

Life360, Inc.
Appendix 4E
Annual Report

1. Company details

Name of entity: Life360, Inc.
ARBN: 629 412 942
Reporting period: For the year ended 31 December 2019
Previous period: For the year ended 31 December 2018

2. Results for announcement to the market (US\$000's)

Revenues from ordinary activities	up	84%	to	58,944
Loss from ordinary activities after tax attributable to the owners of Life360, Inc.	up	50%	to	(28,953)
Loss attributable to the owners of Life 360, Inc.	up	50%	to	(28,953)
Underlying loss from ordinary activities after tax*	up	32%	to	(23,158)

Dividends

No dividends were paid or declared.

** The presentation of underlying loss from ordinary activities after tax excludes stock-based compensation as it provides the best measure to assess the performance of the Company.*

3. Net tangible assets	31 December 2019	31 December 2018
	(US\$)	(US\$)
Net tangible assets per ordinary security	\$ 0.49	\$ 0.69

Comment

The Net tangible assets per ordinary security is defined as the stockholders' Equity (Deficit) per CHESS Depository Interests (CDIs) issued. The common stock; CDI ratio is 1:3. Although no CDIs were issued in 2018, the ratio was calculated by dividing the stockholders' equity by the common shares issued. Preferred stock was excluded and common shares were multiplied by 3 to get the CDI equivalent.

4. Details of entities over which control has been gained during the period

On March 4, 2019, Life360 Inc. entered into a Merger and Reorganization Agreement to acquire Zen Labs, Inc. The company issued 130,000 shares of common stock for total consideration of approximately \$1,015,000. Revenue from Zen Labs for the year ending 31 December 2019 was not material. See Note 6 in the Annual Report for further information.

5. Other

Additional Appendix 4E disclosure requirements and commentary on significant features of the operating performance, trends in performance and other factors affecting the current period are contained in the 2019 Annual Report.

The 2019 Annual report of Life360, Inc for the year ended 31 December 2019 is attached. The consolidated financial statements have been prepared in accordance with U.S Generally Accepted Accounting Principles ("U.S. GAAP"), which have been audited by BDO USA, LLP and is attached as part of the Annual Report.

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December 31, 2019

Annual Report



Life360, Inc.

Directors' Report

The directors present their report, together with the audited consolidated financial statements, on Life360, Inc (referred to hereafter as “the Company” or “Life360”) for the financial year ended December 31, 2019. All amounts are stated in United States dollars, unless otherwise stated.

DIRECTORS

The following persons were directors of Life360 during the whole of the financial year and up to the date of this report, unless otherwise stated:

John Philip Coghlan - Chairman
Chris Hulls
Alex Haro
Brit Morin
Mark Goines (appointed May 10, 2019)
James Synge (appointed May 10, 2019)
David Wiadrowski (appointed May 10, 2019)
Chris Cheever (resigned April 16, 2019)
Ryan Swagar (resigned April 16, 2019)

In December 2019, Alex Haro commenced transitioning his executive responsibilities, primarily engineering and products to a newly recruited executive. This transition will be completed in the first quarter of 2020 at which time Alex Haro will become a non-executive director.

PRINCIPAL ACTIVITIES

During the year, the principal continuing activities of Life360 consisted of operating a platform for today's busy families bringing them closer together by helping them better know, communicate with and protect the people they care about most. No significant change in the nature of these activities occurred during the financial year.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Revenue for the financial year ended 31 December 2019 increased 84% to \$58.9 million as a result of growth in paying accounts, referred to as Paying Circles. The Company's net loss for the year ended December 31, 2019 increased 50% to \$29.0 million.

Total cost and expenses for the year increased by 75% to \$88.0 million. This increase is largely due to the planned increases in research and development and sales and marketing costs as the Company scales.

Life360, Inc.

Directors' Report

	December 31, 2019	December 31, 2018
Net Loss	\$ (28,953)	\$ (19,357)
Interest & Dividend Income	(464)	-
Warrant Fee Amortization	13	-
Interest Expense	178	207
Stock Warrant Liability Revaluation	609	712
Income Taxes	-	15
Depreciation and Amortization	305	133
Foreign Currency Gain/Loss	(399)	16
EBITDA	(28,711)	(18,274)
Stock based Compensation	5,795	1,864
Underlying EBITDA	(22,916)	(16,410)
Underlying Loss from ordinary activities after tax	(23,158)	(17,493)

A review of operations of Life360 is set out in a market release lodged with the Australian Stock Exchange (ASX) on February 27, 2020.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Life360 listed on the ASX on May 10, 2019 through an Initial Public Offering of CDIs. Under the offer, a total of 38.2 million shares were issued. Other than the above matter, there were no significant changes in the state of affairs during the financial year ended December 31, 2019.

On March 4, 2019, Life360 Inc. entered into a Merger and Reorganization Agreement to acquire Zen Labs, Inc. Refer to Note 6 in the Consolidated Financial Statements for further details.

DIVIDENDS

No dividends were paid during the year ended December 31, 2019.

PRESENTATION CURRENCY

The functional and presentation currency of Life360 is United States Dollar (US Dollars). The financial report is presented in US Dollars with all references to dollars, cents or \$ in these consolidated financial statements presented in US currency, unless otherwise stated.

ROUNDING OF AMOUNTS

Unless otherwise stated, amounts in this report have been rounded to the nearest thousand United States Dollars.

Life360, Inc.

Directors' Report

JURISDICTION OF INCORPORATION

The Company is incorporated in the State of Delaware, United States of America and is a registered foreign entity in Australia. As a foreign company registered in Australia, the Company is subject to different reporting and regulatory regimes than Australian companies.

DELAWARE LAW, CERTIFICATE OF INCORPORATION AND BYLAWS

As a foreign company registered in Australia, the Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (including substantial shareholdings and takeovers).

Under the provisions of Delaware General Corporation Law ("DGCL"), shares are freely transferable subject to restrictions imposed by US federal or state securities laws, by the Company's certificate of incorporation or bylaws, or by an agreement signed with the holders of the shares at issuance. The Company's amended and restated certificate of incorporation and bylaws do not impose any specific restrictions on transfer. However, provisions of the DGCL, the Company's Certificate of Incorporation and the Company's Bylaws could make it more difficult to acquire the Company by means of a tender offer (takeover), a proxy contest or otherwise, or to remove incumbent officers and Directors of the Company. These provisions could discourage certain types of coercive takeover practices and takeover bids that the Board may consider inadequate and to encourage persons seeking to acquire control of the Company to first negotiate with the Board.

The Company believes that the benefits of increased protection of its ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure the Company outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In February 2020, the Chief Financial Officer, Wendell Laidley, left the company.

No other matter or circumstance has arisen since December 31, 2019 that has significantly affected, or may significantly affect Life360 operations, the results of those operations, or Life360 state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

CORPORATE GOVERNANCE

The Company, as a US incorporated corporation, seeks to achieve substantive compliance with the governance recommendations set out in the 'Corporate Governance Principles and Recommendations 3rd Edition', published by the ASX Corporate Governance Council (the ASX Principles). The Company's Corporate Governance Statement can be viewed at <https://investors.life360.com/investor-relations/?page=corporate-governance>. The Corporate Governance Statement sets out the extent to which Life360 has followed the ASX Corporate Governance Council's 29 Recommendations during the year ended December 31, 2019.

Life360, Inc.

Directors' Report

INFORMATION ON DIRECTORS

John Philip Coghlan **Independent Non-executive Chair**

- John is the Independent Non-executive Chair of Life360, having joined the Board in 2009
- John is the Founder and a board member at Concourse Education (a non-profit start-up focused on providing debt-free college degree attainment) and previously, a board member at GLIDE (a non-profit organisation that aids the homeless)
- John was previously the board Chair at KIPP Bay Area Schools, served as President and Chief Executive Officer of Visa USA, and as Vice Chairman of the Charles Schwab Corporation
- John holds a Bachelor of Arts in Psychology from Stanford, a Master of Arts in Economics and Public Policy from Princeton University (Woodrow Wilson School), and a Master of Business Administration from Harvard Business School

Special responsibilities: Chairman of the Board, Member of the Audit and Risk Management Committee, Member of the Remuneration and Nomination Committee

Other directorships: Concourse Education

Chris Hulls **Executive director, Co-founder and Chief Executive Officer**

- Chris is a Co-founder and the Chief Executive Officer of Life360
- Chris was previously an angel investor in, or an advisor to, a number of technology companies including Tile, Credible, Ring, Automatic, Honk and Zendrive. He is also an Air Force veteran and served in Afghanistan
- Chris holds a Bachelor of Science in Business Administration with Highest Honors from the University of California, Berkeley

Special responsibilities: None

Other directorships: None

Alex Haro **Executive director, Co-founder and President**

- Alex is a Co-founder and the President of Life360
- Alex previously worked on Orbited, a popular open source project that allows real-time communication in the browser
- Alex studied Computer Science at Pomona College / Harvey Mudd
- Alex was honored as one of the 2015 Forbes 30 Under 30 in the Consumer Technology category

Special responsibilities: None

Other directorships: None

Brit Morin **Independent Non-executive director**

- Brit joined the Board in 2018
- Brit is the Founder and Chief Executive Officer of Brit + Co, a digital media and commerce brand, and a board member to the Girl Scouts. Brit has been awarded various accolades including Ad Age's 40 under 40, Forbes 30 Under 30 and Fortune's Most Promising Entrepreneurs
- Brit previously worked in product and marketing roles at Google and Apple
- Brit holds a Bachelor of Science from the University of Texas Austin

Special responsibilities: Member of the Remuneration and Nomination Committee

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Directors' Report

Other directorships: Brit Media, Inc and Girl Scouts of the United States of America

James Syngé **Independent Non-executive director**

- James is a Partner at Carthona Capital, a leading Australian venture capital firm which specialises in technology companies
- James is a very early investor in the Company having invested more than 10 years ago and has been instrumental in bringing the Company to the Australian market for capital raising
- Prior to the establishment of Carthona Capital, James held senior positions at Bankers Trust Australia, Deutsche Bank (Frankfurt) and UBS (Zurich)
- James holds a Master of Tax from the University of Sydney and Bachelor of Business from the University of Technology (Sydney)

Special responsibilities: Member of the Audit and Risk Management Committee, Member of the Remuneration and Nomination Committee

Other directorships: Neoclinical Pty Ltd, Paratus Clinical Pty Ltd, Ramp Holdings Pty Ltd, Responsight Pty Ltd, Wildcard Money Pty Ltd, Daedalean AG, Carthona Capital Pty Ltd, Bianco Sydney Pty Ltd, Carthona Capital FS Pty Ltd, Carthona Capital Point Pty Ltd, Local Ventures Pty Ltd, Carthona BAP Australia Pty Ltd, CC ESIF No. 1 General Partner Pty Ltd, CCVF1(HP) Services Pty Ltd, CC Sponsor Services Pty Ltd, CCESIF Sponsor Services Pty Ltd, CCVF1 (HP) Sponsor Services Pty Ltd, Styngé Pty Ltd, The Valhalla Fund, The Valhalla Foundation, Peptcell Limited, Etcontingam Pty Ltd, CCVF2 (HP) Services Pty Ltd, TAHC Pty Limited

Mark Goines **Independent Non-executive director**

- Mark is the Vice Chairman of Personal Capital, an online financial advisor and personal wealth management company
- Mark currently also sits on the boards of BillFloat, Odeka and Credit Interlink
- Mark holds a Bachelor of Science and a Master of Business Administration from University of California, Berkeley

Special responsibilities: Chairman of the Remuneration and Nomination Committee

Other directorships: BillFloat, Odeka and Credit Interlink

David Wiadowski **Independent Non-executive Director**

- David is an experienced Non-executive director and currently is on the board four ASX listed entities
- David was a senior Assurance partner at PricewaterhouseCoopers (PwC) for more than 25 years
- David led the National Technology, Media and Telco practice at PwC for 8 years and was also the Chief Operating Officer of the PwC Assurance business for 5 years
- David holds a Bachelor of Commerce from the University of NSW, is a Fellow of the Chartered Accountants of Australia and New Zealand and is a Graduate of the Australian Institute of Company Directors

Special responsibilities: Chairman of the Audit and Risk Management Committee

Other directorships: Vocus Group Limited, carsales.com Limited, oOh Media Limited, Cambodian Children's Fund

Life360, Inc.

Directors' Report

REMUNERATION REPORT

The Directors of Life360 present the Remuneration Report (the Report) for the Company for the year ended December 31, 2019. Life360 was listed on the Australian Securities Exchange ('ASX') on May 10, 2019. Life360 is a US domiciled company that is listed on the ASX and as such it is subject to remuneration disclosure requirements that are suitable for reporting in both Australia and the United States.

This Report forms part of the Directors' Report and has been prepared using the requirements of section 300A of the Australian Corporations Act 2001 as a proxy to determine the contents that we have chosen to report. The Report details the remuneration arrangements for Life360's key management personnel (KMP). KMPs are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company. KMP's including the following:

- Non-executive directors (NEDs)
- Executive directors and certain senior executives (collectively "the Executives").

REMUNERATION GOVERNANCE

This section describes the role of the Board and Remuneration and Nomination Committee when making remuneration decisions and sets out an overview of the principles and policies that underpin the Company's remuneration framework.

ROLE OF BOARD AND REMUNERATION AND NOMINATION COMMITTEE

The Board is responsible for ensuring that the Company's remuneration structures are equitable, will attract and retain skilled executives and are aligned with the long-term interests of the Company and its shareholders. Consistent with this responsibility, the Board has established a Remuneration and Nomination Committee, whose role is to:

- Establish, amend, review and approve the compensation and equity incentive plans with respect to senior management and employees of the Company including determining individual elements of total compensation of the Chief Executive Officer and other members of senior management.
- Review the performance of the Company's executives with respect to these elements of compensation.
- Establish, amend, review and approve the compensation and equity incentive plans with respect to Non-executive directors of the Company.
- Ensure that Non-executive directors and senior management remuneration are competitive within the market place and appropriate to attract and retain talented and effective Non-executive directors, and senior management so as to encourage enhanced performance of the Company and to create value for shareholders.

The Remuneration and Nomination Committee comprises four Non-executive directors

Mark Goines, Chair
John Philip Coghlan
Brit Morin
James Synge

The Remuneration and Nomination Committee has a formal charter, which sets out its roles and responsibilities, composition structure and membership requirements. A copy of this charter can be viewed on Life360's website <https://investors.life360.com/investor-relations/?page=corporate-governance>.

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Directors' Report

Further information regarding the Remuneration and Nomination Committee's role, responsibilities and membership is set out in the Company's Corporate Governance Statement.

KEY MANAGEMENT PERSONNEL COMPENSATION

This section discusses the principles underlying our policies and decisions with respect to the compensation of our KMPs, and all material factors relevant to an analysis of these policies and decisions. Our KMPs for the year ended December 31, 2019 were all non-executive directors and the following executives:

Chris Hulls	Executive director, Co-founder and Chief Executive Officer
Alex Haro	Executive director, Co-founder and President
Wendell Laidley	Chief Financial Officer, Treasurer
David Rice	Chief Operating Officer

COMPONENTS OF EXECUTIVE COMPENSATION

The principal components of our executive compensation are base salary, cash bonuses and long-term incentives. Our Remuneration and Nomination Committee considers that each component of executive compensation must be evaluated and determined with reference to competitive market data, individual and corporate performance, our recruiting and retention goals and other information we deem relevant. The terms of each KMP's compensation are derived from the employment agreements the Company has entered into with them.

The components of the executive compensation packages for our KMPs for the year ended December 31, 2019 are as follows:

Chris Hulls	Executive director, Co-founder and Chief Executive Officer
Base Salary:	US\$300,000 per annum
Benefits:	Certain other benefits are available and payable to Mr. Hulls such as health insurance, business travel expenses and other expenses consistent with the Company's expense policy.
Termination:	Mr. Hulls' employment may be terminated (i) at any time upon mutual written agreement of the parties; (ii) by the Company immediately and without prior notice, for cause; (iii) immediately upon Mr. Hulls' death or disability; (iv) by the Company other than for cause with advance written notice of at least six months; or (v) by Mr. Hulls other than due to Mr. Hulls' death or disability with advance written notice of at least six months. Mr. Hulls entered into a retention agreement with the Company in 2016 (Retention Agreement). Under the Retention Agreement the Company will pay a cash bonus to Mr. Hulls of US\$304,000 if: <ul style="list-style-type: none">• Mr. Hulls remains employed by the Company until December 31, 2022; or• Mr. Hulls employment is terminated without cause before December 31, 2022; or• A change in control of the Company occurs before December 31, 2022.

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Payment of the cash bonus upon termination is subject to satisfaction of certain conditions, including Mr. Hulls' execution of a full and complete general release of all claims against the Company and its affiliates.

Incentives: Mr. Hulls is eligible to participate in the Company's 2011 Stock Incentive Plan and Stock Bonus Program and has been granted 1,478,383 currently outstanding Options (Existing Options) as at December 31, 2019. If a change of control of the Company occurs and Mr. Hulls' service to the Company is involuntarily terminated by the Company or its successor in connection with or within 36 months following a change of control, all of the unvested Existing Options then held by Mr. Hulls will vest.

Mr. Hulls is eligible to participate in the Cash Bonus Plan, and is eligible to receive a target cash bonus of US\$75,000 and a maximum potential bonus of US\$150,000 for the year ending December 31, 2019.

The performance milestones for the year ending December 31, 2019 are:

- Business performance - objectives related to business performance including MAU growth, Paying Circle growth, revenue, and the Company's net promoter score (NPS); and
- Individual management - objectives related to competencies and capabilities specific to Mr. Hulls that the Board has identified as critical to Mr. Hulls' development. The business performance objectives and the individual management objectives are weighted equally.

Other On 26 February 2016, the Company provided a loan of US\$253,000 to Mr. Hulls for the exercise of options to purchase Shares, which is partially secured by 1,405,575 Shares owned by Mr. Hulls. The loan remains outstanding and the key terms of the loan are:

- An interest rate of 2.61% per annum compounding annually, with a maturity date of seven years from the loan date (25 February 2023).
- The loan is a partial recourse loan, secured by 1,405,575 Shares.
- If, after the maturity date, Mr. Hulls fails to repay the loan, the Company can collect the collateral (the pledged Shares).

The maturity date of the loan automatically accelerates upon certain events, including the termination by the Company of Mr. Hulls' employment.

Alex Haro	Executive director, Co-founder and President
Base Salary:	US\$250,000 per annum
Benefits:	Certain other benefits are available and payable to Mr. Haro such as health insurance, business travel expenses and other expenses consistent with the Company's expense policy.
Termination:	Mr. Haro's employment may be terminated (i) at any time upon mutual written agreement of the parties; (ii) by the Company immediately and without prior notice, for cause; (iii) immediately upon Mr. Haro's death or disability; (iv) by the Company other than for cause with advance written notice of at least six

Life360, Inc. Directors' Report

months; or (v) by Mr. Haro other than due to Mr. Haro's death or disability with advance written notice of at least six months.

Mr. Haro entered into a retention agreement with the Company in February 2016 (Retention Agreement). Under the Retention Agreement the Company will pay a cash bonus to Mr. Haro of US\$264,000 if:

- Mr. Haro remains employed by the Company until December 31, 2022; or
- Mr. Haro's employment is terminated without cause before December 31, 2022; or
- A change in control of the Company occurs before December 31, 2022.

Payment of the cash bonus upon termination is subject to satisfaction of certain conditions, including Mr. Haro's execution of a full and complete general release of all claims against the Company and its affiliates.

Incentives: Mr. Haro is eligible to participate in the Company's 2011 Stock Incentive Plan and Stock Bonus Program and has been granted 620,551 currently outstanding Options (Existing Options) as at December 31, 2019.

If a change of control of the Company occurs and Mr. Haro's service to the Company is involuntarily terminated by the Company or its successor in connection with or within 36 months following a change of control, all of the unvested Existing Options then held by Mr. Haro will vest.

Mr. Haro is eligible to participate in the Cash Bonus Plan, and is eligible to receive a target cash bonus of US\$50,000 and a maximum potential bonus of US\$100,000 for the year ending December 31, 2019. The performance milestones for the year ending December 31, 2019 are:

- Business performance - objectives related to business performance including MAU growth, Paying Circle growth, revenue, and the Company's net promoter score (NPS); and
- Individual management - objectives related to competencies and capabilities specific to Mr. Haro that the Board has identified as critical to Mr. Haro's development.

The business performance objectives and the individual management objectives are weighted equally.

Other On 26 February 2016, the Company provided a loan of US\$220,000 to Mr. Haro for the exercise of options to purchase Shares, which is partially secured by 1,224,007 Shares owned by Mr. Haro. This loan remains outstanding and the key terms of the loan are:

- An interest rate of 2.61% per annum and compounding annually, with a maturity date of seven years from the loan date (25 February 2023).
- The loan is a partial recourse loan, secured by 1,224,007 Shares.
- If, after the maturity date, Mr. Haro fails to repay the loan, the Company can collect the collateral (the pledged Shares).

Life360, Inc. Directors' Report

The maturity date of the loan automatically accelerates upon certain events, including the termination by the Company of Mr. Haro's employment.

Wendell Laidley	Chief Financial Officer, Treasurer
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Base Salary:	US\$250,000 per annum
Benefits:	Certain other benefits are available and payable to Mr. Laidley such as health insurance, business travel expenses and other expenses consistent with the Company's expense policy.
Termination:	Mr. Laidley's employment with the Company is for no specific period of time and will be "at will." This means that either Mr. Laidley or the Company can terminate his employment at any time and for any reason, with or without cause or notice.
Incentives:	Mr. Laidley is eligible to participate in the Company's 2011 Stock Incentive Plan and Stock Bonus Program and has been granted 498,834 currently outstanding Options (Existing Options) as at December 31, 2019.

Mr. Laidley is eligible to participate in the Cash Bonus Plan, and is eligible to receive a target cash bonus of US\$75,000 for the year ending December 31, 2019.

The performance milestones for the year ending December 31, 2019 are:

- Business performance - objectives related to business performance including MAU growth, Paying Circle growth, revenue, and the Company's net promoter score (NPS); and
- Individual management - objectives related to competencies and capabilities specific to Mr. Laidley

The business performance objectives and the individual management objectives are weighted equally.

Refer to Subsequent events in the Consolidated Financial Statements regarding Mr. Laidley's departure in February 2020.

David Rice	Chief Operating Officer
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Base Salary:	US\$350,000 per annum
Benefits:	Certain other benefits are available and payable to Mr. Rice such as health insurance, business travel expenses and other expenses consistent with the Company's expense policy.
Termination:	Mr. Rice's employment with the Company is for no specific period of time and will be "at will." This means that either Mr. Rice or the Company can terminate his employment at any time and for any reason, with or without cause or notice.

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Incentives: Mr. Rice is eligible to participate in the Company's 2011 Stock Incentive Plan and Stock Bonus Program and has been granted 225,402 currently outstanding Options (Existing Options) as at December 31, 2019.

Mr. Rice is eligible to participate in the Cash Bonus Plan, and is eligible to receive a target cash bonus of US\$100,000 for the year ending December 31, 2019.

The performance milestones for the year ending December 31, 2019 are:

- Business performance - objectives related to business performance including MAU growth, Paying Circle growth, revenue, and the Company's net promoter score (NPS); and
- Individual management - objectives related to competencies and capabilities specific to Mr. Rice

The business performance objectives and the individual management objectives are weighted equally.

EXECUTIVE STOCK BONUS PROGRAM - 2019 AWARDS

The maximum number of shares that the members of the Executive Team will be eligible to receive under the Stock Bonus Program for the year ending December 31, 2019 are set out in the below table. Such award grants are subject to the approval of the Remuneration and Nomination Committee of the Company's board of directors.

Executive	Maximum Award
Chris Hulls	Shares representing 0.5% of the total number of shares in the Company (calculated on a fully diluted basis) on the date of testing of the performance hurdles described below.
Alex Haro	Shares representing 0.25% of the total number of shares in the Company (calculated on a fully diluted basis) on the date of testing of the performance hurdles described below.
Other members of the executive team as determined by the Remuneration and Nomination Committee	Shares representing 1.0% of the total number of shares in the Company (calculated on a fully diluted basis) on the date of testing of the performance hurdles described below.

The number of shares to which Chris Hulls, Alex Haro or another member of the executive team will ultimately become entitled will be scaled depending on performance measured against two criteria:

- The Company's share price performance relative to the share price performance of companies comprising the NASDAQ Composite index measured one trading day after the release of the Company's annual results for 2019 relative to the opening trading price on the Listing Date; and
- The Company's actual annualized monthly revenue relative to its target revenue for 2019.

The scales that will apply to the Shares subject to these two performance criteria are shown in the table below.

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Relative share price

Life360's share price performance for 2019	Percentage of Maximum Award to be issued as Shares/Restricted Stock Units ("RSUs"), being the Achieved Award
Meets performance of companies comprising the NASDAQ Composite Index	17%
Exceeds performance of companies comprising the NASDAQ Composite index by 15% or more, but less than 30%	33%
Exceeds performance of companies comprising the NASDAQ Composite index by 30% or more	50%

Revenue outperformance

Life360's actual annualized monthly revenue for 2019	Percentage of Maximum Award to be issued as Shares/RSUs, being the Achieved Award
Meets target annualized monthly revenue as of December 31, 2019 of US\$75.1million	17%
Exceeds target annualized monthly revenue as of December 31, 2019 of US\$75.1million by more than 10%, but less than 20%	33%
Exceeds target annualized monthly revenue as of December 31, 2019 of US \$75.1million by 20% or more	50%

If the performance criteria are satisfied, the Company will:

- Grant one third of the Achieved Award to the executive as shares within two weeks after the release of the Company's annual results for the year ending December 31, 2019;
- Grant one third of the Achieved Award to the executive as RSUs. The RSUs will vest on the first anniversary of the date of grant, subject to the grantee's continuous service through such date;
- Grant one third of the Achieved Award to the executive as RSUs. The RSUs will vest on the second anniversary of the date of grant, subject to the grantee's continuous service through such date.

If the Company is subject to a change of control, vesting of the RSUs will accelerate if the recipient's job or compensation would materially change, but not in the event of termination in other circumstances.

STOCK BONUS PROGRAMS - FUTURE AWARDS

The recipients of awards under the Stock Bonus Program and the applicable performance hurdles for the years ending December 31, 2020 and beyond will be determined by the Remuneration and Nomination Committee.

Life360, Inc.

Directors' Report

NON-EXECUTIVE DIRECTOR COMPENSATION

The Remuneration and Nomination Committee is responsible for determining and reviewing compensation arrangements for each Non-executive director. The Non-executive directors for the year ended December 31, 2019 were as follows:

John Philip Coghlan
 Brit Morin
 Mark Goines
 James Synge
 David Wiadrowski

The Company has entered into an appointment letter with each of its Non-executive directors. The Directors' fees currently agreed to be paid by the Company under the appointment letters for the year ending December 31, 2019 are as set out below:

Director	Annual cash Director's fees	RSUs granted over shares ¹
John Philip Coghlan ²	Nil	Nil
Brit Morin ³	Nil	Nil
James Synge	US\$20,000	US\$60,000 in RSUs
Mark Goines	US\$20,000	US\$60,000 in RSUs
David Wiadrowski	US\$20,000	US\$60,000 in RSUs

¹ The number of RSUs to be issued will be calculated based on the U.S. Dollar value amount set forth in the table above divided by the product of the US\$ equivalent of the Offer Price multiplied by the number of CDIs equivalent to one Share on the Listing Date. The RSU grants will vest quarterly over the year following their grant provided that the Director remains a Director of the Company as at the applicable vesting date and are automatically settled in Shares for nil consideration. Unvested RSUs automatically lapse upon a termination of service unless otherwise determined by the Board. The RSUs will be granted under the 2011 Stock Incentive Plan.

² John Philip Coghlan received option(s) to purchase 143,226 Shares on 24 October 2017 at an exercise price of US\$2.15 per share, which will comprise his compensation for his services as a director for the year ending December 31, 2019.

³ Brit Morin received option(s) to purchase 93,947 Shares on 24 January 2018 at an exercise price of US\$2.15 per share, which will comprise her compensation for her services as a director for the year ending December 31, 2019.

In addition, the following annual fees are payable to Directors for membership of Board committees:

Committee	Chair		Member	
	Cash	RSUs granted over shares	Cash	RSUs granted over shares
Audit and Risk Management Committee	US\$5,000	US\$15,000 in RSUs	US\$1,250	US\$3,750 in RSUs
Remuneration and Nomination Committee	US\$1,000	US\$1,250 in RSUs	Nil	Nil

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REMUNERATION TABLE

Remuneration earned by directors and KMPs during the year is summarized as follows:

2019	Salary and fees US\$	Cash bonus US\$	Other benefits US\$	Stock based compensation US\$	Total US\$
Directors					
John Philip Coghlan	1,250	-	-	132,467	133,717
Chris Hulls	300,000	75,000	-	580,177	955,177
Alex Haro	250,000	-	-	229,647	479,647
Brit Morin	-	-	-	36,970	36,970
Mark Goines	13,650	-	-	42,535	56,185
James Synge	13,813	-	-	44,271	58,084
David Wiadrowski	16,250	-	-	52,084	68,334
KMPs					
Wendell Laidley	241,124	25,961	-	417,819	684,904
David Rice	350,000	100,000	-	46,765	496,765

No remuneration was paid to Chris Cheever and Ryan Swagar who were directors of the Company during the year ended December 31, 2019 and had resigned on April 16, 2019.

SECURITIES HELD BY DIRECTORS AND KMP

The directors and KMPs of the Company are shown together with their holdings of common stock, options and RSUs, held directly or indirectly:

	Direct			Indirect		
	Common Stock	Options	RSUs	Common Stock	Options	RSUs
Directors						
John Philip Coghlan	32,184	240,110	184	104,609 ¹	-	-
Chris Hulls	2,886,552	1,478,383	-	29,960 ²	-	-
Alex Haro	1,784,054	620,551	-	403,477 ^{2,3}	-	-
Brit Morin	-	93,947	-	-	-	-
Mark Goines	3,002	32,000	3,003	187,589	-	-
James Synge	496,471	-	3,126	64,379 ²	-	-
David Wiadrowski	3,676	-	3,677	-	-	-
KMPs						
Wendell Laidley	-	498,834	-	-	-	-
David Rice	417,570	225,402	-	-	-	-

¹ 34,893 Shares are held by John Coghlan as trustee for the John Coghlan Living Trust and 69,716 are held through Seraph Partners Fund III and co-investments with Seraph.

² Chris Hulls, Alex Haro, and Carthona Capital FS Pty Ltd. (an affiliate of James Synge) are members of ICCA Labs, LLC, an entity that holds 133,408 Shares. The number of Shares attributable to Chris Hulls by reason of his membership interest in ICCA Labs, LLC is 29,960. The number of Shares attributable to Alex Haro by reason of his membership interest in ICCA Labs, LLC is 30,635. The number of Shares attributable to Carthona Capital FS Pty Ltd. (an affiliate of James Synge) by reason of this membership interest in ICCA Labs, LLC is 64,379.

³ Alex Haro is a member of AJS Life360 Holdings 2 LLC, an entity that holds 686,930 Shares of Life360. The number of Shares attributable to Alex Haro by reason of his membership interest in AJS Life360 Holdings 2 LLC is 372,842.

Life360, Inc.

Directors' Report

MOVEMENTS IN OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS HELD BY DIRECTORS AND KMPs

The movement during the reporting period in the number of equity instruments in the Company held, directly, indirectly or beneficially, by each Non-executive director and each executive KMP, including their related parties is as follows:

	Instrument	Balance as at appointment date	Granted	Vested during the year	Exercised	Balance as at December 31, 2019	Vested and exercisable at December 31, 2019
John Philip Coghlan	Options	-	240,110	61,338	-	240,110	179,529
	RSUs	-	368	184	-	184	184
Chris Hulls	Options	-	1,478,373	369,594	-	1,478,373	567,139
Alex Haro	Options	-	620,551	155,135	-	620,551	254,615
Brit Morin	Options	-	93,947	28,706	-	93,947	60,021
Mark Goines	Options	-	32,000	-	-	32,000	32,000
	RSUs	-	6,005	3,002	-	3,003	3,002
James Synge	RSUs	-	6,250	3,124	-	3,126	3,124
David Wiadrowski	RSUs	-	7,353	3,676	-	3,677	3,676
Wendell Laidley	Options	-	498,834	-	-	498,834	-
David Rice	Options	-	225,402	56,348	-	225,402	151,793

MEETINGS ATTENDED BY BOARD

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Board of Directors		Audit & Risk Management Committee		Remuneration & Nomination Committee	
	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance
John Philip Coghlan	11	11	5	5	2	2
Chris Hulls	11	11	5	5	-	-
Alex Haro	11	11	-	-	-	-
Brit Morin	11	11	-	-	2	2
Mark Goines	9	9	-	-	2	2
James Synge	9	9	5	5	2	2
David Wiadrowski	9	9	5	5	-	-

INDEMNITY AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has indemnified directors and executives of the Company for costs incurred in their capacity as a director or officer, for which they may be held personally liable, except where there is a lack of good faith.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

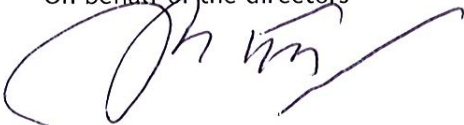
Life360, Inc. Directors' Report

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the Company.

This report is made in accordance with a resolution of the directors

On behalf of the directors

A handwritten signature in black ink, appearing to read "John Coghlan", with a long horizontal flourish extending to the right.

John Philip Coghlan
February 27, 2020

San Francisco, USA

Life360, Inc.

Consolidated Financial Statements

As of and for the Years Ended
December 31, 2019 and 2018

Life360, Inc.

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Independent Auditor's Report

Board of Directors
Life360, Inc.
San Francisco, California

We have audited the accompanying consolidated financial statements of Life360, Inc. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, convertible preferred stock and stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Life360, Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLI[?]

San Jose, California
February 27, 2020

Life360, Inc.

Consolidated Balance Sheets (Dollars in U.S. \$, in thousands, except share and per share data)

	December 31, 2019	December 31, 2018
Assets		
Current Assets:		
Cash and cash equivalents	\$ 63,818	\$ 25,813
Accounts receivable	7,893	5,721
Costs capitalized to obtain revenue contracts, net	2,244	1,202
Prepaid expenses and other current assets	5,282	2,381
Total current assets	79,237	35,117
Restricted cash	251	243
Property and equipment, net	547	276
Costs capitalized to obtain revenue contracts, net of current portion	724	532
Goodwill	764	-
Intangible assets, net	257	152
Notes due from affiliates	283	260
Prepaid expenses and other assets, noncurrent	3,478	1,109
Total Assets	\$ 85,541	\$ 37,689
Liabilities, Convertible Preferred Stock, and Stockholders Equity (Deficit)		
Current Liabilities:		
Accounts payable	\$ 495	\$ 2,925
Accrued expenses and other liabilities	3,398	2,100
Deferred revenue	8,321	6,142
Notes payable, current portion and net of discount	-	1,638
Total current liabilities	12,214	12,805
Notes payable, net of current portion and discount	-	3,310
Preferred stock warrant liability	-	800
Deferred rent	234	295
Other noncurrent liabilities	817	838
Total Liabilities	\$ 13,265	\$ 18,048
Commitments and Contingencies (Note 10)		
Convertible Preferred Stock (Note 12)		
Convertible Preferred Stock, \$0.001 par value; 0 and 31,889,663 shares authorized as of December 31, 2019 and December 31, 2018; and 0 and 30,405,056 issued and outstanding at December 31, 2019 and December 31, 2018, respectively (aggregate liquidation preferences of \$0 and \$123,632,206 December 31, 2019 and December 31, 2018, respectively)	-	115,641
Stockholders' Equity (Deficit) (Note 11)		
Common Stock, \$0.001 par value; 100,000,000 and 55,000,000 shares authorized as of December 31, 2019 and December 31, 2018, respectively; 48,830,689 and 9,457,862 issued and outstanding at December 31, 2019 and December 31, 2018, respectively	49	9
Additional paid-in capital	188,300	(8,889)
Notes due from affiliates	(621)	(621)
Accumulated deficit	(115,452)	(86,499)
Total stockholders' equity (deficit)	72,276	(96,000)
Total Liabilities, Convertible Preferred Stock, and Stockholders' Equity (Deficit)	\$ 85,541	\$ 37,689

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

Life360, Inc.

Consolidated Statements of Operations and Comprehensive Loss (Dollars in U.S. \$, in thousands except share and per share data)

	Year ended	
	December 31, 2019	December 31, 2018
Revenue:		
Subscription revenue	\$ 44,054	\$ 24,808
Partnership revenue (including related party revenue of \$654 and \$4,004, respectively)	4,658	2,506
Data revenue	10,232	4,748
Total revenue	58,944	32,062
Cost and expenses:		
Customer support, crash and roadside assistance	2,253	914
Research and development	32,143	18,778
Sales and marketing	33,919	18,744
General and administrative	9,264	6,135
Technology expenses	10,380	5,779
Total cost and expenses	87,959	50,350
Loss from operations	(29,015)	(18,288)
Interest expense	192	346
Change in fair value of preferred stock warrant liability	609	712
Other (income)/expense	(863)	11
Loss before income taxes	(28,953)	(19,357)
Benefit from (provision for) income taxes	-	-
Net Loss and Comprehensive Loss	\$ (28,953)	\$ (19,357)
Net loss per share attributable to common shareholders	\$ (0.84)	\$ (1.84)
Weighted-average shares used in computing net loss per share attributable to common shareholders, basic and diluted	34,533,237	10,497,978

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

Life360, Inc.

Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)

(Dollars in U.S. \$, in thousands, except share data)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Notes Due from Affiliates	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Opening Balance	26,640,926	\$ 82,374	10,312,066	\$ 10	\$ 2,487	\$ (621)	\$ (67,142)	\$ (65,266)
Issuance of convertible preferred stock, net of issuance cost \$1,102	3,764,130	33,267	780,848	-	-	-	-	-
Exercise of stock options	-	-	6,278	1	266	-	-	267
Issuance of common stock for services	-	-	-	-	14	-	-	14
Fair value of common stock warrant issued	-	-	-	-	60	-	-	60
Repurchase of common stock	-	-	(1,641,330)	(2)	(13,580)	-	-	(13,582)
Stock-based compensation expense	-	-	-	-	1,864	-	-	1,864
Net loss	-	-	-	-	-	-	(19,357)	(19,357)
Balance at December 31, 2018	30,405,056	115,641	9,457,862	9	(8,889)	(621)	(86,499)	(96,000)
Conversion of convertible preferred stock to common stock in connection with initial public offering	(30,405,056)	(115,641)	30,405,056	30	115,611	-	-	115,641
Conversion of preferred stock warrants to common stock warrants	-	-	-	-	1,409	-	-	1,409
Issuance of common stock upon net exercise of warrant	-	-	58,738	-	-	-	-	-
Purchase of common stock	-	-	26,244	-	-	-	-	-
Exercise of stock options	-	-	911,727	2	693	-	-	695
Vesting of restricted stock units	-	-	9,986	-	-	-	-	-
Issuance of common stock in connection with initial public offering, net of underwriting discounts and issuance costs \$5,116	-	-	7,841,062	8	72,666	-	-	72,674
Issuance of common stock in connection with an acquisition	-	-	130,000	-	1,015	-	-	1,015
Stock-based compensation expense	-	-	-	-	5,795	-	-	5,795
Net loss	-	-	-	-	-	-	(28,953)	(28,953)
Balance at December 31, 2019	-	\$ -	48,840,675	\$ 49	\$ 188,300	\$ (621)	\$ (115,452)	\$ 72,276

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

Life360, Inc.

Consolidated Statements of Cash Flows (Dollars in U.S. \$, in thousands)

	Year Ended	
	December 31, 2019	December 31, 2018
Cash Flows from Operating Activities:		
Net loss	\$ (28,953)	\$ (19,357)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	289	133
Write-off of long-lived assets	17	-
Amortization of costs capitalized to obtain contracts	1,836	662
Amortization of debt issuance costs and discount on debt	13	35
Issuance of common stock for services	-	13
Unamortized debt issuance costs and discount on debt written-off	39	-
Stock-based compensation expense	5,795	1,864
Change in fair value of preferred stock warrant liability	609	712
Change in fair value of options to purchase company stock	-	120
Interest due under notes from affiliates	(23)	(138)
Changes in operating assets and liabilities:		
Accounts receivable	(2,172)	(2,880)
Prepaid expenses and other current assets	(6,367)	(1,087)
Costs capitalized to obtain contracts, net	(3,070)	(1,763)
Other Assets	-	(1,062)
Accounts payable	(2,193)	2,590
Accrued expenses	1,566	1,174
Deferred revenue	2,179	3,687
Noncurrent liabilities	(82)	(70)
Net cash used in operating activities	(30,517)	(15,367)
Cash Flows from Investing Activities:		
Purchases of capital assets	(410)	(131)
Settlement of interest and notes due from affiliates	-	5,727
Cash paid for acquisition, net of cash acquired	74	-
Net cash provided by (used in) investing activities	(336)	5,596
Cash Flows from Financing Activities:		
Proceeds from the issuance of preferred stock, net of issuance costs	-	33,267
Repurchase of common stock	-	(13,364)
Proceeds from initial public offering, net of issuance cost	75,536	-
Payments of deferred offering costs	(2,365)	-
Proceeds from the exercise of options and grant of stock awards, net of repurchase	695	267
Proceeds from borrowings	-	5,000
Payments on borrowings	(5,000)	(5,000)
Net cash provided by financing activities	68,866	20,170
Net Increase in Cash and Cash Equivalents	38,013	10,399
Cash, Cash Equivalents and Restricted Cash at the Beginning of the Period	26,056	15,657
Cash, Cash Equivalents, and Restricted Cash at the End of the Period	\$ 64,069	\$ 26,056
Supplemental disclosure:		
Cash paid during the period for interest	\$ 219	\$ 346
Non-cash investing and financing activities:		
Conversion of redeemable convertible preferred stock to common stock in connection with initial public offering	\$ 115,641	\$ -
Conversion of preferred stock warrant to common stock warrant in connection with initial public offering	1,409	-
Issuance of common stock in connection with acquisition	1,015	-
Fair value of warrants issued in connection with debt facility	-	60
Issue of common stock for services	-	14

The following table provides a table of cash, cash equivalents, and restricted cash reported within the balance sheets to the total of the same such amounts shown above:

	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 63,818	\$ 25,813
Restricted cash	251	243
Total cash, cash equivalents, and restricted cash	\$ 64,069	\$ 26,056

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

Life360, Inc.

Notes to Consolidated Financial Statements

1. The Company

a) Organization and nature of operations

Life360, Inc. (the “Company”) is a platform for today’s busy families, bringing them closer together by helping them better know, communicate with, and protect the people they care about most. The Company was incorporated in the State of Delaware on April 17, 2007. The Company’s core offering, the Life360 mobile application, is now a market leading mobile application for families, with features that range from communications to driving safety and location sharing. The Company operates under a “freemium” model where its core offering is available to users at no charge, with two premium subscription options that are available but not required. The Company also generates revenue through anonymized insights into the data collected from the Company’s user base in partnership with ADT and Allstate.

b) Initial Public Offering

On May 10, 2019, the Company completed an initial public offering (“IPO”) on the Australian Securities Exchange (“ASX”). The Company received net proceeds of \$75.5 million, after deducting issuance costs of \$5.1 million. Immediately prior to the closing of the Company’s IPO, all shares of convertible preferred stock automatically converted in 30,405,056 shares of common stock.

Upon completion of the IPO, a total of 38.2 million shares were issued. This is equivalent to 114.6 million CDIs representing a ratio of 3 CDIs to 1 share. The CDIs are publicly traded on the ASX under the ticker “360.” CDIs are units of beneficial ownership in shares of common stock held by CHESS Depository Nominees Pty Limited (“CDN”), a wholly-owned subsidiary of ASX Limited, the company that operates the ASX.

2. Reclassification of Expenses in Prior Period

The Company has reclassified the following costs, in the December 31, 2018 statement of operations and comprehensive loss to conform to current period presentation (in thousands): (1) customer support crash and roadside assistance costs that were previously included in general and administrative are now presented separately, (2) indirect costs such as rent and office expense were previously included in general and administrative have now been allocated to research and development, selling and marketing and technology expenses based on the headcount of the respective departments, (3) technology expenses relating to ongoing product development have been reclassified from technology expenses to research and development.

Life360, Inc.

Notes to Consolidated Financial Statements

	2018 Financials as per Previous Allocation Methodology	2018 Financials as per Revised Allocation Methodology	Variance
Cost and expenses:			
Customer Support, Crash & Roadside Assistance	\$ -	\$ 914	914
Research and development	15,737	18,778	3,041
Sales and marketing	17,994	18,744	750
General and administrative	9,306	6,135	(3,171)
Technology expenses	7,198	5,779	(1,419)
Total cost and expenses	50,235	50,350	115
Loss from operations	(18,173)	(18,288)	115
Interest expense	346	346	-
Change in fair value of preferred stock warrant liability	712	712	-
Other income (expense)	126	11	(115)
Loss before income taxes	(19,357)	(19,357)	-
Benefit from (provision for) income taxes	-	-	-
Net Loss and Comprehensive Loss	(19,357)	(19,357)	-

Such reclassifications had no impact on the financial position of the Company, or to operating cash flows, and no impact on the net loss or net loss per share attributable to common stockholders.

3. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements and accompanying notes have been prepared in accordance with generally accepted accounting principles in the United States, or (“GAAP”) and are presented in US dollars, unless otherwise stated.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses during the reporting period. Significant estimates made by management include, but are not limited to, the determination of revenue recognition, accounts receivable allowance, the fair value of preferred and common stock warrants and other equity-related instruments prior to IPO, the fair value of common stock and related stock-based compensation expense, legal contingencies, depreciable lives and income taxes including valuation allowances on deferred tax assets. The Company bases its estimates and judgments on historical experience and on various assumptions that it believes are reasonable under the circumstances. Actual results could differ significantly from those estimates.

Life360, Inc.

Notes to Consolidated Financial Statements

Revenue Recognition

Pursuant to Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers* (ASC 606), the Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the products or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Costs Capitalized to Obtain Contracts

Costs capitalized to obtain contracts comprise of revenue-share payments to Apple Inc. and Google Inc. in connection with subscription sales of the Company’s mobile application on each respective mobile application store platform. Costs that are incremental and directly related to customer sales contracts in which revenue is deferred are accrued and capitalized upon execution of a non-cancelable customer contract, and subsequently expensed over the average life of the customer relationship, which is currently estimated to be two years.

Allowance for Doubtful Accounts

The Company makes judgments as to its ability to collect outstanding accounts receivable and provide allowances for accounts receivable when and if collection becomes doubtful. To date, the Company has not recorded any significant credit losses on customer accounts, and it had no allowance for doubtful accounts as of December 31, 2019 and 2018.

Significant Risks and Uncertainties

The Company is subject to certain risks and uncertainties that could have a material and adverse effect on its future financial position or results of operations. The Company’s customers are primarily individuals with smart phones and any changes in customer preferences and trends could have an adverse impact on its results of operations and financial condition.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, cash equivalents and accounts receivable. The Company limits its exposure to credit loss by placing cash and cash equivalents with institutions of high credit standing. Deposits of cash and cash equivalents may exceed the amount of insurance provided by the Federal Deposit Insurance Corporation (“FDIC”) on these deposits.

The Company depends on the constant real-time performance, reliability and availability of our technology system and access to our partners networks. The Company relies on a single technology

Life360, Inc.

Notes to Consolidated Financial Statements

partner for its cloud platform. Any adverse impacts to the platform could negatively impact our relationships with our partners or Users and may adversely impact our business, financial performance and reputation.

The Company derives its accounts receivable from revenue earned from customers located in the United States and internationally. The Company does not perform ongoing credit evaluations of its customers' financial condition and does not require collateral from its customers. Historically, credit losses have been insignificant. Individuals with smart phones accounted for the majority of the Company's revenue and accounts receivable for all periods presented. Accounts receivable contains \$3.0 million and \$1.8 million of unbilled receivables at December 31, 2019 and 2018, respectively.

The following table sets forth the information about our channel partners and customers who represented greater than 10% of our revenue or accounts receivable, respectively:

	Percentage of Revenue		Percentage of Gross Accounts Receivable	
	Years Ended December 31,		As of December 31,	
	2019	2018	2019	2018
Channel Partner A	54%	54%	32%	25%
Channel Partner B	19%	21%	11%	10%
Customer A	*	*	19%	*
Customer B	*	*	*	16%

* Represents less than 10%

Research and Development Costs

The Company charges costs related to research, design and development of products to research and development expense as incurred. These costs consist of payroll related expenses, contractor fees, outside third-party vendors, and allocated facilities costs.

Deferred Offering Costs

Prior to the IPO, all deferred offering costs were capitalized in other noncurrent assets in the condensed consolidated balance sheets. As of December 31, 2018, there was \$1.1 million of deferred offering costs.

Advertising Expense

Advertising expense was \$19.4 million and \$9.1 million for the year ended December 31, 2019 and 2018. Advertising expenses are recorded in the period in which cost is incurred.

Cash and Cash Equivalents

The Company considers all highly liquid investment securities with remaining maturities at the date of purchase of three months or less to be cash equivalents. Cash and cash equivalents include deposit and money market funds.

Life360, Inc.

Notes to Consolidated Financial Statements

Restricted Cash

Deposits of \$0.3 million and \$0.2 million, were restricted from withdrawal as of December 31, 2019 and 2018. The restriction is related to securing the Company's facility leases which expire in 2022 and 2024 in accordance with the operating lease agreements, as amended. The restrictions on these balances will be released in accordance with the operating lease agreements, as amended. These balances are included in Restricted Cash on the accompanying Balance Sheets.

Fair Value of Financial Instruments

The Company uses fair value measurements to record fair value adjustments to certain financial and non-financial assets and liabilities to determine fair value disclosures. The accounting standards define fair value, establish a framework for measuring fair value, and require disclosures about fair value measurements. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the principal or most advantageous market in which the Company would transact are considered along with assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. The accounting standard for fair value establishes a fair value hierarchy based on three levels of inputs, the first two of which are considered observable and the last unobservable, that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels of inputs that may be used to measure fair value are as follows:

Level 1 - Observable inputs, such as quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Valuations based on unobservable inputs to the valuation methodology and including data about assumptions market participants would use in pricing the asset or liability based on the best information available under the circumstances.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Equipment, computer software and furniture have estimated useful lives ranging from three to ten years. Leasehold improvements are amortized on a straight-line basis over the lesser of the estimated useful life or the term of the lease with expected renewals.

Costs of maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the balance sheet and the resulting gain or loss is reported in cost and expenses, net in the period realized.

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Software Development Costs

For development costs related to internal use software projects, such as those used in the Company's services and network excluding product development, the Company capitalizes costs incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Amortization of the costs of software developed for internal use begins when the assets are placed in productive use and are generally amortized over a period of ten years. The Company did not capitalize internal use software costs during the years ended December 31, 2019 and 2018, respectively as the capitalizable costs were not material.

Business Combinations

The Company uses best estimates and assumptions to assign a fair value to the tangible and intangible assets acquired and liabilities assumed in business combinations as of the acquisition date. These estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed may be recorded, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's consolidated statements of operations and comprehensive loss.

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill amounts are not amortized but tested for impairment on an annual basis. There was no impairment of goodwill as of December 31, 2019.

Intangible Assets

Intangible assets, including acquired patents, trademarks, customer relationships, and acquired developed technology, are carried at cost and amortized on a straight-line basis over their estimated useful lives. The Company determines the appropriate useful life of the Company's intangible assets by measuring the expected cash flows of acquired assets.

Impairment of Long-Lived Assets

The Company assesses the impairment of long-lived assets, such as property and equipment subject to depreciation and acquired intangibles subject to amortization, when events or changes in circumstances indicate that their carrying amount may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

The Company reviews goodwill for impairment at least annually, or more frequently if events or changes in circumstances would more likely than not reduce the fair value of its single reporting unit below its carry value.

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The Company recorded an impairment charge of \$17,000 to write-off the investment, Couple App Inc, for the year ended December 31, 2019. Refer to Note 16.

Leases

The Company's operating lease agreements include scheduled rent escalations over the lease term, as well as lease incentive allowances. Rent expense is charged ratably on a straight-line basis over the life of the lease. Deferred rent consists of the difference between cash payments and the recognition of rent expense on a straight-line basis for the buildings the Company occupies. Lease incentive allowances are recorded as a liability and amortized on a straight-line basis over the term of the lease as a reduction to rent expense.

Preferred Stock Warrants

The Company accounts for warrants to purchase shares of its preferred stock that are contingently redeemable as liabilities at their estimated fair value because these warrants may obligate the Company to transfer assets to the holders at a future date under certain circumstances, such as a deemed liquidation event. The warrants are subject to re-measurement to fair value at each balance sheet date, and any fair value adjustments are recognized as change in fair value of preferred stock warrant liability in the Consolidated Statements of Operations. As the preferred stock warrants were converted into common stock warrants in connection with the IPO on May 10, 2019, the convertible preferred stock warrant liability was adjusted to fair value in the Consolidated Statement of Operations and Comprehensive Loss with the final fair value reclassified to additional paid-in capital during the year ended December 31, 2019.

Common Stock Warrants

The Company has issued freestanding warrants to purchase shares of common stock in connection with certain debt financing transactions. The warrants are recorded as equity instruments at the grant date fair value using the Black-Scholes option pricing model and are not subject to revaluation at each balance sheet date.

Stock-Based Compensation

The Company has an equity incentive plan under which various types of equity-based awards including, but not limited to, incentive stock options, non-qualified stock options, restricted stock units, and restricted stock awards, may be granted to employees, nonemployee directors, and nonemployee consultants.

The Company has an Executive Stock Bonus program under which shares and restricted stock units may be granted to executives if certain performance criteria are satisfied. Refer to Note 14 for further details.

For both plans when equity awards are granted to employees, nonemployees and directors, the Company recognizes compensation expense based on the grant-date estimated fair values. The fair value of stock options is determined using the Black-Scholes option pricing model. For restricted stock units and restricted stock awards, the fair value is based on the grant date fair value of the award. The Company recognizes compensation expense for stock option awards, restricted stock units, and restricted stock awards on a straight-line basis over the requisite service period of the award, generally three to four years. Forfeitures are recorded as they occur.

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Income Taxes

The Company accounts for income taxes under the asset and liability method. The Company estimates actual current tax exposure together with assessing temporary differences resulting from differences in accounting for reporting purposes and tax purposes for certain items, such as accruals and allowances not currently deductible for tax purposes. These temporary differences result in deferred tax assets and liabilities, which are included in the Company's balance sheets. In general, deferred tax assets represent future tax benefits to be received when certain expenses previously recognized in the Company's statements of operations and comprehensive loss become deductible expenses under applicable income tax laws or when net operating loss or credit carryforwards are utilized. Accordingly, realization of the Company's deferred tax assets is dependent on future taxable income against which these deductions, losses and credits can be utilized.

The Company must assess the likelihood that the Company's deferred tax assets will be recovered from future taxable income, and to the extent the Company believes that recovery is not likely, the Company establishes a valuation allowance. The assessment of whether or not a valuation allowance is required often requires significant judgment including current and historical operating results, the forecast of future taxable income and on-going prudent and feasible tax planning initiatives.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. During the years ended December 31, 2019 and 2018, the Company did not accrue any interest or penalties related to income tax positions.

Contingencies

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of business. The Company evaluates the likelihood of an unfavorable outcome in legal or regulatory proceedings to which it is a party and records a loss contingency on an undiscounted basis when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These judgments are subjective and based on the status of such legal proceedings, the merits of the Company's defenses, and consultation with legal counsel. Actual outcomes of these legal proceedings may differ materially from the Company's estimates. The Company estimates accruals for legal expenses when incurred as of each balance sheet date based on the facts and circumstances known to the Company at that time.

Segment Information

Management has determined that the Company operates as one reportable and operating segment. The Chief Executive Officer, who is the Company's chief operating decision maker, reviews financial information on an aggregate basis for purposes of allocating resources and evaluating financial performance. The majority of the Company's revenue has been sourced in the United States and all of the Company's long-lived assets are maintained in the United States. Also, the Company manages its operations as a single operating segment.

Net Loss per Share

The Company computes basic and diluted net loss per share attributable to common stockholders in conformity with ASC 260, "Earnings per Share." Basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period without

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consideration for potentially dilutive securities as they do not share in losses. The diluted net loss per share attributable to common stockholders is computed giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, options to purchase common stock, common stock warrants, and unvested restricted stock units are considered common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as the effect is antidilutive.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued authoritative guidance under Accounting Standard Update (“ASU”) 2016-02, *Leases (Topic 842)*. ASU 2016-02 provides new comprehensive lease accounting guidance that supersedes existing lease guidance. Upon adoption of ASU 2016-02, the Company will be required to recognize most leases on its balance sheet at the beginning of the earliest comparative period presented with a corresponding adjustment to stockholders' equity. ASU 2016-02 requires the Company to capitalize most current operating lease obligations as right-of-use assets based on the present value of future operating lease payments and to recognize a corresponding liability. Criteria for distinguishing leases between finance and operating are substantially similar to criteria for distinguishing between capital leases and operating leases in existing lease guidance. The guidance is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. We are still evaluating the impact the adoption of this ASU will have on our consolidated financial statements, however we anticipate this standard will have a material impact on our financial position, primarily due to our office space operating leases, as we will be required to recognize a right of use asset and corresponding liability on our consolidated balance sheet.

In June 2018, the FASB issued ASU 2018-07, which simplifies the accounting for nonemployee share-based payment transactions. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The standard is effective for fiscal years beginning after December 15, 2018, although early adoption is permitted (but no sooner than the adoption of Topic 606). The Company has adopted ASC 2018-07 for the fiscal year beginning January 1, 2019. The adoption did not have a material impact on the Company's consolidated financial statements.

4. Revenue

Subscription Revenue

The Company's contracts with customers for its mobile application offering are established at the point of mobile application download and purchase as indicated through acceptance of the Company's Standard Service Terms. The Company's Standard Service Terms specifically outline terms and conditions, which include promises of each party under contract and payment terms, which include monthly or annual subscription fees for purchase of the mobile application. The Company determined that termination for convenience clauses and renewal options pursuant to the Company's Standard Service Terms were deemed to have no impact to the amount and pattern of revenue recognition.

The Company's mobile application subscription service includes multiple features that form a combined output that is effectively bundled together and consumed by the customer using the same measure of consumption (i.e., days of access). Additionally, the Company provides its customers

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with technical support along with unspecified updates and upgrades to the platform on an if and when available basis. The core mobile application is a single combined performance obligation, consisting of multiple features that can be purchased separately, but which are bundled together and delivered to the customer as combined output. Additionally, the core application offering has been defined as a series of distinct services (days of service), together with updates, upgrades, and technical support, which will be transferred to the customer over the respective obligation's term.

The Company recognizes subscription fees ratably over the subscription period. Subscription revenue for the years ended December 31, 2019 and 2018, was \$44.1 million and \$24.8 million, respectively. Deferred subscription revenue as of December 31, 2019 and 2018 was \$10.9 million and \$8.0 million, respectively.

Data Revenue

The Company's data monetization arrangements with certain third parties are established through data acquisition and license agreements (collectively, "Data MSAs"), which outline specific terms governing the access and use of data and related fees. The Company determines a contract to exist upon the mutual execution of a Data MSA.

The Company's Data MSAs specifically outline terms and conditions, which include promises of each party under contract and payment terms, which include monthly or annual subscription fees in connection with the provision and access of data. In addition, certain contracts are one-time in nature. The Company determined that termination for convenience clauses and renewal options pursuant to the Company's Data MSAs were deemed to have no impact to the amount and pattern of revenue recognition. Also, the Data MSAs generally do not include any other contractual promises above and beyond the provisioning of access to certain data. The Company identified its provisioning of access to data as a material promise capable of being distinct within the context of the contract.

The Company recognizes revenue based on its estimate of the total amount of variable consideration estimated without constraint using the expected value method. As the expected amount of data monetization revenue is not a binary outcome, but rather one of many possible outcomes, the Company determined the expected value approach to be appropriate. The Company believes that this results in the inclusion of a variable consideration amount where it is probable that a significant revenue reversal will not occur. The Company relies primarily on the review of historical fees collected in developing an estimate of fees to be collected at contract inception and updates its estimates at each reporting date. Data monetization revenue for the years ended December 31, 2019 and 2018 was \$10.2 million and \$4.7 million, respectively. Deferred data monetization revenue as of December 31, 2019 and 2018 was \$0.1 million and \$0.5 million, respectively.

Partnership Revenue

ADT Master Services and Licensing Agreement

On July 11, 2017, the Company and ADT LLC ("ADT") which is also a related party pursuant to ADT's ownership of shares of the Company's common stock, entered into the Master Services and Licensing Agreement under which ADT will receive a license to the Company's technology through an integrated mobile application offered by ADT to its end customers. Pursuant to the agreement, the Company and ADT will contribute their proprietary mobile application technology to develop ADT Anywhere Basic and ADT Anywhere Premium. The Company was entitled to receive fees based on the number of active users on each mobile application platform.

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The Company has considered the technology license that the Company has granted to ADT for the duration of the contract and concluded that the license is a distinct performance obligation. The customer is able to benefit from the license on a standalone basis (in this case, ADT's end customers will receive the benefit of platform access). As the obligation is to provide a license and contribute to the development of the mobile application platform, the Company has concluded that the license is a series of distinct performance obligations identified by the days of service provided. Access to the Company's platform also includes the obligation to host the services over the term of the agreement. The Company identified that the license and hosting services are both defined as a series of distinct services, which would have the same pattern of transfer to the customer. Accordingly, the obligations may be combined and treated as a single performance obligation. As such, the Company has concluded that the license and hosting services are a single stand ready performance obligation.

On June 6, 2017, one month prior to the signing of the agreement, the Company entered into a stock purchase agreement with ADT, whereby ADT purchased 1,111,112 shares of Series C-1 Preferred Stock for gross consideration of \$10.0 million. Pursuant to the stock purchase agreement, ADT acquired the right to dividends when and if declared, voting rights, and the right to appoint one member to the Board of Directors. The Company has identified that ADT does not exercise significant control over the Company. The Company also concluded that the transaction price and the allocation thereof was not impacted by the existence of the related party transaction. The purchase of shares of Series C-1 Preferred Stock was included in a round of financing with other investors who participated on a standalone basis and received terms identical to the other purchasers of the Series C-1 Preferred Stock. The Company also concluded that the transaction price and the allocation thereof was not impacted by the existence of the related party transaction.

The Company signed in 2017 an agreement with ADT which determined that revenue was recognized based on a variable fees structure. On October 18, 2018, the Company and ADT entered into Amendment NO. 1 to the Master Services and License Agreement (the "ADT Amendment") under which ADT is required to pay fixed monthly prices for July 2018 through March 2019.

Since the IPO on May 10, 2019, all convertible preferred stock issued to ADT has been converted to common stock.

From April 2019, the pricing for active and inactive users was reverted back to the fee schedule as per the original agreement.

Arity LLC Master Services and License Agreement and Answer Marketplace LLC Published Agreement ("Allstate")

The Company has entered into two arrangements with The Allstate Corporation (Allstate) through its indirectly wholly-owned subsidiaries to use the Life360 App to analyze anonymized driving data and present vehicle insurance offers to Users.

The Company has entered into a Master Services and License Agreement ("MSLA") with Arity, LLC ("Arity"), an entity indirectly wholly-owned by Allstate, under which Arity licenses to Life360 on a non-exclusive basis access to and use of its technology platform in exchange for the integration into its website, App and other systems to enable its Users to collect, process and analyze certain driving behavior data.

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The Company has also entered into a publishing agreement with Answer Marketplace, LLC (“Answer”), another entity indirectly wholly-owned by Allstate. Answer operates a platform that digitally advertises auto insurance on third party websites, applications and platforms. Under this publishing agreement, Answer provides the Company with a limited nonexclusive license to use its software and advertising platform to place auto insurance advertising on the Life360 Platform. The specific advertising that appears for each User is based on the driving behavior data collected as a result of the technology licensed under the MSLA with Arity described above. In return for placing this advertising, Answer has agreed to pay the Company a percentage of the revenue generated by Answer from clicks on advertisements placed by the Company.

The Company has considered the combined contracts as a single arrangement. The Company has identified that the combined contracts represent a single performance obligation for the Company to provide Publishing Services to display Allstate’s ads on the Company’s mobile platform. The Company has identified that we act as an agent in the arrangement to allow for Allstate to present ads to potential end users and the variable amounts earned under the revenue share are allocable to the month in which the revenue share is earned which is reset on a monthly basis. As such, the Company will recognize revenue monthly based on the revenue share earned.

For any shortfalls in the monthly minimum impression numbers of users clicking through the published Ads (“Quarterly Average Click Amount”), Allstate will remit a quarterly payment under the same payment terms.

The following table presents revenue and accounts receivable received from Partnership Revenue (in thousands):

	Revenue		Accounts Receivable	
	Years Ended December 31,		As of December 31,	
	2019	2018	2019	2018
ADT	\$ 654	\$ 1,976	\$ 93	\$ 935
Allstate	4,004	530	1,488	503

5. Costs Capitalized to Obtain Contracts

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. The Company determined that its costs to obtain contracts were both direct and incremental. These costs are attributable to the Company’s largest channel partners.

The Company generally pays a non-commensurate renewal commission, and accordingly, renewal contracts are considered non-commensurate with new contracts. Accordingly, the guidance requires that specifically anticipated renewal periods should be taken into consideration in determining the required amortization period. Specifically, under the guidance of ASC 340-40, the Company is required to estimate the specifically anticipated renewals after the initial contract to which the initial commission asset relates. The total amortization period is then equal to the initial contractual term plus all specifically anticipated renewals that relate to the initial commission asset. Based upon its assessment of historical data and other factors, the Company concluded that its average customer life was approximately two years, which is used as the amortization period for all capitalized contract acquisition costs.

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The current portion of costs capitalized to obtain contracts, net of amortization, was \$2.2 million and \$1.2 million, as of December 31, 2019 and 2018, respectively. The non-current portion of costs capitalized to obtain contracts was \$0.7 million and \$0.5 million as of December 31, 2019 and 2018, respectively.

6. Business Combination

On March 4, 2019, the Company completed the acquisition of Zen Labs, Inc. Zen Labs has a screen time management application that will be further developed and integrated into the Company's application. Pursuant to the Merger and Reorganization Agreement, ("the Acquisition"), the assets related to Zen Labs, including its technology and intellectual property and certain key employees, were acquired through the issuance of 130,000 share of common stock for total consideration of approximately \$1,015,000.

The acquisition was accounted for as a business combination in accordance with ASC 805 - Business Combinations. This method requires, among other things, that assets acquired, and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date. The Company incurred \$26,000 of costs associated with the acquisition, which have been expensed to general and administrative costs.

The net purchase price was allocated to the assets and liabilities as follows (in thousands):

Cash	\$	74
Developed technology		255
Liabilities		(78)
Goodwill		764
Total purchase consideration	\$	1,015

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Developed technology was recorded at fair value on the acquisition date and assigned a useful life of 3 years.

The results of operations of Zen Labs are included in the accompanying consolidated statements of operations from the date of acquisition. The pro forma financial information has not been presented because it is not material to the consolidated financial statements.

7. Fair Value Measurements

The Company measures and reports certain financial instruments as assets and liabilities at fair value on a recurring basis. These liabilities, consisting of warrants to purchase shares of the Company's Series A, Series B, and Series C Preferred Stock (Note 12), are considered Level 3 instruments.

Warrants to purchase convertible preferred stock converted to purchase common stock upon the closing of our IPO on May 10, 2019. The related warrant liability was reclassified to additional paid-in capital as of that date. The Company had no liabilities measured at fair value on a recurring basis as of December 31, 2019.

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The following table presents information about the Company's warrant liabilities that were measured at fair value on a recurring basis as of December 31, 2018 and indicated the fair value hierarchy of the valuation (in thousands):

	December 31, 2018			
	Fair Value	Level 1	Level 2	Level 3
Liabilities				
Preferred stock warrant liability	\$ 800	\$ —	\$ —	\$ 800
Total liabilities measured at fair value	\$ 800	\$ —	\$ —	\$ 800

The Company did not transfer any assets or liabilities measured at fair value on a recurring basis to or from Level 1 and Level 2 for the years December 31, 2019 and 2018.

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial instruments classified as liabilities as follows (in thousands):

	Preferred Stock Warrant Liability
Fair value as of December 31, 2017	\$ 88
Change in fair value	712
Fair value as of December 31, 2018	800
Change in fair value	609
Reclassification of Warrant liability to Additional Paid in Capital	(1,409)
Fair value as of December 31, 2019	\$ -

8. Balance Sheet Components

Property and Equipment, net

Property and equipment, net consists of the following (in thousands):

	December 31, 2019	December 31, 2018
Computer equipment	\$ 395	\$ 394
Leasehold improvements	267	222
Wireless devices	67	67
Furniture and fixtures	423	59
Total Property and equipment	1,152	742
Less accumulated depreciation	(605)	(466)
Property and equipment, net	\$ 547	\$ 276

Depreciation expense was \$0.2 million and \$0.1 million for the years ended December 31, 2019 and 2018, respectively.

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Intangibles, net

Intangibles, net consists of the following (in thousands):

	December 31, 2019	December 31, 2018
Intellectual property	\$ 225	\$ 225
Developed Technologies	255	-
Licenses	237	237
Total intangible assets	717	462
Less accumulated amortization	(460)	(310)
Intangible assets, net	\$ 257	\$ 152

Amortization expense was \$0.1 million and \$0.1 million for the years ended December 31, 2019 and 2018, respectively.

As of December 31, 2019, estimated remaining amortization expense for intangible assets by fiscal year is as follows (in thousands):

2020	\$	158
2021		85
2022		14
Total	\$	257

The Company acquired developed technology in connection with the acquisition of Zen Labs (in thousands) as follows:

As of December 31, 2019	Intellectual Property	Licenses	Developed Technologies	Total Intangible Assets
Total intangible assets	\$ 225	\$ 237	\$ 255	\$ 717
Less accumulated amortization	(225)	(164)	(71)	(460)
Intangible assets, net	\$ -	\$ 73	\$ 184	\$ 257

As of December 31, 2018	Intellectual Property	Licenses	Total Intangible Assets
Total intangible assets	\$ 225	\$ 237	\$ 462
Less accumulated amortization	(225)	(85)	(310)
Intangible assets, net	\$ -	\$ 152	\$ 152

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Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following (in thousands):

	December 31, 2019		December 31, 2018	
Prepaid expenses	\$	5,193	\$	2,335
Other receivables		89		46
Total	\$	5,282	\$	2,381

Prepaid Expenses and Other Assets, noncurrent

Prepaid expenses and other assets, noncurrent consist of the following (in thousands):

	December 31, 2019		December 31, 2018	
Prepaid expenses	\$	3,448	\$	-
Deferred IPO costs		-		1,061
Other assets		30		48
Total	\$	3,478	\$	1,109

Accruals and Other Current Liabilities

Accruals and other current liabilities consist of the following (in thousands):

	December 31, 2019		December 31, 2018	
Accrued vendor expenses	\$	1,654	\$	1,362
Deferred Rent		50		11
Accrued compensation		1,669		673
Interest payable		-		29
Customer retainers		25		25
Total	\$	3,398	\$	2,100

Other Non-Current Liabilities

Other non-current liabilities consist of the following (in thousands):

	December 31, 2019		December 31, 2018	
Stock option and award deposit liability	\$	683	\$	665
Lease incentive liability		109		148
Vendor deposits		25		25
Total	\$	817	\$	838

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9. Notes Payable

Silicon Valley Bank Notes Payable

In March 2018, the Company entered into a loan and security agreement with Silicon Valley Bank for up to \$7.0 million (the “Silicon Valley Notes Payable”), comprising of a First Tranche of \$5.0 million to be drawn on or around the effective date of the agreement and a Second Tranche of \$2.0 million, which the Company did not draw. The Company was in compliance with its debt covenants as of and during the year ended December 31, 2019 and 2018.

The Silicon Valley Bank Notes Payable, which matures in December 2021, is collateralized by all personal property assets of the Company other than intellectual property (which is subject to a negative pledge), and bears interest on the outstanding principal balance at a floating per annum rate of one and one-half percentage points (1.50%) above the Prime Rate.

On June 10, 2019, the Company repaid all amounts due and owing of the loan and security amount with Silicon Valley Bank. As of December 31, 2018, the outstanding Silicon Valley Bank Notes Payable balance was \$5.0 million. The Company made interest payments on the Silicon Valley Bank Notes Payable of \$0.2 million during the years ended December 31, 2019 and 2018. As of December 31, 2019, the facility has been closed and is not available for drawdown.

10. Commitments and Contingencies

Office Leases

In October 2013, the Company entered into a non-cancelable office lease for its San Francisco headquarters location spanning 7,762 square feet that required monthly payments through November 2016. The office was to be used for development and administrative functions. In November 2014, the Company executed a second amendment to its lease agreement for its San Francisco headquarters to expand its space by approximately 3,602 square feet. The lease terms of expansion space shall be consistent with those of the original premises and require monthly payments through December 2017. Concurrent with the execution of the second amendment of the lease agreement, the lease term of the original premises was also extended to December 2017. In January 2015, the Company executed a third amendment to its lease agreement to confirm the lease commencement date of the expansion space and lease termination date of its original premises and expansion space. In August 2017, the Company executed a fourth amendment to its lease agreement for its San Francisco headquarters to expand its space by approximately 4,098 square feet and extend the term of the lease to December 2022. The payments escalate over the term of the lease. The Company recognizes the expense on a straight-line basis over the life of the lease.

In connection with the Company’s acquisition of certain intellectual property licenses from Pathsense, Inc., in 2017, the Company assumed a non-cancelable office lease in San Diego. In May 2018, the Company executed a second amendment to the lease agreement to temporarily surrender a portion of the premises and extend the term of the lease to June 2019. In October 2018, the Company executed a third amendment to the lease agreement and permanently surrendered the portion of the premises and expanded its space by approximately 1,037 square feet and extended the term of the lease to September 30, 2021. In June 2019, the Company executed a fourth amendment to the lease agreement to add to the Premises and extend the term of the lease to July 31, 2024. The payments escalate over the term of the lease. The Company recognizes the expense

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on a straight-line basis over the life of the lease. Rent expense for the years ended December 31, 2019 and 2018 was \$1.4 million.

As of December 31, 2019, the aggregate total future minimum lease payments under non-cancelable operating leases were as follows (in thousands):

Year Ending December 31,		
2020	\$	1,568
2021		1,574
2022		1,495
2023 and thereafter		163
Total Payments	\$	4,800

Purchase Commitments

The Company has certain commitments from outstanding purchase orders primarily related to technology support, facilities, marketing and branding and professional services. These agreements, which total \$30.0 million and \$10.2 million for the years ended December 2019 and 2018, respectively, are cancellable at any time with the Company required to pay all costs incurred through the cancellation date.

Contingencies

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of business activities. The Company accrues a liability for such matters when it is probable that future expenditures will be made, and such expenditures can be reasonably estimated. The Company is not subject to any current pending legal matters or claims that would have a material adverse effect on its financial position, results of operations or cash flows.

Indemnification

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to these arrangements, the Company indemnifies, holds harmless, and agrees to reimburse the indemnified parties for losses suffered or incurred by the indemnified party, in connection with any trade secret, copyright, patent or other intellectual property infringement claim by any third party with respect to its technology. The term of these indemnification agreements is generally perpetual after the execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these agreements is not determinable because it involves claims that may be made against the Company in the future but have not yet been made. The Company has not incurred costs to defend lawsuits or settle claims related to these indemnification agreements.

The Company has entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct of the individual. No amounts associated with such indemnifications have been recorded to date.

Life360, Inc.

Notes to Consolidated Financial Statements

11. Common Stock

As of December 31, 2019 and 2018 the Company was authorized to issue up to 100,000,000 and 55,000,000 shares, respectively, of par value \$0.001 per share common stock.

On November 11, 2018, the Company repurchased 833,790 shares of common stock in connection with share repurchase agreements with certain employees, including three executive officers of the Company for total consideration of \$ 7.6 million.

On December 3, 2018, the Company exercised its option to repurchase 807,540 shares of Company common stock from two executive officers and a former employee at a weighted-average exercise price of \$7.11 pursuant to certain Satisfaction and Option Exercise Agreements to settle outstanding notes due to the Company (Note 16) for a total consideration of \$5.7 million.

As of December 31, 2019 and 2018 the Company had 108,592 shares of common stock subject to the Company's right to repurchase, respectively.

The Company has also issued shares of common stock as a result of stock option exercises throughout its existence. Common stockholders are entitled to dividends when and if declared by the Board of Directors subject to the prior rights of the preferred stockholders. The holder of each share of common stock is entitled to one vote. The common stockholders voting as a class are entitled to elect three members to the Company's Board of Directors. No dividends have been declared in the Company's existence.

The Company had reserved shares of common stock, on an as if converted basis, for issuance as follows:

As of December 31,	2019	2018
Issuances under stock incentive plan	8,580,697	6,961,441
Issuances upon exercise of common stock warrants	140,576	53,969
Issuances upon vesting of restricted stock units	618,115	-
Conversion of convertible preferred stock	-	30,405,056
Shares reserved for shares available to be granted but not granted yet	906,976	1,906,119
Issuances upon exercise of convertible preferred stock warrants	-	165,595
	10,246,364	39,492,180

12. Convertible Preferred Stock

Immediately prior to the closing of the Company's Initial Public Offering ("IPO"), all of the 30,405,056 shares of convertible preferred stock converted into an equivalent number of shares of Common Stock. As of December 31, 2019, the Company had no outstanding preferred stock.

Life360, Inc.

Notes to Consolidated Financial Statements

As of December 31, 2018, outstanding preferred stock was comprised of the following (in thousands, except share and per share amounts):

<i>December 31, 2018</i>	Shares Authorized	Shares Issued and Outstanding	Liquidation Value per Share	Liquidation Value
Series A-1	3,980,850	3,980,850	\$1.52	\$6,040,770
Series A	5,363,494	5,217,778	1.52	7,917,755
Series B	9,241,685	9,200,000	1.84	16,947,320
Series C-1	2,741,095	2,741,095	9.00	24,669,855
Series C	6,195,728	6,187,967	6.44	39,867,834
Series D	4,366,811	3,077,366	9.16	28,188,672
	<u>31,889,663</u>	<u>30,405,056</u>		<u>\$123,632,206</u>

In January 2018, the Company initiated a round of Preferred Stock financing whereby the Company issued 686,764 shares of Series C-1 Preferred Stock for cash at a price per share of \$9.00. The Series C-1 Preferred Stock Financing resulted in gross proceeds of \$6.2 million. In connection with the aforementioned financing, the Company amended and restated its Certificate of Incorporation. The Amended and Restated Certificate of Incorporation authorized the issuance of 50,000,000 shares of common stock and 27,398,240 shares of Preferred Stock. Additionally, the Board of Directors approved an increase in the number of shares of common stock reserved for issuance pursuant to the Company's 2011 Stock Plan to 11,918,869.

In September and October 2018, the Company initiated a round of Preferred Stock financing whereby the Company issued 3,077,366 shares of Series D Preferred Stock for cash at a price per share of \$9.16. The Series D Preferred Stock Financing resulted in gross proceeds of \$28.2 million. In connection with the aforementioned financing, the Company amended and restated its Certificate of Incorporation. The Amended and Restated Certificate of Incorporation authorized the issuance of 55,000,000 shares of common stock and 31,860,096 shares of Preferred Stock.

13. Warrants

Preferred Stock Warrants

The convertible stock preferred stock warrants are recorded at fair value upon issuance and are subject to remeasurement to fair value at each balance sheet date, with any change in fair value recognized as a separate line item on the consolidated statements of operations. The Company recognized a remeasurement loss of \$0.6 million and \$0.7 million for the years ended December 31, 2019 and 2018 respectively.

Warrants to purchase convertible preferred stock converted to warrants to common stock upon the closing of the Company's IPO on May 10, 2019.

Life360, Inc.

Notes to Consolidated Financial Statements

As of May 10, 2019 and December 31, 2018, the following preferred stock warrants were outstanding (in thousands, except share and per share amounts):

	Number of Shares Underlying Warrants	Exercise Price Per Share
Series A	116,149	\$1.52
Series B	41,685	2.28
Series C	7,761	6.44
	165,595	

The fair value of the convertible preferred stock warrants as of the conversion date of \$1.4 million was reclassified to additional paid-in capital as of that date. As of December 31, 2019, the Company had no outstanding preferred stock warrants.

The fair value of the preferred stock warrants was estimated using the Black-Scholes option-pricing model the following weighted-average assumptions as of IPO on May 10, 2019:

	Series A	Series B	Series C
Expected term (in years)	3.19	4.89	6.33
Expected volatility	50%	50%	50%
Risk-free interest rate	2.23%	2.26%	2.32%
Expected dividend rate	-%	-%	-%

The fair value of the preferred stock warrants was estimated using the Black-Scholes option-pricing model the following weighted-average assumptions as of December 31, 2018:

	2018
Expected term (in years)	1.37
Expected volatility	50%
Risk-free interest rate	2.71%
Expected dividend rate	-%

Common Stock Warrants

As of December 31, 2019, and 2018, the Company had warrants to purchase 140,576 and 53,969 shares, respectively, of Company common stock with exercise prices ranging from \$0.91 to \$2.15.

On June 13, 2019, a warrant to purchase 70,019 shares of common stock was exercised on a net basis. The Company withheld 19,184 warrant shares to pay the exercise price of \$1.52 per share and issued the remaining 50,835 shares of common stock to the warrant holder.

On August 13, 2019, a warrant to purchase 8,969 shares of common stock was exercised on a net basis. The Company withheld 1,066 warrant shares to pay the exercise price of \$0.91 per share and issued the remaining 7,903 shares of common stock to the warrant holder.

Life360, Inc.

Notes to Consolidated Financial Statements

14. Equity Incentive Plan

2011 Equity Incentive Plan

The Company's 2011 Stock Plan was originally adopted by our Board of Directors on July 27, 2011 and our stockholders on October 11, 2011, and most recently amended by our Board on September 7, 2018 and our stockholders (as restated, the "Plan"). The Plan allows us to grant restricted stock units, restricted stock and stock options to employees and consultants of the Company and any of the Company's parent, subsidiaries or affiliates, and to the members of our Board of Directors. Options granted under the Plan may be either incentive stock options or nonqualified stock options. Incentive stock options, or ISOs, may be granted only to employees of the Company or any of the Company's parent or subsidiaries (including officers and directors who are also employees). Nonqualified stock options, or NSOs, may be granted to any person eligible for grants under our Plan.

Under the Plan, the Board of Directors determines the per share exercise price of each stock option, which for ISOs shall not be less than 100% of the fair market value of a share on the date of grant; provided that the exercise price of an ISO granted to a stockholder who at the time of grant owns stock representing more than 10% of the voting power of all classes of stock (a "10% stockholder") shall not be less than 110% of the fair market value of a share on the date of grant.

The Board of Directors determines the period over which options vest and become exercisable. Options granted to new employees generally vest over a 4-year period: 25% of the shares vest on the first anniversary from the vesting commencement date of the option and an additional 1/48th of the shares vest on each monthly anniversary thereafter, subject to the employee's continuous service through each vesting date. Options granted to continuing employees generally vest monthly over a 4-year period.

The Board of Directors also determines the term of options, provided the maximum term for ISOs granted to a 10% stockholder must be no longer than 5 years from date of grant and the maximum term for all other options must be no longer than 10 years from date of grant. If an option holder's service terminates, options generally terminate 3 months from the date of termination except under certain circumstances such as death or disability.

Life360, Inc.

Notes to Consolidated Financial Statements

The following summary of stock option activity for the periods presented is as follows:

	Number of Shares Underlying Outstanding Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Balance as of December 2017	4,331,602	0.99	8.32	\$ 6,662
Options granted	4,062,728	3.47		
Options exercised	(780,848)	0.34		2,146
Options cancelled/forfeited	(652,041)	1.26		
Balance as of December 31, 2018	6,961,441	2.49	8.63	26,418
Options granted	3,068,511	6.68		
Options exercised	(911,727)	0.86		5,126
Options cancelled/forfeited	(537,528)	4.15		
Balance as of December 31, 2019	8,580,697	4.06	8.38	\$ 24,567
Exercisable as of December 31, 2019	3,152,039	2.67	7.63	\$ 13,165

As of December 31, 2019 and 2018, the Company had 18,118,548 and 15,954,232 shares authorized for issuance under the Plan. As of December 31, 2019 and 2018, the Company had 906,976 shares and 1,901,744 shares available for issuance under the Plan. Stock options granted during the twelve months ended December 31, 2019 and 2018 had a weighted average grant date fair value of \$3.81 and \$2.19 per share, respectively.

The intrinsic values of outstanding, vested and exercisable options were determined by multiplying the number of shares by the difference in exercise price of the options and the fair value of the common stock as of December 31, 2019 of \$6.64 per share. The intrinsic value of the options exercised represents the difference between the exercise price and the fair market value on the date of exercise.

The following summary of Restricted Stock Units (RSU) activity for the periods presented is as follows:

	Number of Shares	Weighted average grant date fair value
Balance as of December 31, 2018	-	-
RSU granted	642,851	7.27
RSU vested and settled	(9,986)	11.15
RSU cancelled/forfeited	(14,750)	7.23
Balance as of December 31, 2019	618,115	\$ 7.20

Life360, Inc.

Notes to Consolidated Financial Statements

Stock Options Granted to Employees

The fair value of the employee stock options granted is estimated using the Black-Scholes option-pricing model. The following weighted-average assumptions were used during the years ended December 31, 2019, and 2018:

	2019	2018
Expected terms (in years)	6.02	5.16
Expected volatility	42%	68%
Risk-free interest rate	2.29%	2.62%
Expected dividend rate	0%	0%

Fair Value of Common Stock: Prior to the Company's IPO, the fair value of the shares of common stock underlying the stock options had historically been determined by the Board of Directors. Now that the Company's stock is traded on the public market the fair value on the date of the grant is used.

Expected Term: The expected term for employees is based on the simplified method, as the Company's stock options have the following characteristics: (i) granted at-the-money; (ii) exercisability is conditioned upon service through the vesting date; (iii) termination of service prior to vesting results in forfeiture; (iv) limited exercise period following termination of service; and (v) options are non-transferable and non-hedgeable, or "plain vanilla" options, and the Company has limited history of exercise data. The expected term for non-employees is based on the remaining contractual term.

Expected Volatility: As the Company has limited historical trading data regarding the volatility of its common stock, the expected volatility used is based on volatility of a group of similar entities. In evaluating similarity, the Company considered factors such as industry, stage of life cycle and size. The Company will continue to analyze the historical stock price volatility and expected term assumptions as more historical data for the Company's common stock becomes available.

Risk-Free Interest Rate: The risk-free interest rate is based on U.S. Treasury constant maturity rates with remaining terms similar to the expected term of the options.

Expected Dividend Rate: The Company has never paid any dividends and does not plan to pay dividends in the foreseeable future, and, therefore, an expected dividend rate of zero is used in the valuation model.

Forfeitures: The Company accounts for forfeitures as they occur.

Stock Options Granted to Nonemployees

Stock based compensation expense related to stock options granted to nonemployees is recognized as the stock options are earned. During the years ended December 31, 2019 and 2018, the Company granted options to purchase 191,293 shares and 48,734 shares of common stock to nonemployees with a weighted average exercise price of \$7.03 and \$2.15 per share, respectively.

Life360, Inc.

Notes to Consolidated Financial Statements

The fair value of the nonemployee stock options granted is estimated using the Black Scholes option pricing model and the following weighted average assumptions were used during the years ended December 31, 2019 and 2018:

	2019	2018
Expected terms (in years)	10.00	5.52
Expected volatility	40%	68%
Risk-free interest rate	1.85%	2.55%
Expected dividend rate	0%	0%

Stock-Based Compensation

Stock-based compensation expense was allocated as follows during the years ended December 31, 2019 and 2018 (in thousands):

	2019	2018
Customer Service	\$ 104	\$ -
Research and Development	3,493	1,018
General and administrative	1,686	760
Sales and marketing	347	86
Technology	165	-
Total stock based compensation expense	\$ 5,795	\$ 1,864

As of December 31, 2019, there was total unrecognized compensation cost for outstanding stock options of \$14.0 million to be recognized over a period of approximately 2.8 years.

As of December 31, 2019, there was unrecognized compensation cost for outstanding restricted stock units of \$4.1 million to be recognized over a period of approximately 3.6 years. There was no unrecognized compensation cost for outstanding restricted stock units as of December 31, 2018.

There were no capitalized stock-based compensation costs or recognized stock-based compensation tax benefits during the years ended December 31, 2019 and 2018.

Executive Stock Bonus Program

The Executive team are eligible to receive shares/restricted stock units under the Executive Stock Bonus Program, subject to the approval by the Remuneration and Nomination Committee of the Company's board of directors. These shares are awarded based on performance measured against two criteria as set by the Remuneration and Nomination Committee:

- The Company's share price performance relative to the share price performance of companies comprising the NASDAQ Composite index measured one trading day after the release of the Company's annual results for 2019 relative to the opening trading price on the Listing Date; and
- The Company's actual annualized monthly revenue relative to its target revenue for 2019.

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Notes to Consolidated Financial Statements

If the performance criteria are satisfied, the Company will:

- Grant one third of the Achieved Award to the executive as shares within two weeks after the release of the Company's annual results for the year ending December 31, 2019;
- Grant one third of the Achieved Award to the executive as RSUs. The RSUs will vest on the first anniversary of the date of grant, subject to the grantee's continuous service through such date;
- Grant one third of the Achieved Award to the executive as RSUs. The RSUs will vest on the second anniversary of the date of grant, subject to the grantee's continuous service through such date.

Once awarded, the shares will be accounted consistent with the Company's 2011 Stock Bonus Program.

15. Income Taxes

Loss before income tax consisted of the following (in thousands):

	Year Ended December 31,	
	2019	2018
Domestic	\$ (28,953)	\$ (19,357)
International	-	-
Total	\$ (28,953)	\$ (19,357)

The Company did not record any income tax expense or benefit as the Company incurred losses in all periods presented.

The reconciliation of our effective tax rate to the U.S. statutory federal income tax rate was as follows:

	Year Ended December 31,	
	2019	2018
	(%)	(%)
Statutory federal income tax rate	21	21
Research and development tax credits	4	2
Stock Based Compensation	(3)	(2)
Other	(2)	(1)
Change in valuation allowance	(20)	(20)
Effective tax rate	-	-

Life360, Inc.

Notes to Consolidated Financial Statements

The significant components of net deferred income tax assets were as follows (in thousands):

	Year Ended December 31,	
	2019	2018
Deferred tax assets:		
Reserves and allowances	\$ 410	\$ 338
Depreciable assets	64	50
Net operating loss carryforward	22,553	17,551
Stock-based compensation	335	161
Credits carryforward	4,143	2,027
Total deferred tax assets	27,505	20,127
Less: Valuation allowance and other reserves	(27,505)	(20,127)
Net deferred tax asset	\$ -	\$ -

The authoritative guidance provided by FASB requires deferred tax assets and liabilities to be recognized for temporary differences between the tax basis and financial reporting basis of assets and liabilities, computed at the expected tax rates for the periods in which the assets or liabilities will be realized, as well as for the expected tax benefit of net operating loss and tax credit carryforwards. Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets for the Company. The Company evaluates the recoverability of these net deferred tax assets in accordance with the authoritative guidance provided by FASB. The Company's ability to utilize the deferred tax assets and the continuing need for a related valuation allowance are being monitored on an ongoing basis.

Based upon the weight of available evidence, which includes the historical operating performance and the reported cumulative net losses to date, the Company believes that it is more likely than not that the net deferred tax assets will not be realizable. Accordingly, the Company have provided a full valuation allowance on the net deferred tax assets. The valuation allowance increased by \$4.2 million during 2019 and \$4.6 million during 2018.

At December 31, 2019, the Company had approximately \$100.3 million and \$22.4 million of federal and state net operating loss carryforwards available to offset future taxable income. Such carryforwards expire in varying amounts beginning in 2028.

The Company's ability to utilize net operating losses in the future may be subject to substantial restriction in the event of past or future ownership changes as defined in Section 382 of the Internal Revenue Code and similar state tax laws. In the event the Company should experience an ownership change, as defined, utilization of its net operating loss carryforwards may be subject to a substantial annual limitation. The annual limitation may result in the expiration of net operating losses before utilization.

The Tax Reform Act of 1986 limits the use of net operating loss carryforwards in certain situations where changes occur in the stock ownership of a company. The annual limitation may result in the expiration of net operating losses and credits before utilization. The Company performed a Section 382 analysis through December 31, 2019 and determined the Company underwent an ownership change pursuant to Section 382(g) during the analysis period on October 20, 2011, October 24, 2011,

Life360, Inc.

Notes to Consolidated Financial Statements

and May 8, 2014. As a result, our deferred tax assets and related valuation allowance were reduced for Federal and California net operating losses of \$2.5m and \$2.5m, respectively, that would expire unused. Subsequent ownership changes may affect the limitation in future years.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities through the nation. The Company is not currently under audit by the Internal Revenue Service or other similar state and local authorities. All tax years remain open to examination by major taxing jurisdictions to which the Company is subject.

The Company accounts for uncertain tax positions in accordance with ASC 740. ASC 740-10 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% (cumulative probability) likely to be realized upon ultimate settlement. The Company accrues interest and penalties related to unrecognized tax benefits under taxes on income.

As at December 31, 2019 and 2018, the Company had \$2.5 million and \$1.4 million of gross unrecognized tax benefits related to federal and state research credits. As of December 31, 2019 all unrecognized tax benefits, if recognized, will not affect the Company's effective tax rate. The Company does not anticipate any unrecognized tax benefits in the next 12 months that would result in a material change to our financial position.

The Company includes interest and penalties in the consolidated financial statements as a component of income tax expense. The Company did not record any accrued interest and penalties as of December 31, 2019, or any prior period.

The aggregate changes in the balance of gross unrecognized tax benefits were as follows (in thousands):

Balance as of December 31, 2018	\$ 1,377
Additions based on tax positions related to 2019	1,043
Additions for tax positions of prior years	36
Balance as of December 31, 2019	\$ 2,456

16. Related-Party Transactions

The Company has entered into secondary financing transactions with certain executive officers and Board members of the Company. A summary of the transactions is detailed in below:

Notes Due from Affiliates (Asset-Classified)

In August 2014, the Company entered into an aggregate of \$4.2 million in secured partial recourse promissory notes with the Company's President and the Chief Executive Officer both of whom are also members of the Company's Board of Directors. The notes bear an annual interest rate of 1.89% compounded annually. In connection with the transactions, the Company acquired five-year options to purchase 673,923 shares of its common stock from these employees at the fixed per share price

Life360, Inc.

Notes to Consolidated Financial Statements

between \$6.22 and \$6.26 plus a monthly increment of \$0.01, which accretes each month the option remains outstanding through the date of expiration. In November 2017, the Company issued replacement notes for the 2014 notes and amended the option agreements to increase the exercise price to a price per share of \$6.65 plus a monthly increment, which accretes each month the option remains outstanding through the date of expiration.

In November 2017, the Company entered into an aggregate of additional \$1.2 million in secured partial recourse promissory notes with three executive officers. The notes bear an annual interest rate of 2.5% compounded annually. In connection with the transactions, the Company acquired five-year options to purchase 135,555 shares of its common stock from these employees at a fixed per share price between \$8.59 and \$8.60 plus a monthly increment of \$0.02, which accretes each month the option remains outstanding through the date of expiration.

The Company accounted for the 2014 and 2017 Loan, Pledge, and Option Agreements as related party notes and included the principal amounts due from such notes under Notes Due from Affiliates on the Balance Sheets. On December 3, 2018, the Company exercised its option to purchase 807,540 shares of its common stock from two executive officers and a former employee at a weighted-average exercise price of \$7.11 pursuant to certain Satisfaction and Option Exercise Agreements to settle outstanding notes due to the Company. Pursuant to such Satisfaction and Option Exercise Agreements, \$5.6 million of Notes Due from Affiliates, including \$0.1 million in interest was fully discharged, with the company acquiring the shares under the option purchase agreement. As of December 31, 2018, one note with a principal amount of \$0.2 million was due from an executive officer.

As of December 31, 2019 and 2018, the Company had options to purchase 24,444 shares of common stock. The Company determined the fair value of such options for each period using a lattice option-pricing model using expected volatility ranging from 67.2% to 76.1%, risk-free interest rates ranging from 1.4% to 2.6% and an expected dividend rate of 0%. The options had an estimated fair value as of December 31, 2019 and 2018 of \$0.03 million and \$0.03 million, respectively, and are included within Other Assets on the Balance Sheets.

Notes Due from Affiliates (Contra Equity)

In February 2016, the Company issued an aggregate of \$0.6 million in secured partial recourse promissory notes to the Chief Executive Officer, President and two other executive officers of the Company.

The Company accounted for the 2016 non-recourse notes as consideration received for the exercise of the related equity award, because even after the original options are exercised or the shares are purchased, an employee could decide not to repay the loan if the value of the shares declines below the outstanding loan amount and could instead choose to return the shares in satisfaction of the loan. The result would be similar to an employee electing not to exercise an option whose exercise price exceeds the current share price. When shares are exchanged for a non-recourse note, the principal and interest are viewed as part of the exercise price of the "option" and no interest income is recognized. Additionally, compensation cost is recognized over any requisite service period, with an offsetting credit to additional paid-in capital. Periodic principal and interest payments, if any, are treated as deposit liabilities until the note is paid off, at which time, the note balance is settled and the deposit liability balance is transferred to additional paid-in capital. As of December 31, 2019 and 2018, the Company had deposit liability balances of \$0.7 million, in connection with the 2016 non-recourse notes and other early exercises of equity awards. Principal amounts due under

Life360, Inc.

Notes to Consolidated Financial Statements

the 2016 non-recourse notes, or \$0.6 million, are included in Notes Due from Affiliates as a reduction in stockholders' equity on the balance sheets.

Common Stock Repurchase

On November 11, 2018, the Company repurchased 833,790 shares of common stock in connection with share repurchase agreements with certain employees, including three executive officers of the Company for \$9.16 per share or gross consideration of \$7.6 million.

Other Related Party Transactions

In December 2017, the Company entered into a consultancy agreement with non-executive director, James Synge. Under this agreement, Mr. Synge agreed to provide consultancy services to the Company in relation to strategic, business development and operational matters. Under this agreement, Mr. Synge has received consideration of US\$150,000. The agreement expired on 31 December 2018. In June 2018, the Company also entered into a consultancy agreement with Carthona Capital Pty Ltd ("Carthona Capital"). Mr. Synge is a Principal and Partner of Carthona Capital. Under the Consultancy Agreement, Carthona Capital agreed to provide management services to the Company in relation: (a) to the Series D financing completed by the Company in October 2018 and the IPO. Under the Consultancy Agreement, the Company paid to Carthona Capital a fee of US\$165,000 upon completion of the Series D financing and agreed to pay a further US\$85,000 upon completion of the IPO. In addition, the Company also agreed to pay an incentive fee of US\$100,000 to Carthona Capital upon completion of the IPO. During the year ended December 31, 2019, the Company paid Carthona Capital an aggregate amount of \$186,436 for consultancy services.

Equity Investment

During the year ended December 31, 2018, the Company sold certain intangibles assets acquired from Tenthbit Inc. to Couple App Inc. in exchange for 15% equity ownership in Couple App Inc. The net book value of the intangibles sold was approximately \$0.02 million. One of the Company executives is on the board of Couple App Inc and another Company executive is also a shareholder of Couple App Inc. Fair value of the 15% equity ownership was insignificant, and Couple App Inc. decided to terminate its operations for the year ended December 31, 2019. As a result, the Company has written off the investment.

17. Defined Contribution Plan

The Company sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code covering substantially all employees over the age of 21 years. Contributions made by the Company are voluntary and are determined annually by the Board of Directors on an individual basis subject to the maximum allowable amount under federal tax regulations. The Company has made no contributions to the plan since its inception.

Life360, Inc.

Notes to Consolidated Financial Statements

18. Net Loss Per Share Attributable to Common Shareholders

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders as of December 31, 2019 and 2018 (in thousands):

	As of	
	December 31, 2019	December 31, 2018
Net loss attributable to common shareholders	\$ (28,953)	\$ \$(19,357)
Weighted-average shares used in computing net loss per share attributable to common shareholders, basic and diluted	34,533	10,498
Net loss per share attributable to common shareholders, basic and diluted	\$ (0.84)	\$ (1.84)

The potential shares of common stock that were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been antidilutive as of December 31, 2019 and 2018 are as follows:

As of December 31,	2019	2018
Issuances under stock incentive plan	8,580,697	6,961,441
Issuances upon exercise of common stock warrants	140,576	53,969
Issuances upon vesting of restricted stock units	618,115	-
Conversion of convertible preferred stock	-	30,405,056
Shares reserved for shares available to be granted but not granted yet	906,976	1,906,119
Issuances upon exercise of convertible preferred stock warrants	-	165,595
	10,246,364	39,492,180

19. Geographic Areas

Revenue by geography is generally based on the address of the customer as defined in the Company's agreement. The following table sets forth revenue by geographic area (in thousands):

	For the year ended	
	December 31, 2019	December 31, 2018
United States	\$ 50,861	\$ 27,307
International	8,083	4,755
Total	\$ 58,944	\$ 32,062

20. Subsequent Events

The Company evaluated subsequent events through February 27, 2019, the date the audited consolidated financial statements were issued.

In February 2020, the Chief Financial Officer, Wendell Laidley, left the company.

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Additional Shareholder Information
SHAREHOLDER INFORMATION AS AT 31 JANUARY 2020

Additional Shareholder Information required by the Australian Securities Exchange Limited (ASX) Listing Rules is set out below.

In accordance with the 3rd edition ASX Corporate Governance Council's Principles and Recommendations, the 2019 Corporate Governance Statement, as approved by the Board, is available on the Company's website at: <https://investors.life360.com/investor-relations/>. The Corporate Governance Statement sets out the extent to which Life360 has followed the ASX Corporate Governance Council's 29 Recommendations during the 2019 financial year.

The Company has issued a total of 48,977,079 fully paid shares of common stock (Shares) which equates to 146,931,237 Chess Depository Receipts (CDIs).

In accordance with the Company's Prospectus dated 18 April 2019, 3 CDI equates to 1 Share. As at the date of this report, 133,119,870 CDIs are issued and held by 957 CDI holders which represents 44,373,290 Shares. 4,603,789 Shares are held by 67 shareholders who have not elected to hold Company securities in the form of CDIs.

1. Substantial shareholders

The number of securities held by substantial shareholders and their associates as advised to the ASX are set out below:

Name	Number Shares	Number CDIs	%
The ADT Security Corporation	4,991,413	14,974,239	10%
Seraph Life360 LLC	2,912,002	8,736,006	6%
Chris Hulls	2,886,552	8,659,656	6%
Regal Funds Management	2,676,090	8,028,269	5%
Fontinalis Capital Partners	2,518,931	7,556,793	5%

2. Number of security holders and securities on issue

Life360 has issued the following securities:

- (a) 146,931,237 CDIs held by 1,024 CDI holders; and
- (c) 8,042,860 unlisted options held by 136 option holders.
- (d) 776,715 Restricted Stock Units held by 98 holders
- (e) 140,576 Warrants over shares

Details of the Top 20 Shareholders are set out in section 5 below.

3. Voting rights

Ordinary shares

At a meeting of the Company's stockholders, every stockholder present, in person or by proxy is entitled to one vote for each share held on the record date for the meeting on all matters submitted to a vote of stockholders.

CDIs

CDI holders are entitled to one vote for every one CDI they hold.

Options

Option holders do not have any voting rights on the options held by them.

Restricted Stock Units

Restricted Stock Units holders do not have any voting rights on the Restricted Stock Units held by them.

Warrants

Warrant holders do not have any voting rights on the warrants held by them.

Distribution of security holders

Category	Chess Depository Interests (CDIs)*		
	Total Shareholders	Number of CDIs	%
1-1,000	283	137,530	0.1%
1,001-5000	365	1,095,423	0.7%
5,001-10,000	127	1,176,434	0.8%
10,001-100,000	172	6,895,363	4.7%
100,000 and over	77	137,626,487	93.7%
Total	1,024	146,931,237	100.0%

*Assumes all shares are held as CDIs

Category	Unquoted Options		
	Total holders	Number of Options	%
1-1,000	2	1,797	0.0%
1,001-5000	8	31,052	0.4%
5,001-10,000	13	109,514	1.4%
10,001-100,000	99	3,028,360	37.7%
100,000 and over	14	4,872,137	60.6%
Total	136	8,042,860	100.0%

Note that the Unquoted Options as stated above have various exercise prices and expiry dates

Category	Restricted Stock Units (RSUs)		
	Total holders	Number of RSUs	%
1-1,000	3	1,909	0.2%
1,001-5000	50	173,306	22.3%
5,001-10,000	25	203,500	26.2%
10,001-100,000	20	398,000	51.2%
100,000 and over	-	-	0.0%
Total	98	776,715	100.0%

Category	Warrants over Shares		
	Total holders	Number of Warrants	%
1-1,000	-	-	0.0%
1,001-5000	-	-	0.0%
5,001-10,000	1	7,761	5.5%
10,001-100,000	2	132,815	94.5%
100,000 and over	-	-	0.0%
Total	3	140,576	100.0%

4. Unmarketable parcel of shares

The number of CDI Holders holding less than a marketable parcel of CDIs (being A\$500) is 34 based on the Company's closing CDI price of A\$3.30, on 31 January 2020

5. Twenty largest shareholders of quoted equity securities

Chess Depositary Interests

Details of the 20 largest CDI Holders by registered CDI holding are as follows.

	Name	No. of CDIs	%
1	THE ADT SECURITY CORPORATION	14,974,239	10%
2	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	10,363,687	7%
3	UBS NOMINEES PTY LTD	9,026,297	6%
4	CITICORP NOMINEES PTY LIMITED	8,815,616	6%
5	SERAPH LIFE360 LLC	8,736,006	6%
6	CHRISTOPHER HULLS	8,659,656	6%
7	NATIONAL NOMINEES LIMITED	6,712,629	5%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,687,331	5%
9	CS THIRD NOMINEES PTY LIMITED	5,959,838	4%
10	ALEXANDER HARO	5,352,162	4%
11	VERIZON VENTURES LLC	4,616,820	3%
12	A-FUND LP	4,485,495	3%
13	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,426,701	3%
14	QIFEI INTERNATIONAL DEVELOPMENT CO LTD	3,875,817	3%
15	KENNETT CAPITAL INC	3,049,125	2%
16	SVIC NO 22 NEW TECHNOLOGY BUSINESS INVESTMENT LLP	2,931,435	2%
17	BULLPEN CAPITAL LP	2,648,064	2%
18	AJS LIFE360 HOLDINGS 2 LLC	2,060,790	1%
19	BNP PARIBAS NOMINEES PTY LTD	1,443,364	1%
20	JAMES STEELE SYNGE	1,450,413	1%
	Total	116,275,485	79%
	Balance of register	30,655,752	21%
	Grand total	146,931,237	100%

Note that this table is prepared on the basis that assuming all shares are held as CDI

6. The name of the entity's secretary (in the case of a trust, the name of the responsible entity and its secretary).

The Company has not appointed a Company Secretary which it is not legally required to do under Delaware Corporation Law and applicable US law.

The Company has engaged Company Matters Pty Ltd to act as its ASX Representative under Listing Rule 12.6. Graeme Blackett has been appointed as the Company's ASX Listing rule 12.6 Representative responsible for communication with the ASX in relation to listing rule matters.

7. The address and telephone number of the Company's registered office in Australia; and of its principal administrative office.

The Company is incorporated in the State of Delaware, United States of America.

The address of the Corporation's registered office in the State of Delaware is 160 Greentree Drive, Suite 101, in the City of Dover, County of Kent, Zip Code 19904. The name of its registered agent at such address is national Registered Agents, Inc.

The Company's Principal place of business is:
Suite 402, 539 Bryant Street, San Francisco, CA 94107 USA.
T: +1 (209) 581 1772

The Company's registered Australian office is:
Company Matters Pty Ltd Level 12, 680 George Street, Sydney NSW 2000 T: +61 (02) 8280 7355

8. The address and telephone number of each office at which a register of securities, register of depositary receipts or other facilities for registration of transfers is kept.

Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford, VIC 3067
Telephone: +61 1300 787 272

9. The Company's Securities are not traded on any other exchange other than the ASX.

10. The number and class of restricted securities or securities subject to voluntary escrow that are on issue and the date that the escrow period ends is set out as follows:

Class	Number of securities	Escrow Period
Unquoted restricted options	3,514,103 (equivalent to 10,542,309 CDIs upon exercise)	Subject to escrow for period expiring on the day following the release of the CY19 financial results.
Restricted CDIs	23, 141 043 CDIs	Subject to escrow for period expiring on the day following the release of the CY19 financial results.

11. Review of operations and activities

A detailed review of operations and activities is reported in the 2019 Annual Report.

12. On market buy-back

There is no current on market buy-back.

13. Statement regarding use of cash and assets.

During the period between 10 May 2019 and 31 December 2019, the Company has used its cash and assets readily convertible to cash that it had at the time of ASX admission in a way consistent with its business objectives set out in the Prospectus dated 17 April 2019.

14. Other

Life360 is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 (Cth) dealing with the acquisition of its shares (including substantial holdings and takeovers).

Anti-takeover provisions of Delaware Law, Certificate of Incorporation and Bylaws

Provisions of the Delaware General Corporation Law, the Company's Certificate of Incorporation and the Company's Bylaws could make it more difficult to acquire the Company by means of a tender offer (takeover), a proxy contest or otherwise, or to remove incumbent officers and Directors of the Company. These provisions (summarized below) could discourage certain types of coercive takeover practices and takeover bids that the Board may consider inadequate and to encourage persons seeking to acquire control of the Company to first negotiate with the Board. The Company believes that the benefits of increased protection of its ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure the Company outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

The Company's bylaws do not contain any limitations on the acquisition of securities, except that clause 9 of Article XI, Section 11.1. of the bylaws provides as follows:

"The Corporation may refuse to acknowledge or register any transfer of shares of the Corporation's capital stock (including shares in the form of CDIs) held or acquired by a stockholder (including shares of the Corporation's capital stock that may be acquired upon exercise of a stock option, warrant or other right) or shares of the Corporation's capital stock which attach to or arise from such shares which are not made:

- a. in accordance with the provisions of Regulation S of the Securities Act of 1933 (U.S.), as amended to date and the rules and regulations promulgated thereunder (the "U.S. Securities Act") (Rule 901 through Rule 905 and preliminary notes);
- b. pursuant to registration under the U.S. Securities Act; or
- c. pursuant to an available exemption from registration."