1 below);

(c) A non-exclusive revocable license to use such rights-of-way, easements and similar rights with respect to the Building and Property as may be reasonably necessary for access to and egress from the Leased Premises; and

(d) A non-exclusive revocable license to use those areas designated and suitable for vehicular parking, including the non-exclusive right to the use of 258 parking stalls.[Property Address] [Property Address] Tenant shall be provided ten (10) reserved parking stalls at no charge. The location of these stalls shall be defined by Landlord. Landlord shall provide signage designating the stalls as reserved. Tenant may reserve more stalls at a rate of thirty (\$30) per month under a separate agreement subject to availability. The rate for these reserved stalls will increase over time at the discretion of the Landlord.

1.2 Landlord and Tenant's Construction Obligations. The obligation of Landlord and Tenant to perform the work and supply the necessary materials and labor to prepare the Leased Premises for occupancy is described in detail on Exhibit "C", which is attached hereto and by reference incorporated herein. Landlord and Tenant shall expend all funds and do all acts required of them as described on Exhibit "C" and shall perform or have the work performed promptly and diligently in a first class and workmanlike manner.

1.3 Changes to Building. Landlord hereby reserves the right at any time and from time to time to make changes, alterations or additions to the Building or to the Property. Tenant shall not, in such event, claim or be allowed any damages for injury, interference, eviction (constructive or actual) or inconvenience occasioned thereby and shall not be entitled to terminate this Lease or receive an abatement of any amounts payable under this Lease.

II. TERM

2.1 Length of Term. The term of this Lease shall be for a period of [No. Years] [No. Years] (11[# Years][# Years]) years plus the partial calendar month, if any, occurring after the Commencement Date (as hereinafter defined) if the Commencement Date occurs other than on the first day of a calendar month.

2.2 Commencement Date. The term of this Lease and Tenant's obligation to pay rent hereunder shall commence on January 1, 2021 (the "Commencement Date").

2.3 Construction of Leased Premises. Landlord shall provide a tenant finish allowance (the "Tenant Finish Allowance") to Tenant to partially reimburse Tenant for Tenant's performance of the Tenant's Construction Obligations in accordance with the requirements of Exhibit "C". The Tenant Finish Allowance shall be an amount equal to \$3,542,700.00, and may be used for all expenses to build out the space to make it occupiable including, but not limited to, cabling, wiring, and security badging. 10% of the Tenant Finish Allowance may be allocated for non-standard build out items including crown signage, reception desk, lobby furniture, kitchen appliances, conference room furniture including chairs, individual office furniture including chairs, projectors, screens, and lobby televisions. The Tenant Finish Allowance may not be used to reimburse Tenant for any special decorator items, equipment, moving expenses, or furnishings. The Tenant Finish Allowance shall be paid to Tenant in accordance with the provisions of Exhibit "C".

2.4 Amendment to Lease Recognizing the Commencement Date. At any time after the occurrence of the Commencement Date (if any), Landlord or Tenant may request that the other party enter into an amendment to this Lease in the form attached hereto as Exhibit "E",

in which case each party shall execute and deliver an amendment to this Lease in the form Exhibit "E" within ten (10) business days after the request by the other party.

2.5 Option to Extend. Tenant shall have the option to extend the Term of the Lease for two (2) additional terms of five (5) years each (each, an "Extension Term") by delivering to Landlord written Notice nine (9) months prior to end of the Term or any extension thereof as the case may be ("Tenant's Initial Renewal Option Notice"). Basic Annual Rent during any extension of the Lease shall be equal to the current Market Rate with annual escalations to the prior year's Basic Annual Rent at the greater of 2.5% or the then prevailing market annual increase. "Market Rate" is defined as the annual rental rate per rentable square foot under any renewal amendments for comparable space in comparable buildings in the Lehi area. If Landlord and Tenant cannot agree upon Market Rate, then Market Rate shall be determined by arbitrators pursuant to baseball style arbitration provisions the procedures for which are outlined in Exhibit I attached hereto and incorporated herein by reference. There are no conditions to Tenant's right to exercise its option for a Renewal Term other Tenant shall not be in default under the Lease beyond any applicable cure period at the time Tenant exercises the right to extend.

III. BASIC RENTAL PAYMENTS

3.1 Basic Annual Rent. Tenant agrees to pay to Landlord as basic annual rent (the "Basic Annual Rent") inclusive of all Operating Expenses defined in article IV herein, at such place as Landlord may designate, without prior demand therefore and without any deduction or set off whatsoever, in the amounts set forth in Paragraph 9 of the Lease Summary. The Basic Annual Rent shall be due and payable in twelve (12) equal monthly installments to be paid in advance on or before the first day of each calendar month during the term of the Lease. Commencing on the first anniversary of the Commencement Date and on each anniversary of the Commencement Date thereafter, Basic Annual Rent shall escalate at the beginning of the 2nd year and every year thereafter using a 2.5% annual compounding rate increase over the prior year. Simultaneous with the execution of this Lease, Tenant has paid to Landlord the first full month's Basic Annual Rent, or the Basic Annual Rent due and payable for month 13 of the Term, in addition to the security deposit, receipt whereof is hereby acknowledged, subject to collection, however, if made by check. In the event the Commencement Date occurs on a day other than the first day of a calendar month, then rent shall be paid on the Commencement Date for the initial fractional calendar month prorated on a per-diem basis (based upon a thirty (30) day month).

IV. OPERATING EXPENSE CONTRIBUTIONS.

(a) For purposes of this Section and this Lease, the following terms shall have the following definitions:

(i) "Base Year": Operating expenses shall be based upon a 2021 base year throughout the remainder of the Initial Term and any Renewal Term.

(ii) "Building and Operating Costs": During the Base Year, since the Building in which the Premises are located is new, Landlord shall be permitted to estimate the Building and

Operating Costs based on a reasonable analysis by Landlord of similarly situated buildings in the Salt Lake metropolitan market. Thereafter, the Building and Operating Costs shall be all costs and expenses of ownership, operation and maintenance of the Building (excluding depreciation on the Building, all amounts paid on loans of Landlord and expenses capitalized for federal income tax purposes) including by way of illustration but not limited to; real and personal property taxes and assessments and any tax in addition to or in lieu thereof, whether assessed against Landlord or Tenant or collected by Landlord or both; water; sewer; garbage; supplies; insurance; license; permit and inspection fees; cost of services of independent contractors (including property management fees); cost of compensation (including employment taxes, onsite office space and fringe benefits) of all persons who perform regular and recurring duties connected with day-to-day operation, maintenance and repair of the Building, its equipment and the adjacent walk, and landscaped areas, including janitorial, scavenger, gardening, security, parking, operating engineer, elevator, painting, plumbing, electrical, carpentry, window washing, signing and advertising (but excluding persons performing services not uniformly available to or performed for substantially all Building tenants), and rental expense or a reasonable allowance for depreciation of personal property used in the maintenance, operation and repair of the Building.

(iii) "Net Rentable Area": The rentable area computed by measuring from the exterior of permanent outer building walls and to the center of partitions which separate the adjoining rentable areas with deductions for columns and projections necessary to the Building structure. Common corridors and toilets, HVAC rooms, fan rooms, janitorial closets, electrical and telephone closets, and any other areas within and exclusively serving the Building are considered common area and for purposes of this Section shall be allocated prorata to the tenants of the Building.

(iv) "Tenant's Share": The total rentable square footage, based upon BOMA measuring standards, of the building is 216,690. In the event the Building and Operating Costs incurred by Landlord during any calendar year following the Base Year shall exceed Building and Operating Costs incurred by Landlord during the Base Year, Tenant shall pay to Landlord an amount equal to Tenant's Proportionate Share, (23.85%), of such increase.

4.1 Payment:: During the Base Year, Tenant shall pay to Landlord 1/12th of the Tenant's Share of the estimated annual Building and Operating Costs. Within ninety (90) days after the end of the Base Year and for each calendar year following the Base Year, Landlord shall furnish Tenant a written statement showing in reasonable detail Landlord's actual Building and Operating Costs expended by Landlord for the preceding calendar year (the "Actual Reconciled Costs") and showing the amount, if any, of any increase or decrease in the sums due from Tenant taking into account the actual sums paid by Tenant during the preceding year.. Concurrently with the monthly rent payment next due following Tenant's receipt of such statement, Tenant shall pay to Landlord (in the case of an increase), or Landlord shall credit against the next rent due from Tenant (in the case of a decrease), an amount equal to the sum of (1) the difference between the Actual Reconciled Costs and the amount actually collected from Tenant.. Thereafter for each new calendar year the Actual Reconciled Costs from the prior year shall form the basis for estimated monthly payments in any new year and Tenant shall pay one-twelfth (1/12th) of the Tenant's Share of the estimated Building and Operating Costs attributable to Tenant monthly with the rent until adjustment the following year pursuant hereto.

In no event shall the adjustment entitle Tenant to receive the benefit of a reduction in Building and Operating Costs below the level of the Base Year during the term hereof.

4.2 After Hour HVAC Use. The after-hours cost for HVAC use in the Premises shall be passed through to Tenant and payable to Landlord as follows: A private meter shall be installed by Landlord in the Premises that will measure after-hours HVAC utility usage. The meter shall report the after-hours usage directly to Landlord. The cost for HVAC use in the Leased Premises shall be passed through to Tenant and payable to Landlord. Landlord shall document said expense in a reconciliation statement provided quarterly. Tenant shall be solely responsible for the full payment of all after-hours utility usage in the Leased Premises within thirty (30) days of receiving the quarterly reconciliation statement. Landlord shall charge a 15% administrative fee for servicing the after-hours HVAC usage.

V. SECURITY DEPOSIT

5.1 Deposit. Tenant has deposited with Landlord the sum of [Write Dollar Amount][Write Dollar Amount] Dollars (\$153,267.64[Amount][Amount]) as security for the performance by Tenant of all of the terms, covenants, and conditions required to be performed hereunder. If Tenant has performed all such terms, covenants, and conditions of this Lease, such sum shall be returned to Tenant after the expiration of the term of this Lease and delivery of possession of the Leased Premises to Landlord. Prior to the time that Tenant is entitled to any return of the security deposit, Landlord may intermingle such deposit with its own funds and use such sum for such purposes as Landlord may determine. Tenant shall not be entitled to any interest on the security deposit.

5.2 Application of Security Deposit. In the event of default by Tenant in respect to any of its obligations under this Lease, including, but not limited to, the payment of Basic Annual Rent, Landlord may use, apply, or retain all or any part of the security deposit for the satisfaction of any unpaid Basic Annual Rent. Landlord may apply the security deposit to any expenses incurred by reason of the default of Tenant, including any damages or deficiency in the reletting of the Leased Premises, regardless of whether the accrual of such damages or deficiency occurs before or after an eviction or a portion of the security deposit is so used or applied. Tenant shall, upon five (5) days written demand, deposit cash with Landlord in an amount sufficient to restore the security deposit to its original amount.

VI. USE

6.1 Use of Leased Premises. The Leased Premises shall be used and occupied by Tenant for general office purposes only and for no other purpose whatsoever without the prior written consent of Landlord.

6.2 Prohibition of Certain Activities or Uses. Tenant shall not do or permit anything to be done in or about, or bring or keep anything in the Leased Premises or the Property which is prohibited by this Lease or will, in any way or to any extent:

(a) adversely affect any fire, liability, or other insurance policy carried with respect to the Building, the Improvements, the Common Areas, the Property, or any of the

contents of the foregoing (except with Landlord's express written permission, which will not be unreasonably withheld, but which may be contingent upon Tenant's agreement to bear any additional costs, expenses or liability for risk that may be involved);

(b) obstruct, interfere with any right of, or injure or annoy any other tenant or occupant of the Building, the Common Areas, the Improvements, or the Property;

(c) conflict with or violate any law, statute, ordinance, rule, regulation or requirement of any governmental unit, agency, or authority (whether existing or enacted as promulgated in the future, known or unknown, foreseen or unforeseen);

(d) adversely overload the floors or otherwise damage the structural soundness of the Leased Premises or Building, or any part thereof (except with Landlord's express written permission, which will not be unreasonably withheld, but which may be contingent upon Tenant's agreement to bear any additional costs, expenses, or liability for risk that may be involved); or

(e) take any action which causes a violation of any restrictive covenants or any other instrument of record applying to the Property.

6.3 Affirmative Obligations with Respect to Use.

(a) Tenant will (i) comply with all governmental laws, ordinances, regulations, and requirements, now in force or which hereafter may be in force, of any lawful governmental body or authorities having jurisdiction over the Leased Premises; (ii) will keep the Leased Premises and every part thereof in a clean, neat, and orderly condition, free of objectionable noise, odors, or nuisances; (iii) will in all respects and at all times fully comply with all health and policy regulations; and (iv) will not suffer, permit, or commit any waste.

(b) At all times during the term hereof, Tenant shall, at Tenant's sole cost and expense, comply with all statutes, ordinances, laws, orders, rules, regulations, and requirements of all applicable federal, state, county, municipal and other agencies or authorities, now in effect or which may hereafter become effective, which shall impose any duty upon Landlord or Tenant with respect to the use, occupation or alterations of the Leased Premises (including, without limitation, all applicable requirements of the Americans with Disabilities Act of 1990 and all other applicable laws relating to persons with disabilities, and all rules and regulations which may be promulgated thereunder from time to time and whether relating to barrier removal, providing auxiliary aids and services or otherwise) and upon request of Landlord shall deliver evidence thereof to Landlord.

6.4 Suitability. Tenant acknowledges that except as expressly set forth in this Lease, neither Landlord nor any other person has made any representation or warranty with respect to the Leased Premises or any other portion of the Building, the Common Areas, or the Improvements and that no representation has been made or relied on with respect to the suitability of the Leased Premises or any other portion of the Building, the Common Areas, or Improvements for the conduct of Tenant's business. The Leased Premises, Building, and Improvements (and each and every part thereof) shall be deemed to be in satisfactory condition

unless, within sixty (60) days after the Substantial Completion Date, Tenant shall give Landlord written notice specifying, in reasonable detail, the respects in which the Leased Premises, Building, or Improvements are not in satisfactory condition.

6.5 Taxes. Tenant shall pay all taxes, assessments, charges, and fees which during the term hereof may be imposed, assessed, or levied by any governmental or public authority against or upon Tenant's use of the Leased Premises or any personal property or fixture kept or installed therein by Tenant and on the value of leasehold improvements to the extent that the same exceeds Building allowances.

6.6 Exclusive Use. Landlord covenants and agrees not to directly itself lease space in the Property, without Tenant's prior written consent not to be unreasonably withheld, to any potential tenant that operates a "Competing Business." For the purpose of this Section 6.6, a "Competing Business" shall be defined as a business that operates as a multi-level marketing company (as that term in commonly understood) with its primary function being selling or providing health and nutritional supplements and that occupies or would occupy in excess of 26,000 square feet at the Building.

VII. UTILITIES AND SERVICE

7.1 Obligation of Landlord. During the term of this Lease, Landlord agrees to cause to be furnished to the Leased Premises during customary business hours (7:00 a.m. to 6:00 p.m. Monday through Friday and 8:00 a.m. to 12:00 p.m. on Saturday) and during generally recognized business days the following utilities and services, the cost and expense of which shall be included in Building and Operating Costs:

(a) Electricity, water, gas and sewer service.

(b) Telephone connection, but not including telephone stations and equipment (it being expressly understood and agreed that Tenant shall be responsible for the ordering and installation of telephone lines and equipment which pertain to the Leased Premises).

(c) Heat and air-conditioning to such extent and to such levels as, in Landlord's judgment, is reasonably required for the comfortable use and occupancy of the Leased Premises subject however to any limitations imposed by any government agency. The parties agree and understand that the above heat and air-conditioning will be provided Monday through Friday from 7:00 a.m. to 6:00 p.m. and Saturday from 8:00 a.m. to 1:00 p.m.

(d) Janitorial service.

(e) Security (including the lighting of common halls, stairways, entries and restrooms) to such extent as is usual and customary in similar buildings in Utah County, Utah.

(f) Snow removal service.

(g) Landscaping and grounds keeping service.

(h) Elevator service.

(j) At Tenant's election, Landlord shall provide a generator and conduit to allow for connectivity to a generator at the location established by the Building plans. If Tenant chooses to connect to a generator as a full back up source of power, Landlord shall charge Tenant \$100.00 per kw reserved for the Leased Premises per year of the entire Term, payable monthly during the Term in addition to the Basic Annual Rent. Once Tenant elects to receive this service, this election shall be binding for the entire Term and any Renewal Term. Tenant shall elect this option in writing within six months of Lease Execution or this option shall terminate. Notwithstanding the foregoing, Tenant shall have the right to identify a small area, not to exceed 500 square feet, within the Premises, that will be granted a connection to the generator at no charge.

7.2 Tenant's Obligations. Tenant shall arrange for and shall pay the entire cost and expense of all telephone stations, equipment and use charges, electric light bulbs (but not fluorescent bulbs used in fixtures originally installed in the Leased Premises) and all other materials and services not expressly required to be provided and paid for pursuant to the provisions of Section 7.1 above.

7.3 Additional Limitations.

(a) Tenant will not, without the written consent of Landlord, which shall not be unreasonably withheld, use any apparatus or device on the Leased Premises (including but without limitation thereto, electronic data processing machines or machines using current in excess of 110 volts) which will in any way or to any extent increase the amount of electricity or water usually furnished or supplied for use on the Leased Premises for the use designated in Section 6.1 above, nor connect with either electrical current (except through existing electrical outlets in the Leased Premises), water pipes, or any apparatus or device, for the purposes of using electric current or water.

(b) If Tenant shall require water or electric current in excess of that usually furnished or supplied for use of the Leased Premises, or for purposes other than those designated in Section 6.1 above, Tenant shall first procure the consent of Landlord for the use thereof, which consent Landlord may refuse. Landlord may cause a water meter or electric current meter to be installed in the Leased Premises, so as to measure the amount of water and/or electric current consumed for any such use. Tenant shall pay for the cost of such meters and of installation maintenance and repair thereof. Tenant agrees to pay Landlord promptly upon demand for all such water and electric current consumed as shown by said meters at the rates charged for such service either by the city or county in which the Building is located or by the local public utility, as the case may be, together with any additional expense incurred in keeping account of the water and electric current so consumed.

(c) If and where heat generating machines devices are used in the Leased Premises which affect the temperature otherwise maintained by the air conditioning system, Landlord reserves the right to install additional or supplementary air conditioning units for the Leased Premises, and the entire cost of installing, operating, maintaining and repairing the same shall be paid by Tenant to Landlord promptly after demand by Landlord.

7.4 Limitation on Landlord's Liability. Landlord shall not be liable for any failure to provide or furnish any of the foregoing utilities or services if such failure was reasonably beyond the control of Landlord and Tenant shall not be entitled to terminate this Lease or to effectuate any abatement or reduction of rent by reason of any such failure. In no event shall Landlord be liable for loss or injury to persons or property, however, arising or occurring in connection with or attributable to any failure to furnish such utilities or services even if within the control of Landlord.

VIII. MAINTENANCE AND REPAIRS; ALTERATIONS; ACCESS

8.1 Maintenance and Repairs by Landlord. Landlord shall maintain in good order, condition, and repair the Building, the Common Areas, and the Improvements except the Leased Premises and those other portions of the Building leased, rented, or otherwise occupied by persons not affiliated with Landlord. Landlord shall supply normal janitorial and cleaning services reasonably required to keep the Leased Premises, the Building, and the Improvements in a clean, sanitary and orderly condition, the cost and expense of which shall be included in Direct and/or Common Area Expenses. Landlord shall have no duty to repair or replace any damage to the Building, the Common Areas, the Improvements, or the Leased Premises occasioned by the willful or negligent acts of Tenant or the Tenant Related Parties (as defined in Section 10.1 below).

8.2 Maintenance and Repairs by Tenant. Tenant, at Tenant's sole cost and expense and without prior demand being made, shall maintain the Leased Premises in good order, condition and repair, and will be responsible for the painting, carpeting, or other interior design work of the Leased Premises beyond the initial construction phase as specified in Section 2.3 and Exhibit "C" of the Lease and shall maintain all equipment and fixtures installed by Tenant. If repainting or recarpeting is required and authorized by Tenant, the cost for such are the sole obligation of Tenant and shall be paid for by Tenant immediately following the performance of said work and a presentation of an invoice for payment. Tenant shall in a good and workmanlike manner repair or replace any damage to the Building, the Common Areas, the Improvements, or the Leased Premises occasioned by the willful or negligent acts of Tenant or the Tenant Related Parties.

8.3 Alterations. Except as set forth on Exhibit "C" attached hereto, Tenant shall not without first obtaining Landlord's written approval: (a) make or cause to be made any alterations, additions, or improvements; (b) install or cause to be installed any fixtures, signs, floor coverings, interior or exterior lighting, plumbing fixtures, shades or awnings; or (c) make any other changes to the Leased Premises without first obtaining Landlord's written approval. The foregoing notwithstanding, if the proposed alteration, addition or improvement is, in Landlord's judgment, likely to affect the structure of the Building or the electrical, plumbing or HVAC systems or otherwise adversely impacts the value of the Building, such consent may be withheld at the sole and absolute discretion of the Landlord; except for the foregoing, Landlord's approval shall not be unreasonably withheld. Tenant shall present to Landlord plans and specifications for such work at the time approval is sought. In the event Landlord consents to the making of any alterations, additions, or improvements to the Leased Premises by Tenant, the same shall be made by Tenant at Tenant's sole cost and expense. All such work shall be done

only by contractors or mechanics approved by Landlord, which approval shall not be unreasonably withheld. All such work with respect to any alterations, additions, and changes shall be done in a good and workmanlike manner and diligently prosecuted to completion such that, except as absolutely necessary during the course of such work, the Leased Premises shall at all times be a complete operating unit. Any such alterations, additions, or changes shall be performed and done strictly in accordance with all laws and ordinances relating thereto. In performing the work or any such alterations, additions, or changes, Tenant shall have the same performed in such a manner as not to obstruct access to any portion of the Building. Any alterations, additions, or improvements to or of the Leased Premises, including, but not limited to, wallcovering, paneling, and built-in cabinet work, but excepting movable furniture and equipment, shall at once become a part of the realty and shall be surrendered with the Leased Premises unless Landlord otherwise elects at the end of the term hereof.

8.4 Landlord's Access to Leased Premises. Landlord shall have the right to place, maintain, and repair all utility equipment of any kind in, upon, and under the Leased Premises as may be necessary for the servicing of the Leased Premises and other portions of the Building. Upon providing adequate notice to Tenant, Landlord shall also have the right to enter the Leased Premises at all times to inspect or to exhibit the same to prospective purchasers, mortgagees, tenants, and lessees, and to make such repairs, additions, alterations, or improvements as Landlord may deem desirable. Landlord shall be allowed to take all material upon said Leased Premises that may be required therefor without the same constituting an actual or constructive eviction of Tenant in whole or in part, the rents reserved herein shall in no wise abate while said work is in progress by reason of loss or interruption of Tenant's business or otherwise, and Tenant shall have no claim for damages. During the three (3) months prior to expiration of this Lease or of any renewal term, Landlord may place upon the Leased Premises "For Lease" or "For Sale" signs which Tenant shall permit to remain thereon.

IX. ASSIGNMENT

9.1 Definitions. As used in this Lease:

- a. "Pledge" means to pledge, encumber, mortgage, assign (whether as collateral or absolutely) or otherwise grant a lien or security interest in this Lease or any portion of the Leased Premises as security for, or to otherwise assure, performance of any obligation of Tenant or any other person.
- b. "Sublease" means to lease or enter into any other form of agreement with any other person, whether written or oral, which allows that person or any other person to occupy or possess any part of the Leased Premises for any period of time or for any purpose.
- c. "Transfer" means to sell, assign, transfer, exchange or otherwise dispose of or alienate any interest of Tenant in this Lease, whether voluntary or involuntary or by operation of law including, without limitation: (i) any such Transfer by death, incompetency, foreclosure sale, deed in lieu of foreclosure, levy or attachment; (ii) if Tenant is not a human being, any direct or indirect Transfer of fifty percent (50%) or more of any one of the voting, capital or profits interests in Tenant; and (iii) if Tenant is not a human being, any Transfer of this Lease from Tenant by merger, consolidation, transfer of assets, or

liquidation or any similar transaction under any law pertaining to corporations, partnerships, limited liability companies or other forms of organizations.

9.2 Transfers, Subleases and Pledges Prohibited.

- a. Except with the prior written consent of Landlord in each instance, which written consent or denial shall be delivered within ten (10) business days of its receipt, Tenant shall not Transfer or Pledge this Lease, or Sublease or Pledge all or any part of the Leased Premises to an unrelated party. Consent of the Landlord to any of the actions described in the previous sentence shall be deemed granted and delivered only if obtained strictly in accordance with and pursuant to the procedure set forth in Section 9.3 of this Lease and is memorialized in a writing signed by Landlord that refers on its face to Section 9.3 of this Lease. Any other purported Transfer, Sublease or Pledge shall be null and void, and shall constitute a default under this Lease which, at the option and election of Landlord exercisable in writing at its sole discretion, shall result in the immediate termination of this Lease; provided, if Landlord does not terminate this Lease, it may exercise any other remedies available to it under this Lease or at law or equity. Consent by Landlord to any Transfer, Sublease or Pledge shall not operate as a waiver of the necessity for consent to any subsequent Transfer, Sublease or Pledge, and the terms of Landlord's written consent shall be binding upon any person holding by, under, or through Tenant. Landlord's consent to a Transfer, Sublease or Pledge shall not relieve Tenant from any of its obligations under this Lease, all of which shall continue in full force and effect notwithstanding any assumption or agreement of the person to whom the Transfer, Sublease or Pledge pertains.
- b. Notwithstanding anything herein, and provided Tenant is not in default under any terms of the Lease, Tenant shall have the right, during the term of the Lease, to assign or sublease all or any portion of the Premises to a related entity or affiliate, ("Permitted Transferee"). Neither the use by, nor the subletting to, any subsidiary, parent, or affiliate of Tenant of all or a portion of the Premises shall be deemed an assignment or sublease under the Lease and shall not require Landlord approval so long as Tenant remains liable for all of its obligations under the Lease. Furthermore, Tenant may assign or sublease its rights under the Lease for all or a portion of the Premises without Landlord's consent due to any merger or combination at law so long as Tenant remains liable for all of its obligations under the Lease.

9.3 Consent of Landlord Required:

- a. If Tenant proposes to make any Transfer, Sublease or Pledge it shall immediately notify Landlord in writing of the details of the proposed Transfer, Sublease or Pledge, and shall also immediately furnish to Landlord sufficient written information and documentation required by Landlord to allow Landlord to assess the business to be conducted in the Leased Premises by the person to whom the Transfer, Sublease or Pledge is proposed to be made, the financial condition of such person and the nature of the transaction in which the Transfer, Sublease or Pledge is to occur. If Landlord determines that the information furnished do not provide sufficient information, Landlord may demand that Tenant

provide such additional information as Landlord may require in order to evaluate the proposed Transfer, Assignment or Pledge.

- b. Landlord shall have the absolute right to reject any proposed Transfer, Sublease or Pledge under any of the following circumstances:
- c. If, Landlord believes in its sole and absolute discretion that the proposed assignee or transferee does not have adequate financial capacity to perform the Lease.
- d. If, as a result of the Transfer, Sublease or Pledge, Landlord or the Leased Premises would be subject to compliance with any law, ordinance, regulation or similar governmental requirement to which Landlord or the Leased Premises were not previously subject, or as to which Landlord or the Leased Premises has a variance, exemption or similar right not to comply including, without limitation, that certain act commonly known as the “Americans with Disabilities Act of 1990”, and any related rules or regulations, or similar state or local laws relating to persons with disabilities.
- e. A Transfer, Sublease or Pledge to any other person which is the landlord or sublandlord under any leases or subleases for office space within a ten (10) mile radius of the Leased Premises.
- f. A Transfer, Sublease or Pledge to any other person which is at that time has an enforceable lease for any other space in the Building or any prospective tenant with whom the Landlord has, in the prior twelve (12) months negotiated with to lease space in the Building.
- g. A sublease of less than all of the Leased Premises where the configuration or location of the subleased premises might reasonably be determined by Landlord to have any adverse effect on the ability of Landlord to lease remainder of the Leased Premises if the Landlord were to terminate this Lease but agree to be bound by the Sublease.
- h. The person to whom the Transfer, Sublease or Pledge is to be made will not agree in writing to be bound by the terms and conditions of this Lease; provided that the Lease shall not be enforceable against person to whom the Lease or Leased Premises is to be Pledged until after the foreclosure or other realization upon its lien or security interest.
- i. Except as set forth in Section 9.3(b), Landlord’s consent shall not be unreasonably withheld, provided that: (i) Tenant promptly provides to Landlord all information requested by Landlord pursuant to Section 9.3(a) and Landlord determines that such information is sufficient to allow Landlord to accurately evaluate the financial condition of the person to whom the Transfer, Sublease or Pledge is to be made; and (ii) Tenant and the person to whom the Transfer, Sublease or Pledge is to be made agree in writing to all of the rights of Landlord set forth in Section 9.4.

9.4 Landlord’s Right in Event of Assignment or Sublease.

(a) If Landlord consents in writing to any Transfer or any Sublease, Landlord may collect rent and other charges and amounts due under this Lease from the person to whom the Transfer was made or under the sublease from any person who entered into the Sublease, and Landlord shall apply all such amounts collected to the rent and other charges to be paid by Tenant under this Lease. If Landlord consents in writing to any Pledge of this Lease or any portion of the Leased Premises, and the person to whom the Pledge was made forecloses or otherwise realizes upon any interest in this Lease or in any portion of the Leased Premises, Landlord may collect rent and other charges and amounts due under this Lease from such person, and Landlord shall apply the amount collected to the rent and other charges and amounts to be paid by Tenant under this Lease. Such collection, however, shall not constitute consent or waiver of the necessity of written consent to such Transfer, Sublease or Pledge, nor shall such collection constitute the recognition of such person or any other person as the "Tenant" under this Lease or constitute or result in a release of Tenant from the further performance of all of the covenants and obligations pursuant to this Lease, including the obligation to pay rent and other charges and other amounts due under this Lease.

(b) In the event that any rent or additional consideration payable after a Transfer exceed the rents and additional consideration payable under this Lease, Landlord and Tenant shall share equally in the amount of any excess payments or consideration. In the event that the rent and additional consideration payable under a Sublease exceed the rents and other consideration payable under this Lease (prorated to the space being subleased pursuant to the Sublease), Landlord and Tenant shall share equally in the amount of any excess payments or consideration.

(c) In the event that Tenant shall request that Landlord consent to a Transfer, Sublease or Pledge, Tenant and/or the person to whom the Transfer, Sublease or Pledge was made shall pay to Landlord reasonable legal fees and costs, not to exceed \$5,000.00, incurred in connection with processing of documents necessary to effect the Transfer, Sublease or Pledge.

X. INDEMNITY AND HAZARDOUS MATERIALS

10.1 Tenant's Indemnity. Subject to the provisions of Section 11.4 below and to the fullest extent permitted by law, Tenant shall protect, defend, indemnify and hold harmless Landlord and its affiliates against and from any and all claims, demands, actions, losses, damages, orders, judgments, and any and all costs and expenses (including, without limitation, attorneys' fees and costs of litigation), resulting from or incurred by Landlord or any affiliate of Landlord on account of any of the following: (ai) the use of the Leased Premises by Tenant or by its agents, contractors, employees, servants, invitees, licensees or concessionaires (the "Tenant Related Parties"), the conduct of its business or profession, or any other activity permitted or suffered by Tenant or the Tenant Related Parties within the Leased Premises; or (b) any breach by Tenant of this Lease. Tenant shall defend all suits brought upon such claims and pay all costs and expenses incidental thereto. Notwithstanding the foregoing, Landlord shall have the right, at its option, to participate in the defense of any such suit without relieving Tenant of any obligation hereunder.

10.2. Notice. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Leased Premises or in the Building of which the Leased Premises are a part or of defects therein or in any fixtures or equipment.

10.3 Environmental Indemnification. In addition to and without limiting the scope of any other indemnities provided under this Lease, Tenant shall indemnify, defend (with counsel reasonably acceptable to Landlord) and hold harmless Landlord from and against any and all demands, losses, costs, expenses, damages, bodily injury, wrongful death, property damage, claims, cross-claims, charges, action, lawsuits, liabilities, obligations, penalties, investigation costs, removal costs, response costs, remediation costs, natural resources damages, governmental administrative actions, and reasonable attorneys' and consultants' fees and expenses arising out of, directly or indirectly, in whole or in part, or relating to (i) the release of Hazardous Materials (as defined in Section 10.5 below) by Tenant or the Tenant Related Parties, (ii) the violation of any Hazardous Materials laws by Tenant or the Tenant Related Parties, or (iii) the use, storage, generation or disposal of Hazardous Materials in, on, about, or from the Property by Tenant or the Tenant Related Parties (the items listed in clauses (i) through and including (iii) being referred to herein individually as a "Tenant Release" and collectively as the "Tenant Releases").

10.4 Definition of Hazardous Materials. The term "Hazardous Materials" shall mean any substance:

(a) which is flammable, explosive, radioactive, toxic, corrosive, infectious, carcinogenic, mutagenic, or otherwise hazardous and which is or becomes regulated by any governmental authority, agency, department, commission, board or instrumentality of the United States, the state in which the Property is located or any political subdivision thereof;

(b) which contains asbestos, organic compounds known as polychlorinated biphenyls; chemicals known to cause cancer or reproductive toxicity or petroleum, including crude oil or any fraction thereof; or which is or becomes defined as a pollutant, contaminant, hazardous waste, hazardous substance, hazardous material or toxic substance under the Resource Conservation and Recovery Act of 1976, 42 U.S.C. §§ 6901-6992k; the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. §§ 9601-9657; the Hazardous Materials Transportation Authorization Act of 1994, 49 U.S.C. §§ 5101-5127; the Clean Water Act, 33 U.S.C. §§ 1251-1387; the Clear Air Act, 42 U.S.C. §§ 7401-7671q; the Toxic Substances Control Act, 15 U.S.C. §§ 2601-2692; the Safe Drinking Water Act, 42 U.S.C. §§ 300f to 300j-26; the Emergency Planning and Community Right-To-Know Act of 1986, 42 U.S.C. §§ 11001-11050; and title 19, chapter 6 of the Utah Code, as any of the same have been or from time to time may be amended; and any similar federal, state and local laws, statutes, ordinances, codes, rules, regulations, orders or decrees relating to environmental conditions, industrial hygiene or Hazardous Materials on the Property, including all interpretations, policies, guidelines and/or directives of the various governmental authorities responsible for administering any of the foregoing, now in effect or hereafter adopted, published and/or promulgated;

(c) the presence of which on the Property requires investigation or remediation under any federal, state, or local statute, regulation, ordinance, order, action, policy, or common law; or

(d) the presence of which on the Property causes or threatens to cause a nuisance on the Property or to adjacent properties or poses or threatens to pose a hazard to the health and safety of persons on or about the Property.

10.5 Use of Hazardous Materials. Tenant shall not, and shall not permit any Tenant Related Parties to use, store, generate, release, or dispose of Hazardous Materials in, on, about, or from the Property. Landlord shall not, and shall not permit any Landlord Related Parties to use, store, generate, release, or dispose of Hazardous Materials in, on, about, or from the Property.

10.6 Release of Hazardous Materials. If Tenant discovers that any spill, leak, or release of any quantity of any Hazardous Materials has occurred on, in or under the Property, Tenant shall promptly notify all appropriate governmental agencies and Landlord. In the event such release is a Tenant Release, Tenant shall (or shall cause others to) promptly and fully investigate, cleanup, remediate and remove all such Hazardous Materials as may remain and so much of any portion of the environment as shall have become contaminated, all in accordance with applicable government requirements, and shall replace any removed portion of the environment (such as soil) with uncontaminated material of the same character as existed prior to contamination. In the event such release is a Landlord Release, Landlord shall (or shall cause others to) promptly and fully investigate, cleanup, remediate and remove all such Hazardous Materials as may remain and so much of any portion of the environment as shall have become contaminated, all in accordance with applicable government requirements, and shall replace any removed portion of the environment (such as soil) with uncontaminated material of the same character as existed prior to contamination. Within twenty (20) days after any such spill, leak, or release, the party responsible for the remediation of such release shall give the other party a detailed written description of the event and of such responsible parties investigation and remediation efforts to date. Within twenty (20) days after receipt, such responsible party shall provide the other party with a copy of any report or analytical results relating to any such spill, leak, or release. In the event of a release of Hazardous Material in, on, or under the Property by the Tenant Related Parties, Tenant shall not be entitled to an abatement of Rent during any period of abatement.

10.7 Release of Landlord. Landlord shall not be responsible or liable at any time for any loss or damage to Tenant's personal property or to Tenant's business, including any loss or damage to either the person or property of Tenant or Tenant Related Parties that may be occasioned by or through the acts or omissions of persons occupying adjacent, connecting, or adjoining space. Tenant shall store its property in and shall use and enjoy the Leased Premises and all other portions of the Building and Improvements at its own risk, and hereby releases Landlord, to the fullest extent permitted by law, from all claims of every kind resulting in loss of life, personal or bodily injury, or property damage.

XI. INSURANCE

11.1 Insurance on Tenant's Personal Property and Fixtures. At all times during the term of this Lease, Tenant shall keep in force at its sole cost and expense with insurance companies acceptable to Landlord, hazard insurance on an [**"all-risk type"**] or equivalent policy

form, and shall include fire, theft, extended coverages, vandalism, and malicious mischief. Coverage shall be equal to 100% of the Replacement Cost value of Tenant's contents, fixtures, furnishings, equipment, and all improvements or additions made by Tenant to the Leased Premises. The deductible under such insurance coverage shall not exceed \$5,000.00. Such policy shall name Landlord as Additional Insured and shall provide that coverage for the Additional Insured is primary and not contributory with other insurance. The policy shall provide that such policy not be cancelled or materially changed without first giving Landlord thirty (30) days written notice.

11.2 Property Coverage. Landlord shall obtain and maintain in force an "all-risk type" or equivalent policy form, and shall include fire, theft, extended coverages, vandalism, and malicious mischief on the Building during the term of the Lease and any extension thereof. Landlord may obtain, at Landlord's discretion, coverage for flood and earthquake if commercially available at reasonable rates. Such insurance shall also include coverage against loss of rental income.

11.3 Liability Insurance. During the entire term hereof and at its sole cost and expense, Tenant shall keep in full force and effect with insurance companies acceptable to Landlord a policy of Commercial General Liability Insurance with limits of not less than \$1,000,000 each Occurrence and \$3,000,000 General Aggregate. The policy shall apply to the Leased Premises and all operations of Tenant's business. Such policy shall name Landlord as Additional Insured and shall provide that coverage for the Additional Insured is primary and not contributory with other insurance. The policy shall provide that such policy not be cancelled or materially changed without first giving Landlord thirty (30) days written notice. Tenant shall at all times during the term hereof provide Landlord with evidence of current insurance coverage. All public liability, property damage, and other liability policies shall be written as primary policies, not contributing with coverage which Landlord may carry. All such policies shall contain a provision that Landlord, although named as an insured, shall nevertheless be entitled to recover under said policies for any loss occasioned to it, its servants, agents, and employees by reason of the negligence of Tenant. All such insurance shall specifically insure the performance by Tenant of the indemnity agreement as to liability for injury to or death of persons or injury or damage to property contained in Part X.

11.4 Waiver of Subrogation. Landlord and Tenant hereby waive all rights to recover against each other, against any other tenant or occupant of the Building, and against each other's officers, directors, shareholders, partners, joint ventures, employees, agents, customers, invitees or business visitors or of any other tenant or occupant of the Building, for any loss or damage arising from any cause covered by any insurance carried by the waiving party, to the extent that such loss or damage is actually covered.

11.5 Lender. Any mortgage lender interest in any part of the Building or Improvements may, at Landlord's option, be afforded coverage under any policy required to be secured by Tenant hereunder, by use of a mortgagee's endorsement to the policy concerned.

XII. DESTRUCTION

If the Leased Premises shall be partially damaged by any casualty which is insured against under any insurance policy maintained by Landlord, Landlord shall, to the extent of and upon receipt of, the insurance proceeds, repair the portion of the Landlord's Construction Obligations damaged by such casualty. Until such repair is complete, the Basic Annual Rent shall be abated proportionately as to that portion of the Leased Premises rendered untenantable. Notwithstanding the foregoing, Landlord may either elect to repair the damage or may cancel this Lease by notice of cancellation within ninety (90) days after such event and thereupon this Lease shall expire, and Tenant shall vacate and surrender the Leased Premises to Landlord if any of the following occur: (a) the Leased Premises by reason of such occurrence are rendered wholly untenantable, (b) the Leased Premises should be damaged as a result of a risk which is not covered by insurance, (c) the Leased Premises should be damaged in whole or in part during the last six (6) months of the term or of any renewal hereof, (d) the Leased Premises or the Building (whether the Leased Premises are damaged or not) should be damaged to the extent of fifty percent (50%) or more of the then-monetary value thereof, or (e) the proceeds of such insurance are not sufficient to repair the Leased Premises to the extent required above (including any deficiency as a result of a mortgage lender's election to apply such proceeds to the payment of the mortgage loan). Tenant's liability for rent upon the termination of this Lease shall cease as of the day following Landlord's giving notice of cancellation. In the event Landlord elects to repair any damage, any abatement of rent shall end five (5) days after notice by Landlord to Tenant that the Leased Premises have been repaired as required herein. If the damage is caused by the negligence of Tenant or its employees, agents, invitees, or concessionaires, there shall be no abatement of rent. Unless this Lease is terminated by Landlord, Tenant shall repair and refixture the interior of the Leased Premises in a manner and in at least a condition equal to that existing prior to the destruction or casualty and the proceeds of all insurance carried by Tenant on its property and fixtures shall be held in trust by Tenant for the purpose of said repair and replacement.

XIII. CONDEMNATION

13.1 Total Condemnation. If the whole of the Leased Premises shall be acquired or taken by Condemnation Proceeding, then this Lease shall cease and terminate as of the date of title vesting in such Condemnation Proceeding.

13.2 Partial Condemnation. If any part of the Leased Premises shall be taken as aforesaid, and such partial taking shall render the remaining portion unsuitable for the Tenant's business, then this Lease shall cease and terminate as aforesaid. If the Leased Premises remain suitable for the Tenant's business following such partial taking, then this Lease shall continue in effect except that the Basic Annual Rent shall be reduced in the same proportion that the portion of the Leased Premises (including basement, if any) taken bears to the total area initially demised. Landlord shall, upon receipt of the award, make all necessary repairs or alterations to the Building in which the Leased Premises are located, provided that Landlord shall not be required to expend for such work an amount in excess of the amount received by Landlord as damages for the part of the Leased Premises so taken. "Amount received by Landlord" shall mean that part of the award from the Condemnation Proceeding, less any costs or expenses incurred by Landlord in the collection of the award, which is free and clear to Landlord of any collection by mortgage lenders for the value of the diminished fee.

13.3 Landlord's Option to Terminate. If more than twenty percent (20%) of the Building shall be taken as aforesaid, Landlord may, by written notice to Tenant, terminate this Lease. If this Lease is terminated as provided in this Section, rent shall be paid up to the day that possession is so taken by public authority and Landlord shall make an equitable refund of any rent paid by Tenant in advance.

13.4 Award. Tenant shall not be entitled to and expressly waives all claim to any condemnation award for any taking, whether whole or partial and whether for diminution in value of the leasehold or to the fee. Tenant shall have the right to claim from the condemning party, but not from Landlord, such compensation as may be recoverable by Tenant in its own right for damages to Tenant's business and fixtures to the extent that the same shall not reduce Landlord's award.

13.5 Definition of Condemnation Proceeding. As used in this Lease the term "Condemnation Proceeding" means any action or proceeding in which any interest in the Leased Premises is taken for any public or quasi-public purpose by any lawful authority through exercise of eminent domain or right of condemnation or by purchase or otherwise in lieu thereof.

XIV. LANDLORD'S RIGHTS TO CURE

14.1 General Right. In the event of Landlord's breach, default, or noncompliance hereunder, Tenant shall, before exercising any right or remedy available to it, give Landlord written notice of the claimed breach, default, or noncompliance. If prior to its giving such notice Tenant has been notified in writing (by way of Notice of Assignment of Rents and Leases, or otherwise) of the address of a lender which has furnished any of the financing referred to in Part XV hereof, concurrently with giving the aforesaid notice to Landlord, Tenant shall, by certified mail, return receipt requested, transmit a copy thereof to such lender. For the thirty (30) days following the giving of the notice(s) required by the foregoing portion of this Section (or such longer period of time as may be reasonably required to cure a matter which, due to its nature, cannot reasonably be rectified within thirty (30) days), Landlord shall have the right to cure the breach, default, or noncompliance involved. If Landlord has failed to cure a default within said period, any such lender shall have an additional thirty (30) days within which to cure the same or, if such default cannot be cured within that period, such additional time as may be necessary if within such thirty (30) day period said lender has commenced and is diligently pursuing the actions or remedies necessary to cure the breach default, or noncompliance involved (including, but not limited to, commencement and prosecution of proceedings to foreclose or otherwise exercise its rights under its mortgage or other security instrument, if necessary to effect such cure), in which event this Lease shall not be terminated by Tenant so long as such actions or remedies are being diligently pursued by said lender.

14.2 Mechanic's Liens. Should any mechanic's or other lien be filed against the Leased Premises or any part thereof by reason of Tenant's acts or omissions or because of a claim against Tenant, Tenant shall cause the same to be canceled and discharged of record by bond or otherwise within ten (10) days after notice by Landlord. If Tenant fails to comply with its obligations in the immediately preceding sentence within such ten (10) day period, Landlord may perform such obligations at Tenant's expenses, in which case all of Landlord's costs and expenses in discharging shall be immediately due and payable by Tenant and shall bear interest

at the rate set forth in Section 16.3 hereof. Tenant shall cause any person or entity directly or indirectly supplying work or materials to Tenant to acknowledge and agree, and Landlord hereby notifies any such contractor, that: (a) no agency relationship, whether express or implied, exists between Landlord and any contractor retained by the Tenant; (b) all construction contracted for by Tenant is being done for the exclusive benefit of the Tenant; and (c) Landlord neither has required nor obligated Tenant to make the improvements done by the contractor.

XV. FINANCING; SUBORDINATION

15.1 Subordination. This Lease is and shall continue to be subordinate to any mortgage, deed of trust, or other security interest now existing or hereafter placed on the Landlord's interest in the Property by a mortgage lender (as amended, restated, supplemented, or otherwise modified from time to time, including any refinancing thereof, a "Mortgage"); provided, however, such subordination is subject to the condition that so long as Tenant continues to perform all of its obligations under this Lease its tenancy shall remain in full force and effect notwithstanding Landlord's default in connection with the Mortgage concerned or any resulting foreclosure or sale or transfer in lieu of such proceedings. If requested by a holder of the Mortgage, Tenant agrees at any time and from time to time to execute and deliver an instrument confirming the foregoing subordination. If elected by the holder of a Mortgage, this Lease shall be superior to such Mortgage, in which case Tenant shall execute and deliver an instrument confirming the same. Tenant shall not subordinate its interests hereunder or in the Leased Premises to any lien or encumbrance other than the Mortgages described in and specified pursuant to this Section 15.1 without the prior written consent of Landlord and of the lender interested under each Mortgage then affecting the Leased Premises. Any such unauthorized subordination by Tenant shall be void and of no force or effect whatsoever.

15.2 Amendment. Tenant recognizes that Landlord's ability from time to time to obtain construction, acquisition, standing, and/or permanent mortgage loan financing for the Building and/or the Leased Premises may in part be dependent upon the acceptability of the terms of this Lease to the lender concerned. Accordingly, Tenant agrees that from time to time it shall, if so requested by Landlord and if doing so will not substantially and adversely affect Tenant's economic interests hereunder, join with Landlord in amending this Lease so as to meet the needs or requirements of any lender which is considering making or which has made a loan secured by a Mortgage affecting the Leased Premises.

15.3 Attornment. Any sale, assignment, or transfer of Landlord's interest under this Lease or in the Leased Premises including any such disposition resulting from Landlord's default under a Mortgage, shall be subject to this Lease. Tenant shall attorn to Landlord's successor and assigns and shall recognize such successor or assigns as Landlord under this Lease, regardless of any rule of law to the contrary or absence of privity of contract.

15.4 Financial Information. As a condition to Landlord's acceptance of this Lease, Tenant shall provide financial information sufficient for Landlord to verify the financial condition of Tenant. Tenant hereby represents and warrants that none of such information contains or will contain any untrue statement of material fact, nor will such information omit any material fact necessary to make the statements contained therein misleading or unreliable.

XVI. EVENTS OF DEFAULT; REMEDIES OF LANDLORD

16.1 Default by Tenant. Upon the occurrence of any of the following events, Landlord shall have the remedies set forth in Section 16.2:

(a) Tenant fails to pay any installment of Basic Annual Rent or any other sum due hereunder within five (5) days after such Rent is due.

(b) Tenant fails to perform any other term, condition, or covenant to be performed by it pursuant to this Lease within ten (10) days after written notice that such performance is due shall have been given to Tenant by Landlord or; provided, if cure of any nonmonetary default would reasonably require more than ten (10) days to complete, if Tenant fails to commence performance within the ten (10) day period or, after timely commencing, fails diligently to pursue such cure to completion but in no event to exceed sixty (60) days.

(c) Tenant or any guarantor of this Lease shall become bankrupt or insolvent or file any debtor proceedings or have taken against such party in any court pursuant to state or federal statute, a petition in bankruptcy or insolvency, reorganization, or appointment of a receiver or trustee; or Tenant petitions for or enters into a voluntary arrangement under applicable bankruptcy law; or suffers this Lease to be taken under a writ of execution.

16.2 Remedies. In the event of any default by Tenant hereunder, Landlord may at any time, without waiving or limiting any other right or remedy available to it, terminate Tenant's rights under this Lease by written notice, reenter and take possession of the Leased Premises by any lawful means (with or without terminating this Lease), or pursue any other remedy allowed by law. Tenant agrees to pay to Landlord the cost of recovering possession of the Leased Premises, all costs of reletting, and all other costs and damages arising out of Tenant's default, including attorneys' fees. Notwithstanding any reentry, the liability of Tenant for the rent reserved herein shall not be extinguished for the balance of the Term, and Tenant agrees to compensate Landlord upon demand for any deficiency arising from reletting the Leased Premises at a lesser rent than applies under this Lease.

16.3 Past Due Sums. If Tenant fails to pay, when the same is due and payable, any Basic Annual Rent, or other sum required to be paid by it hereunder, such unpaid amounts shall bear interest from the due date thereof to the date of payment at a fluctuating rate equal to two percent (2%) per annum above the Prime Rate. For purposes of this Lease, "**Prime Rate**" means the prime rate or base rate reported in the Money Rates column or section of The Wall Street Journal as being the prime rate or base rate on corporate loans at large U.S. money center commercial banks (whether or not such rate has actually been charged by any such bank). If The Wall Street Journal ceases publication of the prime rate or the base rate, "**Prime Rate**" shall mean the rate of interest from time to time announced by the national bank in the United States doing business in Utah having the largest asset value as its prime rate or base rate. In addition thereto, Tenant shall pay a sum of five percent (5%) of such unpaid amounts of Basic Annual Rent, or other sum to be paid by it hereunder as a service fee. Notwithstanding the foregoing, however, Landlord's right concerning such interest and service fee shall be limited by the maximum amount which may properly be charged by Landlord for such purposes under applicable law.

XVII. PROVISIONS APPLICABLE AT TERMINATION OF LEASE

17.1 Surrender of Leased Premises. At the expiration of this Lease, except for changes made by Tenant that were approved by Landlord, Tenant shall surrender the Leased Premises in the same condition, less reasonable wear and tear, as they were in upon delivery of possession thereto under this Lease and shall deliver all keys to Landlord. Before surrendering the Leased Premises, Tenant shall remove all of its personal property and trade fixtures and such property or the removal thereof shall in no way damage the Leased Premises, and Tenant shall be responsible for all costs, expenses and damages incurred in the removal thereof. If Tenant fails to remove its personal property and fixtures upon the expiration of this Lease, the same shall be deemed abandoned and shall become the property of Landlord.

17.2 Holding Over. Any holding over after the expiration of the term hereof or of any renewal term with the prior written consent of Landlord shall be construed to be a tenancy from month to month except that Basic Annual Rent shall be increased to an amount equal to 200% of the then Basic Annual Rent plus, and in addition to the Basic Annual Rent, all other sums of money as shall become due and payable by Tenant to Landlord under this Lease and on the terms herein specified so far as possible. Such month-to-month tenancy shall be subject to every other term, covenant, and agreement contained in this Lease. Nothing contained in this Section 17.2 shall be construed as consent by Landlord to any holding over by Tenant, and Landlord expressly reserves the right to require Tenant to surrender possession of the Leased Premises to Landlord as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Section 17.2 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. If Tenant fails to surrender the Leased Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from all loss, costs (including reasonable attorneys' fees) and liability resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant founded upon such failure to surrender, and any lost profits to Landlord resulting therefrom.

XVIII. ATTORNEYS' FEES

In the event that at any time during the term of this Lease either Landlord or Tenant institutes any action or proceeding against the other relating to the provisions of this Lease or any default hereunder, then the unsuccessful party in such action or proceeding agrees to reimburse the successful party for the reasonable expenses of such action including reasonable attorneys' fees, incurred therein by the successful party.

XIX. ESTOPPEL CERTIFICATE

19.1 Estoppel Certificate. Tenant shall, within fifteen (15) days after Landlord's request, execute and deliver to Landlord a written declaration, in form and substance similar to Exhibit "D", plus such additional other information as Landlord may reasonably request. Landlord's mortgage lenders and/or purchasers shall be entitled to rely upon such declaration.

19.2 Effect of Failure to Provide Estoppel Certificate. Tenant's failure to furnish any estoppel certificate as required pursuant to Section 19.1 within fifteen (15) days after request therefor shall be deemed a default hereunder and moreover, it shall be conclusively presumed that: (a) this Lease is in full force and effect without modification in accordance with the terms set forth in the request; (b) that there are no unusual breaches or defaults on the part of Landlord; and (c) no more than one (1) month's rent has been paid in advance.

XX. COMMON AREAS

20.1 Definition of Common Areas. "Common Areas" means all areas, space, equipment, and special services provided for the joint or common use and benefit of the tenants or occupants of the Building, the Improvements, and Property or portions thereof, and their employees, agents, servants, patients, customers, and other invitees (collectively referred to herein as "Occupants") including, without limitation, parking, access roads, driveways, retaining walls, landscaped areas, serviceways, loading docks, pedestrian walks; courts, stairs, ramps, and sidewalks; common corridors, rooms and restrooms; air-conditioning, fan, janitorial, electrical, and telephone rooms or closets; and all other areas within the Building which are not specified for exclusive use or occupancy by Landlord or any tenant (whether or not they are leased or occupied).

20.2 License to Use Common Areas. The Common Areas shall be available for the common use of all Occupants and shall be used and occupied under a revocable license. If any such license shall be revoked, or if the amount of such areas shall be changed or diminished, Landlord shall not be subject to any liability nor shall Tenant be entitled to any compensation or diminution or abatement of rent nor shall revocation or diminution of such areas be deemed constructive or actual eviction. All Common Areas shall be subject to the exclusive control and management of Landlord. Landlord shall have the right (a) to construct, maintain, and operate lighting and other facilities on all said areas and improvements; (b) to police the same; (c) to change the area, level, location, and arrangement of parking areas and other facilities; (d) to restrict parking by tenants, their officers, agents, and employees; (e) to close all or any portion of said areas or facilities to such extent as may be legally sufficient to prevent a dedication thereof or the accrual of any right to any person or the public therein; and (f) to close temporarily all or any portion of the parking areas or facilities to discourage non-occupant parking. Landlord shall operate and maintain the Common Areas in such manner as Landlord in its discretion shall determine, shall have full right and authority to employ and discharge all personnel with respect thereto, and shall have the right, through reasonable rules, regulations, and/or restrictive covenants promulgated by it from time to time, to control the use and operation of the Common Areas in order that the same may occur in a proper and orderly fashion.

20.3 Parking. Automobiles of Tenant and all Occupants (as defined above) associated with Tenant shall be parked only within parking areas not otherwise reserved by Landlord. Landlord or its agents shall, without any liability to Tenant or its Occupants, have the right to cause to be removed any automobile that may be wrongfully parked in a prohibited or reserved parking area, and Tenant agrees to indemnify, defend, and hold Landlord harmless from and against any and all claims, losses, demands, damages and liabilities asserted or arising with respect to or in connection with any such removal of an automobile. Tenant shall from time to

time, upon request of Landlord, supply Landlord with a list of license plate numbers of all automobiles owned by Tenant or its day-to-day Occupants.

XXI. SIGNS, AWNINGS, AND CANOPIES

Tenant shall not place or suffer to be placed or maintained on any exterior door, wall, or window of the Leased Premises, or elsewhere in the Building, any sign, awning, marquee, decoration, lettering, attachment, or canopy, or advertising matter or other thing of any kind and will not place or maintain any decoration, lettering, or advertising matter on the glass of any window or door of the Leased Premises without first obtaining Landlord's written approval. Tenant further agrees to maintain such sign, awning, canopy, decoration, lettering, advertising matter, or other things, as may be approved, in good condition and repair at all times. Landlord may, at Tenant's cost, and without liability to Tenant, enter the Leased Premises and remove any item erected in violation of this Section. Landlord may establish rules and regulations governing the size, type, and design of all signs, decorations, etc., and Tenant agrees to abide thereby. Landlord shall provide Tenant signage for Tenant's name to be located (i) on the building directory in the main lobby, (ii) at the entrance of Tenant's suite, all at Landlord's cost. Furthermore, Tenant shall have the right to place its signage on the crown of the building. The location and size of the crown signage shall be reasonably approved by the local municipality and Landlord prior to fabrication and installation.

XXII. MISCELLANEOUS PROVISIONS

22.1 No Partnership. Nothing contained herein shall be deemed or construed by the parties hereto, or by any third party, as creating the relationship of principal and agent, or of partnership, or of joint venture between the parties hereto, it being understood and agreed that neither the method of computation of rent nor any other provision contained herein, nor any acts of the parties hereto, shall be deemed to create any relationship between the parties hereto other than the relationship of landlord and tenant.

22.2 Force Majeure. Landlord shall be excused for the period of any delay in the performance of any obligations hereunder when prevented from so doing by cause or causes beyond Landlord's control, including, without limitation, labor disputes, civil commotion, war, governmental regulations or controls, fire or other casualty, inability to obtain any material or service, or acts of God, or the acts or omissions of Tenant or the Tenant Related Parties.

22.3 No Waiver. Failure of Landlord to insist upon the strict performance of any provision or to exercise any option hereunder shall not be deemed a waiver of such breach. No provision of this Lease shall be deemed to have been waived unless such waiver be in writing signed by Landlord.

22.4 Notice. Any notice, demand, request, or other instrument which may be or is required to be given under this Lease shall be delivered in person or sent by United States certified or registered mail, postage prepaid and shall be addressed (a) if to Landlord, at the place specified for payment of rent, which is set forth below, and (b) if to Tenant, either at the Leased Premises or at any other current address for Tenant which is known to Landlord,

including the address set forth below. Either party may designate such other address as shall be given by written notice.

Landlord: Traverse Ridge Center III LLC
Attention: Matt Swain
17 E. Winchester St., Suite 200
Murray, Utah 84107
(801) 264-8800

Tenant: [Tenant Name and Address][Tenant Name and Address]

22.5 Captions; Exhibits:

(a) The captions to the Section of this Lease are for convenience of reference only and shall not be deemed relevant in resolving questions of construction or interpretation under this Lease.

(b) Exhibits referred to in this Lease, and any addendums and schedules attached to this Lease shall be deemed to be incorporated in this Lease as though part thereof.

22.6 Recording. Tenant may not record this Lease or a memorandum thereof without the written consent of Landlord, which consent shall not be unreasonably withheld. Landlord, at its option and at any time, may file this Lease for record with the Recorder of the County in which the Building is located.

22.7 Partial Invalidity. If any provision of this Lease or the application thereof to any person or circumstance shall to any extent be invalid, the remainder of this Lease or the application of such provision to persons or circumstances other than those as to which it is held invalid shall not be affected thereby and each provision of this Lease shall be valid and enforced to the fullest extent permitted by law.

22.8 Broker's Commissions. Tenant represents and warrants that there are no claims for brokerage commissions or finder's fees in connection with this Lease and agrees to indemnify Landlord against and hold it harmless from all liabilities arising from such claims, including any attorneys' fees connected therewith excepting those due to CBRE and Colliers as outlined in a separate listing agreement between CBRE and Landlord.

22.9 Tenant Defined; Use of Pronouns. The word "Tenant" shall be deemed and taken to mean each and every person or party executing this document as a Tenant herein. If there is more than one person or organization set forth on the signature line as Tenant, their liability hereunder shall be joint and several. If there is more than one Tenant, any notice required or permitted by the terms of this Lease may be given by or to any one thereof, and shall have the same force and effect as if given by or to all thereof. The use of the neuter singular pronoun to refer to Landlord or Tenant shall be deemed a proper reference even though Landlord or Tenant may be an individual, a partnership, a corporation, or a group of two or more individuals or corporations. The necessary grammatical changes required to make the provisions

of this Lease apply in the plural sense where there is more than one Landlord or Tenant and to corporations, associations, partnerships, or individuals, males or females, shall in all instances be assumed as though in each case fully expressed.

22.10 Provisions Binding, Etc. Except as otherwise expressly set forth herein including, specifically and without limitation, Section 9, all provisions herein shall be binding upon and shall inure to the benefit of the parties, their legal representative, heirs, successors, and assigns. Each provision to be performed by Tenant shall be construed to be both a covenant and a condition, and if there shall be more than one Tenant, they shall all be bound, jointly and severally, by such provisions. In the event of any sale or assignment (except for purposes of security or collateral) by Landlord of the Building, the Leased Premises, or this Lease, Landlord shall, from and after the Commencement Date (irrespective of when such sale or assignment occurs), be entirely relieved of all of its obligations hereunder. Nothing set forth herein shall require Landlord to obtain Tenant's consent to any assignment, transfer or other encumbrance of any of Landlord's interest in the Property, the Leased Premises, the Improvements or the Common Areas.

22.11 Entire Agreement, Etc. This Lease and the Exhibits, Riders, and/or Addenda, if any, attached hereto, constitute the entire agreement between the parties. Any guaranty attached hereto is an integral part of this Lease and constitutes consideration given to Landlord to enter in this Lease. Any prior conversations or writings are merged herein and extinguished. No subsequent amendment to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed. Submission of this Lease for examination does not constitute an option for the Leased Premises and becomes effective as a lease only upon execution and delivery thereof by Landlord to Tenant. If any provision contained in the rider or addenda is inconsistent with a provision in the body of this Lease, the provision contained in said rider or addenda shall control. It is hereby agreed that this Lease contains no restrictive covenants or exclusives in favor of Tenant. The captions and Section numbers appearing herein are inserted only as a matter of convenience and are not intended to define, limit, construe, or describe the scope or intent of any Section or paragraph.

22.12 Governing Law. The interpretation of this Lease shall be governed by the laws of the State of Utah. Tenant hereby expressly and irrevocably agrees that Landlord may bring any action or claim to enforce the provisions of this Lease in the State of Utah, County of Salt Lake or County of Utah, and Tenant irrevocably consents to personal jurisdiction in the State of Utah for the purposes of any such action or claim. Tenant further irrevocably consents to service of process in accordance with the provisions of the laws of the State of Utah. Nothing herein shall be deemed to preclude or prevent Landlord from bringing any action or claim to enforce the provisions of this Lease in any other appropriate place or forum.

22.13 Recourse by Tenant. Anything in this Lease to the contrary notwithstanding, Tenant agrees that it shall look solely to the estate and property of Landlord in the land, Buildings and Improvements thereto, and subject to prior rights of any mortgagee, for the collection of any judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default or breach by Landlord with respect to any of the terms, covenants, and conditions of this Lease to be observed and/or performed by Landlord, and no

other assets of Landlord or any of its partners, shareholders, successors, or assigns shall be subject to levy, execution, or other procedures for the satisfaction of Tenant's remedies.

22.14 Rules and Regulations. Tenant and the Tenants Related Parties shall faithfully observe and comply with all of the rules and regulations set forth on the attached Exhibit G, and Landlord may from time to time reasonably amend, modify or make additions to or deletions from such rules and regulations. Such amendments, modifications, additions and deletions shall be effective on notice to Tenant. On any breach of any of such rules and regulations, Landlord may exercise any or all of the remedies provided in this Lease on a default by Tenant under this Lease and may, in addition, exercise any remedies available at law or in equity including the right to enjoin any breach of such rules and regulations. Landlord shall not be responsible to Tenant for the failure of any other tenant or person to observe any such rules and regulations.

22.15 Tenant's Representations and Warranties. Tenant represent and warrants to Landlord as follows:

(a) Tenant is duly organized and validly existing under the laws of the state of its formation and has full power and authority to enter into this Lease, without the consent, joinder or approval of any other person or entity, including, without limitation, any mortgagee(s). This Lease has been validly executed and delivered by Tenant and constitutes the legal, valid and binding obligations of Tenant, enforceable against Tenant in accordance with its terms.

(b) Tenant is not a party to any agreement or litigation which could adversely affect the ability of Tenant to perform its obligations under this Lease or which would constitute a default on the part of Tenant under this Lease, or otherwise materially adversely affect Landlord's rights or entitlements under this Lease.

22.15 No Construction Against Preparer. This Lease has been prepared by Landlord and its professional advisors and reviewed by Tenant and its professional advisors. Landlord, Tenant and their separate advisors believe that this Lease is the product of their joint efforts, that it expresses their agreement, and that it should not be interpreted in favor of either Landlord or Tenant or against either Landlord or Tenant merely because of their efforts in its preparation.

22.16 Number and Gender. The terms "Landlord" and "Tenant," wherever used herein, shall be applicable to one or more persons or entities, as the case may be, and the singular shall include the plural and the neuter shall include the masculine and feminine and, if there be more than one person or entity with respect to either party, the obligations hereof of such party shall be joint and several.

22.17 Counterparts. This Lease may be executed and delivered in counterparts for the convenience of the parties, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same agreement.

22.18 Waiver of Trial by Jury. Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either against the other, upon any

matters whatsoever arising out of or in any way connected with this Lease, Tenant's use or occupancy of the Leased Premises, and/or any claim of injury or damage.

22.19 Merger. If both Landlord's and Tenant's estates in the Leased Premises have both become vested in the same owner, this Lease shall nevertheless not be terminated by application of a doctrine of merger unless agreed in writing by Landlord, Tenant and any holder of a Mortgage.

[22.20 Space Planning. Landlord shall provide at Landlord's cost an initial space plan for the Premises and one revision thereto. Landlord's architect shall coordinate with Tenant's design team in producing and delivering this space plan.

22.21 Right of First Refusal. Subject to Landlord's requirements to extend any rights to other tenants in the Building under leases executed prior to and therefore having superior priority to a Right of First Refusal, Tenant shall have a continuing Right of First Refusal for, up to a full floor, and not less than 5,000 rentable square feet, located on the 5th or 8th floor (the "ROFR Space") when such space becomes available for lease in the Building. If any ROFR Space becomes available, Landlord shall notify Tenant, in writing, of the availability of the ROFR Space and Tenant shall have five (5) business days to notify Landlord, in writing, that Tenant desires to lease the ROFR Space. If the ROFR notices is submitted to Tenant within the first two (2) years of the Term, the Basic Annual Rent, Lease expiration, Tenant Improvement Allowance and other concessions for the ROFR space shall be the same as for the Premises on a pro rata basis.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the date first set forth above.

LANDLORD: Traverse Ridge Center III,
a Utah limited liability company by its **manager**
L.H. Perry Investments, LLC
a Utah limited liability company

By: /s/ William O. Perry, IV
Name: William O. Perry, IV
Title: Manager

TENANT: LifeVantage Corporation,
a Delaware corporation

By: /s/ Charles J. Wach
Name: Charles J. Wach
Its: C.O.O

NOTARY

STATE OF UTAH)
) ss
COUNTY OF SALT LAKE)

On this _____ day of _____, 20____, personally appeared before me William O. Perry, IV, who duly acknowledged to me that he executed the foregoing Lease as manager of the Manager of Traverse Ridge Center III LLC, a Utah limited liability company.

My commission Expires:
Notary Public
_____ Residing at SALT LAKE COUNTY

STATE OF)
) ss
COUNTY OF)

On this____ day of _____, 20____, personally appeared before me, _____, who duly acknowledged to me that s/he executed the foregoing Lease as a _____ of [TENANT NAME][TENANT NAME].

My Commission Expires:
Notary Public
_____ Residing at

EXHIBIT "B"

PLANS OF LEASED PREMISES

6th and 7th Floors

EXHIBIT "B" TO BE PROVIDED FOLLOWING COMPLETION OF ARCHITECTURAL CONCEPTUAL DRAWINGS.

EXHIBIT "C"

WORK LETTER

CONSTRUCTION AND/OR FINISHING OF IMPROVEMENTS TO LEASED PREMISES

In accordance with the provisions of the body of the Lease to which this Exhibit "C" is attached, the improvements to the Leased Premises shall be constructed and/or finished (as the case may be) in the manner described, and upon all of the terms and conditions contained in the following portion of this Exhibit "C". The obligations to construct the Leased Premises in this Exhibit "C" shall meet or exceed the minimum Building standard finishes described in Exhibit "F".

I. GENERAL DESCRIPTION OF WORK:

A. **LANDLORD'S CONSTRUCTION OBLIGATION:** "Landlord's Construction Obligation" respecting improvements to the Leased Premises shall consist of the following described items or elements of work (where more than one type of material, structure, or method is indicated, Landlord shall have the option of selecting or employing any thereof):

1. STRUCTURAL:

(a) Frame: The building shall be of steel or concrete frame, reinforced concrete, or bearing wall construction designed in accordance with the applicable building code.

(b) Exterior Walls: Insulated exterior walls of the building shall be of masonry, concrete, or such other material(s) as may be selected by Landlord's architect.

Floor: Floor shall be of concrete slab.

(d) Structural Coring: Tenant shall have the right to core floors for purposes of power/data/infrastructure within the Premises, subject to Landlord review of the location and Tenant performing an X ray of the slab and receiving approval from Landlord's structural engineer. Tenant shall have the right to access certain utilities from the floor below the Premises with after first receiving approval from Landlord to access the level below.

2. **BASE BUILDING:** Landlord shall provide Tenant the following as part of the base building shell and parking: landscaping, site identification, toilets, stairwells, elevators, mechanical rooms, and janitorial closets on Leased Premises floors.

(a) Vertical Penetrations: All vertical penetrations shall be sealed and fireproofed.

(b) Building Fire Alarm System: Connection point shall be installed on the floor for the fire alarm system. The complete core fire detection system shall be installed, operating and tested in accordance with NFPA requirements.

3. UTILITIES:

(a) Water and Sewer: Water and sewer service shall be furnished to the toilet rooms on the floors of the Leased Premises.

(b) Electricity: Electrical service shall be provided to a main distribution panel in an electrical room on each floor of the Building.

4. HEATING, AIR CONDITIONING, AND SPRINKLERS:

(a) Air Conditioning and Heating: HVAC trunk lines shall be provided to the floor area. No distribution or controls shall be provided by Landlord.

(b) Sprinklers: Automatic sprinkler system, if and to the extent required by the applicable code, shall be installed in the Building.

B. TENANT'S CONSTRUCTION OBLIGATION: The work to be performed by Landlord in satisfying its obligations respecting construction improvements to the Leased Premises shall be limited to that described in the foregoing Section. All other items or elements of work shall be provided by Tenant at Tenant's expense. Such other work shall constitute "Tenant's Construction Obligations" respecting improvements to the Leased Premises and shall include, but not necessarily be limited to, the purchase, installation, and/or performance (as the case may be) of the following described items or elements of work:

1. Electric Fixtures and Equipment: All electrical work and distribution from the panel provided in an electrical room on each floor of the Building. Tenant shall be obligated to install metering devices compatible to the Building electrical controls.

2. Telephone: All arrangements for telephone service and all conduits for telephone wires in the Leased Premises.

3. Utility Meters: All meters necessary to separately measure electricity, water, and gas consumption in the Leased Premises.

4. Walls: All interior partitioning and drywall on all party or the walls surrounding the Leased Premises, including the interior of the exterior wall of the Building.

5. Doors: All interior doors and door frames, sidelights, signage, and hardware, all of which shall be a Building standard as directed by Landlord.

6. Floor Covering: All floor covering and floor materials other than concrete.

7. Alarm System: Any alarm systems or other protective devices including by not limited to fire and security systems. Any alarm systems to be installed shall be compatible with all other Building systems.

8. Demising Walls: Demising walls (i.e., walls dividing the Leased Premises from areas, if any, in the same building occupied by other lessees) shall be of metal frame, steel stud, or masonry.

9. Special Plumbing and Water Heater: All extra plumbing (either roughing-in or fixtures) required for Tenant's special needs and any water heater required.

10. Special Ventilation: All ventilation and related equipment not installed under Landlord's Construction Obligation.

11. Special Equipment: All special equipment such as conveyors, lifts, etc.

12. Painting: All interior painting.

13. Ceiling: The following shall be furnished and installed: suspended type ceiling using pre-formed panels; drywall blown acoustical tile ceilings; light coves and specially hung or furred ceiling.

14. Heating and Air Conditioning: All ducting distribution and controls including but not limited to, VAV boxes, exhaust fans, heating and cooling boxes, and/or Tenant specialty items. All heating, ventilation, and air conditioning controls installed by Tenant shall be compatible to Building heating, ventilation, and air conditioning controls.

15. Sprinklers: Tenant shall be responsible to modify the Building automatic sprinkler system and to install and/or modify sprinklers in the Leased Premises, if and to the extent required by the applicable code, in order to complete Tenant's Construction Obligations.

II. PLANS

A. **LANDLORD'S PLANS**: To the extent that the same has not heretofore occurred, Landlord shall furnish, construct and install the items and elements comprising Landlord's Construction Obligation substantially in accordance with the plans, specifications, and working drawings applicable thereto (hereinafter referred to as "Landlord's Plans") prepared by Landlord's architectural firm as Landlord's Plans may be changed or modified from time to time.

B. **TENANT'S PLANS**: Landlord and Tenant shall collaborate in preparation of complete plans and specifications (hereinafter referred to as "Tenant's Plans") detailing the item and elements comprising Landlord's Construction Obligation and Tenant's Plans. Tenant shall then proceed promptly to prepare Tenant's Plans and shall submit the Tenant's Plans to Landlord for written approval (not to be unreasonably withheld.) The approval by Landlord of Tenant's plans for work to be performed on the Leased Premises, whether by Landlord or Tenant, shall in no way create any responsibility or liability on the part of Landlord for their completeness, design sufficiency or compliance with any and all laws, rules and regulations of federal, state, county and municipal agencies or authorities. Any objections by Landlord and the reason therefore shall be given to Tenant's Plans as proposed. If Tenant fails within forty-five (45) days after receiving the necessary information from Landlord to furnish to Landlord Tenant's Plans as proposed, Landlord shall have the right to terminate the Lease upon written notice to Tenant (without prejudice to any right Landlord may have against Tenant for damages arising out of Tenant's failure).

C. **TEST FIT PLANS**. Each of Landlord and Tenant acknowledges its approval of the test fit plans attached to this Lease as Exhibit K.

III. CONSTRUCTION

A. **COMPLETION BY LANDLORD**: All of the items or elements of work entering into Landlord's Construction Obligation shall be furnished, constructed, and installed substantially in accordance with those portions of Tenant's Plans applicable thereto. Tenant

agrees that by entering into possession of the Leased Premises pursuant to the following Section B Tenant will have thereby accepted all of the construction work performed by Landlord and will have thereby accepted the Leased Premises in their then condition and hereby waives any claim against Landlord thereafter arising out of the condition of improvements to the Leased Premises, the Building, the Common Areas, or the Improvements. Landlord shall not be liable for any latent, patent, or observable defects in such improvements after such acceptance by Tenant. Landlord does, however, warrant the work performed hereunder by Landlord against latent defects discovered at any time during the one (1) year period following the time of such acceptance by Tenant.

B. CONSTRUCTION BY TENANT: Following the Substantial Completion Date, Tenant shall promptly commence and thereafter shall diligently pursue to completion all of the matters entering into Tenant's Construction Obligations and such matters shall be performed or accomplished in accordance with the applicable law, in a good and workmanlike manner, by contractors approved in writing by Landlord, and in such manner as to maintain harmonious and suitable labor relations and working conditions. Tenant shall timely obtain all licenses or permits required for the work performed by Tenant.

Tenant shall, at Landlord's request, furnish Landlord with a bond or bonds assuring payment to all those furnishing labor, materials, or services in connection with Tenant's Construction Obligations. Any work or change which Tenant desires to accomplish and which is not reflected by Tenant's Plans shall be subject to Landlord's prior written approval (not to be unreasonably withheld). Upon completion of Tenant's Construction Obligations, Tenant shall furnish to Landlord a complete set of "as built" plans and specifications for the items and elements entering into Tenant's Construction Obligations.

C. INTERRELATIONSHIP OF WORK: In performing the Tenant's Construction Obligations, Tenant shall comply with all directions of Landlord or Landlord's contractor so as to coordinate its construction activities with those being pursued by others (whether on the Leased Premises or elsewhere in the Building, and whether by Landlord or by other tenants). Any improvements or items of equipment installed by Tenant which are to be visible from outside of the Leased Premises shall be finish painted by Tenant in accordance with Landlord's standard paint schedule. All work performed by Tenant shall leave Landlord's structure as strong or stronger than original design and with finishes unimpaired. Any roofing or flashing work accomplished by Tenant shall conform to original work and shall be performed at Tenant's expense by Landlord's roofing subcontractor who installed the original roof. Either party hereto may examine and inspect the work of the other at any reasonable time and shall promptly give notice of any observed defects.

1. ROOF PENETRATIONS: Tenant agrees that neither it nor its contractors or employees will, during the construction of the Leased Premises or at any time during the term of this Lease, make or cause to be made in the roof of the Leased Premises any penetration whatsoever without first obtaining the prior written approval from Landlord. Tenant acknowledges that Landlord may require Tenant to use Landlord's designated roofing contractor to perform or supervise any roof cuts or penetrations to which Landlord may agree or give its consent.

In the event Tenant fails to observe this condition, Landlord may hire a roofing contractor of its choice to inspect any penetrations in the roofing material over the Leased Premises and to perform any needed modifications or corrections to the roof surface or its components in order to preserve the integrity of the roof structure. Landlord may bill Tenant for the expenses of any such roof inspection and/or repairs, plus a 20% overhead fee for such work.

Tenant agrees to pay for said inspection and/or repairs immediately upon presentation of said invoice.

2. HEATING/VENTILATING/AIR CONDITIONING DISTRIBUTION AND CONTROL WORK: In order to insure that the rooftop mechanical equipment, originally provided by Landlord, will work efficiently and effectively to provide the specified heating, ventilating and/or cooling to the Leased Premises, Tenant agrees and covenants that prior to its installation of any duct work, distribution equipment, controls or other related components of the mechanical system, it will first obtain from Landlord or from Landlord's designated mechanical contractor, written approval of its plans for same.

D. PAYMENT: Landlord shall furnish, construct, and complete all of the matters entering into Landlord's Construction Obligation at its own cost and expense; Tenant shall furnish, construct and complete all of the matters entering Tenant's Construction Obligations at its own cost and expense. All fees of Tenant's architect or engineer shall be paid by Tenant. All government, municipal, and/or city fees shall be paid by Tenant. This Tenant Finish Allowance shall be provided in accordance with the following conditions:

1. Prior to commencing Tenant's Construction Obligations, Tenant may elect to receive the Tenant Finish Allowance on a "work in progress basis" by providing Landlord written notice of such election. In the event Tenant has made the foregoing election Landlord shall release the Available Tenant Improvement Allowance (as defined below) to Tenant upon satisfaction of the following conditions, as determined by Landlord in its sole discretion:

(a) No default or event which with the giving of notice or passage of time or both would constitute a default under the Lease shall exist;

(b) Tenant shall deliver to Landlord a certificate from the architect and contractor certifying (a) the percentage of the Tenant's Construction Obligations which have then been completed to date (the "Completion Percentage"), (b) an estimate of the amount of all costs and expenses required to complete the Tenant's Construction Obligations (the "Remaining Costs"), and (c) the identification of suppliers, materialmen, contractors and subcontractors which have performed the Tenant's Construction Obligations or have supplied materials in connection with the Tenant's Construction Obligations to date;

(c) Tenant shall deliver to Landlord (i) conditional lien waiver's (conditioned only on payment) from all suppliers, materialmen, contractors and subcontractors which have performed the Tenant's Construction Obligations or have supplied materials in connection with the Tenant's Construction Obligations and (ii) unconditional lien waivers from all suppliers, materialmen, contractors and subcontractors which have performed the Tenant's Construction Obligations or have supplied materials in connection with the Tenant's Construction Obligations and for which Tenant has previously submitted a conditional lien waiver pursuant to clause (i) above in connection with a previous draw on the Available Tenant Improvement Allowance;

(d) No event of force majeure or other event or condition shall exist which permits or requires Tenant or any contractor, subcontractor, materialmen or supplier to cancel, suspend or terminate its performance of the Tenant's Construction Obligations;

(e) Tenant shall deliver a certification to Landlord that (a) all mechanics liens have been (and upon payment of amounts from Available Tenant Improvement Allowance, will be) released and discharged (b) all contracts entered into in connection with the Tenant's Construction Obligations are in full force and effect and have not been modified, and (c) Tenant has sufficient funds to pay for all of the Remaining Costs (less any unpaid Tenant Finish Allowance);

(f) Prior to commencing the construction of the Tenant's Construction Obligations, Tenant shall have delivered to Landlord all contracts entered into in connection with the performance of the Tenant's Construction Obligations; and

(g) Tenant shall deliver to Landlord all invoices for which Tenant is requesting payment and such invoices shall be issued under the contracts provided to Landlord pursuant to paragraph 6 above.

For purposes hereof, the Available Tenant Improvement Allowance shall mean the sum of (a) the Tenant Finish Allowance multiplied by the Completion Percentage, less (b) any portion of the Tenant Finish Allowance previously paid to Tenant pursuant to the provisions hereof, less, (c) a retainage of five percent (5%) of the amounts payable to Tenant pursuant to the foregoing provisions (the "Retainage"). All expenses arising by reason of Tenant's Construction Obligations in excess of this aggregate amount of the Tenant Finish Allowance shall be borne exclusively by the Tenant. In no event shall personal property be included as part of the Tenant Finish Allowance.

The Retainage shall be paid in full to Tenant upon satisfaction of the following conditions:

(w) All items of work specifically listed or implied under Tenant's Construction Obligations shall be certified complete by Tenant and Tenant's Architect;

(x) All final invoices with the necessary certification shall be forwarded to the Landlord for consideration and payment;

(y) If such work is found to be complete as certified, Landlord shall remit to Tenant a total amount due within thirty (30) days.

(z) Landlord shall not be obligated to remit any payment prior to its receipt of the following documents: (i) a Certificate of Occupancy from the municipality involved, (ii) a signed copy of Exhibit "D" and Exhibit "E" of this Lease or an equivalent document provided by Landlord and as required by lender, (iii) a copy of insurance certificates evidencing the insurance required to be maintained by Tenant pursuant to Section 10 of this Lease, and (iv) all copies of necessary lien waivers involved with any general or subcontractors involved with Tenant's Construction Obligations.

2. In the event Tenant has not elected to receive the Tenant Finish Allowance pursuant to Paragraph 1 above, the Tenant Finish Allowance shall be distributed upon satisfaction of the following conditions, as determined by Landlord in its sole discretion:

- (a) All items of work specifically listed or implied under Tenant's Construction Obligations shall be certified complete by Tenant;
- (b) All final invoices with the necessary certification shall be forwarded to the Landlord for consideration and payment;
- (c) If such work is found to be complete as certified, Landlord shall remit to Tenant, a total amount due within thirty (30) days.
- (d) Landlord shall not be obligated to remit any payment prior to its receipt of the following documents: (i) a Certificate of Occupancy from the municipality involved, (ii) a signed copy of Exhibit "D" and Exhibit "E" of this Lease or an equivalent document provided by Landlord and as required by lender, (iii) a copy of insurance certificates evidencing the insurance required to be maintained by Tenant pursuant to Section 10 of this Lease, and (iv) all copies of necessary lien waivers involved with any general or subcontractors involved with Tenant's Construction Obligations.
- (e) No default or event which with the giving of notice or passage of time or both would constitute a default under the Lease shall exist.

3. Notwithstanding the foregoing to the contrary, all expenses arising by reason of Tenant's Construction Obligations in excess of the Tenant Finish Allowance shall be borne exclusively by Tenant. No personal property shall be included as part of the Tenant Finish Allowance.

EXHIBIT "D"

**ACKNOWLEDGMENT OF COMMENCEMENT DATE
AND TENANT ESTOPPEL CERTIFICATE**

TO: DATE:

RE:

Gentlemen:

The undersigned, as Tenant, has been advised that the Lease has been or will be assigned to you as a result of your financing of the above-referenced property, and as an inducement therefor hereby confirms the following:

1. That it has accepted possession and is in full occupancy of the Leased Premises, that the Lease is in full force and effect, that Tenant has received no notice of any default of any of its obligations under the Lease, and that the Lease Commencement Date is _____.

2. That the improvements and space required to be furnished according to the Lease have been completed and paid for in all respects, and that to the best of its knowledge, Landlord has fulfilled all of its duties under the terms, covenants and obligations of the Lease and is not currently in default thereunder.

3. That the Lease has not been modified, altered, or amended, and represents the entire agreement of the parties, except as follows:

4. That there are no offsets, counterclaims or credits against rentals, nor have rentals been prepaid or forgiven, except as provided by the terms of the Lease.

5. That said rental payments commenced or will commence to accrue on _____, and the Lease term expires _____ . The amount of the security deposit and all other deposits paid to Landlord is \$ _____.

6. That Tenant has no actual notice of a prior assignment, hypothecation or pledge of rents of the Lease, except:

_____.

7. That this letter shall inure to your benefit and to the benefit of your successors and assigns, and shall be binding upon Tenant and Tenant's heirs, personal representatives,

successors and assigns. This letter shall not be deemed to alter or modify any of the terms, covenants or obligations of the Lease.

The above statements are made with the understanding that you will rely on them in connection with the purchase of the above-referenced property.

Very truly yours,

Date of Signature: _____ By: _____

EXHIBIT "E"
Reserved

EXHIBIT “F”

BUILDING STANDARD FINISHES

A. Tenant Minimum Design Criteria

Unless Tenant’s Lease Agreement states otherwise, Tenant, at its sole cost and expense, shall provide all improvements to the Premise necessary or desirable to render the Premises suitable for Tenant’s use. The Tenant’s improvements shall be completed in conformance with all governing codes and standards as well as the Base Building plans and specifications. Tenant improvements shall include the following described systems and components, the quality of which shall be equal to or greater than those set forth below. Tenant Contractor must perform the work in strict accordance to the guidelines within this Tenant Design Manual while adhering to all instructions within the Construction Documents. It is the responsibility of the Tenant Contractor to notify the Landlord immediately should there be any conflict between the architectural and MEP drawings and the Tenant Construction Manual.

A. Architectural Work and Finishes

1. Minimum Building Standard Materials for Tenant Improvements

- Wall Construction:

No perimeter walls shall be affixed to the window mullion system.

Interior Partitions:

Height: Built to underside of ceiling system

Metal Stud: 3-5/8”

Spacing: 16” on center Gypsum Board: 5/8” thick, one layer on each side of metal studs

Sound Batting: None

Finish: 2 coats of latex paint, eggshell finish, over primer.

Air Return: Air transfer above ceiling will be required to maintain proper air-flow for building mechanical system

Tenant Demising Walls:

Height: Built to underside of concrete deck

Metal Stud: 3-5/8”

Spacing: 16” on center Gypsum Board: 5/8” thick, one layer on each side of metal studs

Sound Batting: 3-5/8” sound attenuation blanket

Finish: 2 coats of latex paint, eggshell finish after primer.

Air Return: Air transfer above ceiling will be required to maintain proper air-flow for building mechanical system

Common Area Corridor Walls:

Height: Built to underside of concrete deck

Metal Stud: 3-5/8” (by Landlord)

Spacing: 16” on center

Gypsum Board: 5/8” thick, one layer on corridor side of wall (by Landlord). Tenant will be responsible for one layer 5/8” thick on tenant side.

Sound Batting: 3-5/8" sound attenuation blanket (by Landlord)

Finish: 2 coats of latex paint, eggshell finish. Corridor side of the wall will be finished by Landlord; tenant will be responsible for finish work on tenant side of the wall.

Air Return: Air transfer above ceiling will be required to maintain proper air-flow for building mechanical system

Exterior Surround Walls:

Height: Built 6" above ceiling system

Metal Stud: 2-1/2" (by Landlord)

Spacing: 16" on center

Gypsum Board: 5/8" thick, one layer on stud framing.

Sound Batting: None

Finish: 2 coats of latex paint, eggshell finish

All columns will be left as exposed concrete unless Tenant's Lease Agreement states otherwise.

Dry wall wrap seal on exterior walls.

- Paint:

Gliddon Lifemaster 2000 Low VOC 9 or equivalent), Eggshell finish on walls.

- Doors:

Tenant Interior Doors Standard:

Size: 3'-0" wide by 8' tall by 1- 3/4" thick

Face: Building Standard

Finish: Building standard

Core: Solid core

Building preference will be to have tenant doors match the building standard color. However, tenants will be able to select an alternate color if desired.

Tenant interior Hardware Standard:

Manufacturer: Schlage AL-Series

Style: 06

Finish: 626 (satin chrome)

Type: Passage Set

Card reader systems will be required to interface with the building card reader system and building fire alarm system. The cost associated with controlled access shall be the sole cost of the Tenant.

Tenant Entry Door Standard:

Size: 3' wide by 8' tall by 1-3/4" thick

Face: Building Standard

Finish: Building standard

Core: Solid core

Frame: Hollow Metal

Sidelite: 18" wide tempered glass, full height.

Closers: TBD

Tenant entry door will be building standard color and finish.

- Ceiling:

Ceilings shall be of the accessible type. Suspension systems for all ceiling types shall be metal. All ceiling plenum areas shall be readily accessible at all locations. Any deviations from this requirement must be requested by tenant and is subject to prior written approval of Landlord.

Type: Acoustical Lay-In Ceiling

Manufacturer: CertainTeed

Grid System: TBD

Ceiling Tile: Trim Edge (square)15/16" Grid

Size: 2' X 2'

Height:

Private office: 9' above finished floor

Conference space: 10' above finished floor

General use space: 9' above finished floor

- Flooring:

Provide waterproofing protection in all areas that require floor drains, such as toilet, ice maker and shower areas.

Tenant's contractor is responsible for floating floors in preparation for all floor coverings. Tenants Contractor shall field verify the flatness of the floor area receiving floor coverings during bid process.

General Spaces (including reception, open office areas, conference rooms, offices et.):

Carpet: Shaw broadloom

Pile weight: 24 oz.

Style: At Tenants discretion but approved by Landlord

Backing: classicbac

Secondary Spaces (including break rooms, storage rooms, and work/copy areas):

Sealed Concrete: TBD

- Wall Base:

At Carpet

Rubber Base: Roppe Pinnacle

Height: 3-1/2"

Profile: Straight

Color: As selected by Tenant and approved by Landlord

At stained concrete

Rubber Base: Roppe Pinnacle

Height: 3-1/2"

Profile: Coved

Color: As selected by Tenant and approved by Landlord

- Window Coverings: (Tenant's expense)
 - Manufacturer: Hunter Douglas
 - Color: TBD
 - Controls: Manual
 - Type: 1" Aluminum Horizontal
- Cabinets:
 - Manufacturer:
 - Style:
 - Finish:
 - Type:

Location and quantity of cabinets provided by Landlord shall be determined within the Lease Agreement. All cabinets and their installation shall be the sole expense of the Tenant.

- Fire Protection:

Sprinkler System: Fire Sprinklers will be provided to upright heads above ceiling system.

Tenant will extend sprinkler system to semi-recessed heads located in an area no closer than 6 inches of ceiling grid.

Sprinkler heads shall be located in the center of the 2X2 ceiling tiles.

Fire Alarm: Fire Alarm System is to be purchased by Tenant as part of the build out cost and installed by Landlords contracted vendor in accordance with local codes.

Coordination and final connection to building fire alarm system shall be by the building fire alarm contractor.

Electrical:

- Standard Office

Lighting:

- (2) building standard 2x4 troffer fixture
- (1) wall occupancy sensor

Power redundancy:

- (2) duplex receptacle
- (1) Data Stub (3/4" conduit stubbed to accessible ceiling for data)

- Conference Rooms

Lighting:

- Building standard 2x4 troffer fixtures over table
- Building standard recessed cans around perimeter

- Standard single pole switch for 2x4 fixture
- Slide dimmer for building standard recessed cans

Power:

- (2) duplex receptacle
- (1) Power/Data floor box under conference room
- (1) Data Stub for Television

- Open Area Lighting:

- Building Standard 2x4 as needed
- Standard switches to control lighting for grouped areas

- Power

- Convenience receptacles as approved by Landlord
- Workstation Furniture
- Junction box in accessible ceiling
- Wall power/data rough in for workstation furniture
- Furniture feed floor boxes

- Break Room

Lighting:

- building standard 2x4 troffer fixture
- wall occupancy sensor

Power:

- (1) Fridge receptacle
- (2) Microwave receptacle
- (1) Disposal receptacle with switch
- (2) above counter backsplash GFCI receptacles
- (1) Receptacle/Data stub for TV

Note vending machines require dedicated circuit and are not standard

- Reception

Lighting:

- Building Standard pendant lights over reception desk
- Building Standard 2x4 as needed

Power:

- Wall duplex receptacle to feed reception desk
- Wall data stub for reception desk

- Server Room

Lighting:

- Building Standard 2x4 as needed
- (1) Wall Occupancy sensor

Power:

- (1) dedicated 20A outlet for equipment
- (1) duplex receptacle
- (1) TTB plywood backboard

Note: Server rooms requirements are not standard and additional cooling or power requirements will be coordinated and priced according to requirements provided by tenant

Please note:

- Building Standard is for lay in grid ceiling throughout the space
- All Devices (switches and receptacles) are provided white unless otherwise specified during design.

A. Structural

1. Any alterations, additions or reinforcements to landlord's structure to accommodate tenant improvements shall be permitted only with prior written approval of Landlord.
2. All core drills must be x rayed prior to drilling.
3. Under no circumstances shall the use of jack hammers. Cutting, channeling, drilling, demolishing or penetrating of building exterior walls, floors, slabs, upper deck or roof membrane commence without first coordinating with Landlord and receiving documentation to commence such work.
4. All floor coring must be reviewed by Landlords structural engineer and approved on an individual basis. All structural engineer review coordination required shall be completed by the Tenant's architect through the Landlord and shall be done at the sole expense of the tenant.

EXHIBIT "G"

RULES AND REGULATIONS

The rules and regulations set forth in this Exhibit are a part of the foregoing Lease. Whenever the term "Tenant" is used in these rules and regulations, such term shall be deemed to include Tenant and the Tenant Related Parties. The following rules and regulations may from time to time be modified by Landlord in the manner set forth in the Lease. These rules are in addition to those set forth in any restrictions of record and Tenant shall be subject to all such rules and regulations set forth in such restrictions of record. The terms capitalized in this Exhibit shall have the same meaning as set forth in the Lease.

1. Tenant shall not place or suffer to be placed on any exterior door, wall or window of the Leased Premises, on any part of the inside of the Leased Premises which is visible from outside of the Leased Premises or elsewhere on the Property, any sign, decoration, lettering, attachment, advertising matter or other thing of any kind, without first obtaining Landlord's written approval. Landlord may establish rules and regulations governing the size, type and design of all such items and Tenant shall abide by such rules and regulations. All approved signs or letterings on doors shall be printed, painted and affixed at the sole cost of Tenant by a person approved by Landlord, and shall comply with the requirements of the governmental authorities having jurisdiction over the Property. At Tenant's sole cost, Tenant shall maintain all permitted signs and shall, on the expiration of the Term or sooner termination of this Lease, remove all such permitted signs and repair any damage caused by such removal. Landlord may establish rules and regulations governing the size, type and design of all such items and Tenant shall abide by such rules and regulations, as well as the existing rules and regulations set forth in the Master Declaration.
2. Tenant shall have the right to non-exclusive use in common with Landlord, other tenants and their occupants of the parking areas, driveways, sidewalks and access points of the Property, subject to reasonable rules and regulations prescribed from time to time by Landlord. Landlord shall have the right, but not the obligation, to designate parking areas for Tenant.
3. Tenant shall not obstruct the sidewalks or use the sidewalks in any way other than as a means of pedestrian passage to and from the offices of Tenant. Tenant shall not obstruct the driveways, parking areas or access to and from the Property or individual tenant parking spaces. Any vehicle so obstructing and belonging to Tenant may be towed by Landlord, at Tenant's sole cost and expense.
4. Tenant shall not bring into, or store, test or use any materials in, the Building which could cause fire or an explosion, fumes, vapor or odor unless explicitly authorized by the terms of the Lease.
5. Tenant shall not do, or permit anything to be done in or about the Leased Premises, or keep or bring anything into the Leased Premises, which will in any way increase the rate

of insurance cost for the Property. Unless explicitly provided for in the Lease, Tenant shall not bring, use, store, generate, dispose or allow combustible, flammable or hazardous materials on the Property or the Leased Premises.

6. Tenant shall immediately pay for any damage caused during moving of Tenant's property in or out of the Leased Premises.
7. No repair or maintenance of vehicles, either corporate or private, shall be performed on or about the Property.
8. Tenant shall not leave vehicles parked overnight on the Property unless (a) explicitly authorized by the terms of the Lease, or (b) such vehicles are being used by persons working overnight in the Leased Premises.
9. No outside storage of company or personal property, vehicles or boats in or about the Leased Premises is permitted. This includes, without limitation, transportation and storage items such as automobiles, trucks, trailers, boats, pallets, debris, trash or litter.
10. No additional lock or locks shall be placed by Tenant on any door in the Building, without prior written consent of Landlord. Tenant shall not change any locks. All keys to doors shall be returned to Landlord at the termination of the tenancy, and in the event of loss of keys furnished, Tenant shall pay Landlord the cost of replacement.
11. The Leased Premises shall not be used for lodging or sleeping purposes. No immoral or unlawful purpose is allowed on the Property or in or about the Leased Premises. Vending machines for the use of Tenant's employees only are permitted. Electronic games and similar devices are prohibited.
12. Landlord shall have the right to control and operate the common areas of the Property, as well as the facilities and areas furnished for the common use of the tenants in such manner as Landlord deems best for the benefit of the tenants and the Property generally, considered as a first class institutional facility.
13. No animals or birds of any kind shall be brought into or kept in or about the Leased Premises, except for guide dogs for vision or hearing impaired persons.
14. Canvassing, soliciting, distribution of handbills or any other written materials or peddling on or about the Property are prohibited, and Tenant shall cooperate to prevent the same.
15. Tenant shall not throw any substance, debris, litter or trash of any kind out of the windows or doors of the Building, and will use only designated areas for proper disposal of these materials.
16. Waterclosets and urinals shall not used for any purpose other than those for which they are constructed, and no sweepings, rubbish, ashes, newspaper, coffee grounds or any other substances of any kind shall be thrown into them.

17. Waste and excessive or unusual use of water is prohibited without the prior written consent of Landlord.
18. Tenant shall not penetrate the walls or roof of the Building and shall not attach any equipment or antenna to the roof or exterior of the Building without Landlord's prior written consent. Tenant shall not step onto the roof of the Building for any reason. No television, radio or other audiovisual medium shall be played in such manner as to cause a nuisance to other tenants or persons using the common areas.
19. Landlord shall not be responsible for lost, stolen or damaged personal property, equipment, money, merchandise or any article from the Leased Premises or the common areas regardless of whether or not the theft, loss or damage occurs when the Leased Premises are locked.
20. Landlord reserves the right to expel from the Property anyone who in Landlord's reasonable judgment is intoxicated or under the influence of alcohol, drugs or other substance, or who is in violation of the rules and regulations of the Property.
21. Landlord shall have the right, exercisable without notice and without liability to Tenant, to change the name or street address of the Building or the Property.
22. These rules and regulations are in addition to, and shall not be construed to in any way modify, alter or amend, in whole or in part, the terms, covenants, agreements and conditions of the Lease.
23. Landlord may, from time to time, waive any one or more of these rules and regulations for the benefit of any particular tenant or tenants, but no such waiver by Landlord shall be construed as a waiver of such rules and regulations in favor of any other tenant or tenants, nor prevent Landlord from thereafter enforcing them against any or all of the tenants of the Property.
24. The use of the Leased Premises for business activities is to be conducted within the interior of Tenant's space to the greatest extent possible. Extensive business activities outside Tenant's space is not permitted without the prior written consent of Landlord.
25. If a Tenant is in violation of these rules and regulations and has not corrected such violation within ten (10) days after written notice Landlord may, without forfeiting any other rights or recourses permitted under the Lease, correct the violation at Tenant's expense to include levying a \$100.00 administrative charge per violation for coordinating and managing the correction of the violation. Costs associated with Landlord's reasonable actions to correct the violation including the administrative charge will be added to Basic Rent as defined in the Lease.

EXHIBIT "H"

LEASE GUARANTY

THIS LEASE GUARANTY (this "Guaranty") is made and given as of the of , 2019, by ("Guarantor") in favor of _____ ("Landlord")

RECITALS:

A. Landlord has on this date entered into that certain Lease Agreement, dated , 20__ (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Lease"), with LifeVantage Corporation, a Delaware corporation (together with its permitted successors and/or assigns, the Tenant") covering a leased premises to be located on the real property described on Exhibit "A" to the Lease (the "Property").

B. Guarantor is an affiliate of the Tenant, and is financially interested in the business of Tenant to be conducted under the Lease.

C. Landlord is willing to enter into the Lease only on the precondition that Guarantor makes and gives this Guaranty.

AGREEMENT:

NOW, THEREFORE, in consideration of the Recitals and to induce Landlord to enter into the Lease, Guarantor does hereby agree and covenant as follows:

1. Guaranty. Guarantor hereby guaranties (a) the full, prompt and complete payment (following the expiration of any applicable cure period provided by the Lease) of Tenant's monthly obligations for Basic Annual Rent and all other amounts due under the Lease and (b) the full performance and observance of all covenants, terms, conditions and agreements in the Lease provided to be performed and observed by Tenant, (collectively, the "Obligations"). If Tenant shall default at any time during the term of this Guaranty (following the expiration of any applicable cure period provided by the Lease) in the performance of the Obligations on Tenant's part to be performed under the terms of the Lease, Guarantor shall, on written demand of Landlord, forthwith faithfully perform and fulfill all of such Obligations of Tenant strictly in accordance with the terms and provisions of the Lease. This Guaranty is an absolute, continuing and unconditional Guaranty of payment and of performance. It shall be enforceable against the Guarantor, its successors and assigns, without the necessity for any suit or proceedings on the Landlord's part of any kind or nature whatsoever, against the Tenant, its successors and assigns, and without the necessity of any notice of non-payment, non-performance, or non-observance or any notice of acceptance of this Guaranty or any other notice or demand to which the Guarantor might otherwise be entitled, all of which the Guarantor hereby expressly waives; and the Guarantor hereby expressly agrees that the validity of this Guaranty and the obligations of the Guarantor hereunder shall in no way be terminated, affected or impaired by reason of the assertion or the failure to assert by the Landlord against the Tenant, or the Tenant's successors

and assigns, of any of the rights and remedies reserved to the Landlord pursuant to the provisions of the Lease.

2. Term. This Guaranty shall remain and continue in full force and effect for the entire term of the Lease, including any renewals or extensions thereof, provided the Guaranty shall survive the term of the Lease to the extent any Obligations survive the term of the Lease. Landlord may enforce the terms of this Guaranty with respect to any breach or default which occurred during the term of the Lease, including any renewals or extensions thereof.

3. Exhaustion of Remedies. Landlord and its successors and assigns may enforce the obligations of Guarantor without first resorting to or exhausting any security or collateral or without first having exercising any of its remedies against Tenant, provided, however, that nothing herein shall inhibit or prevent Landlord from exercising any rights and remedies under the Lease, at law or in equity.

4. Rights Cumulative. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies which Landlord has under the Lease or would otherwise have at law or in equity.

5. Joint and Several Liability. If Guarantor consists of more than one person or entity, the obligations and liabilities of each such person hereunder are joint and several.

6. Acceptance of Lease Terms. Guarantor hereby assents to and accepts all of the terms of the Lease and hereby waives notice of acceptance of this Guaranty and also presentment, demand, protest thereto or liability thereon and/or in giving any notice to or making any claim or demand hereunder upon Guarantor. No action or omission of any kind on the part of the Landlord or any successor or assign which does not amount to a breach or default by Landlord under the Lease shall in any event impair this Guaranty.

7. Financial Statements and Credit. The most recent financial statements of Guarantor prepared by an independent certified public account heretofore delivered to the Landlord, if any, have been prepared in accordance with generally accepted accounting principles and fairly presents the financial condition of Guarantor as of the date thereof. Guarantor hereby irrevocably authorizes Landlord, from time-to-time, to perform searches for credit information and to other credit bureau reports concerning Guarantor. The foregoing authorization shall continue until the latter to occur of (i) the full and complete performance by Tenant of each and every obligation of Tenant under the Lease; and (ii) the full and complete performance by Guarantor of each and every obligation of Guarantor under this Guaranty.

8. Modifications to Lease. Guarantor hereby consents and agrees that Landlord or its successors and assigns may at any time or from time to time in its discretion: (a) extend or change the time of performance of all or any of the Obligations; and (b) settle or compromise with Tenant any or all of the Obligations, all in such further assent from Guarantor, it being hereby agreed that Guarantor shall be and remain bound by the Guaranty, notwithstanding any such change, settlement, compromise, sale, renewal or extension. The Guaranty shall be a continuing Guaranty, and the liability of the Guarantor hereunder shall in no way be affected, modified or diminished by reason of any assignment, renewal, modification or extension of the

Lease or by reason of any modification or waiver of or change in any of the terms, covenants, conditions or provisions of the Lease, or by reason of any extension of time that may be granted by the Landlord to the Tenant, its successors and assigns, or by reason of any dealings or transactions or matters or things occurring between the Landlord and the Tenant, its successors and assigns whether or not notice thereof is given to the Guarantor. This Guaranty cannot be assigned, transferred, modified, changed, altered or terminated in any manner whatsoever without the express written consent of the Landlord.

9. Authority. Guarantor hereby represents and warrants that: (a) he, she or it has full power, right, and authority to execute and deliver and to perform all obligations under this Guaranty; (b) this Guaranty constitutes the legal, valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms; and (c) there are no pending or threatened actions or proceedings before any court or administrative agency which may materially and adversely affect the financial condition or operations of Guarantor, except as have been expressly disclosed to Landlord in writing.

10. Notices. All communications and notices to Guarantor shall be in writing and mailed registered or certified mail, return receipt requested, or delivered to Guarantor or Guarantor's successors and assigns, addressed to the address set forth below Guarantor's name on the signature page hereof or at such other address as Guarantor shall hereafter supply to Landlord in the manner herein provided for giving of notice. Any notices to Landlord shall be given as required under the Lease.

11. Miscellaneous Representations. Guarantor hereby represents and agrees that this is a continuing Guaranty and (a) shall remain in full force and effect and be binding upon Guarantor notwithstanding any bankruptcy, reorganization, liquidation, termination, dissolution, appointment of a receiver, or insolvency of Tenant; (b) shall inure to the benefit of and be enforceable by Landlord and its successors, personal representatives, assigns, etc.; (c) shall be deemed to have been made under and shall be governed by the laws of the State where the Property is located in all respects, including, without limitation, matters of construction, validity, performance; and (d) shall not be waived, altered, modified, or amended as to any of its terms or provisions, except in writing duly signed by Landlord or its successors and assigns.

12. Severability. Any provisions of this Guaranty, which may be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

13. Indemnification. Guarantor shall indemnify, pay, and hold Landlord harmless from and against all reasonable costs and expenses (including court costs and reasonable attorney's fee) incurred by Landlord in any enforcement or attempted enforcement of this Guaranty against Guarantor and its successors and assigns, whether incurred with or without suit, or before or after judgment.

14. Governing Law. The interpretation of this Guaranty shall be governed by the laws of the State of Utah. Guarantor hereby expressly and irrevocably agrees that Landlord may

bring any action or claim to enforce the provisions of this Guaranty in the State of Utah, County of Utah, and the Guarantor irrevocably consents to personal jurisdiction in the State of Utah for the purposes of any such action or claim. Guarantor further irrevocably consents to service of process in accordance with the provisions of the laws of the State of Utah. Nothing herein shall be deemed to preclude or prevent Landlord from bringing any action or claim to enforce the provisions of this Guaranty in any other appropriate place or forum.

15. Final Integration Between Parties. This Guaranty represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements between the parties. This Guaranty, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of any Landlord, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

16. Headings, Etc. The headings and captions of various paragraphs of this Guaranty are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

17. Number and Gender/Successors and Assigns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons referred to may require. Without limiting the effect of specific references in any provision of this Guaranty, the term "Guarantor" shall be deemed to refer to each and every person or entity comprising a Guarantor from time to time, as the sense of a particular provision may require, and to include the heirs, executors, administrators, legal representatives, successors and assigns of Guarantor, all of whom shall be bound by the provisions of this Guaranty, provided that no obligation of any Guarantor may be assigned except with the written consent of Landlord. Each reference herein to Landlord shall be deemed to include its successors and assigns. This Guaranty shall inure to the benefit of Landlord and its respective successors and assigns forever.

DATED as of the date first written above.

GUARANTOR:

Address:

EXHIBIT I

Renewal Option Arbitration Procedure

A. Within thirty (30) days after receipt of Tenant's Initial Renewal Notice, Landlord shall advise Tenant of the applicable Market Rate for the Premises with respect to the applicable Renewal Term. Tenant, within fifteen (15) days after the date on which Landlord advises Tenant of the applicable Market Rate for the Premises with respect to the applicable Renewal Term, shall either (i) give Landlord final binding written notice ("**Binding Notice**") of Tenant's exercise of its Renewal Option, or (ii) if Tenant disagrees with Landlord's determination, provide Landlord with written notice of rejection (the "**Rejection Notice**"). If Tenant fails to provide Landlord with either a Binding Notice or Rejection Notice within such 15-day period, Tenant's Renewal Option shall be null and void and of no further force and effect. If Tenant provides Landlord with a Binding Notice, Landlord and Tenant shall enter into an amendment to the Lease incorporating the renewal terms and conditions set forth herein. If Tenant provides Landlord with a Rejection Notice, Landlord and Tenant shall work together in good faith to agree upon the Market Rate for the Premises during the Renewal Term. Upon agreement, Landlord and Tenant shall enter into an amendment to the Lease incorporating the renewal terms and conditions set forth herein. Notwithstanding the foregoing, if Landlord and Tenant fail to agree upon the Market Rate within thirty (30) days after the date Tenant provides Landlord with the Rejection Notice, the Market Rate shall be determined in accordance with the arbitration procedures described below.

B. Landlord and Tenant, within five (5) days after the expiration of said 30-day period, shall each simultaneously submit to the other, in a sealed envelope, its good faith estimate of the Market Rate for the Premises during the applicable Renewal Term (collectively referred to as the "**Estimates**"). If the higher of such Estimates is not more than 102% of the lower of such Estimates, then the Market Rate shall be the average of the two Estimates. If the Market Rate is not resolved by the exchange of Estimates, then, within seven (7) days after the exchange of Estimates, Landlord and Tenant shall each select an appraiser to determine which of the two Estimates most closely reflects the Market Rate for the Premises during the Renewal Term. Each appraiser so selected shall be certified as an MAI appraiser or as an ASA appraiser and shall have had at least 5 years experience within the previous ten (10) years as a real estate appraiser working in the [insert City and State of property location] area, with working knowledge of current rental rates and practices. For purposes hereof, an "**MAI**" appraiser means an individual who holds an MAI designation conferred by, and is an independent member of, the American Institute of Real Estate Appraisers (or its successor organization, or in the event there is no successor organization, the organization and designation most similar), and an "**ASA**" appraiser means an individual who holds the Senior Member designation conferred by, and is an independent member of, the American Society of Appraisers (or its successor organization, or, in the event there is no successor organization, the organization and designation most similar).

C. Upon selection, Landlord's and Tenant's appraisers shall work together in good faith to agree upon which of the two Estimates most closely reflects the Market Rate for the Premises. The Estimate chosen by such appraisers shall be binding on both Landlord and Tenant as the Market Rate for the Premises for use in the calculation of the Basic Annual Rent during

the applicable Renewal Term. If either Landlord or Tenant fails to appoint an appraiser within the 7 day period referred to above, the appraiser appointed by the other party shall be the sole appraiser for the purposes hereof. If the two appraisers cannot agree upon which of the two Estimates most closely reflects the Market Rate within twenty (20) days after their appointment, then, within ten (10) days after the expiration of such 20-day period, the two appraisers shall select a third appraiser meeting the aforementioned criteria. Once the third appraiser (*i.e.*, arbitrator) has been selected as provided for above, then, as soon thereafter as practicable but in any case within fourteen (14) days, the arbitrator shall make his determination of which of the two Estimates most closely reflects the Market Rate for the Premises and such Estimate shall be binding on both Landlord and Tenant for use in the calculation of the Basic Annual Rent rate during the applicable Renewal Term. The parties shall share equally in the costs of the arbitrator. Any fees of any appraiser, counsel or experts engaged directly by Landlord or Tenant, however, shall be borne by the party retaining such appraiser, counsel or expert.

D. If the Market Rate has not been determined by the commencement date of the Renewal Term, Tenant shall pay Basic Annual Rent upon the terms and conditions in effect during the last month of the Term for the Premises until such time as the Market Rate has been determined. Upon such determination, the Basic Annual Rent for the Premises shall be retroactively adjusted to the commencement of the Renewal Term for the Premises to account for any adjustment in the Basic Annual Rent. If such adjustment results in an underpayment of Basic Annual Rent by Tenant, Tenant shall pay Landlord the amount of such underpayment within thirty (30) days after the determination thereof. If such adjustment results in an overpayment of Basic Annual Rent by Tenant, Landlord shall credit such overpayment against the next installment of Basic Annual Rent due under the Lease and, to the extent necessary, any subsequent installments, until the entire amount of such overpayment has been credited against Basic Annual Rent.

EXHIBIT J

Janitorial SPECIFICATIONS Traverse ridge center

GENERAL GUIDELINES

ÿ Evening services will be performed, Monday through Friday after normal business hours, after 6:00 P.M, unless specified otherwise herein. The specific start time is at the discretion, and subject to the approval of the manager.

ÿ Trash must be removed to a central location at each site; final removal of trash from site by trash/waste removal service provider.

DETAILED SPECIFICATIONS: SIX (6) AREAS

A. AREA "A" – OFFICES, GENERAL OFFICE AREA, CONFERENCE ROOMS **NIGHTLY**

1. Vacuum all carpeted traffic areas
2. Vacuum, sweep, or dust mop all hard surface floors
 2. Damp mop all hard surface floors as needed.
 3. Empty all waste baskets and trash containers and remove trash to designated area. Replace liner as needed.
 4. Spot clean horizontal surfaces for removal of drink rings and spillage
 5. Spot clean all entrance glass and internal glass partitions as needed

WEEKLY

1. Sanitize light switches, light switch plate covers, and door handles
2. Wall to wall vacuuming of carpeted areas
3. Remove spots and small spills from carpet (as needed)
 4. Dust horizontal surfaces, i.e. tables, chairs, cabinets, shelves, ledges, window sills within normal reach (6 feet, and only desks when papers are cleared)

MONTHLY

1. Clean all office signage and directories.
2. Detail vacuum carpet edges and corners along wall partitions.
3. High dusting – air vents, light fixtures, tops of doors, door frames, ceiling corners, wall hangings
4. Furniture – vacuum fabric and wipe down other surfaces to remove dust and lint
5. Detail mopping of all hard floors including corners along walls and partitions

QUARTERLY

1. Dust horizontal/vertical blinds.
2. Low Dusting – baseboards, front sides of desks, legs of chairs, tables, and chair bases

ANNUALLY

1. Damp wipe all diffusers and air vents.

B. AREA "B" ELEVATORS, LOBBIES, ENTRANCE WAYS, CORRIDORS

NIGHTLY

1. Vacuum , sweep, or dust mop all hard surface floors.
2. Spot clean all open carpeted areas with visible soil marks less than six (6) inches in diameter.
3. Empty all waste baskets and trash containers and remove trash to designated area. Replace liner as needed.
4. Clean, disinfect and dry shine drinking fountains.
5. Entrance doors cleaned of fingerprints and smudges as needed
6. Walls and elevator doors cleaned of fingerprints and smudges as needed
7. Thoroughly mop all hard surface floors
8. Vacuum all carpeted areas, floor mats, and area rugs

WEEKLY

1. Empty and clean all exterior trash receptacles, replace liners fill sand in cigarette urns when and where applicable
2. Damp clean all furniture within normal reach, six (6) feet
3. Sanitize light switches, light switch plate covers, and door handles
4. Clean elevator walls and dust rails as needed
5. Wall to wall vacuuming of carpeted areas

MONTHLY

1. Clean all office signage and directories.
2. Clean all entrance glass and internal glass partitions, both sides
3. High dusting – air vents, light fixtures, tops of doors, door frames, ceiling corners, wall hangings
4. Low Dusting – baseboards, front sides of desks, legs of chairs, tables, and chair bases
5. Detail vacuum carpet edges and corners along walls and partitions
6. Detail mopping of all hard floors including corners along walls and partitions
7. Clean elevator door tracks

QUARTERLY

1. Auto scrub all ceramic tile floors.
2. Vacuum upholstered furniture in building lobby.
3. Dust horizontal/vertical blinds.

ANNUALLY

1. Wash all diffusers and air vents.

C. AREA "C" RESTROOMS

NIGHTLY

1. Clean and sanitize all restrooms including toilets, toilet seats, urinals, sinks, mirrors and fixtures.

2. Sweep and thoroughly mop floor with germicidal solution.
3. Clean and sanitize walls around toilets and urinals.
4. Empty all waste baskets and containers and remove trash to designated area; replace liners as needed
5. Replenish consumable supplies.
6. Clean, sanitize, and polish all dispensers, fixtures, and mirrors
7. Sanitize partition handles, door handles, and light switches
8. Empty sanitary napkin receptacle and sanitize

WEEKLY

1. High dust – tops of partitions, air vents, mirror frames, light fixtures, and tops of doors
2. Low dust – ledges and molding (wet clean if necessary)
3. Clean and sanitize outside of trash receptacles

MONTHLY

1. Auto scrub and sanitize all restroom floors
2. Add water to all floor drains
3. Change out air fresheners

ANNUALLY

1. Wash diffusers and air vents
2. Wash all ceramic tile walls

D. AREA “D” STAIRWELLS

NIGHTLY

1. Remove debris from all stairs and landings.

WEEKLY

Vacuum, sweep, or dust mop all floors

MONTHLY

Low dusting – baseboards, ledges

QUARTERLY

1. Clean light switches, door knobs, doors, door frames, and walls as needed
2. Spot clean floors as needed
3. High dusting – air vents, light fixtures, tops of doors, door frames, ceiling corners

ANNUALLY

1. Clean floors.
2. Dust all walls.

E. AREA “E” KITCHENS, CAFETERIAS, BREAK ROOMS, COFFEE AREAS

NIGHTLY

1. Surface cleaned with approved sanitizer

2. Spot clean fronts of counters and cupboards as needed
3. Sinks cleaned with approved sanitizer and scoured using liquid cleanser
4. Empty waste receptacles and remove trash to designated area, replace liners as needed
5. Sweep and thoroughly mop floor with germicidal solution
6. Polish stainless steel appliances as needed
7. Inside cleaning of refrigerator and microwaves (per fridge/mircor combo – to be paid via PO monthly)

WEEKLY

1. Sanitize light switches, light switch plate covers, and door handles
2. Spot clean outside of trash receptacles as needed

MONTHLY

1. High dust – air vents, tops of doors, door frames, ceiling corners, wall hangings
2. Detail mopping of all hard floors including corners along walls and partitions

QUARTERLY

- 1 Auto scrub tile floors
2. Dust all window treatments
3. Low Dusting – baseboards, ledges (wet clean if necessary)

ANNUALLY

1. Damp clean (wash) all intake and outtake air vents and diffusers

HVAC SPECIFICATIONS
Traverse ridge center

1) Salmon HVAC is the preferred mechanical contractor for install of the HVAC system.

If Salmon HVAC is not used the following must be followed:

- 2) Install mechanical contractor must be Mitsubishi City Multi certified and have 2 years' experience in installing that system.
- 3) Start Up must be completed by Salmon HVAC. Mechanical contractor can contact Salmon HVAC for a proposal.
- 4) All day to day temperature control is the sole responsibility of Tenant.

EXHIBIT K
APPROVED TEST FIT

EXHIBIT L
SIGNAGE

The image in this Exhibit L is for illustration of the location of the crown signage only. Tenant shall be responsible, as outlined in the body of the Lease, to obtain final design approval from both the Landlord and municipality prior to commencing any fabrication of its crown signage.



CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Darren Jensen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LifeVantage Corporation;
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: January 28, 2020

/s/ Darren Jensen

Darren Jensen

President and Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Steven R. Fife, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LifeVantage Corporation;
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: January 28, 2020

/s/ Steven R. Fife

Steven R. Fife

Chief Financial Officer

(Principal Financial Officer)

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 filing of this quarterly report on Form 10-Q of LifeVantage Corporation (the "Company") for the period ended December 31, 2019, with the Securities and Exchange Commission on the date hereof (the "report"), I, Darren Jensen, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the report or as a separate disclosure document.

Date: January 28, 2020

/s/ Darren Jensen

Darren Jensen

President and Chief Executive Officer

(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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 filing of this quarterly report on Form 10-Q of LifeVantage Corporation (the "Company") for the period ended December 31, 2019, with the Securities and Exchange Commission on the date hereof (the "report"), I, Steven R. Fife, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the report or as a separate disclosure document.

Date: January 28, 2020

/s/ Steven R. Fife

Steven R. Fife

Chief Financial Officer

(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.