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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

OR

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

For the transition period from ___ to ___

Commission file number 001-34785

XpreSpa Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-4988129**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
254 West 31st Street, 11th Floor **New York, NY**	**10001**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 309-7549

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	XSPA	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☐

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

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

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant (without admitting that any person whose shares are not included in such calculation is an affiliate), as of June 30, 2020, the last business day of the registrant's most recently completed second quarter, was $236,554,017 computed by reference to the closing sale price of $4.19 per share on the Nasdaq Stock Market LLC on June 30, 2020.

As of March 26, 2021, 105,282,382 shares of the registrant's common stock are outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III will be included in an amendment to this Annual Report on Form 10-K.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate, among other matters, to our anticipated financial performance, future revenues or earnings, business prospects, projected ventures, new products and services, anticipated market performance and similar matters.

These risks and uncertainties, many of which are beyond our control, include, but are not limited to, the following:

- the adverse effects of public health epidemics, including the recent coronavirus outbreak, on our business, results of operations and financial condition;
- the continued closure of US spa locations;
- our material weakness related to our internal control over financial reporting;
- our ability to develop and offer new products and services, including the recently launched XpresCheck Wellness Centers;
- our ability to raise additional capital to fund our operations and business plan and the effects that such financing may have on the value of the equity instruments held by our stockholders;
- general economic conditions and level of consumer and corporate spending on health, wellness and travel;
- our ability to secure new locations, maintain existing ones, and ensure continued customer traffic at those locations;
- our ability to hire a skilled labor force and the costs associated with that labor;
- our ability to accurately forecast the costs associated with opening new retail locations and maintaining existing ones and the revenue derived from our retail locations;
- performance by our Airport Concession Disadvantaged Business Enterprise partners on obligations set forth in our joint venture agreements;
- our ability to protect our confidential information and customers' financial data and other personal information;
- failure or disruption to our information technology systems;
- our ability to retain key members of our management team;
- the loss of, or an adverse change with regard to, one or more of our significant suppliers, distributors, vendors or other business relationships;
- unexpected events and trends in the health, wellness and travel industries;
- market acceptance, quality, pricing, availability and useful life of our products and/or services, as well as the mix of our products and services sold;
- competitive conditions within our industries;

- our compliance with laws and regulations in the jurisdictions in which we do business and any changes in such laws and regulations;

- lawsuits, claims, and investigations that may be filed against us and other events that may adversely affect our reputation; and

- our ability to protect and maintain our intellectual property.

Forward-looking statements may appear throughout this Annual Report on Form 10-K, including, without limitation, the following sections: Item 1 "Business," Item 1A "Risk Factors," and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations." The statements contained herein that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipates," "believes," "can," "continues," "could," "estimates," "expects," "intends," "may," "will," "will be," "will continue," "will likely result," "plans," "predicts," "projects," "seeks," "should," "future," "targets," "continue," "would," or the negative of such terms, and similar or comparable terminology or expressions or variations intended to identify forward-looking statements. These statements are based on current expectations and assumptions based on information currently available to us. Such forward-looking statements are subject to risks, uncertainties, assumptions (that may never materialize or may prove incorrect) and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. These forward-looking statements are not guarantees of future performance, and actual results may vary materially from the results and expectations discussed. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in our Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and in this Annual Report on Form 10-K, and in particular, the risks discussed under the caption "Risk Factors" in Item 1A of this report and those discussed in other documents we file with the Securities and Exchange Commission ("SEC"). The forward-looking statements set forth herein speak only as of the date of this report. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements to reflect events or circumstances that may arise after the date of such forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

All references in this Annual Report on Form 10-K to "we," "us" and "our" refer to *XpresSpa Group, Inc. (prior to January 5, 2018, known as "FORM Holdings Corp.")*, a Delaware corporation, and its consolidated subsidiaries unless the context requires otherwise.

PART I

ITEM 1. BUSINESS

Overview

XpresSpa Group, Inc. ("XpresSpa Group" or the "Company") is a health and wellness services company. We have been a leading airport retailer of spa services through our XpresSpa™ locations, offering travelers premium spa services, including massage, nail and skin care, as well as spa and travel products ("XpresSpa"). In addition, through our subsidiary, XpresTest, Inc. ("XpresTest"), we launched XpresCheck™ Wellness Centers, also in airports, offering COVID-19 and other medical diagnostic testing services to airport employees and the traveling public.

XpresTest, through its XpresCheck Wellness Centers and under the terms of Managed Services Agreements ("MSAs") with physician's practices, offers COVID-19 and other medical diagnostic testing services to the traveling public, as well as airline, airport and concessionaire employees, TSA and U.S. Customs and Border Protection agents, and the general public. Under the terms of the MSAs, XpresTest provides the physician practices with medical facilities, equipment, supplies, non-licensed staff, and management services, in return for a monthly management fee.

We currently have two reportable operating segments: XpresSpa and XpresTest. As of December 31, 2020, we operated 45 XpresSpa locations, consisting of 40 domestic (including one franchise location) and 5 international locations, and XpresTest, through its XpresCheck brand, operated in 5 domestic airport locations.

As a result of the coronavirus pandemic, effective March 24, 2020, we temporarily closed all global XpresSpa locations due to the categorization by local jurisdictions of the spa locations as "non-essential services." Substantially all of our XpresSpa locations remain closed. During 2020 and 2019, XpresSpa Group generated $8,385,000 and $48,515,000 in revenue, respectively. In 2020 and 2019, approximately 84% and 82% of XpresSpa Group's total revenue was generated by XpresSpa services, primarily massage and nailcare, respectively. In 2020 and 2019, XpresSpa retail products and travel accessories accounted for 12% and 15%, respectively, of revenue and 4% and 3%, respectively, was other revenue generated through product placement arrangements in XpresSpa spas and from management fees earned by XpresTest.

Reverse Stock Split

On June 11, 2020, we effected a 1-for-3 reverse stock split, whereby every three shares of our Common Stock was reduced to one share of our Common Stock and the price per share of our Common Stock was multiplied by 3**.** All references to shares and per share amounts have been adjusted to reflect the reverse stock split.

Our Strategy and Outlook

We believe that our company is well positioned to benefit from consumers' growing interest in travel health and wellness and increasing demand for health and wellness related services and products.

XpresSpa was created for travelers to address the stress and idle time spent at the airport, allowing travelers to spend this time relaxing and focusing on personal care and wellness. It is a well-recognized and popular airport spa brand with a dominant market share in the United States, with nearly three times the number of domestic locations as its closest competitor.

Travel needs are changing based on new health and passenger safety concerns resulting from the COVID-19 pandemic. Therefore, in 2020 we created a companion company, XpresCheck, which is also in airports and which offers COVID-19 testing and other medical diagnostic testing services to airport employees and the traveling public.

Further, the Company is developing a travel health and wellness brand that is positioned for a post-pandemic world and that leverages its historic travel wellness experience and newly acquired healthcare expertise. The Company is preparing

a launch of a Travel Health and Wellness company delivering on-demand access to integrated healthcare through technology and personalized services.

The Company sees this concept evolution as a significant opportunity to be a category innovator in a new niche industry where it can leverage technology in addition to its existing real estate and airport experience in providing travelers with peace of mind and access to integrated care. The brand name of this concept will be announced at a later date.

While COVID-19 testing will be available under this new brand, the broader suite of services may include: pre-travel health and wellness planning, on-site medical services such as metabolic panel testing, anxiety care, and convenient travel care; virtual chat care and video care through a partnership with an established telemedicine company; and access to virtual wellness care such as guided meditations and yoga.

Recent Developments

Effects of Coronavirus on XpresSpa

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic. The outbreak impacted the global economy, resulting in rapidly changing market and economic conditions. National and local governments around the world instituted certain measures, including travel bans, prohibitions on group events and gatherings, shutdowns of certain non-essential businesses, curfews, shelter-in-place orders and recommendations to practice social distancing. The outbreak and associated restrictions on travel have had a material adverse impact on our XpresSpa business and cash flow from operations, similar to many businesses in the travel sector.

Effective March 24, 2020, we temporarily closed all global XpresSpa spa locations, largely due to the categorization of the spa locations by local jurisdictions as “non-essential services.” Substantially all of our spa locations remain closed. We look to reopen our XpresSpa spa locations and resume normal operations once restrictions are lifted and airport traffic returns to sufficient levels to economically support operations.

We have received rent concessions from landlords on a majority of our airport location leases, allowing for the relief of minimum guaranteed payments in exchange for percentage-of-revenue rent or providing relief from rent through payment deferrals. We expect to realize additional rent concessions while our XpresSpa locations remain closed.

The impact of COVID-19 may continue if the rates of infection do not decrease as a result of social distancing measures or if vaccinations do not effectively reduce the rates of infection, and additional restrictive measures may be necessary. We continue to reassess our projections in light of the continuing effect the pandemic is having on our market and economic conditions in the industry in which we operate.

XpresCheck Wellness Centers

In response to the need for COVID-19 testing, XpresTest, through its XpresCheck Wellness Centers and under the terms of Managed Services Agreements (“MSAs”) with physician practices, began offering COVID-19 and other medical diagnostic testing services to the traveling public, as well as airline, airport and concessionaire employees, TSA and U.S. Customs and Border Protection agents, and the general public.

On May 22, 2020, we announced the signing of a contract with JFK International Air Terminal LLC (“JFK”) to pilot test our XpresCheck Wellness Centers concept, providing diagnostic COVID-19 PCR and antibody tests to airport employees and the traveling public. To facilitate the JFK pilot test, we signed an agreement with JFK for a new modular constructed testing facility within the terminal that hosts nine separate testing rooms. The pilot test at JFK launched on June 22, 2020.

On August 13, 2020, we announced that we had signed a contract with the Port Authority of New York and New Jersey to provide diagnostic COVID-19 testing at Newark Liberty International Airport. We built a modular constructed testing facility that hosts six separate testing rooms. The facility opened on August 17, 2020.

On October 7, 2020 we added an Abbott ID Now Rapid Molecular test to our offerings. These tests proved our most popular, growing from 35% to over 75% of all visits while total visits grew by more than 350% by year end 2020.

On October 28, 2020, we announced the opening of an XpresCheck Wellness Center at Boston's Logan International Airport. It contains seven separate testing rooms to provide diagnostic COVID-19 testing.

Additional XpresCheck Wellness Centers were opened in Phoenix on November 23, 2020 and Denver on December 16, 2020.

On December 15, 2020, XpresCheck entered into an agreement with United Airlines under which XpresCheck™ agreed to provide pre-travel onsite COVID-19 testing services for certain selected United flights originating in or connecting through various major U.S. domestic hubs, including Newark Liberty International Airport (EWR), Logan International Airport (BOS) and Denver International Airport (DEN),

We anticipate the demand for COVID testing to continue well into or beyond 2021. While closures, social distancing and vaccine deployment will reduce the incidence of COVID19, variants and the speed with which the world is inoculated will necessitate continued vigilance. We continue to evaluate alternative testing protocols and work in partnership with airlines for safe travels.

Impairment

We completed an assessment of our property and equipment and operating lease right of use assets for impairment as of December 31, 2020. Based upon the results of the impairment test, we recorded an impairment expense related to property and equipment and operating lease right of use assets of $4,954,000 and $6,341,000, respectively, during the year ended December 31, 2020, which is included in *Impairment/disposal of assets* in our consolidated statements of operations and comprehensive loss. The expense was primarily related to the impairment of leasehold improvements made to certain XpresSpa spa locations and operating lease right of use assets where management determined that the locations' discounted future cash flows were not sufficient to recover the carrying value of these assets over the remaining lease term.

We completed an assessment of our intangible assets for impairment as of December 31, 2020. Based upon the results of the impairment test, we recorded an impairment expense related to intangible assets of $3,934,000 during the year ended December 31, 2020, which is included in *Impairment/disposal of assets* in our consolidated statements of operations and comprehensive loss. The expense was related to the impairment of the XpresSpa trademarks, where management determined that in light of the effect of the COVID-19 pandemic, the XpresSpa brand's discounted future cash flows were not sufficient to recover the carrying value of these assets.

The full extent to which COVID-19 will impact our results will depend on future developments, which are highly uncertain and cannot be predicted with accuracy, including new information which may emerge concerning the severity of the virus, the actions to contain or treat its impact and vaccinations.

The impact of the COVID-19 pandemic could continue to have a material adverse effect on our XpresSpa business, results of operations, financial condition, liquidity and prospects in the near-term and beyond 2020. While we have used all currently available information in our forecasts, the ultimate impact of the COVID-19 pandemic on our results of operations, financial condition and cash flows is highly uncertain. Our results of operations, financial condition and cash flows are dependent on future developments, including the duration of the pandemic and the related length of its impact on the global economy, which at the present time are highly uncertain and cannot be predicted with accuracy. The success or failure of our newly launched XpresCheck™ Wellness Centers could also have a material effect on our results of operations, financial condition and cash flows.

Chief Financial Officer (CFO) and Chief Operating Officer (COO) Transition

Effective December 14, 2020, James A. Berry was appointed as Chief Financial Officer and Scott R. Milford was promoted to Chief Operating Officer.

CFO – James A. Berry

Mr. Berry, 64, has served as the Chief Financial Officer of ClearChoiceMD Urgent Care, an early-stage, multi-state, multi-site urgent care organization, since 2016. Prior to that, he served as Vice President-Finance and Corporate Treasurer of CareWell Urgent Care, a high-growth developer and operator of urgent care centers, from 2013 to 2016. Mr. Berry previously served in various roles with University Emergency Medical Foundation from 2001 to 2012, including Chief Operating Officer; Director, Business Operations; and Controller; and was a Principal/Consultant with Psymed Resources from 1992-2001. He holds a Bachelor of Science in Biochemistry from the University of Massachusetts, Amherst and a Master of Business Administration from Purdue University.

COO – Scott R. Milford

Mr. Milford, 56, has served as the Company's Chief People Officer since July 2019. Before joining the Company, he served as VP, People Operations of SoulCycle from January to July 2019. Prior to that, he served as Chief People Officer for Bayada Home Health during 2018. Previously, he was Senior Vice President – Human Resources for Le Pain Quotidien from 2016 to 2018, and Senior Vice President – Human Resources for Town Sports from 2009 to 2015. His other relevant experience includes senior Human Resources leadership positions at Starbucks Coffee Company (2003-2008), Universal Music Group (1999-2003), and Blockbuster Entertainment and its parent Viacom International (1991-1999).

Competition

All global XpresSpa locations, largely due to the categorization of the spa locations by local jurisdictions as "non-essential service," were closed as of March 24, 2020. As of December 31, 2020, all XpresSpas, in 43 total locations in 24 airports in the United States and Netherlands, remained closed. The two XpresSpas located in the United Arab Emirates reopened. Our domestic units operate within many of the largest and most heavily trafficked airports in the United States. The balance of the domestic market is highly fragmented and is represented largely by small, privately-owned entities. The largest domestic competitor operated 15 locations in 9 airports in the United States.

There are no other multi-city multi-airport operators. Competition, where present, is typically a locally based health system urgent care center, or heath provider, or a contracted vendor of the airport.

Our Market

Airport retailers differ significantly from traditional retailers. Unlike traditional retailers, airport retailers benefit from a steady and largely predictable flow of traffic from a constantly changing customer base. Airport retailers also benefit from "dwell time," the period after travelers have passed through airport security and before they board an aircraft. For over 15 years, increased security requirements have led travelers to spend more time at the airport. In addition, in anticipation of the long and often stressful security lines, travelers allow for more time to get through security and, as a result, often experience increased downtime prior to boarding. XpresSpa was developed to address the stressful and idle time spent at the airport, allowing travelers to spend this time productively, by relaxing and focusing on personal care and wellness.

We believe that XpresSpa Group is well positioned to benefit from consumers' growing interest in health and wellness and increasing demand for spa services and related wellness products.

In addition, a confluence of microeconomic events has created favorable conditions for the expansion of retail concepts at airports, in particular, retail concepts that attract higher spending from air travelers. The competition for airplane landings has forced airports to lower landing fees, which in turn has necessitated augmenting their retail offerings to offset budget shortfalls. Infrastructure projects at airports across the country, again intended to make an airport more desirable to airlines, require funding from bond issuances that in turn rely upon, in part, the expected minimum rent guarantees and expected income from concessionaires.

Equally as important to the industry growth is XpresSpa Group's flexible, valuable and desirable retail format and footprint within the airport retail segment. XpresSpa Group opens multiple locations annually, which have ranged in size from 200 square feet to 2,600 square feet, with a typical size of approximately 800 square feet. XpresSpa Group is able to adapt its operating model to almost any size location available in space constrained airports. This increased flexibility compared to other retail concepts allows XpresSpa Group to operate multiple stores within an airport.

XpresSpa Group believes that its operating metrics represent an attractive return on invested capital and, as a result, is pursuing new locations at airports and terminals around the country. Historically, XpresSpa has won the majority of all requests for proposal ("RFP") in which it has participated.

Normal market conditions and behavior have been negatively impacted by the recent outbreak of COVID-19. On March 11, 2020, the World Health Organization declared the outbreak a pandemic. The outbreak is having an impact on the global economy, resulting in rapidly changing market and economic conditions. Similar to many businesses in the travel sector, our business has been materially adversely impacted by the recent COVID-19 outbreak and associated restrictions on travel that have been implemented. Effective March 24, 2020, we temporarily closed all global spa locations, largely due to the categorization of our spa locations by local jurisdictions as "non-essential services". We believe the market conditions will return to normal and we look to reopen our spa locations and resume normal operations once the restrictions on non-essential services are lifted and airport traffic returns to sufficient levels to support our operations and achieve adequate unit-level economics, including acceptable profit levels.

The market for XpresCheck is predominantly airline passengers requiring a negative COVID test at their destinations to avoid quarantine, with much smaller components of airline employees and general public electing testing at the airport. We believe this market will continue to exist into and potentially beyond 2021, albeit with some changes in the size and test types.

Our new concept envisions delivering integrated health and wellness care, through technology and services, accessed at on-site airport wellness centers as well as outside of airports. We expect this travel health and wellness brand to expand our relevant market well beyond the flying passengers of the airports, in which we have a physical presence, and into a digital experience before, during and after travel. We also believe these offerings will be more relevant products and services and hence consumed by a greater portion of our target population.

Regulation

Our operations are subject to a range of laws and regulations adopted by national, regional and local authorities from the various jurisdictions in which we operate, including those relating to, among others, licensing (e.g., massage, nail, and cosmetology), public health and safety and fire codes. Failure to obtain or retain required licenses and approvals, including those related to licensing, public health and safety and fire codes, would adversely affect our operations. Although we have not experienced, and do not anticipate, significant problems obtaining required licenses, permits or approvals, any difficulties, delays or failures in obtaining such licenses, permits or approvals could delay or prevent the opening, or adversely impact the viability, of our operations.

Airport authorities in the United States frequently require that our airport concessions meet minimum Airport Concession Disadvantaged Business Enterprise ("ACDBE") participation requirements. The Department of Transportation's ("DOT") ACDBE program is implemented by recipients of DOT Federal Financial Assistance, including airport agencies that receive federal funding. The ACDBE program is administered by the Federal Aviation Administration ("FAA"), state and local ACDBE certifying agencies and individual airports. The ACDBE program is designed to help ensure that small firms owned and controlled by socially and economically disadvantaged individuals can compete for airport contracting and concession opportunities in domestic passenger service airports. The ACDBE regulations require that airport recipients establish annual ACDBE participation goals, review the scope of anticipated large prime contracts throughout the year, and establish contract specific ACDBE participation goals. We generally meet the contract specific goals through an agreement providing for co-ownership of the retail location with a disadvantaged business enterprise. Frequently, and within the guidelines issued by the FAA, we may lend money to ACDBEs in connection with concession agreements in order to help the ACDBE fund the capital investment required under a concession agreement. The rules and regulations governing the certification of ACDBE participation in airport concession agreements are complex, and ensuring ongoing

compliance is costly and time consuming. Further, if we fail to comply with the minimum ACDBE participation requirements in our concession agreements, we may be held responsible for breach of contract, which could result in the termination of a concession agreement and monetary damages. See "Item 1A. Risk Factors – Risks Related to our Business Operations – Failure to comply with minimum airport concession disadvantaged business enterprise participation goals and requirements could lead to lost business opportunities or the loss of existing business."

We are subject to the Fair Labor Standards Act, the Immigration Reform and Control Act of 1986, the Occupational Safety and Health Act, the Family and Medical Leave Act, the Affordable Care Act, the Healthcare Insurance Portability and Accountability Act and various federal and state laws governing matters such as minimum wages, overtime, unemployment tax rates, workers' compensation rates, citizenship requirements and other working conditions. We are also subject to the Americans with Disabilities Act, which prohibits discrimination on the basis of disability in public accommodations and employment, which may require us to design or modify our concession locations to make reasonable accommodations for disabled persons.

We are also subject to certain truth-in-advertising, general customs, consumer and data protection, product safety, workers' health and safety and public health rules that govern retailers in general, as well as the merchandise sold within the various jurisdictions in which we operate.

We are also subject to HIPAA and the HITECH Act as they relate to patients' Protected Health Information (PHI), patient rights, breach notification and other actions.

Employees

Effective March 24, 2020, we temporarily closed all global locations and furloughed the majority of our XpresSpa and corporate employees, largely due to the categorization of our spa locations by local jurisdictions as "non-essential services" in connection with the outbreak of COVID-19. We look to reinstate furloughed employees on a location-by-location basis at such time as restrictions related to non-essential services are eliminated at such locations and local airport traffic returns to sufficient levels to support our operations and achieve adequate unit-level economics, including acceptable profit levels.

As of March 15, 2021, we had approximately 119 full-time and 33 part-time employees of XpresSpa Group. XpresSpa had approximately 12 furloughed employees in San Francisco International Airport and 22 furloughed employees in Los Angeles International Airport who are represented by a labor union and are covered by a collective bargaining agreement. We consider our relationships with our employees to be good.

Corporate Information

On January 5, 2018, we changed our name to XpresSpa Group, Inc. from FORM Holdings Corp. as part of a rebranding that aligned our corporate strategy to build a pure-play health and wellness services company. Our Common Stock, par value $0.01 per share, which was previously listed under the trading symbol "FH" on the Nasdaq Capital Market, has been listed under the trading symbol "XSPA" since January 8, 2018. Our principal executive offices are located at 254 West 31st Street, 11th Floor, New York, New York 10001. Our telephone number is (212) 309-7549 and our website address is *www.xpresspagroup.com*. We also operate the websites *www.xpresspa.com* and *www.xprescheck.com*.

References in this Annual Report on Form 10-K to our website address does not constitute incorporation by reference of the information contained on the website. We make our filings with the Securities and Exchange Commission, or the SEC, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, other reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, and amendments to the foregoing reports, available free of charge on or through our website as soon as reasonably practicable after we file these reports with, or furnish such reports to, the SEC. In addition, we post the following information on our website:

- our corporate code of conduct and our insider trading compliance manual; and
- charters for our audit committee, compensation committee, and nominating and corporate governance committee.

The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at *http://www.sec.gov*.

ITEM 1A. RISK FACTORS

Our business, financial condition, results of operations and the trading price of our Common Stock could be materially adversely affected by any of the following risks as well as the other risks highlighted elsewhere in this Annual Report on Form 10-K. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may materially affect our business, financial condition and results of operations.

Risk Factor Summary

Risks Related to our Financial Condition and Capital Requirements

- The ongoing COVID-19 pandemic may continue to adversely affect our business operations, employee availability, financial condition, liquidity and cash flow for an extended period of time.
- We may be unable to remediate the material weakness in our internal control over financial reporting that we identified, or otherwise to maintain effective internal control over financial reporting.
- Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.
- Global economic and market conditions may adversely affect our business, financial condition and operating results.
- We are not currently cash flow positive and will depend on availability of funding to open new locations.

Risks Related to our Business Operations

- We have limited operating history in the diagnostic testing and vaccination industry.
- We may never establish long-term formal contracts and relationships with professional practices for medical testing and vaccinations in our XpresCheck™ Wellness Centers.
- We may be unable to successfully secure new locations for, or transition our existing spa facilities into, XpresCheck™ Wellness Centers for medical testing and vaccinations.
- Any delays or difficulties securing laboratory substances, equipment and other materials used for COVID-19 tests could disrupt our operations and materially harm our business.
- The COVID-19 testing technology we have chosen may not perform as expected.
- Our medical testing and vaccination capabilities may never achieve significant acceptance.
- Any disputes relating to improper handling, storage or disposal of the potentially hazardous materials, chemicals and patient samples in our XpresCheck diagnostic testing and vaccination business could be time consuming and costly.
- Changes in laws and regulations to which our business is subject, or failure to comply with existing or future laws and regulations, could result in increased costs and the imposition of fines or penalties.
- Changes in the way that the FDA regulates COVID-19 tests could result in the delay or additional expense in XpresCheck offering tests.
- Our professional practice partner's failure to accurately bill for testing services, or to comply with applicable laws relating to government healthcare programs, could adversely affect our business.
- We depend on third parties to provide services critical to our XpresCheck diagnostic testing and vaccination business, and we would by adversely impacted by their failure to comply with applicable laws and regulations or breaches of their information technology systems.
- Our business operations may be materially impaired if we do not comply with privacy laws or information security policies, including laws protecting health information and personal data.
- Hardware and software failures or delays in our information technology systems or payment systems could disrupt our operations and cause the loss of confidential information, customers and business opportunities.

- Our capital expenditures in XpresCheck™ Wellness Centers may not generate a positive return and we will incur significant additional costs.
- We rely on international and domestic airplane travel, and the time that airline passengers spend in United States airports post-security.
- We rely on a limited number of distributors and suppliers for certain of our products, and events outside our control may disrupt our supply chain and ultimately cause us to lose our concessions.
- Our operating results may fluctuate significantly due to factors beyond our control.
- Our expansion into new airports or off-airport locations may present increased risks due to our unfamiliarity with those areas.
- We may not be able to execute our growth strategy to expand and integrate new concessions or future acquisitions into our business or remodel existing concessions.
- If the estimates and assumptions we use to determine the size of our market are inaccurate, our future growth rate may be impacted.
- Our business requires substantial capital expenditures and we may not have access to the capital required to maintain and grow our operations.
- We currently rely on a skilled, licensed labor force to provide spa services, and the supply of this labor force is finite.
- Unionization of our labor force or continued minimum wage increases could increase our cost of labor.
- We compete for new locations in airports and may not be able to secure new locations.
- We may not be able to predict accurately or fulfill customer preferences or demands.
- Our leases may be terminated, either for convenience by the landlord or as a result of an XpresSpa default.
- Our ability to operate depends on the traffic patterns of the terminals in which we operate.
- We are dependent on our local partners.
- Failure to comply with minimum airport concession disadvantaged business enterprise participation goals and requirements could lead to lost business opportunities or the loss of existing business.
- If we are unable to protect our customers' credit card data and other personal information, we could be exposed to data loss, litigation and liability, and our reputation could be significantly harmed.
- Negative social media regarding XpresSpa could result in decreased revenues and impact XpresSpa's ability to recruit workers.
- We source, develop and sell products that may result in product liability defense costs and product liability payments.
- We have commenced legal proceedings and/or licensing discussions with security, content distribution and/or telecommunications companies, which may be time consuming, may fail to lead to a license, or may result in litigation.
- We may fail or be unable to protect our patents, trademarks or other proprietary rights we use.
- We and our subsidiaries have been, are, and may become involved in litigation that could divert management's attention and harm our businesses.
- Future acquisitions or business opportunities could involve unknown risks that could harm our business and adversely affect our financial condition and results of operations.

Risks Related to our Business Operations

- The market price of our Common Stock historically has been and likely will continue to be highly volatile, and our Common Stock has historically traded in low volumes.
- Future sales of our shares of Common Stock or the exercise of a substantial number of warrants or options could cause the market price of our Common Stock to drop significantly, even if our business is otherwise performing well.
- We have no current plans to pay dividends on our Common Stock, and our investors may not receive funds without selling their stock.
- Our failure to meet the continued listing requirements of The Nasdaq Capital Market could result in a delisting of our Common Stock.

Risks Related to our Financial Condition and Capital Requirements

The ongoing COVID-19 pandemic was declared a pandemic by the World Health Organization on March 11, 2020 and has rapidly spread throughout the United States and worldwide, and may continue to adversely affect our business operations, employee availability, financial condition, liquidity and cash flow for an extended period of time.

The COVID-19 outbreak is having an impact on the global economy, resulting in rapidly changing market and economic conditions. Similar to many businesses in the travel sector, our business has been materially adversely impacted by the recent COVID-19 outbreak due to the restrictions on travel that have been implemented. Effective March 24, 2020, we temporarily closed all global spa locations, largely due to the categorization of our spa locations by local jurisdictions as "non-essential services" in connection with the outbreak of COVID-19. This has had a materially adverse impact on our cash flows from operations and caused a liquidity crisis. Ongoing significant reductions in business related activities could result in further loss of sales and profits and other material adverse effects. The extent of the impact of COVID-19 on our business, financial results, liquidity and cash flows will depend largely on future developments, including new information that may emerge concerning the severity and action taken to contain or prevent further spread within the U.S. and the related impact on consumer confidence and spending, all of which are highly uncertain and cannot be predicted. As the outbreak of COVID-19 continues to spread rapidly in the U.S. and globally, related government and private sector responsive actions may continue to adversely affect our business operations. It is impossible to predict the effect and ultimate impact of the COVID-19 pandemic as the situation is rapidly evolving. If the COVID-19 outbreak continues and persists for an extended period of time, we expect there will be significant and material disruptions to our operations, which will have a material adverse effect on our business, financial condition and results of operations.

In connection with the preparation of our annual financial statements for the year ended December 31, 2020, we identified a material weakness in our internal control over financial reporting. Any failure to maintain effective internal control over financial reporting could have a material adverse effect on our results of operations and financial position.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. In connection with our audit of the year ended December 31, 2020, we identified a material weakness in our internal controls over our financial close and reporting process. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected and corrected on a timely basis. Our management has concluded that additional formal procedures need to be put in place in the financial close and reporting process to ensure that appropriate reviews occur on all financial reporting analysis in a timely manner. We also concluded that we did not maintain a sufficient complement of corporate employee personnel with appropriate levels of accounting and controls knowledge and experience commensurate with our financial reporting requirements to appropriately analyze, record and disclose accounting matters completely and accurately. As this deficiency created a reasonable possibility that a material misstatement would not have been prevented or detected in a timely basis, management concluded that the control deficiency represented a material weakness and accordingly our internal control over financial reporting was not effective as of December 31, 2020.

We are still considering the full extent of, and implementing, the procedures to implement in order to remediate the material weakness described above. Our preliminary remediation plan, complemented by our existing outsourced internal audit procedures, includes implementing a more robust review process, an increase in the supervision and monitoring of the financial reporting processes and our accounting personnel, and implementing better controls over calculations, analysis and conclusions associated with non-routine transactions at a more precise level. Moreover, we have hired a new chief financial officer and a new controller, each within the last six months of the date of this report, and such individuals will be criticial to the implementation of such procedures.

We cannot assure you that any of our remedial measures will be effective in resolving this material weakness. If our management is unable to conclude that we have effective internal control over financial reporting, or to certify the effectiveness of such controls, or if additional material weaknesses in our internal controls are identified in the future, we could be subject to regulatory scrutiny and a loss of public confidence, which could have a material adverse effect on our

business and our stock price. In addition, if we do not maintain adequate, qualified financial and management personnel, processes and controls, we may not be able to manage our business effectively or accurately report our financial performance on a timely basis, which could adversely affect our results of operations and financial condition.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2020, our estimated aggregate total net operating loss carryforwards ("NOLs") were $150,926,000 for U.S. federal purposes, expiring 20 years from the respective tax years to which they relate, and $60,269,000 for U.S. federal purposes with an indefinite life due to new regulations in the Tax Cuts and Jobs Act of 2017. Our ability to utilize our NOLs may be limited under Section 382 of the Internal Revenue Code. The limitations apply if an ownership change, as defined by Section 382, occurs. Generally, an ownership change occurs when certain stockholders increase their aggregate ownership by more than 50 percentage points over their lowest ownership percentage in a testing period (typically three years). Additionally, the Tax Reform Act of 1986 imposed substantial restrictions on the utilization of NOL and tax credits in the event of an ownership change of a corporation. Thus, the Company's ability to utilize all such NOL and credit carryforwards may be limited. Future changes in stock ownership may also trigger an ownership change and, consequently, a Section 382 limitation.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted on March 27, 2020 and includes favorable changes to tax law and incentives for businesses impacted by COVID-19. However, we do not anticipate the income tax law changes and incentives will have a material impact on our results of operations or financial position.

Global economic and market conditions may adversely affect our business, financial condition and operating results.

Our business plan depends significantly on worldwide economic conditions and our success is dependent on consumer spending, which is sensitive to economic downturns, inflation and any associated rise in unemployment, decline in consumer confidence, adverse changes in exchange rates, increase in interest rates, increase in the price of oil, deflation, direct or indirect taxes or increase in consumer debt levels. As a result, economic downturns may have a material adverse impact on our business, financial condition and results of operations. Moreover, uncertainty about global economic conditions poses a risk as businesses and individuals may postpone spending in response to tighter credit, negative financial news and declines in income or asset values. This could have a negative effect on corporate and individual spending on health and wellness and travel. These factors, taken together or individually, could cause material harm to our business, financial condition and results of operations.

We are not currently cash flow positive and will depend on funding to fund our ongoing business strategy. In the event that capital is unavailable, we will not be able to open new XpresCheck locations or fully develop our new travel health and wellness concept .

Throughout its operating history, we have not generated sufficient cash from operations to fund our new store development. The design and implementation of our new travel health and wellness concept, as well as identification, management and implementation of opening additional XpresCheck Wellness Centers, will be capital intensive, , While we have mitigated the cash crisis we faced in the first half of 2020, we will be dependent upon managing and effectively deploying our cash resources and will likely require additional funding for our new location growth for XpresCheck Wellness Centers and the design and lauch of our new travel health and wellness concept until such time as we can produce enough cash to profitably fund our own location growth and ongoing development efforts..

Risks Related to our Business Operations

We have limited operating history in the diagnostic testing and vaccination industry.

Despite our management's extensive experience in health and wellness services, we have very limited specific operating history in the diagnostic testing and vaccination industry, including providing management services to a professional practice offering diagnostic testing or vaccination services. We face substantial risks and uncertainties to which our new diagnostic testing and vaccination line of business is subject. To address these risks and uncertainties, we must, among other things, successfully execute our business strategy, respond to competitive developments and attract and retain

qualified personnel. We cannot assure you that we will operate profitably or that our business strategy will be successful. As a result, our diagnostic testing and vaccination line of business may not succeed.

We may never establish long-term formal contracts and relationships with professional practices for the ordering of and collection of samples for, or with laboratories for the performance of, COVID-19 and other medical testing and vaccination services in our XpresCheck™ Wellness Centers.

We have begun offering COVID-19 and other medical testing services, as well as and certain seasonal vaccines in XpresCheck™ Wellness Centers. On June 22, 2020, we began pilot testing and have established a formal contractual relationship with a professional practice for the ordering of and collection of samples for, and with clinical laboratories for the performance, of COVID-19 testing. These contractual relationships are for an initial period of one year, with automatic one year renewals, unless otherwise terminated by either party. We may never formalize longer-term arrangements with a professional practice or clinical laboratory for these purposes and may never conduct diagnostic testing and vaccination operations on a widescale basis. As a result, there can be no assurances that we will be able to execute our current plans or generate substantial revenue associated with our current XpresCheck COVID-19 testing and other medical testing and vaccines plans, including any COVID-19 vaccine that might become available in the future.

We may be unable to successfully secure new locations for, or transition our existing spa facilities into, XpresCheck™ Wellness Centers at which COVID-19 or other medical testing and vaccinations will be ordered or performed.

There can be no assurances that we will be able to open new XpresCheck™ Wellness Centers or further expand our initial sites, including JFK International Airport, Newark Liberty International Airport, Boston Logan International Airport, in order make available or renovate our other existing spa facilities for the purpose of operating a location at which XpresCheck COVID-19 testing will be ordered and/or performed by a professional practice. In addition, we have expanded our testing capabilities to include rapid testing services for other communicable diseases, including influenza, mononucleosis and group A streptococcus, as well as seasonal flu vaccination services which may require additional renovations and costs. If we are unable to successfully transition such facilities to locations at which COVID-19 testing or other medical testing and vaccination services will be ordered and/or performed due to issues with lease agreements, permits, licenses or other delays, we will not be able to move forward with our planned business transition.

We rely on a limited number of professional practices and suppliers and, in some cases, a single professional practice or supplier, for the COVID-19 test and certain of the laboratory substances, equipment and other materials used for COVID-19 tests, and any delays or difficulties securing these materials could disrupt our operations and materially harm our business.

We plan to contract with a limited number of professional practices, and potentially only a single professional practice, for the ordering of and collection of samples for COVID-19 testing. We currently rely on a limited number of suppliers for test kits, seasonal flu vaccines, collection supplies, reagents, and various other equipment and materials we intend to use in performing COVID-19 or other medical testing or for administering seasonal flu vaccines, and we may not be able to increase our number of suppliers significantly for these items. We currently do not have formal long-term agreements with any professional practice or supplier, and, as a result, our professional practice partners or suppliers could cease supplying these services or tests, materials and equipment to us at any time due to our inability to reach agreement on terms, disruptions in the professional practice's or supplier's operations, a determination to pursue other activities or lines of business, or for other reasons, or the professional practice or supplier could fail to provide us with sufficient quantities of services or materials that meet our specifications. Transitioning to a new professional practice or supplier or locating a temporary substitute, even if available, would be time-consuming and expensive, could result in interruptions in or otherwise affect the performance specifications of our intended operations, or could require that we revalidate the tests we use. In addition, the use of services, equipment or materials provided by a replacement professional practice or supplier could require us to alter our future operations and procedures. Moreover, we believe there are currently only a limited number of manufacturers that are capable of supplying and servicing some of the equipment and other materials necessary for our intended operations. As a result, replacement equipment and materials that meet our quality control and performance requirements may not be available on reasonable terms, in a timely manner or at all. If we encounter delays or difficulties securing, reconfiguring or revalidating the equipment, reagents and other materials required for administering tests, our operations could be materially disrupted and our business, financial condition, results of

operations, and reputation could be adversely affected. We also may experience services or supply issues as we increase the volume or scope of our testing and vaccination services.

The COVID-19 testing technology we have chosen may not perform as expected, as a result of human error or otherwise, and may not aid in the testing of this virus.

On June 22, 2020, our professional practice partner began performing point of care COVID-19 testing at our JFK Airport XpresCheck location, and our testing service has since expanded to Newark Liberty International Airport and Boston Logan International Airport. Our success will depend on the COVID-19 and other communicable diseases testing technology we have chosen to use to provide a reliable, high-quality diagnostic result. Diagnostic testing for COVID-19 is relatively new, and there is no guarantee that the COVID-19 test technology we are currently using, or that we may choose to use in the future, will be accurate. We believe that customers will be particularly sensitive to COVID-19 test defects and errors. As a result, the failure of the chosen tests to perform as expected could significantly impair our reputation and the public image of the tests we use. There can be no assurance that the COVID-19 test technology will be broadly adopted for use. Many companies are developing tests for COVID-19 and the COVID-19 test technology we are currently using may not be effective. As a result, the failure or perceived failure of the chosen tests to perform as expected could have a material adverse effect on our business, financial condition, results of operation and cash flows. If there is little or no demand for the COVID-19 test, our business could be materially harmed. Moreover, as testing technology evolves, develops and improves over time, we may not be able to identify and gain access to the latest and best COVID-19 testing methodologies and equipment.

There can be no assurance that demand for our COVID-19 testing services will exist in the future at the levels we expect or at all, because of the success of containment efforts, the emergence of a vaccine, widespread availability of testing at other locations or due to other events. If there is no demand for our COVID-19 testing services or demand is significantly lower than we expect, our business will be materially harmed.

Our COVID-19 testing and other medical testing and vaccination capabilities may never achieve significant acceptance in the market or by countries or states that are imposing travel or quarantine restrictions.

We may expend substantial funds and management effort on the development and marketing of our professional practice partner's COVID-19 testing capabilities with no assurance that we will be successful in implementing our planned diagnostic testing business. Our ability to successfully offer COVID-19 tests will depend significantly on the perception that the tests used by our professional practice partner can reduce transmission risk and are reliable. Further, the success of our business may depend on being part of a national rollout of COVID-19 vaccinations. Moreover, we cannot assure you regarding the availability of, or our access to, various COVID-19 vaccinations. In addition, we are working with major airlines to support creation of potential air bridges between U.S. cities and international destinations, including, but not limited to, New York to London, and are engaged in discussions with multiple emerging Health Passport Apps. These apps would directly link into COVID-19 test results from there partnered labs, so that passengers would be able to show their test results through these apps to airlines and destinations in order to facilitate a hassle-free entry and avoid quarantines, where applicable. However, there can be no assurance as to the degree to which our public testing model assists passengers meet testing requirements for entry into, or avoidance of quarantine in various states and countries, and we may not be able to execute our COVID-19 testing strategy and our business results may be harmed.

In addition, we have expanded our testing capabilities to include rapid testing services for other communicable diseases, including influenza, mononucleosis and group A streptococcus, as well as seasonal flu vaccines. These plans will require us to expend additional funds and efforts to obtain medical testing supplies for these additional communicable diseases and to market our capabilities in these additional areas. Demand for these additional testing and vaccination services may never meet anticipated levels, which would have a material adverse effect on our business, financial condition and results of operations.

We use potentially hazardous materials, chemicals and patient samples in our XpresCheck diagnostic testing and vaccination business and any disputes relating to improper handling, storage or disposal of these materials could be time consuming and costly.

Our professional practice partner's diagnostic testing activities involve the controlled use of hazardous laboratory materials and chemicals, including small quantities of acid and alcohol, and patient samples. They are subject to U.S. laws and regulations related to the protection of the environment, the health and safety of employees and the handling, transportation and disposal of medical specimens, infectious and hazardous waste. They could be liable for accidental contamination or discharge or any resultant injury from hazardous materials, and conveyance, processing, and storage of and data on patient samples. If they fail to comply with applicable laws or regulations, they could be required to pay penalties or be held liable for any damages that result and this liability could exceed their financial resources. Further, future changes to environmental health and safety laws could cause them to incur additional expense or restrict operations.

In the event of a lawsuit or investigation concerning such hazardous materials, we could be held responsible for any injury caused to persons or property by exposure to, or release of, these hazardous materials or patient samples that may contain infectious materials. The cost of this liability could exceed our resources. While we expect to maintain broad form liability insurance coverage for these risks, and we expect our professional practice partner to maintain appropriate malpractice insurance, the level or breadth of our or their coverage may not be adequate to fully cover potential liability claims to which we might be exposed.

Our XpresCheck diagnostic testing and vaccination business could be harmed from the loss or suspension of a license or imposition of a fine or penalties under, or future changes in, or interpretations of, the law or regulations of the Clinical Laboratory Improvement Act of 1967, and the Clinical Laboratory Improvement Amendments of 1988 (CLIA), or those of Medicare, Medicaid or other national, state or local agencies in the U.S. and other countries where we operate laboratories.

The performance of laboratory testing is subject to extensive U.S. regulation, and many of these statutes and regulations have not been interpreted by the courts. CLIA extends federal oversight to virtually all physician practices performing clinical laboratory testing and to clinical laboratories operating in the U.S. by requiring that they be certified by the federal government or, in the case of clinical laboratories, by a federally approved accreditation agency. The sanction for failure to comply with CLIA requirements may be suspension, revocation or limitation of a laboratory's CLIA certificate, which is necessary to conduct business, as well as significant fines and/or criminal penalties. In addition, we expect to be subject to regulation under state law. State laws may require that laboratories and/or laboratory personnel meet certain licensing or other qualifications, specify certain quality controls or require maintenance of certain records. Applicable statutes and regulations could be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that would adversely affect our business. Potential sanctions for violation of these statutes and regulations include significant fines and the suspension or loss of various licenses, certificates and authorizations, which could have a material adverse effect on our business. In addition, compliance with future legislation could impose additional requirements on us, which may be costly.

U.S. Food and Drug Administration (FDA) regulation of diagnostic products could result in increased costs and the imposition of fines or penalties, and could have a material adverse effect upon our business.

The FDA has regulatory responsibility for instruments, test kits, reagents and other devices used by clinical laboratories. The FDA enforces laws and regulations that govern the development, testing, manufacturing, performance, labeling, advertising, marketing, distribution and surveillance of diagnostic products, and it regularly inspects and reviews the manufacturing processes and product performance of diagnostic products.

FDA regulation of the diagnostic products we use could result in increased costs and administrative and legal actions for noncompliance, including warning letters, fines, penalties, product suspensions, product recalls, injunctions and other civil and criminal sanctions, which could have a material adverse effect on our business, financial condition, results of operation and cash flows.

If we fail to comply with the complex federal, state, local and foreign laws and regulations that apply to our XpresCheck business, we could suffer severe consequences that could materially and adversely affect our operating results and financial condition.

We expect our planned operations to be subject to extensive federal, state, local and foreign laws and regulations, all of which are subject to change. These laws and regulations currently include, among other things:

- CLIA, which requires that laboratories obtain certification from the federal government, and state licensure laws;
- FDA laws and regulations;
- The Health Insurance Portability and Accountability Act (HIPAA), which imposes comprehensive federal standards with respect to the privacy and security of protected health information and requirements for the use of certain standardized electronic transactions, and amendments to HIPAA under the Health Information Technology for Economic and Clinical Health Act (HITECH), which strengthen and expand HIPAA privacy and security compliance requirements, increase penalties for violators, extend enforcement authority to state attorneys general and impose requirements for breach notification;
- state laws regulating genetic testing and protecting the privacy of genetic test results, as well as state laws protecting the privacy and security of health information and personal data and mandating reporting of breaches to affected individuals and state regulators;
- the federal anti-kickback law, or the Anti-Kickback Statute, which prohibits knowingly and willfully offering, paying, soliciting, receiving, or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual, or the furnishing, arranging for, or recommending of an item or service that is reimbursable, in whole or in part, by a federal healthcare program;
- other federal and state fraud and abuse laws, such as anti-kickback laws, prohibitions on self-referral, and false claims acts, which may extend to services reimbursable by any third-party payor, including private insurers;
- the federal Physician Payments Sunshine Act, which requires medical device manufactures to track and report to the federal government certain payments and other transfers of value made to physicians and teaching hospitals and ownership or investment interests held by physicians and their immediate family members;
- Section 216 of the federal Protecting Access to Medicare Act of 2014, which requires applicable laboratories to report private payor data in a timely and accurate manner beginning in 2017 and every three years thereafter (and in some cases annually);
- state laws that impose reporting and other compliance-related requirements;
- state billing laws, including regulations on “pass through billing” which may limit our ability to submit claims for payment and/or mark up the cost of services in excess of the price paid for such services, and “direct-bill” laws which may limit our ability to purchase services from a laboratory and bill for the services ordered;
- similar foreign laws and regulations that apply to us in the countries in which we operate.

These laws and regulations are complex and are subject to interpretation by the courts and by government agencies. Our failure to comply could lead to civil or criminal penalties, exclusion from participation in state and federal healthcare programs, or prohibitions or restrictions on our laboratory’s ability to provide or receive payment for our services. We believe that we are in material compliance with all statutory and regulatory requirements, but there is a risk that one or more government agencies could take a contrary position, or that a private party could file suit under the qui tam provisions of the federal False Claims Act or a similar state law. Such occurrences, regardless of their outcome, could damage our reputation and adversely affect important business relationships with third parties, including managed care organizations, and other private third-party payors.

Changes in the way that the FDA regulates COVID-19 tests could result in the delay or additional expense in XpresCheck offering tests.

Historically, the U.S. Food and Drug Administration ("FDA") has exercised enforcement discretion with respect to most laboratory-developed tests ("LDTs") and has not required laboratories that furnish LDTs to comply with the agency's requirements for medical devices (e.g., establishment registration, device listing, quality systems regulations, premarket clearance or premarket approval, and post-market controls). In recent years, however, the FDA publicly announced its intention to regulate certain LDTs and issued two draft guidance documents that set forth a proposed phased-in risk-based regulatory framework that would apply varying levels of FDA oversight to LDTs. However, these guidance documents were withdrawn at the end of the Obama administration and replaced by an informal discussion paper reflecting some of the feedback that FDA had received on LDT regulation. The FDA acknowledged that the discussion paper in January 2017 does not represent the formal position of the FDA and is not enforceable. Nevertheless, the FDA wanted to share its synthesis of the feedback that it had received in the hope that it might advance public discussion on future LDT oversight. Notwithstanding the discussion paper, the FDA continues to exercise enforcement discretion and may decide to regulate certain LDTs on a case-by-case basis at any time, which could result in delay or additional expense in offering tests. Until the FDA finalizes its regulatory position regarding LDTs, or other legislation is passed reforming the federal government's regulation of LDTs, it is unknown how the FDA may regulate tests we use in the future and what testing and data may be required to support any required clearance or approval.

Our professional practice partner's failure to accurately bill for testing services, or to comply with applicable laws relating to government healthcare programs, could have a material adverse effect on our business.

Billing for diagnostic testing and vaccination services is complex and subject to extensive and non-uniform rules and administrative requirements. Depending on the billing arrangement and applicable law, we expect to bill various payers, such as patients, insurance companies, Medicare, Medicaid, clinicians, hospitals and employer groups if we begin performing point of care COVID-19 or other medical testing at our XpresCheck™ Wellness Centers. We expect that the majority of our billing and related operations will be provided by a third party. Failure to accurately bill for our services could have a material adverse effect on our business. In addition, failure to comply with applicable laws relating to billing government healthcare programs may result in various consequences, including the return of overpayments, civil and criminal fines and penalties, exclusion from participation in government healthcare programs and the loss of various licenses, certificates and authorizations necessary to operate our business, as well as incur additional liabilities from third-party claims, all of which could have a material adverse effect on our business. Certain violations of these laws may also provide the basis for a civil remedy under the federal False Claims Act, including fines and damages of up to three times the amount claimed. The *qui tam* provisions of the federal False Claims Act and similar provisions in certain state false claims acts allow private individuals to bring lawsuits against healthcare companies on behalf of the government.

Although we expect to be in compliance, in all material respects, with applicable laws and regulations, there can be no assurance that a regulatory agency or tribunal would not reach a different conclusion. The federal and state governments have substantial leverage in negotiating settlements since the amount of potential damages and fines far exceeds the rates at which services will be reimbursed, and the government has the remedy of excluding a non-compliant provider from participation in the Medicare and Medicaid programs. We expect that federal and state governments continue aggressive enforcement efforts against perceived healthcare fraud. Legislative provisions relating to healthcare fraud and abuse provide government enforcement personnel with substantial funding, powers, penalties and remedies to pursue suspected cases of fraud and abuse.

We depend on third parties to provide services critical to our XpresCheck diagnostic testing and vaccination business, and we depend on them to comply with applicable laws and regulations. Additionally, any breaches of the information technology systems of third parties could have a material adverse effect on our operations.

We depend on third parties to provide services critical to our XpresCheck diagnostic testing and vaccination business, including supplies, ground and air transport of clinical and diagnostic testing supplies and specimens, vaccinations, research products, and people, among other services. Third parties that provide services to us are subject to similar risks related to security of customer-related information and compliance with U.S., state, local, or international environmental, health and safety, and privacy and security laws and regulations as we will be. Any failure by third parties to comply with applicable laws, or any failure of third parties to provide services more generally, could have a material impact on us, whether because of the loss of the ability to receive services from the third parties, our legal liability for the actions or inactions of third parties, or otherwise. In addition, third parties to whom we outsource certain services or functions may process personal data, or other confidential information belonging to us. A breach or attack affecting these third parties could also harm our business, results of operations and reputation.

Our business operations and reputation may be materially impaired if we do not comply with privacy laws or information security policies.

We will collect, generate, process or maintain sensitive information, such as patient data and other personal information. If we do not use or adequately safeguard that information in compliance with applicable requirements under federal, state and international laws, or if it were disclosed to persons or entities that should not have access to it, our business could be materially impaired, our reputation could suffer and we could be subject to fines, penalties and litigation. In the event of a data security breach, we may be subject to notification obligations, litigation and governmental investigation or sanctions, and may suffer reputational damage, which could have an adverse impact on our business.

We will be subject to laws and regulations regarding protecting the security and privacy of certain healthcare and personal information, including: (a) the federal Health Insurance Portability and Accountability Act and the regulations thereunder, which establish (i) a complex regulatory framework including requirements for safeguarding protected health information and (ii) comprehensive federal standards regarding the uses and disclosures of protected health information; and (b) state laws, including the California Consumer Privacy Act.

Hardware and software failures or delays in our information technology systems, including failures resulting from our systems conversions or otherwise, could disrupt our operations and cause the loss of confidential information, customers and business opportunities or otherwise adversely impact our business.

IT systems will be used extensively in virtually all aspects of our business, including clinical testing, test reporting, billing, customer service, logistics and management of medical data. Our success depends, in part, on the continued and uninterrupted performance of our IT systems. A failure or delay in our IT systems could impede our ability to serve our customers and patients and protect their confidential personal data. Despite redundancy and backup measures and precautions that we have implemented, our IT systems may be vulnerable to damage, disruptions and shutdown from a variety of sources, including telecommunications or network failures, system conversion or standardization initiatives, human acts and natural disasters. These issues can also arise as a result from failures by third parties with whom we do business and for which we have limited control. Any disruption or failure of our IT systems could have a material impact on our ability to serve our customers and patients, including negatively affecting our reputation in the marketplace.

We must comply with complex and overlapping laws protecting the privacy and security of health information and personal data.

There are a number of state, federal and international laws protecting the privacy and security of health information and personal data. Under the administrative simplification provisions of HIPAA, the U.S. Department of Health and Human Services has issued regulations which establish uniform standards governing the conduct of certain electronic healthcare transactions and protecting the privacy and security of personal health information (PHI) used or disclosed by healthcare providers and other covered entities.

The privacy regulations regulate the use and disclosure of PHI by healthcare providers engaging in certain electronic transactions or "standard transactions." They also set forth certain rights that an individual has with respect to his or her PHI maintained by a covered healthcare provider, including the right to access or amend certain records containing PHI or to request restrictions on the use or disclosure of PHI. The HIPAA security regulations establish administrative, physical, and technical standards for maintaining the integrity and availability of PHI in electronic form. These standards apply to covered healthcare providers and also to "business associates" or third parties providing services involving the use or disclosure of PHI. The HIPAA privacy and security regulations establish a uniform federal "floor" and do not supersede state laws that are more stringent or provide individuals with greater rights with respect to the privacy or security of, and access to, their records containing PHI. As a result, we may be required to comply with both HIPAA privacy regulations and varying state privacy and data security laws.

Moreover, HITECH, among other things, established certain health information security breach notification requirements. In the event of a breach of unsecured PHI, a covered entity must notify each individual whose PHI is breached, federal regulators and in some cases, must publicize the breach in local or national media. Breaches affecting 500 individuals or more are publicized by federal regulators who publicly identify the breaching entity, the circumstances of the breach and the number of individuals affected.

These laws contain significant fines and other penalties for wrongful use or disclosure of PHI. Given the complexity of HIPAA and HITECH and their overlap with state privacy and security laws, and the fact that these laws are rapidly evolving and are subject to changing and potentially conflicting interpretation, our ability to comply with the HIPAA, HITECH and state privacy requirements is uncertain and the costs of compliance are significant. Adding to the complexity is that our planned operations are currently evolving and the requirements of these laws will apply differently depending on such things as whether or not we bill electronically for our services, or provide services involving the use or disclosure of PHI and incur compliance obligations as a business associate. The costs of complying with any changes to HIPAA, HITECH and state privacy restrictions may have a negative impact on our operations. Noncompliance could subject us to criminal penalties, civil sanctions and significant monetary penalties as well as reputational damage.

We also will be required to collect and maintain personal information about our employees as well as receive and transfer certain payment information, to accept payments from our customers, including credit card information. Most states have adopted laws requiring notification of affected individuals and state regulators in the event of a breach of personal information, which is a broader class of information than the health information protected by HIPAA. Many state laws impose significant data security requirements, such as encryption or mandatory contractual terms to ensure ongoing protection of personal information. Activities outside of the United States implicate local and national data protection standards, impose additional compliance requirements, and generate additional risks of enforcement for non-compliance. The collection and use of such information may be subject to contractual obligations as well. If the security and information systems that we or our outsourced third-party providers use to store or process such information are compromised or if we, or such third parties, otherwise fail to comply with these laws, regulations, and contractual obligations, we could face litigation and the imposition of penalties that could adversely affect our financial performance.

We must comply with all applicable privacy and data security laws in order to operate our business and may be required to expend significant capital and other resources to ensure ongoing compliance, to protect against security breaches and hackers or to alleviate problems caused by such breaches. Breaches of health information and/or personal data may be extremely expensive to remediate, may prompt federal or state investigation, fines, civil and/or criminal sanctions and significant reputational damage.

Our capital expenditures in XpresCheck™ Wellness Centers may not generate a positive return and we will incur significant additional costs.

Our capital expenditures may not generate a positive return. Significant capital expenditures will be required to construct new XpresCheck™ Wellness Centers or renovate our existing spa facilities to accommodate our proposed new business model. No assurance can be given that our future capital expenditures will generate a positive return or that we will have adequate capital available to finance such construction or renovations. If we are unable to, or elect not to, pay for costs associated with such construction or renovations, the ability of our professional practice partner to order or perform COVID-19 or other medical testing could be limited, and our competitive position could be harmed.

Additionally, we expect to incur significant additional costs as we expand the ability of our professional practice partner to perform on-site COVID-19 and other medical testing in XpresCheck™ Wellness Centers. The COVID-19 outbreak could disrupt our future supply chain, including by impacting our ability to secure COVID-19 or other testing supplies and to provide personal protective equipment for our employees in our testing locations. For similar reasons, the COVID-19 pandemic has also adversely impacted, and may continue to adversely impact, third parties that will be critical to our business, including vendors, suppliers, and business partners. These developments, and others that are difficult or impossible to predict, could materially impact our business, financial results, cash flows, and financial position.

We rely on international and domestic airplane travel, and the time that airline passengers spend in United States airports post-security. Continued lower demand for airline travel, a decrease in the desire of customers to buy spa services and products, or decreased time spent in airports would negatively impact XpresSpa's operations.

XpresSpa depends upon a large number of airplane travelers with the propensity for health and wellness, and in particular spa treatments and products, spending significant time post-security clearance check points.

If the number of airline travelers decreases, the time that these travelers spend post-security decreases, and/or if travelers ability or willingness to pay for XpresSpa's products and services diminishes, this could have an adverse effect on XpresSpa's growth, business activities, cash flow, financial condition and results of operations. Some reasons for these events could include:

- the impact of a public health epidemic, including the novel coronavirus ("COVID-19"), which has interfered and may continue to interfere with our ability, or the ability of our employees, workers, contractors, suppliers and other business partners to perform our and their respective responsibilities and obligations relative to the conduct of our business. A public health epidemic, including COVID-19, poses the risk of disruptions from the temporary closure of third-party suppliers and manufacturers, restrictions on the shipment of our products, restrictions on our employees' and other service providers' ability to travel, the decreased willingness or ability of our customers to travel or to utilize our services and shutdowns that may be requested or mandated by governmental authorities. The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others;

- the temporary closure of our spa locations, largely due to the categorization of such spa locations by local jurisdictions as "non-essential services" in connection with the ongoing outbreak of COVID-19;

- terrorist activities (including cyber-attacks) impacting either domestic or international travel through airports where XpresSpa operates, causing fear of flying, flight cancellations, or an economic downturn, or any other event of a similar nature, even if not directly affecting the airline industry, may lead to a significant reduction in the number of airline passengers;

- a decrease in business spending that impacts business travel, such as a recession;

- a decrease in consumer spending that impacts leisure travel, such as a recession or a stock market downturn or a change in consumer lending regulations impacting available credit for leisure travel;

- an increase in airfare prices that impacts the willingness of air travelers to fly, such as an increase in oil prices or heightened taxation from federal or other aviation authorities;

- severe weather, ash clouds, airport closures, natural disasters, strikes or accidents (airplane or otherwise), causing travelers to decrease the amount that they fly and any of these events, or any other event of a similar nature, even if not directly affecting the airline industry, may lead to a significant reduction in the number of airline passengers;

- scientific studies that malign the use of spa services or the products used in spa services, such as the impact of certain chemicals and procedures on health and wellness; or

- streamlined security screening checkpoints, which could decrease the wait time at checkpoints and therefore the time air travelers budget for spending time at the airport.

Further, any disruption to, or suspension of services provided by airlines and the travel industry as a result of financial difficulties, labor disputes, construction work, increased security, changes to regulations governing airlines, mergers and acquisitions in the airline industry and challenging economic conditions causing airlines to reduce flight schedules or increase the price of airline tickets could negatively affect the number of airline passengers.

Additionally, the threat of terrorism and governmental measures in response thereto, such as increased security measures, recent executive orders in the United States impacting entry into the United States and changing attitudes towards the environmental impacts of air travel may in each case reduce demand for air travel and, as a result, decrease airline passenger traffic at airports.

The effect that these factors would have on our business depends on their magnitude and duration, and a reduction in airline passenger numbers will result in a decrease in our sales and may have a materially adverse impact on our business, financial condition and results of operations.

Our success will depend in part on relationships with third parties. Any adverse changes in these relationships could adversely affect our business, financial condition, or results of operations.

Our success is dependent on our ability to maintain and renew our existing business relationships and to establish new business relationships. There can be no assurance that our management will be able to maintain such business relationships or enter into or maintain new business contracts and other business relationships, on acceptable terms, if at all. The failure to maintain important business relationships could have a material adverse effect on our business, financial condition, or results of operations.

We rely on a limited number of distributors and suppliers for certain of our products, and events outside our control may disrupt our supply chain, which could result in an inability to perform our obligations under our concession agreements and ultimately cause us to lose our concessions.

We rely on a small number of suppliers for our products. As a result, these distributors may have increased bargaining power and we may be required to accept less favorable purchasing terms. In the event of a dispute with a supplier or distributor, the delivery of a significant amount of merchandise may be delayed or cancelled, or we may be forced to purchase merchandise from other suppliers on less favorable terms. Such events could cause turnover to fall or costs to increase, adversely affecting our business, financial condition and results of operations. In particular, we have publicized our sale of certain brands of products in our stores – our failure to sell these brands may adversely affect our business.

Further, damage or disruption to our supply chain due to any of the following could impair our ability to sell our products: adverse weather conditions or natural disaster, government action, fire, terrorism, cyber-attacks, the outbreak or escalation of armed hostilities, pandemics, industrial accidents or other occupational health and safety issues, strikes and other labor disputes, customs or import restrictions or other reasons beyond our control or the control of our suppliers and business partners. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, as well as require additional resources to restore our supply chain.

Our operating results may fluctuate significantly due to certain factors, some of which are beyond our control.

XpresSpa's operating results may fluctuate from period to period significantly because of several factors, including:

- the timing and size of new unit openings, particularly the launch of new terminals;

- passenger traffic and seasonality of air travel;

- changes in the price and availability of supplies;
- macroeconomic conditions, nationally locally and internationally;
- changes in consumer preferences and competitive conditions;
- expansion to new markets and new locations; and
- increases in infrastructure costs, including those costs associated with the build-out of new concession locations and renovating existing concession locations.

XpresSpa's operating results may fluctuate significantly as a result of the factors discussed above. Accordingly, results for any period are not necessarily indicative of results to be expected for any other period or for any year.

Our expansion into new airports or off-airport locations, and to the online marketplace, may present increased risks due to its unfamiliarity with those areas.

XpresSpa's growth strategy depends upon managing our XpresCheck Wellness Center growth, and transitioning to our travel health and wellness concept, which will expanding into markets (including an online presence) where have little or no meaningful operating experience. Those markets and locations may have demographic characteristics, consumer tastes and discretionary spending patterns that are different from those in the markets where our existing spa and testing operations are located. As a result, new airport terminal and/or off-airport operations may be less successful than existing concession locations in current airport terminals. XpresSpa may find it more difficult in new markets to hire, motivate and keep qualified employees who can project its vision, passion and culture. XpresSpa may also be unfamiliar with local laws, regulations and administrative procedures, including the procurement of spa services retail licenses, in new markets which could delay the build-out of new concession locations and prevent it from achieving its target revenues on a timely basis. Operations in new markets may also have lower average revenues or enplanements than in the markets where XpresSpa currently operates. Operations in new markets may also take longer to ramp up and reach expected sales and profit levels, and may never do so, thereby negatively affecting XpresSpa's results of operations.

Our growth strategy is dependent in part on our ability to successfully identify and open new locations.

Implementing this part of our strategy depends on our ability to successfully identify new locations. We will also need to assess and mitigate the risk of any new locations, to open the location on favorable terms and to successfully integrate their operations with ours. We may not be able to successfully identify opportunities that meet these criteria, or, if we do, we may not be able to successfully negotiate and open new locations on a timely basis. If we are unable to identify and open new locations in accordance with its operating plan, our revenue growth rate and financial performance may fall short of our expectations.

Our profitability relating to our operations depends on the number of airline passengers in the terminals in which we have concessions. Changes by airport authorities or airlines that lower the number of airline passengers in any of these terminals could affect our business, financial condition and results of operations.

The number of airline passengers that visit the terminals in which we have concessions is dependent in part on decisions made by airlines and airport authorities relating to flight arrivals and departures. A decrease in the number of flights and resulting decrease in airline passengers could result in fewer sales, which could lower our profitability and negatively impact our business, financial condition and results of operations. Concession agreements generally provide for a minimum annual guaranteed payment ("MAG") payable to the airport authority or landlord regardless of the amount of sales at the concession. Currently, the majority of our concession agreements provide for a MAG that is either a fixed dollar amount or an amount that is variable based upon the number of travelers using the airport or other location, retail space used, estimated sales, past results or other metrics. If there are fewer airline passengers than expected or if there is a decline in the sales per airline passenger at these facilities, we will nonetheless be required to pay the MAG or fixed rent and our business, financial condition and results of operations may be materially adversely affected.

Furthermore, the exit of an airline from a market or the bankruptcy of an airline could reduce the number of airline passengers in a terminal or airport where we operate and have a material adverse impact on our business, financial condition and results of operations.

We may not be able to execute our growth strategy to expand and integrate new concessions or future acquisitions into our business or remodel existing concessions. Any new concessions, future acquisitions or remodeling of existing concessions may divert management resources, result in unanticipated costs, or dilute the ownership of our stockholders.

Part of our growth strategy is to expand and remodel our existing facilities and to seek new concessions through tenders, direct negotiations or other acquisition opportunities. In this regard, our future growth will depend upon a number of factors, such as our ability to identify any such opportunities, structure a competitive proposal and obtain required financing and consummate an offer. Our growth strategy will also depend on factors that may not be within our control, such as the timing of any concession or acquisition opportunity.

We must also strategically identify which airport terminals and concession agreements to target based on numerous factors, such as airline passenger numbers, airport size, the type, location and quality of available concession space, level of anticipated competition within the terminal, potential future growth within the airport and terminal, rental structure, financial return and regulatory requirements. We cannot provide assurance that this strategy will be successful.

In addition, we may encounter difficulties integrating expanded or new concessions or any acquisitions. Such expanded or new concessions or acquisitions may not achieve anticipated turnover and earnings growth or synergies and cost savings. Delays in the commencement of new projects and the refurbishment of concessions can also affect our business. In addition, we will expend resources to remodel our concessions and may not be able to recoup these investments. A failure to grow successfully may materially adversely affect our business, financial condition and results of operations.

In particular, new concessions and acquisitions, and in some cases future expansions and remodeling of existing concessions, could pose numerous risks to our operations, including that we may:

- have difficulty integrating operations or personnel;
- incur substantial unanticipated integration costs;
- experience unexpected construction and development costs and project delays;
- face difficulties associated with securing required governmental approvals, permits and licenses (including construction permits) in a timely manner and responding effectively to any changes in federal, state or local laws and regulations that adversely affect our costs or ability to open new concessions;

- have challenges identifying and engaging local business partners to meet Airport Concession Disadvantaged Business Enterprise ("ACDBE") requirements in concession agreements;
- not be able to obtain construction materials or labor at acceptable costs;
- face engineering or environmental problems associated with our new and existing facilities;
- experience significant diversion of management attention and financial resources from our existing operations in order to integrate expanded, new or acquired businesses, which could disrupt our ongoing business;
- lose key employees, particularly with respect to acquired or new operations;
- have difficulty retaining or developing acquired or new business customers;
- impair our existing business relationships with suppliers or other third parties as a result of acquisitions;
- fail to realize the potential cost savings or other financial benefits and/or the strategic benefits of acquisitions, new concessions or remodeling; and
- incur liabilities from the acquired businesses and we may not be successful in seeking indemnification for such liabilities.

In connection with acquisitions or other similar investments, we could incur debt or amortization expenses related to intangible assets, suffer asset impairments, assume liabilities or issue stock that would dilute the percentage of ownership of our then-current stockholders. We may not be able to complete acquisitions or integrate the operations, products, technologies or personnel gained through any such acquisition, which may have a materially adverse impact on our business, financial condition and results of operations.

If the estimates and assumptions we use to determine the size of our market are inaccurate, our future growth rate may be impacted.

Market opportunity estimates and growth forecasts are subject to uncertainty and are based on assumptions and estimates that may not prove to be accurate. The estimates and forecasts in this Annual Report on Form 10-K relating to the size and expected reemergence of the travel retail market may prove to be inaccurate. Even if the market in which we compete meets our size estimates and rate of return to normalized travel activity, our business could fail to reemerge or grow at similar rates, if at all. The principal assumptions relating to our market opportunity include projected reemergence and growth in the travel retail market and our share of the market. If these assumptions prove inaccurate, our business, financial condition and results of operations could be adversely affected.

Our business requires substantial capital expenditures and we may not have access to the capital required to maintain and grow our operations.

Maintaining and expanding our operations in our existing and new locations, expanding our testing operations, and the development of a new branding concept in the travel health and wellness space are all capital intensive activities. Specifically, the construction, redesign and maintenance of our locations in airport terminals where we operate, technology costs, and compliance with applicable laws and regulations require substantial capital expenditures. Moreover, the creation of a digital platform in the travel health and wellness space will take substantial capital resources. In connection with all of the foregoing, we may require additional capital in the future to fund our operations and respond to potential strategic opportunities, such as investments, acquisitions and expansions.

In the past year, we have been able to obtain such additional capital through access to the equity markets, selling our common stock and warrants. We may not be able to obtain additional financing through equity capital when needed, on acceptable terms, or at all. In addition, the terms of our financings may be dilutive to, or otherwise adversely affect, holders of our Common Stock. Moreover, our ability to raise additional equity capital will be constrained because we have relatively few authorized shares of Common Stock that are not issued and outstanding or reserved for future issuance, and we may need to increase our authorized shares or undertake a reverse stock split in the near future to maintain our flexibility in access the equity capital markets. If we are unable to obtain additional funding on a timely basis, we may be required to curtail or terminate some or all of our business plans. Any such financing that we undertake will likely be dilutive to our current stockholders.

We must continue to invest capital to maintain or to improve the success of our concessions and to meet refurbishment requirements in our concessions. Decisions to expand into new terminals could also affect our capital needs. Our actual capital expenditures in any year will vary depending on, among other things, the extent to which we are successful in renewing existing concessions and winning additional concession agreements.

We cannot provide assurance that we will be able to maintain our operating performance, generate sufficient cash flow, or have access to sufficient financing to continue our operations and development activities at or above our present levels, and we may be required to defer all or a portion of our capital expenditures. Our business, financial condition and results of operations may be materially adversely affected if we cannot make such capital expenditures.

We currently rely on a skilled, licensed labor force to provide spa services, and the supply of this labor force is finite. If we cannot hire adequate staff for our locations, we will not be able to operate.

As of March 15, 2021, XpresSpa had approximately 119 full-time and 33 part-time employees in its locations. Excluding some dedicated retail staff, the majority of these employees are licensed to perform spa services, and hold such licenses as masseuses, nail technicians, aestheticians, barbers and master barbers. The demand for these licensed technicians has been increasing as more consumers gravitate to health and wellness treatments such as spa services. XpresSpa competes not only with other airport-based spa companies but with spa companies outside of the airport for this skilled labor force. In addition, all staff hired by XpresSpa must pass the background checks and security clearances necessary to work in airport locations. If XpresSpa is unable to attract and retain qualified staff to work in its airport locations, its ability to operate will be impacted negatively.

Effective March 24, 2020, we temporarily closed all global locations and furloughed the majority of our XpresSpa employees, largely due to the categorization of such spa locations by local jurisdictions as “non-essential services” in connection with the outbreak of COVID-19. We will evaluate reinstating the furloughed employees when restrictions related to non-essential services are eliminated, but there can be no assurances that such employees will return to our locations in a timely manner or at all.

Our business is subject to various laws and regulations, and changes in such laws and regulations, or failure to comply with existing or future laws and regulations, could adversely affect us.

We are subject to various laws and regulations in the United States, Netherlands and United Arab Emirates that affect the operation of our concessions. The impact of current laws and regulations, the effect of changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations, or our inability to respond effectively to significant regulatory or public policy issues, could increase our compliance and other costs of doing business and, therefore, have an adverse impact on our results of operations.

Failure to comply with the laws and regulatory requirements of governmental authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability. In addition, certain laws may require us to expend significant funds to make modifications to our concessions in order to comply with applicable standards. Compliance with such laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings.

Our labor force could unionize, putting upward pressure on labor costs.

Currently, XpresSpa stores in two airports have a labor force which is unionized. Major players in labor organization, and in particular "Unite Here!" which represents approximately 45,000 employees in the airport concessions and airline catering industries, could target XpresSpa locations for its unionization efforts. In the event of the successful unionization of all of XpresSpa's labor force, XpresSpa would likely incur additional costs in the form of higher wages, more benefits such as vacation and sick leave, and potentially also higher health care insurance costs.

We compete for new locations in airports and may not be able to secure new locations.

We participate in the highly competitive and lucrative airport concessions industry, and as a result compete for retail leases with a variety of larger, better capitalized concessions companies as well as smaller, mid-tier and single unit operators. Frequently, an airport includes only one similar travel health and wellness concept per terminal within its retail offering and, in those instances, we compete primarily with these other concessionaires.

We may not be able to predict accurately or fulfill customer preferences or demands.

We derive a significant amount of our revenue from the sale of massage, cosmetic and luxury products which are subject to rapidly changing customer tastes. The availability of new products and changes in customer preferences has made it more difficult to predict sales demand for these types of products accurately. Our success depends in part on our ability to predict and respond to quickly changing consumer demands and preferences, and to translate market trends into appropriate merchandise offerings. Additionally, due to our limited sales space relative to other retailers, the proper selection of salable merchandise is an important factor in revenue generation. We cannot provide assurance that our merchandise selection will correspond to actual sales demand. If we are unable to predict or rapidly respond to sales demand or to changing styles or trends, or if we experience inventory shortfalls on popular merchandise, our revenue may be lower, which could have a materially adverse impact on our business, financial condition and results of operations.

Our leases may be terminated, either for convenience by the landlord or as a result of an XpresSpa default.

XpresSpa has store locations and kiosks in a number of airports in which the landlord, with prior written notice to XpresSpa, can terminate XpresSpa's lease, including for convenience or as necessary for airport purposes or operations. If a landlord elects to terminate a lease at an airport, XpresSpa may have to shut down one or more store locations at that airport. In addition, we have received rent concessions from landlords on a majority of our airport location leases relating to our temporary closures in response to the ongoing COVID-19 pandemic, allowing for the relief of minimum guaranteed payments in exchange for percentage-of-revenue rent or providing relief from rent through payment deferrals. These deferrals may lapse or expire with respect to any particular spa location before we believe it makes economic sense to reopen that location, in which case the landlord may decide to terminate the lease for that location if we do not agree to reopen it.

Additionally, XpresSpa leases have numerous provisions governing the operation of XpresSpa's stores. Violation of one or more of these provisions, even unintentionally, may result in the landlord finding that XpresSpa is in default of the lease. Violation of lease provisions may result in fines and, in some cases, termination of a lease.

Our ability to operate depends on the traffic patterns of the terminals in which we operate, and the cessation or disruption of air traveler traffic in these terminals would negatively impact XpresSpa's addressable market.

XpresSpa depends on a high volume of air travelers in its terminals. It is possible that a terminal in which XpresSpa operates could become subject to a lower volume of air travelers, which would significantly impact traffic near and around XpresSpa locations and therefore its total addressable market. Lower volume in a terminal could be caused by:

- terminal construction that results in the temporary or permanent closure of a unit, or adversely impacts the volume or pattern of traffic flows within an airport;

- an airline utilizing an airport in which XpresSpa operates could abandon that airport or an individual terminal in favor of other airports or terminals, or because it is contracting operations; or

- adverse weather conditions could cause damage to the terminal or airport in which XpresSpa operates, resulting in the temporary or permanent closure of a unit.

We are dependent on our local partners.

Our local partners, including our ACDBE partners, maintain ownership interests in certain of our locations. Our participation in these operating entities differs from market to market. While the precise terms of each relationship vary, our local partners may have control over certain portions of the operations of these concessions. The stores are operated pursuant to the applicable joint venture agreement governing the relationship between us and our local partner. Generally, these agreements also provide that strategic decisions are to be made by a committee comprised of us and our local partner. These concessions involve risks that are different from the risks involved in operating a concession independently, and include the possibility that our local partners:

- are in a position to take action contrary to our instructions, our requests, our policies, our objectives or applicable laws;

- take actions that reduce our return on investment;

- go bankrupt or are otherwise unable to meet their capital contribution obligations;

- have economic or business interests or goals that are or become inconsistent with our business interests or goals; or

- take actions that harm our reputation or restrict our ability to run our business.

Failure to comply with minimum airport concession disadvantaged business enterprise participation goals and requirements could lead to lost business opportunities or the loss of existing business.

Pursuant to ACDBE participation requirements, XpresSpa is often required to meet, or use good faith efforts to meet, certain minimum ACDBE participation requirements when bidding on or submitting proposals for new concession contracts. If XpresSpa is unable to find and/or partner with an appropriate ACDBE, XpresSpa may lose opportunities to open new locations. In addition, a number of XpresSpa's existing leases contain minimum ACDBE participation requirements which require the ACDBE to own a significant portion of the business being operated under those leases. The level of ACDBE participation requirements may affect XpresSpa's profitability and/or its ability to meet financial forecasts.

Further, if XpresSpa fails to comply with the minimum ACDBE participation requirements, XpresSpa may be held responsible for a breach of contract, which could result in the termination of a lease and impairment of XpresSpa's ability to bid on or obtain future concession contracts. To the extent that XpresSpa leases are terminated and XpresSpa is required to shut down one or more store locations, there could be a material adverse impact to its business and results of operations.

Continued minimum wage increases could negatively impact our cost of labor.

XpresSpa compensates its licensed technicians via a formula that includes commissions. As a result, an increase in the minimum wage could increase XpresSpa's cost of labor and have an adverse impact on our business, financial condition and results of operations.

Information technology systems failure or disruption, or changes to information technology related to payment systems, could impact our day-to-day operations.

Our information technology systems are used to record and process transactions at our point-of-sale interfaces and to manage our operations. These systems provide information regarding most aspects of our financial and operational performance, statistical data about our customers, our sales transactions and our inventory management. Fire, natural disasters, power-loss, telecommunications failure, break-ins, terrorist attacks (including cyber-attacks), computer viruses, electronic intrusion attempts from both external and internal sources and similar events or disruptions may damage or impact our information technology systems at any time. These events could cause system interruption, delays or loss of critical data and could disrupt our acceptance and fulfillment of customer orders, as well as disrupt our operations and management. For example, although our point-of-sales systems are programmed to operate and process customer orders independently from the availability of our central data systems and even of the network, if a problem were to disable electronic payment systems in our stores, credit card payments would need to be processed manually, which could result in fewer transactions. Significant disruption to systems could have a material adverse impact on our business, financial condition and results of operations.

We also continually enhance or modify the technology used for our operations. We cannot be sure that any enhancements or other modifications we make to our operations will achieve the intended results or otherwise be of value to our customers. Future enhancements and modifications to our technology could consume considerable resources. We may be required to enhance our payment systems with new technology, which could require significant expenditures. If we are unable to maintain and enhance our technology to process transactions, we may experience a materially adverse impact on our business, financial condition and results of operations.

If we are unable to protect our customers' credit card data and other personal information, we could be exposed to data loss, litigation and liability, and our reputation could be significantly harmed.

Privacy protection is increasingly demanding, and the use of electronic payment methods and collection of other personal information, including order history, travel history and other preferences, exposes XpresSpa to increased risk of privacy and/or security breaches as well as other risks. The majority of XpresSpa's sales are by credit or debit cards. Additionally, XpresSpa collects and stores personal information from individuals, including its customers and employees.

In the future, XpresSpa may experience security breaches in which credit and debit card information or other personal information is stolen. Although XpresSpa uses secure private networks to transmit confidential information, third parties may have the technology or know-how to breach the security of the customer information transmitted in connection with credit and debit card sales, and its security measures and those of technology vendors may not effectively prohibit others from obtaining improper access to this information. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and are often difficult to detect for long periods of time, which may cause a breach to go undetected for an extensive period of time. Advances in computer and software capabilities, new tools, and other developments may increase the risk of such a breach. Further, the systems currently used for transmission and approval of electronic payment transactions, and the technology utilized in electronic payments themselves, all of which can put electronic payment at risk, are determined and controlled by the payment card industry, not by XpresSpa. In addition, contractors, or third parties with whom XpresSpa does business or to whom XpresSpa outsources business operations may attempt to circumvent its security measures in order to misappropriate such information and may purposefully or inadvertently cause a breach involving such information. If a person is able to circumvent XpresSpa's security measures or those of third parties, he or she could destroy or steal valuable information or disrupt XpresSpa's operations. XpresSpa may become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and XpresSpa may also be subject to lawsuits or other proceedings relating to these types of incidents. Any such claim or proceeding could cause XpresSpa to incur significant unplanned expenses, which could have an adverse effect on its business or results of operations. Further, adverse publicity resulting from these allegations could significantly harm its reputation and may have a material adverse effect on it. Although XpresSpa carries cyber liability insurance to protect against these risks, there can be no assurance that such insurance will provide adequate levels of coverage against all potential claims.

Negative social media regarding XpresSpa could result in decreased revenues and impact XpresSpa's ability to recruit workers.

XpresSpa's affinity among consumers is highly dependent on their positive feelings about the brand, its customer service and the range and quality of services and products that it offers. A negative customer experience that is posted to social media outlets and is distributed virally could tarnish XpresSpa's brand and its customers may opt to no longer engage with the brand.

We employ people in multiple different jurisdictions, and the employment laws of those jurisdictions are subject to change. In addition, our services are regulated through government-issued operating licenses. Noncompliance with applicable laws could result in employee lawsuits or legal action taken by government authorities.

XpresSpa must comply with a variety of employment and business practices laws across the United States, Netherlands and United Arab Emirates. XpresSpa monitors the laws governing its activities, but in the event it does not become aware of a new regulation or fails to comply with a regulation, it could be subject to disciplinary action by governing bodies and potentially employee lawsuits.

We source, develop and sell products that may result in product liability defense costs and product liability payments.

XpresSpa's products contain ingredients that are deemed to be safe by the United States Federal Drug Administration and the Federal Food, Drug and Cosmetics Act. However, there is no guarantee that these ingredients will not cause adverse health effects to some consumers given the wide range of ingredients and allergies amongst the general population. XpresSpa may face substantial product liability exposure for products it sells to the general public or that is uses in its services. Product liability claims, regardless of their merits, could be costly and divert management's attention, and adversely affect XpresSpa's reputation and the demand for its products and services. XpresSpa to date has not been named as a defendant in any product liability action.

We have commenced legal proceedings and/or licensing discussions with security, content distribution and/or telecommunications companies. We expect that licensing discussions may be time consuming and may either, absent any litigation we initiate, fail to lead to a license, or may result in litigations commenced by the potential licensee.

To license or otherwise monetize the patent assets that we own, we have commenced legal proceedings and/or attempted to commence licensing discussions with a number of companies, during the course of which we allege that such companies infringe one or more of our patents. The future viability of our licensing program is highly dependent on the outcome of these discussions, and there is a risk that we may be unable to achieve the results we desire from such negotiations and be forced either to accept minimal royalties or commence litigations against the alleged infringer. In addition, the recipients of our licensing overtures have substantially more resources than we do, which could make our licensing efforts more difficult. Furthermore, due to changes in the approach to patent laws around the world it has become much easier for potential licensees to commence proceedings to revoke or otherwise nullify our patents in lieu of engaging in bona fide licensing discussions. There is a real risk that any potential licensee we approach would rather commence proceedings to revoke our patents than engage in any licensing discussions whatsoever.

We anticipate that any legal proceedings could continue for several years. While we endeavor, where possible, to engage counsel on a full or partial contingency basis, proceedings may commence that fall outside of contingency arrangements with counsel and may require significant expenditures for legal fees and other expenses. Disputes regarding the assertion of patents and other intellectual property rights are highly complex and technical. Once initiated, we may be forced to litigate against other parties in addition to the originally named defendants. Our adversaries may allege defenses and/or file counterclaims for, among other things, revocation of our patents or file collateral litigations in an effort to avoid or limit liability and damages for patent infringement. If such actions by our adversaries are successful, they may preclude our ability to derive licensing revenue from the patents being asserted.

There is a risk that we may be unable to achieve the results we desire from such litigation, which may harm our business. In addition, the defendants in these litigations have substantially more resources than we do, which could make our litigation efforts more difficult.

A court may find our patents invalid, not infringed or unenforceable and/or the USPTO or other relevant patent offices in various countries may either invalidate the patents or materially narrow the scope of their claims during the course of a reexamination, opposition or other such proceeding. In addition, even with a positive trial court verdict, the patents may be invalidated, found not infringed or rendered unenforceable on appeal. This risk may occur either presently or from time to time in connection with future litigations we may bring.

Patent litigation is inherently risky, and the outcome is uncertain. Some of the parties that we believe infringe on our patents are large and well-financed by companies with substantially greater resources than ours. We believe that these parties may devote a substantial amount of resources in an attempt to avoid or limit a finding that they are liable for infringing on our patents or, in the event liability is found, to avoid or limit the amount of associated damages. In addition, there is a risk that these parties may file reexaminations or other proceedings with the USPTO or other government agencies in the United States or abroad in an attempt to invalidate, narrow the scope or render unenforceable the patents we own. In addition, as part of our ongoing legal proceedings, the validity and/or enforceability of our patents-in-suit is often challenged in a court or an administrative proceeding.

We and our subsidiaries have been, are, and may become involved in litigation that could divert management's attention and harm our businesses.

Litigation often is expensive and diverts management's attention and resources, which could adversely affect our businesses. We may be exposed to claims against us even if no wrongdoing has occurred. Responding to such claims, regardless of their merit, can be time consuming, costly to defend, disruptive to our management's attention and to our resources, damaging to our reputation and brand, and may cause us to incur significant expenses. Even if we are indemnified against such costs, the indemnifying party may be unable to uphold its contractual obligations.

New legislation, regulations or court rulings related to enforcing patents could harm our business and operating results.

Intellectual property is the subject of intense scrutiny by the courts, legislatures and executive branches of governments around the world. Various patent offices, governments or intergovernmental bodies may implement new legislation, regulations or rulings that impact the patent enforcement process, or the rights of patent holders and such changes could negatively affect licensing efforts and/or litigations. For example, limitations on the ability to bring patent enforcement claims, limitations on potential liability for patent infringement, lower evidentiary standards for invalidating patents, increases in the cost to resolve patent disputes and other similar developments could negatively affect our ability to assert our patent or other intellectual property rights.

It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become enacted as laws. Compliance with any new or existing laws or regulations could be difficult and expensive, affect the manner in which we conduct our business and negatively impact our business, prospects, financial condition and results of operations.

Our failure or inability to protect the trademarks or other proprietary rights we use or claims of infringement by us of rights of third parties, could adversely affect our competitive position or the value of our brands.

We believe that our trademarks and other proprietary rights are important to our success and our competitive position. However, any actions that we take to protect the intellectual property we use may not prevent unauthorized use or imitation by others, which could have an adverse impact on our image, brand or competitive position. If we commence litigation to protect our interests or enforce our rights, we could incur significant legal fees. We also cannot provide assurance that third parties will not claim infringement by us of their proprietary rights. Any such claim, whether or not it has merit, could be time consuming and distracting for our management, result in costly litigation, cause changes to existing retail concepts or delays in introducing retail concepts, or require us to enter into royalty or licensing agreements. As a result, any such claim could have a material adverse impact on our business, financial condition and results of operations.

Future acquisitions or business opportunities could involve unknown risks that could harm our business and adversely affect our financial condition and results of operations.

We have in the past, and may in the future, acquire businesses or make investments, directly or indirectly through our subsidiaries, that involve unknown risks, some of which will be particular to the industry in which the investment or acquisition targets operate, including risks in industries with which we are not familiar or experienced. Although we intend to conduct appropriate business, financial and legal due diligence in connection with the evaluation of future investment or acquisition opportunities, there can be no assurance that our due diligence investigations will identify every matter that could have a material adverse effect on us. We may be unable to adequately address the financial, legal and operational risks raised by such investments or acquisitions, especially if we are unfamiliar with the relevant industry. The realization of any unknown risks could expose us to unanticipated costs and liabilities and prevent or limit us from realizing the projected benefits of the investments or acquisitions, which could adversely affect our financial condition, liquidity, results of operations, and trading price.

Risks Related to our Capital Stock

Stock prices can be volatile, and this volatility may depress the price of our common stock.

The stock market has experienced significant price and volume fluctuations, which have affected the market price of many companies in ways that may have been unrelated to those companies' operating performance. Furthermore, we believe that our stock price may reflect certain future growth and profitability expectations. If we fail to meet these expectations, then our stock price may significantly decline, which could have an adverse impact on investor confidence. We believe that various factors may cause the market price of our Common Stock to fluctuate, perhaps substantially, including, among others, the following:

- the effects that COVID-19 might have on our results of operations and financial position;
- additions to or departures of our key personnel;
- announcements of innovations by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, capital commitments, or new technologies;
- new regulatory pronouncements and changes in regulatory guidelines;
- developments or disputes concerning our patents and efforts in licensing and/or enforcing our patents;
- lawsuits, claims, and investigations that may be filed against us, and other events that may adversely affect our reputation;
- changes in financial estimates or recommendations by securities analysts; and
- general and industry-specific economic conditions.

Future sales of our shares of Common Stock by our stockholders could cause the market price of our Common Stock to drop significantly, even if our business is otherwise performing well.

As of March 26, 2021, we have 105,282,382 shares of Common Stock issued and outstanding, excluding shares of Common Stock issuable upon exercise of warrants, options or restricted stock units. As shares saleable under Rule 144 are sold or as restrictions on resale lapse, the market price of our Common Stock could drop significantly if the holders of shares of restricted stock sell them or are perceived by the market as intending to sell them. This decline in our stock price could occur even if our business is otherwise performing well.

The exercise of a substantial number of warrants or options by our security holders may have an adverse effect on the market price of our Common Stock.

Should our warrants and options outstanding as of March 26, 2021 be exercised, there would be an additional 41,220,859 shares of Common Stock eligible for trading in the public market. The incentive equity instruments granted to our management, employees, directors and consultants are subject to acceleration of vesting of 75% and 100% (according to the agreement signed with each grantee) upon a subsequent change of control. Such securities, if exercised, will increase the number of issued and outstanding shares of our Common Stock. Therefore, the sale of the shares of Common Stock underlying the warrants and options could have an adverse effect on the market price for our securities and/or on our ability to obtain future financing.

We have no current plans to pay dividends on our Common Stock, and our investors may not receive funds without selling their stock.

We have not declared or paid any cash dividends on our Common Stock, nor do we expect to pay any cash dividends on our Common Stock for the foreseeable future. Investors seeking cash dividends should not invest in our Common Stock for that purpose. We currently intend to retain any additional future earnings to finance our operations and growth and, therefore, we have no plans to pay cash dividends on our Common Stock at this time. Any future determination to pay cash dividends on our Common Stock will be at the discretion of our Board of Directors and will be dependent on our earnings, financial condition, operating results, capital requirements, any contractual restrictions, and other factors that our Board of Directors deems relevant.

Accordingly, our investors may have to sell some or all of their Common Stock in order to generate cash from their investment. You may not receive a gain on your investment when you sell our Common Stock and may lose the entire amount of your investment.

The market price of our Common Stock historically has been and likely will continue to be highly volatile.

The market price for our shares of Common Stock historically has been highly volatile, and the market for our shares has from time-to-time experienced significant price and volume fluctuations, based both on our operating performance and for reasons that appear to be unrelated to our operating performance. The market price of our shares of Common Stock may fluctuate significantly in response to a number of factors, including:

- the impact of COVID-19 on our business, financial condition, results of operations and cash flows;
- the level of our financial resources;
- our ability to develop and introduce new products and services;
- developments concerning our intellectual property rights generally or those of us or our competitors;
- our ability to raise additional capital to fund our operations and business plan and the effects that such financing may have on the value of the equity instruments held by our stockholders;
- our ability to retain key personnel;
- general economic conditions and level of consumer and corporate spending on health and wellness, and travel;
- our ability to hire a skilled labor force and the costs associated;
- our ability to secure new retail locations, maintain existing ones, and ensure continued customer traffic at those locations;

- changes in securities analysts' estimates of our financial performance or deviations in our business and the trading price of our Common Stock from the estimates of securities analysts;
- our ability to protect our customers' financial data and other personal information;
- the loss of one or more of our significant suppliers;
- unexpected trends in the health and wellness and travel industries and potential technology and service obsolescence;
- market acceptance, quality, pricing, availability and useful life of our products and/or services, as well as the mix of our products and services sold; and
- lawsuits, claims, and investigations that may be filed against us and other events that may adversely affect our reputation.

Our failure to meet the continued listing requirements of The Nasdaq Capital Market could result in a delisting of our Common Stock.

The continued listing standards of Nasdaq provide, among other things, that a company may be delisted if the bid price of its stock drops below $1.00 for a period of 30 consecutive business days or if stockholders' equity is less than $2,500,000. On January 2, 2020, we received a deficiency letter from The Nasdaq Stock Market which indicated that we were not in compliance with the minimum bid price requirement. Although we were able to regain compliance by the applicable deadline, our stock price may fall below the minimum bid price in the future and we may be unable to regain compliance. Additionally, if we fail to comply with any other continued listing standards of Nasdaq, our Common Stock would also be subject to delisting. If that were to occur, our Common Stock would be subject to rules that impose additional sales practice requirements on broker-dealers who sell our securities. The additional burdens imposed upon broker-dealers by these requirements could discourage broker-dealers from effecting transactions in our Common Stock. This would significantly and negatively affect the ability of investors to trade our securities and would significantly and negatively affect the value and liquidity of our Common Stock. These factors could contribute to lower prices and larger spreads in the bid and ask prices for our Common Stock. Delisting of our Common Stock also would likely have a negative effect on the price of our Common Stock and would impair your ability to sell or purchase our Common Stock when you wish to do so. Further, if we were to be delisted from The Nasdaq Capital Market, our Common Stock would cease to be recognized as covered securities and we would be subject to regulation in each state in which we offer our securities. If we seek to implement a reverse stock split in order to remain listed on The Nasdaq Capital Market, the announcement and/or implementation of a reverse stock split could significantly negatively affect the price of our Common Stock.

Delisting from Nasdaq could adversely affect our ability to raise additional financing through the public or private sale of equity securities, would significantly affect the ability of investors to trade our securities and would negatively affect the value and liquidity of our Common Stock. Delisting could also have other negative results, including the potential loss of confidence by employees, the loss of institutional investor interest and fewer business development opportunities.

Our Common Stock has historically traded in low volumes. We cannot predict whether an active trading market for our Common Stock will ever develop. Even if an active trading market develops, the market price of our Common Stock may be significantly volatile.

Historically, our Common Stock has experienced a lack of consistent trading liquidity. In the absence of an active trading market you may have difficulty buying and selling our Common Stock at all or at the price you consider reasonable; and market visibility for shares of our Common Stock may be limited, which may have a depressive effect on the market price for shares of our Common Stock and on our ability to raise capital or make acquisitions by issuing our Common Stock.

Anti-takeover provisions of Delaware law, provisions in our charter and bylaws, and our stockholder rights plan could prevent or frustrate attempts by stockholders to change our Board of Directors or current management and could delay, discourage or make more difficult a third-party acquisition of control of us.

We are a Delaware corporation and, as such, certain provisions of Delaware law could prevent or frustrate attempts by stockholders to change the Board of Directors or current management, or could delay, discourage or make more difficult a third-party acquisition of control of us, even if the change in control would be beneficial to stockholders or the stockholders regard it as such. We are subject to the provisions of Section 203 of the Delaware General Corporation Law ("DGCL"), which prohibits certain "business combination" transactions (as defined in Section 203) with an "interested stockholder" (defined in Section 203 as a 15% or greater stockholder) for a period of three years after a stockholder becomes an "interested stockholder," unless the attaining of "interested stockholder" status or the transaction is pre-approved by our Board of Directors, the transaction results in the attainment of at least an 85% ownership level by an acquirer or the transaction is later approved by our Board of Directors and by our stockholders by at least a $66^{2}/_{3}$ percent vote of our stockholders other than the "interested stockholder," each as specifically provided in Section 203.

Our certificate of incorporation and our bylaws, each as currently in effect, also contain certain provisions that may delay, discourage or make more difficult a third-party acquisition of control of us. Such provisions include a provision that any vacancies on our Board of Directors may only be filled by a majority of the directors then serving, although not a quorum, and not by the stockholders and the ability of our Board of Directors to issue preferred stock, without stockholder approval, that could dilute the stock ownership of a potential unsolicited acquirer and hinder an acquisition of control of us that is not approved by our Board of Directors, including through the use of preferred stock in connection with a stockholder rights plan.

We have also adopted a stockholder rights plan in the form of a Section 382 Rights Plan, designed to help protect and preserve our substantial tax attributes primarily associated with our NOLs under Section 382 of the Internal Revenue Code and research tax credits under Sections 382 and 383 of the Internal Revenue Code and related United States Treasury regulations, which was approved by our stockholders in December 2016 and expires in March 2022. Although this is not the purpose of the Section 382 Rights Plan, it could have the effect of making it uneconomical for a third party to acquire us on a hostile basis.

These provisions of the DGCL, our certificate of incorporation and bylaws, and our Section 382 Rights Plan may delay, discourage or make more difficult certain types of transactions in which our stockholders might otherwise receive a premium for their shares over the current market price, and might limit the ability of our stockholders to approve transactions that they think may be in their best interest.

Having availed ourselves of scaled disclosure available to smaller reporting companies, we cannot be certain if such reduced disclosure will make our Common Stock less attractive to investors.

Under Section 12b-2 of the Exchange Act, a "smaller reporting company" is a company that is not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a smaller reporting company, and has a public float of less than $250 million and annual revenues of less than $100 million during the most recently completed fiscal year. Similar to emerging growth companies, smaller reporting companies are permitted to provide simplified executive compensation disclosure in their filings; they are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal controls over financial reporting; and they have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports. Decreased disclosure in our SEC filings as a result of our having availed ourselves of scaled disclosure may make it harder for investors to analyze our results of operations and financial prospects.

Other Risk Factors

Our confidential information may be disclosed by other parties.

We routinely enter into non-disclosure agreements with other parties, including but not limited to vendors, law firms, parties with whom we are engaged in negotiations, and employees. However, there exists a risk that those other parties will not honor their contractual obligations to not disclose our confidential information. This may include parties who breach such obligations in the context of confidential settlement offers and/or negotiations. In addition, there exists a risk that, upon such breach and subsequent dissemination of our confidential information, third parties and potential licensees may seek to use such confidential information to their advantage and/or to our disadvantage including in legal proceedings in which we are involved. Our ability to act against such third parties may be limited, as we may not be in privity of contract with such third parties.

We may fail to meet publicly announced financial guidance or other expectations about our business, which would cause our stock to decline in value.

From time to time, we provide preliminary financial results or forward-looking financial guidance, to our investors. Such statements are based on our current views, expectations and assumptions that may not prove to be accurate and may vary from actual results and involve known and unknown risks and uncertainties that may cause actual results, performance, achievements or share prices to be materially different from any future results, performance, achievements or share prices expressed or implied by such statements. Such risks and uncertainties include the risk factors contained herein. If we fail to meet our projections and/or other financial guidance for any reason, our stock price could decline.

If we raise additional capital in the future, stockholders' ownership in us could be diluted.

Any issuance of equity we may undertake in the future to raise additional capital could cause the price of our shares to decline or require us to issue shares at a price that is lower than that paid by holders of our shares in the past, which would result in previously issued shares being dilutive. If we obtain funds through a credit facility or through the issuance of debt or preferred securities, these securities would likely have rights senior to rights as a holder of Common Stock, which could impair the value of our shares.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

As of December 31, 2020, XpresSpa Group had 50 spa and clinic locations in 25 airports, in the United States, Netherlands and United Arab Emirates. All of the locations as of that date were leased, typically with one or two renewal options after the initial term. Economic terms vary by type and location of store and, on average, the lease terms are 5-8 years with several stores operating on a month-to-month basis.

In October 2019, we relocated our Global Support Center to 254 West 31st Street in New York City. The sublease expires in September 2023. The new Global Support Center houses all corporate employees. We believe that our facility is adequate to accommodate our business needs.

ITEM 3. LEGAL PROCEEDINGS

Litigation and legal proceedings

Certain of our outstanding legal matters include speculative claims for substantial or indeterminate amounts of damages. We regularly evaluate developments in our legal matters that could affect the amount of any potential liability and make

adjustments as appropriate. Significant judgment is required to determine both the likelihood of there being any potential liability and the estimated amount of a loss related to our legal matters.

With respect to our outstanding legal matters, based on our current knowledge, our management believes that the amount or range of a potential loss will not, either individually or in the aggregate, have a material adverse effect on our business, consolidated financial position, results of operations or cash flows. However, the outcome of such legal matters is inherently unpredictable and subject to significant uncertainties. We evaluated the outstanding legal matters and assessed the probability and likelihood of the occurrence of liability. Based on management's estimates, we have recorded a liability of approximately $2,221,000 for all outstanding legal matters as of December 31, 2020 which is included in *"Accounts payable, accrued expenses and other current liabilities"* in the consolidated balance sheet.

Our expenses legal fees in the period in which they are incurred.

Cordial

Effective October 2014, XpresSpa terminated its former Airport Concession Disadvantaged Business Enterprise ("ACDBE") partner, Cordial Endeavor Concessions of Atlanta, LLC ("Cordial"), in several store locations at Hartsfield-Jackson Atlanta International Airport.

Cordial filed a series of complaints with the City of Atlanta, both before and after the termination, in which Cordial alleged, among other things, that the termination was not valid and that XpresSpa unlawfully retaliated against Cordial when Cordial raised concerns about the joint venture. In response to the numerous complaints it received from Cordial, the City of Atlanta required the parties to engage in two mediations.

After the termination of the relationship with Cordial, XpresSpa sought to substitute two new ACDBE partners in place of Cordial.

In April 2015, Cordial filed a complaint with the United States Federal Aviation Administration ("FAA"), which oversees the City of Atlanta with regard to airport ACDBE programs, and, in December 2015, the FAA instructed that the City of Atlanta review XpresSpa's request to substitute new partners in lieu of Cordial and Cordial's claims of retaliation. In response to the FAA instruction, pursuant to a corrective action plan approved by the FAA, the City of Atlanta held a hearing in February 2016 and ruled in favor of XpresSpa such substitution and claims of retaliation. Cordial submitted a further complaint to the FAA claiming that the City of Atlanta was biased against Cordial and that the City of Atlanta's decision was wrong. In August 2016, the parties met with the FAA. On October 4, 2016, the FAA sent a letter to the City of Atlanta directing that the City of Atlanta retract previous findings on Cordial's allegations and engage an independent third party to investigate issues previously decided by Atlanta. The FAA also directed that the City of Atlanta determine monies potentially due to Cordial.

On January 3, 2017, XpresSpa filed a lawsuit in the Supreme Court of the State of New York, County of New York, against Cordial and several related parties. The lawsuit alleges breach of contract, unjust enrichment, breach of fiduciary duty, fraudulent inducement, fraudulent concealment, tortious interference, and breach of good faith and fair dealing. XpresSpa is seeking damages, declaratory judgment, rescission/termination of certain agreements, disgorgement of revenue, fees and costs, and various other relief. On February 21, 2017, the defendants filed a motion to dismiss. On March 3, 2017, XpresSpa filed a first amended complaint against the defendants. On April 5, 2017, Cordial filed a motion to dismiss. On September 12, 2017, the Court held a hearing on the motion to dismiss. On November 2, 2017, the Court granted the motion to dismiss which was entered on November 13, 2017. On December 22, 2017, XpresSpa filed a notice of appeal, and on September 24, 2018, XpresSpa perfected its appellate rights and submitted a brief to the Supreme Court of New York, First Department appellate court. Oral arguments on the appeal took place during early 2019. Oral argument on the appeal went forward on March 20, 2019.

On March 30, 2018, Cordial filed a lawsuit against XpresSpa, a subsidiary of XpresSpa, and several additional parties in the Superior Court of Fulton County, Georgia, alleging the violation of Cordial's civil rights, tortious interference, breach of fiduciary duty, civil conspiracy, conversion, retaliation, and unjust enrichment. Cordial has threated to seek punitive damages, attorneys' fees and litigation expenses, accounting, indemnification, and declaratory judgment as to the status of

the membership interests of XpresSpa and Cordial in the joint venture and Cordial's right to profit distributions and management fees from the joint venture. On May 3, 2018, the Court issued an order extending the time for the defendants to respond to Cordial's lawsuit until June 25, 2018. On May 4, 2018, the defendants moved the lawsuit to the United States District Court for the Northern District of Georgia. On June 5, 2018, the Court granted an extension of time for the defendants' response until August 17, 2018. On August 9, 2018, the Court granted an additional extension of time for the defendants' response until September 7, 2018, and thereafter provided another extension pending the Court's consideration of XpresSpa's Motion to Stay all action in the Georgia lawsuit, pending resolution of the New York lawsuit and the FAA action. On October 29, 2018, XpresSpa's Motion to Stay was denied. Prior to resolution of the Motion to Stay, Cordial filed a Motion for Temporary Restraining Order ("TRO Motion"), seeking to enjoin the defendants and specifically XpresSpa, from, among other things, distributing any cash flow, net profits, or management fees, or otherwise expending resources beyond necessary operating expenses. XpresSpa filed an opposition and, in a decision entered December 26, 2018, the Court denied Cordial's TRO Motion entirely. Defendants filed a Motion to Dismiss the Complaint in its entirety on November 20, 2018.

A Director's Determination was issued by the FAA in connection with the Part 16 Complaint ("Part 16 Proceeding") filed by Cordial against the City of Atlanta ("City") in 2017 ("Director's Determination"). The Company and Cordial were not parties to the FAA action, and had no opportunity to present evidence or otherwise be heard in such action. The Director's Determination concluded that the City was not in compliance with certain Federal obligations concerning the federal government's ACDBE program, including relating to the City's oversight of the Joint Venture Operating Agreement between Clients and Cordial, Cordial's termination, and Cordial's retaliation and harassment claims, and the City was ordered to achieve compliance in accordance with the Director's Determination. The Director's Determination does not constitute a Final Agency Decision and it is not subject to judicial review, pursuant to 14 CFR § 16.247(b)(2). Because the Company is not a party to the Part 16 Proceeding, the Company would not be considered "a party adversely affected by the Director's Determination" with a right of appeal to the FAA Assistant Administrator for Civil Rights.

On August 7, 2019, the Company filed a response, advising the U.S. District Court that: (i) the Company is not party to the FAA proceeding and therefore had no opportunity to present evidence or otherwise be heard in such action; (ii) as non-party, the Company is not bound by the Director's Determination; and (iii) the FAA cannot dictate the interpretation or enforceability of the contract between Cordial and the Company, which is the subject of the U.S. District Court action initiated by Cordial and the New York State Court action initiated by the Company.

In response to the numerous complaints it received from Cordial, the City of Atlanta required the parties to engage in mediation. On November 22, 2019, a Mutual Release and Settlement Agreement (the "Settlement Agreement") and a Confidential Payment Agreement (the "Payment Agreement") have been executed by the applicable parties. Pursuant to the terms of the settlement, all pending litigation was dismissed. Also, pursuant to the Settlement Agreement terms, the City agreed to approve new five-year leases for the Company and Cordial to operate as joint venture partners for spas located on Concourse A and Concourse C of the Hartsfield-Jackson Atlanta International Airport ("together, "Leases"). The City has approved the new Leases, and the Leases have been executed by the Company and the City. The parties are in the process of negotiating and completing an operating agreement. Such negotiations have been deferred during the Hartsfield-Jackson Atlanta International Airport shutdown due to the pandemic. Pursuant to the Payment Agreement, the Company has made payment and accrued the balance of the amounts due thereunder.

In re Chen et al.

In March 2015, four former XpresSpa employees who worked at XpresSpa locations in John F. Kennedy International Airport and LaGuardia Airport filed a putative class and collective action wage-hour litigation in the United States District Court, Eastern District of New York. *In re Chen et al.*, CV 15-1347 (E.D.N.Y.) against the Company and the Company's founders Moreton and Marisol Binn (the "Binns"). Plaintiffs claim that they and other spa technicians around the country were misclassified as exempt commissioned salespersons under Section 7(i) of the federal Fair Labor Standards Act ("FLSA"). Plaintiffs also assert class claims for unpaid overtime on behalf of New York spa technicians under the New York Labor Law, and discriminatory employment practices under New York State and City laws. On July 1, 2015, the plaintiffs moved to have the court authorize notice of the FLSA misclassification claim sent to all employees in the spa technician job classification at XpresSpa locations around the country in the last three years. Defendants opposed the motion. On February 16, 2016, the Magistrate Judge assigned to the case issued a Report & Recommendation,

recommending that the District Court Judge grant the plaintiffs' motion. On March 1, 2016, the defendants filed Opposition to the Magistrate Judge's Report & Recommendation, arguing that the District Court Judge should reject the Magistrate Judge's findings. On September 23, 2016, the court ruled in favor of the plaintiffs and conditionally certified the class. The parties held a mediation on February 28, 2017 and reached an agreement on a settlement in principle. On September 6, 2017, the parties entered into a settlement agreement. On September 15, 2017, the parties filed a motion for settlement approval with the Court. XpresSpa subsequently paid the agreed-upon settlement amount to the settlement claims administrator to be held in escrow pending a fairness hearing and final approval by the Court. On March 30, 2018, the Court entered a Memorandum and Order denying the motion without prejudice to renewal due to questions and concerns the Court had about certain settlement terms. On April 24, 2018, the parties jointly submitted a supplemental letter to the Court advocating for the fairness and adequacy of the settlement and appeared in Court on April 25, 2018 for a hearing to discuss the settlement terms in greater detail with the assigned Magistrate Judge. At the conclusion of the hearing, the Court still had questions about the adequacy and fairness of the settlement terms, and the Judge asked that the parties jointly submit additional information to the Court addressing the open issues. The parties submitted such information to the Court on May 18, 2018.

On August 21, 2019, the Court issued an Order denying the parties' motion for preliminary approval of the revised settlement, as the Court still had concerns about several of the settlement terms. At the December 6, 2019 Status Conference with the Court, the Court reiterated its denial of preliminary approval of the proposed settlement agreement. The Court instructed a notice of pendency to be disseminated to putative collective members, who will then have a 60-day window to decide whether to participate in the case. On or about August 10, 2020, the parties entered into settlement agreements and are seeking a preliminary approval order from the Court.

The Company retained counsel to represent the Company and the Binns. In January 2020, the Binns then retained separate counsel, and made a demand on the Company to pay such counsel's fees. In March 2020, the Company rejected the demand. On July 27, 2020, the Binns filed a complaint against the Company in Delaware Chancery Court regarding the Company's rejection of the Binns' demand for payment of counsel's fees. This action sought declaratory and injunctive relief compelling the Company to pay counsel's fees and was captioned *Moreton Binn and Marisol Binn v. XpresSpa Group, Inc. f/k/a Form Holdings Corp. f/k/a XpresSpa Holdings, LLC*, No. 2020-0623. The Binns simultaneously filed a motion to expedite requesting an order for the defendant's response to the complaint by August 17, 2020 and for the parties to submit briefs for judgment on the pleadings by September 2, 2020. The parties subsequently settled this action, which was voluntarily dismissed on September 17, 2020, and the Company paid specified counsel fees.

Binn et al v. FORM Holdings Corp. et al.

On November 6, 2017, Moreton Binn and Marisol F, LLC, former stockholders of XpresSpa, filed a lawsuit against FORM Holdings Corp. ("FORM) and its directors in the United States District Court for the Southern District of New York. The lawsuit alleged violations of various sections of the Securities Exchange Act of 1934 ("Exchange Act"), material omissions and misrepresentations (negligent and fraudulent), fraudulent omission, expropriation, breach of fiduciary duties, aiding and abetting, and unjust enrichment in the defendants' conduct related to the Company's acquisition of XpresSpa, and sought rescission of the transaction, damages, equitable and injunctive relief, fees and costs, and various other relief. On January 17, 2018, the defendants filed a motion to dismiss the complaint. On February 7, 2018, the plaintiffs amended their complaint. On February 28, 2018, the defendants filed a motion to dismiss the amended complaint. By March 30, 2018, the motion to dismiss was fully briefed. On August 7, 2018, the Court ruled on the defendants' motion, dismissing eight of the plaintiffs' ten claims and denying the defendants' motion to dismiss with respect to the two remaining claims, related to the Exchange Act. On October 30, 2018, the Court ordered that the plaintiffs could file an amended complaint, and, in response, the defendants could move for summary judgment. Consistent with the Court's Order, on November 16, 2018, the plaintiffs filed a second amended complaint, modifying their allegations, and asserting claims pursuant to the Exchange Act and the Securities Act of 1933, as well as bringing a breach of contract claim. On December 17, 2018, the defendants filed a motion for summary judgment seeking dismissal of all claims. On February 1, 2019, the plaintiffs opposed defendant's motion, requested discovery and cross-moved for partial summary judgement filed an opposition to defendants' motion and a counter motion for partial summary judgment. Defendants' summary judgement motion and plaintiff's cross-motion for partial summary judgment were fully briefed as of March 15, 2019. On April 29, 2019, an emergency hearing was held before the Court in which the plaintiff sought a temporary restraining order and preliminary

injunction to preclude acceleration of the maturity on the Senior Secured Note. The Court entered a temporary restraining order, while allowing parties the opportunity to brief the issue.

On May 21, 2019, the Court granted the defendant's motion for summary judgement in full, dismissing all claims in the action. On July 3, 2019, the plaintiffs filed a notice of appeal in the United States Court of Appeals for the second circuit. On July 1, 2019, the Court held oral argument on Binn's motion for preliminary injunction. After hearing argument by both sides, the Court deferred action and ordered that the temporary restraining order remain in place. On July 23, 2019, the Court denied the plaintiffs' request for a preliminary injunction and vacated the temporary restraining order. On September 13, 2019, plaintiffs filed their appellate brief in the Second Circuit. As of December 13, 2019, plaintiffs' appeal was fully briefed. Oral argument was scheduled for May 4, 2020. On May 8, 2020, the Second Circuit affirmed the dismissal of all claims against the Defendants.

Binn, et al. v. Bernstein et al.

On June 3, 2019, a suit was commenced in the United States District Court for the Southern District of New York against FORM, five of its directors and other parties. Although this action was brought by Morton Binn and Marisol F, LLC, it is asserted derivatively on behalf of the Company. The plaintiffs assert multiple causes of action for securities fraud, breach of fiduciary duties, and various additional claims, based on the assertion that the defendants intentionally suppressed the value of the Company's stock. The plaintiffs seek damages and disgorgement. The defendants filed a motion to dismiss on October 23, 2019. On August 6, 2020, the court dismissed the plaintiff's complaint with prejudice and without leave to amend. On August 26, 2020, the defendants filed a motion to amend the judgment to impose sanctions on the plaintiffs and their attorneys. After briefing, and oral argument on the motion in November 2020 over videoconference, the court denied the defendants' motion for sanctions on March 9, 2021.

Kainz v. FORM Holdings Corp. et al.

On March 20, 2019, a second suit was commenced in the United States District Court for the Southern District of New York against FORM, seven of its directors and former directors, as well as a managing director of Mistral Equity Partners ("Mistral"). The individual plaintiff, a shareholder of XpresSpa Holdings, LLC at the time of the merger in December 2016, alleges that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making false statements concerning, *inter alia*, the merger and the independence of FORM's board of directors, violated Section 12(2) of the Securities Act of 1933, breached the merger agreement by making false and misleading statements concerning the merger and fraudulently induced the plaintiff into signing the joinder agreement related to the merger. On May 8, 2019, the Company and its directors and the managing director of Mistral filed a motion to dismiss the complaint. On June 5, 2019, plaintiff opposed the motion and filed a cross-motion for a partial stay. Defendants' motion to dismiss was fully briefed as of June 19, 2019.

On November 13, 2019, the matter was dismissed in its entirety. On December 12, 2019, plaintiff filed a motion for reconsideration to vacate the order and judgment, dismissing the action, and for leave to amend the complaint. The motion was fully briefed as of February 6, 2020. On April 1, 2020, the Court denied plaintiff's motion in full. Plaintiff had 30 days to file a notice of appeal. On April 10, 2020, plaintiff filed a notice of appeal to the United States Court of Appeals for the Second Circuit. On June 1, 2020 plaintiff filed his appellate brief. On June 16, 2020, the Second Circuit entered the parties' non-dispositive stipulation, dismissing certain defendant-appellees, including the Company. On July 6, 2020, the remaining defendants filed their opposition brief. On July 27, 2020, the plaintiff filed their reply brief. On July 28, 2020, the Second Circuit marked plaintiff's reply brief as defective because it was filed a week late. Subsequently, plaintiff moved to request permission to file a late reply brief. On January 11, 2021, the judgment of the Court was affirmed by the Second Circuit court.

Route1

On or about May 23, 2018, Route1 Inc., Route1 Security Corporation (together, "Route1") and Group Mobile Int'l, LLC ("Group Mobile") commenced a legal proceeding against the Company in the Ontario Superior Court of Justice.

Route1 and Group Mobile seek damages of $567,000 in relation to alleged breaches of a Membership Purchase Agreement entered into between Route1 and the Company on or about March 7, 2018, pursuant to which Route1 acquired the Company's 100% membership interest in Group Mobile.

The Company counterclaimed against the plaintiffs for amounts owed to the Company in relation to the sale of Excluded Inventory and is seeking damages thereon.

The Company delivered a draft amended counterclaim to the Plaintiffs on or around November 2019 seeking, among other things, damages. The Company is seeking the Plaintiffs' consent to amend its counterclaim. Examinations for discovery were scheduled to take place in Toronto, Canada in June 2020.

The action settled at mediation on or about September 17, 2020. The parties agreed to dismiss the claim and the counterclaim, subject to XpresSpa's right to commence an application to seek rectification of certain shares and warrants that were issued in connection with the Member Purchase Agreement. On September 21, 2020, the court entered an order dismissing, without costs, the action and counterclaim. XpresSpa was granted the Order seeking the rectification of the shares and warrant and the matter was completed in March 2021.

Rodger Jenkins and Gregory Jones v. XpresSpa Group, Inc.

In March 2019, Rodger Jenkins and Gregory Jones filed a lawsuit against the Company in the United States District Court for the Southern District of New York. The lawsuit alleges breach of contract of the stock purchase agreement related to the Company's acquisition of Excalibur Integrated Systems, Inc. and seeks specific performance, compensatory damages and other fees, expenses and costs. On or about January 3, 2020, the court granted the plaintiffs' motion to amend their pleading to increase their total demand.

On December 11, 2020, the court issued its decision and order on the parties' respective motions for summary judgment in which the court: (a) awarded plaintiffs damages in the sum of $750,000, plus prejudgment interest; (b) granted that portion of the Company's motion dismissing Jenkins's claim for $600,000 based on his having executed a written waiver of his right to receive that sum; and (c) denied both sides' motions with respect to Jones's claim to recover $150,000 and directed Jones's claim to be tried. The court has stated that the trial on the remaining portion of Jones's claim will occur in May 2021. We remain confident in the Company's defenses to the remaining portion of Jones's claim. We further believe that the Company has meritorious arguments with respect to the claims already decided against the Company, and, accordingly, the Company plans to appeal all unfavorable rulings following the trial of Jones's remaining claim.

EFP Capital Solutions LLC settlement

In March 2019, a complaint was filed against the Company by EFP Capital Solutions LLC ("EFP"), the receivables factor of the Company's vendor MobiPT, Inc. ("MobiPT"), relating to payments made incorrectly by the Company to MobiPT for receivables MobiPT had sold to EFP. The ensuing mediation resulted in the Company agreeing to pay EFP $165 for such payments, for which the Company recorded an expense. The Company made the final settlement installment payment on or about July 15, 2020. The claim against the Company is now fully resolved and the action has been dismissed as to the Company. The Company obtained a default judgment against MobiPT on October 27, 2020 and intends to seek reimbursement of $192 from MobiPT, but there is no assurance the Company will be successful.

Kyle Collins v. Spa Products Import & Distribution Co., LLC et al

This is a combined class action and California Private Attorney's General Act ("PAGA") action. Plaintiff seeks to recover wages, penalties and PAGA penalties for claims for (1) failure to provide meal periods, (2) failure to provide rest breaks, (3) failure to pay overtime, (4) inaccurate wage statements, (5) waiting time penalties, and (6) PAGA penalties of $100 per employee per pay period per violation. There are approximately 240 current and former employees in the litigation class. The parties agreed to mediation on May 26, 2020, however, due to COVID-19 the parties subsequently stayed all proceedings. The mediation session occurred on March 18, 2021 and the matter was settled.

In addition to those matters specifically set forth herein, the Company and its subsidiaries are involved in various other claims and legal actions that arise in the ordinary course of business. The Company does not believe that the ultimate resolution of these actions will have a material adverse effect on the Company's financial position, results of operations, liquidity, or capital resources. However, a significant increase in the number of these claims, or one or more successful claims under which the Company incurs greater liabilities than the Company currently anticipates, could materially adversely affect the Company's business, financial condition, results of operations and cash flows.

In the event that an action is brought against the Company or one of its subsidiaries, the Company will investigate the allegation and vigorously defend itself.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

Our Common Stock, par value $0.01 per share, has been listed under the trading symbol "XSPA" since January 8, 2018.

On June 11, 2020, the Company effected a 1-for-3 reverse stock split, whereby every three shares of its Common Stock was reduced to one share of its Common Stock and the price per share of its Common Stock was multiplied by 3**.** All references to shares and per share amounts have been adjusted to reflect the reverse stock split.

Stockholders

As of March 26, 2021, we had 96 stockholders of record of the 105,282,382 outstanding shares of our Common Stock. This does not reflect persons or entities that hold their stock in nominee or "street" name through various brokerage firms.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock, and do not anticipate paying any cash dividends on our capital stock in the foreseeable future. We currently intend to retain future earnings, if any, to finance our operations and to expand our business. Any future determination to pay cash dividends will be at the discretion of our Board of Directors and will be dependent upon our financial condition, operating results, capital requirements and other factors that our Board of Directors considers appropriate.

Issuer Purchases of Equity Securities

None.

Unregistered Sales of Equity Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

Not required as we are a smaller reporting company as defined by Item 10 of Regulation S-K.

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

Unless otherwise stated, dollar amounts are provided in thousands, except share and per share data.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by, our consolidated financial statements (including notes to the consolidated financial statements) and the other consolidated financial information appearing elsewhere in this Annual Report on Form 10-K. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Some of the information contained in this discussion and analysis, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. Actual results and timing of events could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

On January 5, 2018, we changed our name to XpresSpa Group, Inc. ("XpresSpa Group" or the "Company") from FORM Holdings Corp. Our Common Stock, par value $0.01 per share, has been listed under the trading symbol "XSPA" on the Nasdaq Capital Market since January 8, 2018. Rebranding to XpresSpa Group aligned our corporate strategy to build a pure-play health and wellness services company, which we commenced following our acquisition of XpresSpa Holdings, LLC ("XpresSpa") on December 23, 2016.

XpresSpa Group is a health and wellness services company. We have been a leading airport retailer of spa services through our XpresSpa™ locations, offering travelers premium spa services, including massage, nail and skin care, as well as spa and travel products ("XpresSpa"). In addition, through our subsidiary, XpresTest, Inc. ("XpresTest"), we launched XpresCheck™ Wellness Centers, also in airports, offering COVID-19 and other medical diagnostic testing services to airport employees and the traveling public

XpresTest, through its XpresCheck Wellness Centers and under the terms of Managed Services Agreements ("MSAs") with physician's practices, offers COVID-19 and other medical diagnostic testing services to the traveling public, as well as airline, airport and concessionaire employees, TSA and U.S. Customs and Border Protection agents, and the general public. Under the terms of the MSAs, XpresTest provides the physician practices with medical facilities, equipment, supplies, non-licensed staff, and management services, in return for a monthly management fee.

We currently have two reportable operating segments: XpresSpa and XpresTest. As of December 31, 2020, we operated 45 XpresSpa locations, consisting of 40 domestic (including one franchise location) and 5 international locations, and XpresTest, through its XpresCheck brand, operated in 5 domestic airport locations.

As a result of the coronavirus pandemic, effective March 24, 2020, we temporarily closed all global XpresSpa locations due to the categorization by local jurisdictions of the spa locations as "non-essential services." Substantially all of our XpresSpa locations remain closed. During 2020 and 2019, XpresSpa Group generated $8,385 and $48,515 in revenue, respectively. In 2020 and 2019, approximately 84% and 82% of XpresSpa Group's total revenue was generated by XpresSpa services, primarily massage and nailcare, respectively. In 2020 and 2019, XpresSpa retail products and travel accessories accounted for 12% and 15%, respectively, of revenue and 4% and 3%, respectively, was other revenue generated through product placement arrangements in XpresSpa spas and from management fees earned by XpresTest.

XpresTest offers convenient COVID-19 and other medical diagnostic testing services to airport employees and to the traveling public. See our further discussion in this section below under *"—Recent Developments—Newly launched XpresCheck™ Wellness Centers."*

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Recent Developments

Effects of Coronavirus on Business

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic. The outbreak is having an impact on the global economy, resulting in rapidly changing market and economic conditions. National and local governments around the world instituted certain measures, including travel bans, prohibitions on group events and gatherings, shutdowns of certain non-essential businesses, curfews, shelter-in-place orders and recommendations to practice social distancing, and many jurisdictions have begun to re-impose stricter measures in response to increasing infection rates. The outbreak and associated restrictions on travel that have been implemented have had a material adverse impact on our XpresSpa business and cash flow from operations, similar to many businesses in the travel sector. Effective March 24, 2020, we temporarily closed all global XpresSpa spa locations, largely due to the categorization of the spa locations by local jurisdictions as “non-essential services.” Substantially all of our spa locations remain closed. We intend to reopen XpresSpa spa locations on a location-by-location basis and resume normal operations at such selected locations once restrictions are lifted and airport traffic returns to sufficient levels to support operations at a unit level. On March 25, 2020, we announced that, during such period as we remain unable to reopen our spa locations for normal operations, we were advancing conversations with certain COVID-19 testing partners to develop a model for testing in U.S. airports. In the balance of 2020 after such announcement we successfully launched our XpresCheck™ Wellness Centers, offering such testing services, as described below.

The impact of COVID-19 is unknown and may continue as the rates of infection have increased in many states in the U.S., thus additional restrictive measures may be necessary.

The temporary closing of our global spa operations has had a materially adverse impact on our cash flows from operations and caused a liquidity crisis.

We have been able to secure financing during the year ended December 31, 2020 totaling gross proceeds of approximately $117,000, primarily through registered direct offerings of our common stock, in addition to obtaining a loan under the Paycheck Protection Program, a cash advance on our accounts receivable balances, and a loan from our senior secured lender, B3D, LLC (“B3D”) (see discussions below).

Newly launched XpresCheck™ Wellness Centers

Through its XpresCheck™ Wellness Centers and under the terms of Managed Services Agreements (“MSAs”) with a physician’s practice, we offer testing services to airline employees, contractors, concessionaire employees, TSA officers and U.S. Customs and Border Protection agents, as well as the traveling public. We entered into MSAs with professional medical service entities that provide healthcare services to patients. Under the terms of the MSAs, XpresTest provides office space, equipment, supplies, non-licensed staff, and management services to be used for the purpose of COVID-19 and other medical diagnostic testing in return for a management fee.

On May 22, 2020, we announced the signing of a contract with JFK International Air Terminal LLC (“JFKIAT”) to pilot test our concept of providing diagnostic COVID-19 tests. To facilitate the JFK pilot test, we signed an agreement with JFKIAT for a new modular constructed testing facility within the terminal that hosts nine separate testing rooms. The pilot test at JFK launched on June 22, 2020.

On August 13, 2020, we announced that it had signed a contract with the Port Authority of New York and New Jersey to provide diagnostic COVID-19 testing at Newark Liberty International Airport through its XpresCheck™ Wellness Centers. We built a modular constructed testing facility that will hosts six separate testing rooms. The facility opened on August 17, 2020.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

On October 26, 2020, we announced that it had expanded its testing services beyond COVID-19 to offer additional rapid testing services for other communicable diseases including influenza, mononucleosis and group A streptococcus, as well as this season's 2020/21 flu vaccine and a quadrivalent high-dose flu vaccine recommended for seniors.

On October 28, 2020, we announced the opening of an XpresCheck™ Wellness Center at Boston's Logan International Airport. It contains seven separate testing rooms to provide diagnostic COVID-19 testing.

On December 15, 2020, XpresCheck entered into the Services Agreement with United Airlines under which XpresCheck™ agreed provide pre-travel onsite COVID-19 testing services select United flights originating in or connecting through various major U.S. domestic hubs in which United currently has (or if and when it does have) operations, including Newark Liberty International Airport (EWR), Denver International Airport (DEN), Daniel K. Inouye International Airport (HNL), George Bush Intercontinental/Houston Airport (IAH), San Francisco International Airport (SFO), Dulles International Airport (IAD), O'Hare International Airport (Chicago) (ORD), Los Angeles International Airport (LAX) and such other locations as may become available and as mutually agreed upon by the parties. The initial term of the agreement is six months, and will continue thereafter subject to cancellation by either party on 30 days' prior written notice.

Liquidity

As of December 31, 2020, we had approximately $89,801 of cash and cash equivalents, total current assets of approximately $91,779. Our total current liabilities balance, which includes primarily accounts payable, accrued expenses, the current portion or promissory note, and the current portion of operating lease liabilities was $13,477 as of December 31, 2020. The working capital surplus was $78,302 as of December 31, 2020, compared to a working capital deficiency of $12,287 as of December 31, 2019.

While we have aggressively reduced operating and overhead expenses, and while we continue to focus on our overall profitability, we have continued to generate negative cash flows from operations, and we expect to incur net losses for the foreseeable future, especially considering the negative impact COVID-19 will have on our liquidity and financial position.

Credit Cash Funding Advance

On January 9, 2020, certain of our wholly owned subsidiaries (the "CC Borrowers") entered into an accounts receivable advance agreement (the "CC Agreement") with CC Funding, a division of Credit Cash NJ, LLC (the "CC Lender"). Pursuant to the terms of the CC Agreement, the CC Lender agreed to make an advance of funds in the amount of $1,000 for aggregate fees of $160, for a total repayment amount of $1,160 . As of March 31, 2020, the outstanding repayment amount of $910 was secured by substantially all of the assets of the CC Borrowers, including CC Borrowers' existing and future accounts receivables and other rights to payment. On June 1, 2020, the CC Borrowers entered into a payoff letter (the "Payoff Letter") with the CC Lender pursuant to which the CC Agreement was terminated. Under the Payoff Letter, we repaid $733 owed under the CC Agreement as of June 1, 2020 (net of a $91 early pay cash discount) and the CC Lender released all security interests held on the assets of the CC Borrowers, including the CC Borrowers' existing and future accounts receivables and other rights to payment.

As compensation for the consent of existing creditor B3D, LLC ("B3D) to the CC Agreement described above, on January 9, 2020, XpresSpa Holdings, LLC, ("XpresSpa Holdings") a wholly-owned subsidiary, entered into a fifth amendment (the "Fifth Credit Agreement Amendment") to our existing credit agreement with B3D in order to, among other provisions, (i) amend and restate its existing convertible promissory note (the "B3D Note") in order to increase the principal amount owed to B3D from $7,000 to $7,150, which additional $150 in principal and any interest accrued thereon will become convertible, at B3D's option, into shares of our Common Stock subject to receipt of the approval of our stockholders, which was obtained on May 28, 2020 and (ii) provide for the advance payment of 97,223 shares of Common Stock in satisfaction of the interest payable pursuant to the B3D Note for the months of October, November and December 2020. The Common Stock was issued to B3D on January 14, 2020.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

B3D Senior Secured Loan

On July 8, 2019, we entered into the fourth amendment to its existing credit agreement (the "Amendment to the Credit Agreement") with B3D, to renegotiate the terms of its 11.24 %, $6,500 senior secured note. The Amendment to the Credit Agreement, among other provisions, (i) extended the maturity date to May 31, 2021, (ii) reduced the applicable interest rate to 9.0%, and (iii) amended and restated certain other provisions. As consideration for these and other modifications, the principal amount owed to B3D was increased to $7,000.

On January 9, 2020, as compensation for the consent of B3D to the CC Agreement, we entered into the Fifth Credit Agreement Amendment with B3D in order to (i) increase the principal amount owed to B3D from $7,000 to $7,150, which additional $150 in principal and any interest accrued thereon will become convertible, at B3D's option, into shares of our Common Stock upon receipt of the approval of our stockholders, which was obtained on May 28, 2020 and (ii) provide for the advance payment of 97,223 shares of Common Stock in satisfaction of the interest payable pursuant to the B3D Note for the months of October, November and December 2020. The Common Stock was issued to B3D on January 14, 2020. We capitalized a $150 fee charged by the lender to consent to the CC Agreement.

The total of fees paid to the lender as consideration for entering into the Fourth and Fifth Credit Agreement Amendments of $650 was capitalized and was being amortized over the remaining term of the B3D Note. We recorded amortization expense of $62 related to these capitalized costs, which is included in Interest expense in our consolidated statements of operations and comprehensive loss.

On March 6, 2020, XpresSpa Holdings entered into the Sixth Credit Agreement Amendment with B3D in order to, among other provisions, (i) increase the principal amount owed to B3D from $7,150 to $7,900, which additional $750 in principal, comprised of $500 in new funding and $250 in debt issuance costs, and any interest accrued thereon will be convertible, at B3D's option, into shares of our Common Stock subject to receipt of the approval of our stockholders which was obtained on May 28, 2020 and (ii) decrease the conversion rate under the B3D Note from $6.00 per share to $1.68 per share. On March 19, 2020, the conversion rate was further reduced to $0.525 per share after giving effect to certain anti-dilution adjustments.

The Sixth Credit Agreement Amendment was accounted for as an extinguishment of debt in our consolidated financial statements. In March 2020, we extinguished debt with a carrying value of $4,829, net of unamortized debt discount of $1,845 and unamortized debt issuance costs of $476. In addition, we extinguished $2,048 of derivative liability, which represented the estimated fair value of the conversion option based upon provisions included in the Fifth Credit Agreement Amendment. We determined that the conversion option in the Sixth Credit Agreement Amendment should be bifurcated from the host instrument and engaged a third party to assess the fair value of the conversion option. As a result, we recorded debt with a carrying value of $3,994, net of a debt discount of $3,656 and debt issuance costs of $250, and a derivative liability of $3,656. We recognized a loss on the extinguishment of debt of $273 during the year ended December 31, 2020, which represents the difference between the carrying amount of the debt recorded under the Fourth and Fifth Credit Agreement Amendments and the debt recorded under the Sixth Credit Agreement Amendment and is included in Other non-operating income (expense), net in the consolidated statements of operations and comprehensive loss.

Subsequent to the Sixth Credit Agreement Amendment and during the year ended December 31, 2020, B3D elected to convert a total of $7,900 of principal into shares of Common Stock at conversion prices of $1.68 and $0.525. As a result, approximately $15,395 of derivative liability was settled and reclassified to equity, we wrote off $3,156 of unamortized debt discount and debt issuance costs, and 13,934,525 shares of Common Stock were issued. We recognized a revaluation loss related to the derivative liability of $11,990 during the year ended December 31, 2020 and a gain of $1,012 during the year ended December 31, 2019, which are included in *"Loss on revaluation of warrants and conversion options"* in the consolidated statements of operations and comprehensive loss.

A total of $884 and $724 of accretion expense on the debt discount was recorded in the years ended December 31, 2020 and 2019, respectively, which is included in *"Interest expense"* in the consolidated statements of operations and

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

comprehensive loss and increased the carrying value of the B3D Note. Total amortization expense related to the B3D Note debt issuance costs was $98 and $130 for the year ended December 31, 2020 and 2019, respectively, which is included in *"Interest expense"* in the consolidated statements of operations and comprehensive loss.

The B3D Note was guaranteed on a full, unconditional, joint, and several basis, by the parent Company, XpresSpa Group, Inc., and all wholly owned subsidiaries of Holdings (the "Guarantor Subsidiaries"). Under the terms of a security and guarantee agreement dated July 8, 2019, XpresSpa Group, Inc. (the parent company) and the Guarantor Subsidiaries each fully and unconditionally, jointly and severally, guaranteed the payment of interest and principal on the B3D Note. Holdings pledged and granted to B3D a first priority security interest in, among other things, all of its equity interests in Holdings and all of its rights to receive distributions, cash or other property in connection with Holdings. We have not presented separate consolidating financial statements of XpresSpa Group, Inc., Holdings and Holdings' wholly-owned subsidiaries, as each entity has guaranteed the B3D Note, so each entity is responsible for the payment.

Paycheck Protection Program

On May 1, 2020, we entered into a U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") promissory note in the principal amount of $5,653 payable to Bank of America, NA (the "Bank of America") evidencing a PPP loan (the "PPP Loan"). The PPP Loan bears interest at a rate of 1% per annum. No payments will be due on the PPP Loan during a ten month deferral period. Commencing one month after the expiration of the deferral period, and continuing on the same day of each month thereafter until the maturity date of the PPP Loan, we will be obligated to make monthly payments of principal and interest, each in such equal amount required to fully amortize the principal amount outstanding on the PPP Loan by the maturity date. The maturity date is May 2, 2022. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon our request to the extent that PPP Loan proceeds are used to pay expenses permitted by the PPP. Bank of America may forgive interest accrued on any principal forgiven if the SBA pays the interest. At this time, there can be no assurance that any part of the PPP Loan will be forgiven. The PPP Loan contains customary borrower default provisions and lender remedies, including the right of Bank of America to require immediate repayment in full the outstanding principal balance of the PPP Loan with accrued interest. As of December 31, 2020, $37 of interest has been accrued and is included in Accounts payable, accrued expenses and other in the consolidated balance sheet.

Common Stock Offerings and Warrant Exchange

On March 19, 2020, we entered into a Securities Purchase Agreement (the "First Purchase Agreement") with certain purchasers named therein, pursuant to which we agreed to issue and sell, in a registered direct offering, (i) 1,396,281 shares of our Common Stock, at an offering price of $0.525 per share and (ii) an aggregate of 698,958 pre-funded warrants exercisable for shares of Common Stock (the "First Pre-Funded Warrants") at an offering price of $0.495 per First Pre-Funded Warrant (the offering of the shares of Common Stock and the First Pre-Funded Warrants, the "First Offering"). We received gross proceeds of approximately $1,100 in connection with the First Offering, before deducting financial advisory consultant fees and related offering expenses. The First Pre-Funded Warrants were sold to the purchasers to the extent that a purchaser's subscription of shares of Common Stock in the First Offering would otherwise result in the purchaser, together with its affiliates and certain related parties, beneficially owning more than 4.99% of our outstanding Common Stock immediately following the consummation of the Offering, in lieu of shares of Common Stock. Each First Pre-Funded Warrant represented the right to purchase one share of Common Stock at an exercise price of $0.0033 per share. The First Pre-Funded Warrants were exercised in full in March 2020.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

On March 19, 2020, we entered into separate Warrant Exchange Agreements (the "Exchange Agreements") with the holders of certain existing warrants (the "Exchanged Warrants") to purchase shares of Common Stock. The Exchanged Warrants were originally issued (i) pursuant to a securities purchase agreement, dated as of May 15, 2018, and in connection with a related consent and (ii) in connection with that certain Agreement and Plan of Merger by and among the Company (formerly known as FORM Holdings Corp.), FHXMS, LLC, XpresSpa Holdings, LLC and Mistral XH Representative, LLC, as representative of the unitholders, dated October 25, 2016, as subsequently amended. Pursuant to the Exchange Agreements, on the closing date and subject to (i) the receipt of approval of our stockholders as required by the applicable rules and regulations of the Nasdaq Stock Market and (ii) the receipt of approval of our stockholders to increase our authorized shares, the holders of Exchanged Warrants would exchange each Exchanged Warrant for a number of shares of Common Stock (the "New Shares") equal to the product of (i) the number of shares of Common Stock underlying such Exchanged Warrants (based on a formula related to the closing price of the Common Stock at the time of the closing of the Exchange as further detailed in the Exchange Agreement) and (ii) 1.5 (the "Exchange"). To the extent any holder of Exchanged Warrants would otherwise beneficially own in excess of any beneficial ownership limitation applicable to such holder after giving effect to the Exchange, that holder's Exchanged Warrants shall be exchanged for a number of New Shares issuable to the holder without violating the applicable beneficial ownership limitation and the remainder of the holder's Exchanged Warrants shall automatically convert into pre-funded warrants to purchase the number of shares of Common Stock equal to the number of shares of Common Stock in excess of the applicable beneficial ownership limitation. The closing is expected to take place on the first business day on which the conditions to the closing are satisfied or waived, subject to satisfaction of customary closing conditions.

On March 25, 2020, we entered into a Securities Purchase Agreement (the "Second Purchase Agreement") with certain purchasers, pursuant to which we agreed to issue and sell, in a registered direct offering, (i) 2,483,333 shares of our Common Stock, at an offering price of $0.60 per share and (ii) an aggregate of 500,000 pre-funded warrants exercisable for shares of Common Stock (the "Second Pre-Funded Warrants") at an offering price of $0.57 per Second Pre-Funded Warrant (the offering of the shares of Common Stock and the Second Pre-Funded Warrants, the "Second Offering"). We received gross proceeds of approximately $1,790 in connection with the Second Offering, before deducting financial advisory consultant fees and related offering expenses. The Second Pre-Funded Warrants are being sold to the purchasers to the extent that a purchaser's subscription of shares of Common Stock in the Second Offering would not otherwise result in the purchaser, together with its affiliates and certain related parties, beneficially owning more than 4.99% (or, in certain cases, 9.99%) of our outstanding Common Stock immediately following the consummation of the Second Offering, in lieu of shares of Common Stock. Each Second Prefunded Warrant represented the right to purchase one share of Common Stock at an exercise price of $0.0033 per share. The Second Pre-Funded Warrants were exercised in full in March 2020.

On March 27, 2020, we entered into a Securities Purchase Agreement (the "Third Purchase Agreement") with certain purchasers named therein, pursuant to which we agreed to issue and sell, in a registered direct offering, (i) 2,631,667 shares of our Common Stock, at an offering price of $0.60 per share and (ii) an aggregate of 701,667 pre-funded warrants exercisable for shares of Common Stock (the "Third Pre-Funded Warrants") at an offering price of $0.57 per Third Pre-Funded Warrant (the offering of the shares of Common Stock and the Pre-Funded Warrants, the "Offering"). We received gross proceeds of approximately $2,000 in connection with the Third Offering, before deducting financial advisory consultant fees and related offering expenses. The Third Pre-Funded Warrants are being sold to the purchasers to the extent that a purchaser's subscription of shares of Common Stock in the Offering would otherwise result in the purchaser, together with its affiliates and certain related parties, beneficially owning more than 4.99% (or, in certain cases, 9.99%) of our outstanding Common Stock immediately following the consummation of the Third Offering, in lieu of shares of Common Stock. Each Third Prefunded Warrant represents the right to purchase one share of Common Stock at an exercise price of $0.0033 per share. The Third Pre-Funded Warrants were exercised in full in March and April 2020.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

On April 6, 2020, we entered into a Securities Purchase Agreement (the "Fourth Purchase Agreement") with certain purchasers named therein, pursuant to which we agreed to issue and sell, in a registered direct offering, (i) 4,139,393 shares of Common Stock, at an offering price of $0.66 per share and (ii) an aggregate of 481,818 pre-funded warrants exercisable for shares of Common Stock (the "Fourth Pre-Funded Warrants") at an offering price of $0.63 per Fourth Pre-Funded Warrant (the offering of the shares of Common Stock and the Fourth Pre-Funded Warrants, the "Fourth Offering"). We received gross proceeds of approximately $3,050 in connection with the Fourth Offering, before deducting financial advisory consultant fees and related offering expenses. The Fourth Pre-Funded Warrants were sold to the purchasers to the extent that a purchaser's subscription of shares of Common Stock in the Fourth Offering would otherwise result in the purchaser, together with its affiliates and certain related parties, beneficially owning more than 4.99% (or, in certain cases, 9.99%) of our outstanding Common Stock immediately following the consummation of the Fourth Offering, in lieu of shares of Common Stock. Each Fourth Prefunded Warrant represented the right to purchase one share of Common Stock at an exercise price of $0.0033 per share.

On June 17, 2020, we entered into a securities purchase agreement pursuant to which we agreed to issue and sell 7,614,700 shares of the Company's Common Stock at an offering price of $5.253 per share (the "Registered Offering"). In a concurrent private placement (the "Private Placement" and together with the Registered Offering, the "Offerings"), we agreed to issue to the purchasers who participated in the Registered Offering warrants (the "Warrants") exercisable for an aggregate of 7,614,700 shares of Common Stock at an exercise price of $5.25 per share. Each Warrant will be immediately exercisable and will expire 21 months from the issuance date. The Offerings closed on June 19, 2020 and we received gross proceeds of $40,000 before deducting placement agent fees and related offering expenses of $4,414.

In connection with the Registered Offering, warrants to purchase 133,258 shares of our Common Stock were issued to Palladium Capital Advisors, LLC ("Palladium") (the "Palladium Warrants") at an exercise price equal to $5.25 per share and warrants to purchase 609,176 shares of our Common Stock were issued to H.C. Wainwright & Co., LLC (the "H.C.W. Warrants") at an exercise price equal to $6.5663 per share pursuant to the respective placement agent agreements. Palladium Capital Advisors, LLC and H.C. Wainwright & Co., LLC are also entitled to additional warrants upon the holders' exercise of warrants pursuant to the respective placement agent agreements.

On August 25, 2020, we entered into a securities purchase agreement pursuant to which we agreed to issue and sell in a registered direct offering 10,407,408 shares of Common Stock and warrants exercisable for an aggregate of 11,216,932 shares of Common Stock at a combined offering price of $3.15 per share. The Warrants have an exercise price of $3.02 per share. We also offered and sold to certain purchasers pre-funded warrants to purchase an aggregate of 809,524 shares of Common Stock, in lieu of shares of Common Stock. Each pre-funded warrant represented the right to purchase one share of Common Stock at an exercise price of $0.001 per share and was exercised in August 2020. The offering closed on August 28, 2020 with us receiving gross proceeds of $35,333 before deducting placement agent fees and related offering expenses of $3,871.

In connection with the August offering, warrants to purchase 222,222 shares of our Common Stock were issued to Palladium at an exercise price equal to $3.02 per share and warrants to purchase 897,355 shares of our Common Stock were issued to H.C. Wainwright & Co., LLC at an exercise price equal to $3.9375 per share pursuant to the respective placement agent agreements. Palladium Capital Advisors, LLC and H.C. Wainwright & Co., LLC are also entitled to additional warrants upon the holders' exercise of warrants pursuant to the respective placement agent agreements.

On December 17, 2020, we entered into a securities purchase agreement pursuant to which we agreed to issue and sell, in a registered direct offering 24,509,806 shares of common stock, par value $0.01 per share and warrants exercisable for an aggregate of 24,509,806 in a registered direct offering. The combined purchase price for one share of common stock (or common stock equivalent) and a warrant to purchase one share of common stock is $1.70. Each Warrant is immediately exercisable and will expire 24 months from the issuance date. The offering closed on December 21, 2020 and we received gross proceeds of approximately $41,667 before deducting placement agent fees and related offering expenses of $5,118.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

In connection with the December offering, warrants to purchase 754,902 shares of our Common Stock were issued to Palladium at an exercise price equal to $1.70 per share and warrants to purchase 1,960,784 shares of our Common Stock were issued to H.C. Wainwright & Co., LLC (the "H.C.W. Warrants") at an exercise price equal to $2.125 per share pursuant to the respective placement agent agreements. Palladium Capital Advisors, LLC and H.C. Wainwright & Co., LLC are also entitled to additional warrants upon the holders' exercise of warrants pursuant to the respective placement agent agreements.

Calm Private Placement

On July 8, 2019, we entered into a securities purchase agreement with Calm.com, Inc. ("Calm") pursuant to which the Company agreed to sell (i) an aggregate principal amount of $2,500 in an unsecured convertible note (the "Calm Note"), which is convertible into shares of Series E Convertible Preferred Stock at a conversion price of $6.00 per share of Common Stock equivalent (the "Series E Preferred Stock") and (ii) warrants to purchase 312,500 shares of the Company's Common Stock at an exercise price of $6.00 per share (the "Calm Warrants"). On March 6, 2020, the exercise price of the Calm Warrants was reduced to $1.68 per share and on March 19, 2020 further reduced to $.0525 per share, after giving effect to certain anti-dilution adjustments. The Calm Note is an unsecured subordinated obligation of the Company. The Calm Note matures on May 31, 2022, and bears interest at a rate of 5% per annum, subject to increase in the event of default. Interest on the Calm Note is payable in arrears and may be paid in cash, shares of Series E Preferred Stock or a combination thereof. We recorded derivative liabilities for the conversion feature and the Calm Warrants related to the issuance of the Calm Note on July 8, 2019, resulting in a debt discount of $1,369.

On April 17, 2020, we and Calm entered into an amended and restated the Calm Note in order to provide, among other items, that Calm shall not have the right to convert the shares of Series E Preferred Stock issued in connection with the Calm Note into shares of Common Stock to the extent that such conversion would cause Calm to beneficially own in excess of the Beneficial Ownership Limitation, initially defined as 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of the Series E Preferred Stock.

On April 22, 2020, we further amended and restated the Calm Note, which had been transferred from Calm to B3D in a private transaction, in order to (i) reflect the transfer of the Calm Note to B3D and (ii) provide for the conversion of the Calm Note directly into Common Stock instead of into shares of the Company's Series E Convertible Preferred Stock. Aside from the changes outlined above, the original terms of the Calm Note, including the underlying conversion price and the number of shares of Common Stock that may ultimately be issued in connection with the Calm Note, remain in effect and have not been changed. During the second quarter of 2020, the holder of the Calm Note elected to convert all $2,500 of principal into shares of Common Stock at a conversion price of $0.525. As a result, $9,200 of derivative liability was settled and reclassified to equity, we wrote off $947 of unamortized debt discount and $154 of unamortized debt issuance costs, and 4,761,906 shares of Common Stock were issued.

Relocation of Corporate Headquarters and Global Support Team

On October 21, 2019, the Company relocated its corporate office functions and its Global Support Center in New York City from 780 Third Avenue to 254 W 31st Street. The new XpresSpa Global Support Center houses all corporate employees and the move yielded a cost reduction in occupancy expenses of approximately $360 annually.

Reverse Stock Split

On June 11, 2020, the Company effected a 1-for-3 reverse stock split, whereby every three shares of its Common Stock was reduced to one share of its Common Stock and the price per share of its Common Stock was multiplied by 3**.** All references to shares and per share amounts have been adjusted to reflect the reverse stock split.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Our Strategy and Outlook

We believe that our company is well positioned to benefit from consumers' growing interest in travel health and wellness and increasing demand for health and wellness related services and products.
XpresSpa was created for travelers to address the stress and idle time spent at the airport, allowing travelers to spend this time relaxing and focusing on personal care and wellness. It is a well-recognized and popular airport spa brand with a dominant market share in the United States, with nearly three times the number of domestic locations as its closest competitor.

Travel needs are changing based on new health and passenger safety concerns resulting from the COVID-19 pandemic. Therefore, in 2020 we created a companion company, XpresCheck, which is also in airports and which offers COVID-19 testing and other medical diagnostic testing services to airport employees and the traveling public.

Further, the Company is developing a travel health and wellness brand that is positioned for a post-pandemic world and that leverages its historic travel wellness experience and newly acquired healthcare expertise. The Company is preparing a launch of a Travel Health and Wellness company delivering on-demand access to integrated healthcare through technology and personalized services.

The Company sees this concept evolution as a significant opportunity to be a category innovator in a new niche industry where it can leverage technology in addition to its existing real estate and airport experience in providing travelers with peace of mind and access to integrated care. The brand name of this concept will be announced at a later date.

While COVID-19 testing will be available under this new brand, the broader suite of services may include: pre-travel health and wellness planning, on-site medical services such as metabolic panel testing, anxiety care, and convenient travel care; virtual chat care and video care through a partnership with an established telemedicine company; and access to virtual wellness care such as guided meditations and yoga.

Comparable Store Sales

XpresSpa regularly measures comparable store sales, which it defines as current period sales from stores opened more than 12 months compared to those same stores' sales in the prior year period ("Comp Store Sales"). The measurement of Comp Store Sales on a daily, weekly, monthly, quarterly and year-to-date basis provides an additional perspective on XpresSpa's total sales growth when considering the influence of new unit contribution. A reconciliation between Comp Store Sales and total revenue as reported on the financial statements is presented below:

	Year ended December 31, 2020			Year ended December 31, 2019			% Inc/(Dec)
	Comp Store	Non-Comp Store	Total	Comp Store	Non-Comp Store	Total	Comp Store
Products and Services	$ 7,520	$ 509	$ 8,029	$ 46,254	$ 1,055	$ 47,309	(83.7)%

Comp Store Sales decreased 83.7% during the year ended December 31, 2020 as compared to the same period in 2019. As of December 31, 2020, XpresSpa had 45 open locations; during the year, XpresSpa opened one new location, and closed seven locations while having 51 open locations as of December 31, 2019. The decrease in Comp Store sales was due to the XpresSpa spa closures as a result of the COVID-19 pandemic.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Full-Year 2020 and 2019 Adjusted EBITDA Loss (Non-GAAP Measure)

	Years ended December 31,	
Revenue:	**2020**	**2019**
Services	$ 7,025	$ 39,989
Products	1,004	7,320
Other	356	1,206
Total revenue	8,385	48,515
Cost of sales		
Labor	6,290	22,847
Occupancy	2,809	7,831
Product and other operating costs	2,884	7,176
Total cost of sales	11,983	37,854
Depreciation and amortization	5,210	6,124
Impairment/disposal of assets	15,356	6,090
General and administrative	15,940	14,319
Total operating expense	48,489	64,387 —
Loss from operations	(40,104)	(15,872)
Interest expense	(1,832)	(2,900)
(Loss) gain on revaluation of warrants and conversion options	(51,147)	2,170
Other non-operating income (expense), net	858	(4,074)
Loss from operations before income taxes	(92,225)	(20,676)
Income tax benefit	(7)	146
Net loss	(92,232)	(20,530)
Net loss (income) attributable to noncontrolling interests	1,744	(693)
Net loss attributable to common shareholders	$ (90,488)	$ (21,223)
Loss from operations	$ (40,104)	$ (15,872)
Add back:		
Depreciation and amortization	5,210	6,124
Impairment/disposal of assets	15,356	6,090
Stock-based compensation expense	1,328	335
Adjusted EBITDA loss	$ (18,210)	$ (3,323)

We use GAAP and non-GAAP measurements to assess the trends in our business. We review its Adjusted EBITDA, a non-GAAP measure, which we define as earnings before interest, tax, depreciation and amortization expense, excluding merger and acquisition, integration and one-time costs and stock-based compensation.

Adjusted EBITDA is a supplemental measure of financial performance that is not required by, or presented in accordance with, GAAP. Reconciliations of operating loss from continuing operations for the Company for the years ended December 31, 2020 and 2019 to Adjusted EBITDA loss are presented in the tables above.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

We consider Adjusted EBITDA to be an important indicator for the performance of our business, but not a measure of performance or liquidity calculated in accordance with U.S. GAAP. We have included this non-GAAP financial measure because management utilizes this information for assessing our performance and liquidity, and as an indicator of our ability to make capital expenditures and finance working capital requirements. We believe that Adjusted EBITDA is a measurement that is commonly used by analysts and some investors in evaluating the performance and liquidity of companies such as us. In particular, we believe that it is useful for analysts and investors to understand this indicator because it excludes transactions not related to our core cash operating activities. We believe that excluding these transactions allows investors to meaningfully analyze the performance of our core cash operations. Adjusted EBITDA should not be considered in isolation or as an alternative to cash flow from operating activities or as an alternative to operating income or as an indicator of operating performance or any other measure of performance derived in accordance with GAAP. In evaluating our performance as measured by Adjusted EBITDA, we recognize and consider the limitations of this measurement. Adjusted EBITDA does not reflect our obligations for the payment of income taxes, interest expense, or other obligations such as capital expenditures. Accordingly, Adjusted EBITDA is only one of the measurements that management utilizes.

Results of Operations

Revenue

We recognize revenue from the sale of XpresSpa products and services when the services are rendered at our stores and from the sale of products at the time products are purchased at our stores or online (usually by credit card), net of discounts and applicable sales taxes. Accordingly, we recognize revenue for our single performance obligation related to both in-store and online sales at the point at which the service has been performed or the control of the merchandise has passed to the customer. Revenues from the XpresSpa retail and e-commerce businesses are recorded at the time goods are shipped. We exclude all sales taxes assessed to our customers. Sales taxes assessed on revenues are included in accounts payable, accrued expenses and other current liabilities in the consolidated balance sheets until remitted to state agencies.

Other revenue in 2020 primarily represents fees earned through strategic partnerships and product placement arrangement in our spas. Revenue in 2019 includes one-time intellectual property licenses as well as the sale of certain of our intellectual property. Revenue from patent licensing is recognized when we transfer promised intellectual property rights to purchasers in an amount that reflects the consideration to which we expect to be entitled in exchange for those intellectual property rights.

Through its XpresCheck™ Wellness Centers and under the terms of Management Services Agreements (“MSAs”) with a physician’s practice, the Company offers testing services to airline employees, contractors, concessionaire employees, TSA officers and U.S. Customs and Border Protection agents, as well as the traveling public. The Company entered into MSAs with professional medical service entities that provide healthcare services to patients. Under the terms of the MSAs, XpresTest provides office space, equipment, supplies, non-licensed staff, and management services to be used for the purpose of COVID-19 and other medical diagnostic testing in return for a management fee. XpresTest recognized $80 of revenue initially under the MSAs, however as a result of uncertainties around the cash flows of the XpresCheck™ Wellness Centers, the Company subsequently concluded that the collectability criteria to qualify as a contract under ASC 606 was not met, and no further revenue associated with the monthly management fee will be recognized until a subsequent reassessment results in the MSAs meeting the collectability criteria.

Cost of sales

Cost of sales consists of at the spa-level and wellness center-level. These costs include all costs that are directly attributable to the location’s operations and include:

- payroll and related benefits for the location’s operations and management;

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

- rent, percentage rent and occupancy costs;
- the cost of merchandise, including testing kits;
- freight, shipping and handling costs;
- production costs;
- inventory shortage and valuation adjustments, including purchase price allocation increase in fair values which was recorded as part of acquisition; and
- costs associated with sourcing operations.

Cost of sales associated with revenue from intellectual property mainly includes expenses incurred in connection with the Company's patent licensing and enforcement activities, patent-related legal expenses paid to external patent counsel (including contingent legal fees), licensing and enforcement related research, consulting and other expenses paid to third parties, as well as related internal payroll expenses.

Depreciation and amortization

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The useful lives of our property and equipment is based on estimates of the period over which we expect the assets to be of economic benefit to us. Our property and equipment assets primarily consist of leasehold improvements to our stores and are amortized over the shorter of the useful life of the asset or the term of the lease.

Amortization of our intangible assets are recognized on a straight-line basis over the remaining useful life of the intangible assets.

Impairment/disposal of assets

We test our long-lived assets (which primarily includes property and equipment and right of use lease asset) for impairment on at least an annual basis or whenever circumstances indicate that the carrying amount may not be recoverable. Long-lived assets are tested for impairment at the lowest level at which there are identifiable operating cash flows. An impairment loss is recognized if the carrying amount of a fixed asset (asset group) is not recoverable and exceeds its fair value.

Impairment charges related to our amortized, intangible assets are recorded when an impairment indicator exists and the carrying amount of the related asset exceeds its fair value.

General and administrative

General and administrative expenses include management and administrative personnel, public and investor relations, overhead/office costs, insurance legal fees, accounting fees and various other professional fees, as well as sales and marketing costs and stock-based compensation for management and administrative personnel.

(Loss) gain on revaluation of warrants and conversion option

(Loss) gain on revaluation of warrants and conversion options is primarily comprised of adjustments to the fair value of the derivative conversion option of the debt instruments and the fair value of the warrants.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Non-operating income (expense)

Non-operating income (expense) primarily includes gain on equity investments and bank charges.

Income taxes

As of December 31, 2020, deferred tax assets generated from our activities in the United States were offset by a valuation allowance because realization depends on generating future taxable income, which, in our estimation, is not more likely than not to be generated before such net operating loss carryforwards expire.

Year ended December 31, 2020 compared to the year ended December 31, 2019

Revenue

	Year ended December 31,		
	2020	2019	Inc/(Dec)
Total revenue	$ 8,385	$ 48,515	$ (40,130)

During the year ended December 31, 2020, total revenues decreased $40,130, or 83%, due to the temporary closure of spas on March 24, 2020 as a result of the COVID-19 pandemic, as compared to the comparable prior year period. In addition, the Company closed a net of six locations during the year ended December 31, 2020. During 2020, we generated 84% of our revenues from services, 12% of our revenues from retail sales, and 4% from other revenue.

Cost of sales

	Year ended December 31,		
	2020	2019	Inc/(Dec)
Cost of sales	$ 11,983	$ 37,854	$ (25,871)

The decrease in cost of sales of $25,871, or 68%, was due to the decrease in revenues as a result of spa closure because of the COVID-19 pandemic. We had 2 open spa locations as of December 31, 2020, and 51 open locations as of December 31, 2019. The largest component in the cost of sales are labor costs at the location-level, as our spa associates receive commission-based compensation as well as additional incentives based on individual and spa-level performance and our wellness center associates receive an hourly wage. Cost of sales also includes rent and related occupancy costs, which can primarily include rent based on percentage of sales, as well as product costs directly associated with the procurement of retail inventory, testing kits, and other operating costs.

Depreciation and amortization

	Year ended December 31,		
	2020	2019	Inc/(Dec)
Depreciation and amortization	$ 5,210	$ 6,124	$ (914)

During the year ended December 31, 2020, depreciation and amortization expense decreased $914, or 15%, compared to the depreciation and amortization expense recorded during the year ended December 31, 2019. The decrease was primarily due to the write-off of the stores that were permanently closed during the year ended December 31, 2020. Fewer locations resulted in lower amortization of leasehold improvements. Depreciation and amortization expense also decreased as a result of the impairments and disposals of fixed assets during the years ended December 31, 2020 and 2019.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Impairment/disposal of assets

	Year ended December 31,		
	2020	2019	Inc/(Dec)
Impairment/disposal of assets	$ 15,356	$ 6,090	$ 9,266

We completed an assessment of our property and equipment and right of use lease assets for impairment as of December 31, 2020 and 2019. Based upon the results of the impairment test, we recorded an impairment of property and equipment and right of use lease assets of approximately $4,954 and $6,341, respectively, in the year ended December 31, 2020. The expense was primarily related to the impairment of leasehold improvements made to certain XpresSpa locations and right of use lease assets where as a result of the COVID-19 pandemic, management determined that the location's discounted future cash flow was not enough to support the carrying value of the leasehold improvements and right of use lease assets over the remaining lease term.

(Loss) gain on revaluation of warrants and conversion option

	Year ended December 31,		
	2020	2019	Inc/(Dec)
(Loss) gain on revaluation of warrants and conversion option	$ (51,147)	$ 2,170	$ (53,317)

Loss on revaluation of warrants and conversion option in 2020 is primarily comprised of adjustments to the fair value of the derivative conversion option of the debt instruments and the fair value of the warrants, including losses of $11,990, $8,985, $15,480 and $14,692 related to the B3D Note, the Calm Note, the Calm Warrants and the Class A Warrants, respectively, during the year ended December 31, 2020. A gain of $2,170 in 2019 relates to the Calm Private Placement and the B3D Note revaluation during the year ended December 31, 2019.

General and administrative

	Year ended December 31,		
	2020	2019	Inc/(Dec)
General and administrative	$ 15,940	$ 14,319	$ 1,621

During the year ended December 31, 2020, general and administrative expenses increased by $1,621, or 11%. This increase was due primarily to the accrual of certain legal expenses associated with existing litigation of approximately $2,400 and an increase in stock-based compensation expense of $996, offset by an overall reduction in corporate overhead expenses and lower professional fees as compared to the 2019 period. See *Note 18. Commitments and Contingencies* to the consolidated financial statements for further discussion regarding the litigation accrual.

Interest expense

	Year ended December 31,		
	2020	2019	Inc/(Dec)
Interest expense	$ 1,832	$ 2,900	$ (1,068)

Interest expense decreased by $1,068, or 37%, due primarily to the conversion of substantially all debt principal balances to common stock during second and third quarters of 2020.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Non-operating income (expense), net

	Year ended December 31,		
	2020	2019	Inc/(Dec)
Non-operating income (expense), net	$ 858	$ (4,074)	$ 4,932

The following is a summary of the transactions included in non-operating income (expense), net for the years ended December 31, 2020 and 2019:

	Year ended December 31,	
	2020	2019
Debt conversion expense related to conversion of 5% Secured Convertible Notes	$ —	$ (1,584)
Issuance of Series F Preferred Stock	—	(1,131)
Issuance of warrants	—	(689)
Issuance of common stock in lieu of cash payments on debt	—	(105)
Gain on equity investments	1,284	—
Loss on extinguishment of debt	(182)	—
Bank fees and financing charges	(244)	(408)
Other	—	(157)
Total	$ 858	$ (4,074)

As of December 31, 2020, the equity investment in Route1 had a readily determinable fair value of $1,768. We recorded an unrealized gain of $1,284 connection with the remeasurement of the common shares and warrants of Route 1 it obtained in the 2018 sale of Group Mobile to Route 1.

In 2019, we entered into the Third Amendment Agreement to the 5% Secured Convertible Notes (the “Third Amendment”) whereby the holders agreed to convert their notes then held into Common Stock. The Third Amendment reduced the conversion price from $37.20 per share to $7.44 per share. As a result of the reduction in the conversion price, we recorded a debt conversion expense of $1,584 to account for the additional consideration paid over what was agreed to in the original note agreement.

In 2019, issuance expense was recorded for the issuance of 8,996 shares of Series F Convertible Preferred Stock, which represents the fair value of the shares as of the date issued.

See the notes to the consolidated financial statements for additional information on the above transactions.

Non-operating income (expense) will be affected by the adjustments to the fair value of our equity investment, which could fluctuate materially from period to period. Fair value of these instruments depends on a variety of assumptions.

Income Taxes

As of December 31, 2020, our estimated aggregate total NOLs were $150,926 for U.S. federal purposes, expiring 20 years from the respective tax years to which they relate, and $60,269 for U.S. federal purposes with an indefinite life due to new regulations in the Tax Act of 2017. The NOL amounts are presented before Internal Revenue Code, Section 382 limitations. The Tax Reform Act of 1986 imposed substantial restrictions on the utilization of NOL and tax credits in the event of an ownership change of a corporation. Thus, our ability to utilize all such NOL and credit carryforwards may be limited. The CARES Act was enacted on March 27, 2020 and provides favorable changes to tax law for businesses impacted by COVID-19. However, we do not anticipate the income tax law changes will materially benefit us.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

We did not have any material unrecognized tax benefits as of December 31, 2020. We do not expect to record any additional material provisions for unrecognized tax benefits within the next year.

Liquidity and Capital Resources

Effective March 24, 2020, we temporarily closed all global XpresSpa locations, largely due to the categorization of the spa locations by local jurisdictions as "non-essential services" in connection with the recent COVID-19 outbreak. We look to reopen our spa locations and resume normal operations once such restrictions are lifted and airport traffic returns to sufficient levels to support operations profitably. On March 25, 2020, we announced that during this time, we began conversations with certain COVID-19 testing partners to develop a model for testing in U.S. airports. In the balance of 2020 after such announcement we successfully launched our XpresCheck™ Wellness Centers, offering such testing services, as described above under "*—Recent Developments—Newly launched XpresCheck™ Wellness Centers*,"

Similar to many businesses in the travel sector, our business was materially adversely impacted by thecoronavirus outbreak and associated restrictions on travel that have been implemented. The extent to which the coronavirus continues to impact our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others.

As a result of the coronavirus outbreak, we saw a material decline in demand across all our locations, which resulted in a materially adverse impact on our cash flows from operations and which caused an immediate liquidity crisis in the first half of 2020. To address this crisis, we secured financing in 2020 totaling approximately $110,619 through several registered direct common stock offerings, and to a lesser extent by obtaining a cash advance on our accounts receivable balances, an additional loan from our senior secured lender and a loan through the Paycheck Protection Program (See "Recent Developments" above).

As of December 31, 2020, we had approximately $89,801 of cash and cash equivalents and total current assets of $91,779. Our total current liabilities balance, which primarily includes accounts payable, accrued expenses, the current portion of promissory note and the current portion of operating lease liabilities was $13,477 as of December 31, 2020. The working capital surplus was $78,302 as of December 31, 2020, compared to a working capital deficiency of $12,287 as of December 31, 2019. The increase in the working capital surplus was primarily due to the net proceeds received as a result of registered direct offerings in 2020, which are discussed in detail in "*—Recent Developments*" above-K and disclosed in the notes to the consolidated financial statements.

Our primary liquidity and capital requirements are for the maintenance of our current XpresSpa locations and brand, as well as the expansion of the XpresCheck™ Wellness Centers. During the year ended December 31, 2020, we used $25,012 in operations, we incurred $3,969 of capital expenditures, and distributed $244 to noncontrolling interests. This was offset by the receipt of $110,619 of net proceeds from direct offerings and $5,653 in proceeds from the Paycheck Protection Program. We expect to utilize our cash and cash equivalents, along with any cash flows from operations, to provide capital to support the growth of our business and maintaining our existing XpresSpa airport locations, growth in the XpresCheck Wellness Center brand, and supporting corporate functions.

Cash flows

	Year ended December 31,		
	2020	**2019**	**Change**
Net cash used in operating activities	$ (25,012)	$ (113)	$ (24,899)
Net cash used in investing activities	$ (4,349)	$ (2,275)	$ (2,074)
Net cash provided by financing activities	$ 117,225	$ 1,165	$ 116,060

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating activities

During the year ended December 31, 2020, net cash used in operating activities was $25,012, as compared to net cash used in operating activities in 2019 of $113. The increase in net cash used in operating activities was primarily due the opening of our new XpresCheck Wellness Centers brand, offset somewhat by savings related to the closure of all spa locations on March 24, 2020 as a result of the COVID-19 pandemic and the payment of accounts payable and certain accrued expenses.

Investing activities

During the year ended December 31, 2020, net cash used in investing activities totaled $4,349, compared to net cash used in investing activities during the year ended December 31, 2019 of $2,275. Cash used in 2020 was used to acquire primarily leasehold improvements for new openings of XpresCheck locations and the development of a new website for the XpresCheck brand.

We expect that net cash used in investing activities will increase as we intend to continue to open new XpresCheck locations and develop supporting infrastructure and systems.

Financing activities

During the year ended December 31, 2020, net cash provided by financing activities totaled $117,225, compared to $1,138 during the comparable prior year period. Included in the net cash provided by financing activities in 2020 were the proceeds from the registered direct offerings of our common stock, the SBA's Paycheck Protection Program, the Credit Cash loan, and an increase in the B3D note.

Off-Balance Sheet Arrangements

We have no obligations, assets or liabilities that would be considered off-balance sheet arrangements. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements.

Critical Accounting Estimates

We believe the following accounting estimates to be the most critical estimates we used in preparing our consolidated financial statements for the year ended December 31, 2020.

Impairment of Long-Lived Assets

Long-lived assets are tested for impairment at the lowest level at which there are identifiable operating cash flows, which is at the individual spa or clinic location for the XpresSpa and XpresCheck businesses. The Company's long-lived assets consist primarily of leasehold improvements and right to use lease assets for each of its locations (considered the asset group). The Company reviews its long-lived assets for recoverability yearly or sooner if events or changes in circumstances indicate that the carrying value of long-lived assets may not be recoverable. If indicators are present, the Company performs a recoverability test by comparing the sum of the estimated undiscounted future cash flows attributable to the asset group in question to its carrying amount. An impairment loss is recognized if it is determined that the long-lived asset group is not recoverable and is calculated based on the excess of the carrying amount of the long-lived asset group over the long-lived asset groups fair value. The Company estimates the fair value of long-lived assets using present value income approach. Future cash flow was calculated based on forecasts over the estimated remaining useful life of the asset group, which for each of the Company's locations, is the remaining term of the operating lease. The Company estimates it weighted average cost of capital as the discount rate since it expects that this rate incorporates not only the time value of money but also the expectations regarding future cash flows and an appropriate risk premium.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The estimates used to calculate future cash flows are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimated fair value of each asset group. The Company will calculate the future cash flow using what it believes to be the most predictable of several scenarios. Typically, the changes in assumptions run under different business scenarios would not result in a material change in the assessment of the potential impairment or the impairment amount of a locations long-lived asset group. But if these estimates or related assumptions were to change materially, the Company may be required to record an impairment charge.

Intangible assets

Intangible assets include trade names, customer relationships, and technology, which were primarily acquired as part of the acquisition of XpresSpa in December 2016 and were recorded based on the estimated fair value in purchase price allocation. The intangible assets are amortized over their estimated useful lives, which are periodically evaluated for reasonableness. Gain or loss on dispositions of intangible assets is reflected in general and administrative expense in the consolidated statements of operations and comprehensive loss.

The Company’s intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing the recoverability of the Company’s intangible assets, the Company must make estimates and assumptions regarding future cash flows and other factors to determine the fair value of the respective assets. We determine fair value by using the relief from royalty method. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such charge. Fair value estimates are made at a specific point in time, based on relevant information. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. If these estimates or material related assumptions change, the Company may be required to record impairment charges related to its intangible assets.

Fair value measurements

The Company’s financial instruments consist principally of cash and cash equivalents, receivables, debt, equity investments, and derivative liabilities. The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2: Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

There have been no changes in Level 1, Level 2, and Level 3 and no changes in valuation techniques for these assets or liabilities for the years ended December 31, 2020 and 2019.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Investments in public companies are carried at fair value based on quoted market prices. Investments in equity securities of nonpublic entities without readily determinable fair values are carried at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company reviews its equity securities without readily determinable fair values on a regular basis to determine if the investment is impaired. For purposes of this assessment, the Company considers the investee's cash position, earnings and revenue outlook, liquidity and management ownership, among other factors, in its review. If management's assessment indicates that an impairment exists, the Company estimates the fair value of the equity investment and recognizes in current earnings an impairment loss that is equal to the difference between the fair value of the equity investment and its carrying amount. Equity investments are recorded in other assets on the accompanying consolidated balance sheets.

Derivative instruments

The Company recognizes all derivative instruments as either assets or liabilities in the consolidated balance sheets at their respective fair values. The Company's derivative instruments are revalued at each reporting date, with changes in the fair value of the instruments included in the consolidated statements of operations and comprehensive loss as non-operating income (expense). The Company reviews the terms of features embedded in non-derivative instruments to determine if such features require bifurcation and separate accounting as derivative financial instruments. Equity-linked derivative instruments are evaluated in accordance with Accounting Standard Codification 815-40, "*Contracts in an Entity's Own Equity,*" to determine if such instruments are indexed to the Company's own stock and qualify for classification in equity.

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not more likely than not to be realized. Tax benefits related to excess deductions on stock-based compensation arrangements are recognized when they reduce taxes payable.

In assessing the need for a valuation allowance, we look at cumulative losses in recent years, estimates of future taxable earnings, feasibility of tax planning strategies, the ability to realize tax benefit carryforwards, and other relevant information. Valuation allowances related to deferred tax assets can be impacted by changes to tax laws, changes to statutory tax rates and future taxable earnings. Ultimately, the actual tax benefits to be realized will be based upon future taxable earnings levels, which are very difficult to predict. In the event that actual results differ from these estimates in future periods, we will be required to adjust the valuation allowance.

Significant judgment is required in evaluating our federal, state and foreign tax positions and in the determination of our tax provision. Despite management's belief that our liability for unrecognized tax benefits is adequate, it is often difficult to predict the final outcome or the timing of the resolution of any particular tax matters. We may adjust these accruals as relevant circumstances evolve, such as guidance from the relevant tax authority, our tax advisors, or resolution of issues in the courts. Our tax expense includes the impact of accrual provisions and changes to accruals that it considers appropriate. These adjustments are recognized as a component of income tax expense entirely in the period in which new information is available. We record interest related to unrecognized tax benefits in interest expense and penalties in the accompanying consolidated statements of operations and comprehensive loss as general and administrative expenses.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Recently adopted accounting pronouncements

Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU No. 2016-13")

On January 1, 2020, the Company adopted ASU No. 2016-13 using a modified-retrospective approach. This standard changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including trade receivables, from an incurred loss model to an expected loss model and adds certain new required disclosures. Under the expected loss model, entities will recognize estimated credit losses to be incurred over the entire contractual term of the instrument rather than delaying recognition of credit losses until it is probable the loss has been incurred. Adoption of this standard did not result in an adjustment to opening accumulated deficit and did not have a material impact on the Company's consolidated financial statements.

Accounting Standards Update No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement ("ASU No. 2018-13")

On January 1, 2020, the Company adopted ASU No. 2018-13. This amendment provides updates to the disclosure requirements on fair value measures in Topic 820, which includes the changes in unrealized gains and losses in other comprehensive income for recurring Level 3 fair value measurements, the option of additional quantitative information surrounding unobservable inputs and the elimination of disclosures around the valuation processes for Level 3 measurements. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty have been applied prospectively beginning in the quarter ended March 31, 2020. All other amendments have been applied retrospectively to all periods presented. Adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Recently issued accounting pronouncements

Accounting Standards Update No. 2020-10—Codification Improvements

Issued in October 2020, this release updates various codification topics by clarifying or improving disclosure requirements to align with the SEC's regulations. The Company will adopt ASU 2020-10 as of the reporting period beginning January 1, 2021. The adoption of this update is not expected to have a material effect on the Company's consolidated financial statements.

Accounting Standards Update No. 2020-06—Debt--Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)

Issued in August 2020, this update is intended to reduce the unnecessary complexity of the current guidance thus resulting in more accurate accounting for convertible instruments and consistent treatment from one entity to the next. Under current GAAP, there are five accounting models for convertible debt instruments. Except for the traditional convertible debt model that recognizes a convertible debt instrument as a single debt instrument, the other four models, with their different measurement guidance, require that a convertible debt instrument be separated (using different separation approaches) into a debt component and an equity or a derivative component. Convertible preferred stock also is required to be assessed under similar models. The Financial Accounting Standard Board ("FASB") decided to simplify the accounting for convertible instruments by removing certain separation models currently included in other accounting guidance that were being applied to current accounting for convertible instruments. Under the amendments in this update, an embedded conversion feature no longer needs to be separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives. Consequently, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost and a convertible preferred stock will be accounted for as a single equity instrument measured at its historical cost, as long as no other features require

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

bifurcation and recognition as derivatives. The Board also decided to add additional disclosure requirements in an attempt to improve the usefulness and relevance of the information being provided.

The new standard is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

Accounting Standards Update No. 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815

Issued in January 2020, the amendments in this update affect all entities that apply the guidance in Topics 321, 323, and 815 and (1) elect to apply the measurement alternative or (2) enter into a forward contract or purchase an as option to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting. The Company applies the guidance included in Topic 815 to its derivative liabilities but does not intend on applying the new measurement alternative included in the update. The new standard is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

Accounting Standards Update No. 2019-12—*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*
Issued in December 2019, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The amendments in this update simplify the accounting for income taxes by removing certain exceptions to guidance in Topic 740. The specific areas of potential simplification were submitted by stakeholders as part of the FASB’s simplification initiative. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required as we are a smaller reporting company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements required by this Item are set forth in Item 15 beginning on page F-1 of this Annual Report on Form 10-K.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Exchange Act that are designed to ensure that information required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (Principal Financial and Accounting Officer), as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision of and with the participation of our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2020. Our evaluation as of December 31, 2019 identified a material weaknesses in our internal control over financial reporting, which remained unmitigated as of December 31, 2020, as noted below in Report of Management on Internal Control over Financial Reporting. Based on their evaluation, our chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2020 to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.. Notwithstanding this conclusion, management believes that the consolidated financial statements in this Form 10-K fairly present in all material respects our financial condition, results of operations and cash flows in conformity with GAAP.

Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive officer and principal financial and accounting officer and effected by our Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of our inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013 Framework).

Based on our evaluation, management concluded that our internal control over financial reporting was not effective as of December 31, 2020 due to a material weakness in our internal controls over our financial close and reporting process identified in 2019 and remaining unmitigated as of December 31, 2020. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected and corrected on a timely basis. As this deficiency created a reasonable possibility that a material misstatement would not be prevented or detected in a timely basis, management concluded that the control deficiency represented a material weakness and accordingly our internal control over financial reporting was not effective as of December 31, 2019 and December 31, 2020. Management concluded that additional formal procedures should be implemented in the financial close and reporting process to ensure that appropriate and timely reviews occur on all financial reporting analysis. Management also concluded that as of December 31, 2020, we still did not have a sufficient complement of corporate personnel with appropriate levels of accounting and controls knowledge and experience commensurate with our financial reporting requirements to appropriately analyze, record and disclose accounting matters completely and accurately.

The material weakness in our internal control over financial reporting resulted in proposed audit adjustments to the Company's consolidated financial statements in the areas of lease accounting, long-lived asset impairment and accrued liabilities accounting as of and for the year ended December 31, 2019.

Remediation Plan for Material Weakness in Internal Control over Financial Reporting

We and our Board treat the controls surrounding, and the integrity of, our financial statements with the utmost priority. Management is committed to the planning and implementation of remediation efforts to address control deficiencies and any other identified areas of risk. These remediation efforts are intended to both address the identified material weakness and to enhance our overall financial control environment. In particular:

- we will continue to strengthen our interim and annual financial review controls to function with a sufficient level of precision to detect and correct errors on a timely basis;

- we will continue to improve the timeliness of our closing processes with respect to interim and annual periods.

Following identification of this control deficiency, commenced remediation efforts by implementing modifications to better ensure that the Company has appropriate and timely reviews on all financial reporting analysis. The material weakness in our internal control over financial reporting will not be considered remediated until these modifications are implemented, in operation for a sufficient period of time, tested, and concluded by management to be designed and operating effectively. In addition, as we continue to evaluate and work to improve our internal control over financial reporting, management may determine to take additional measures to address control deficiencies or determine to modify our remediation plan. Management will test and evaluate the implementation of these modifications during 2021 to ascertain whether they are designed and operating effectively to provide reasonable assurance that they will prevent or detect a material misstatement in the Company's financial statements.

The steps we took to address the deficiencies identified included:

- we appointed a permanent Chief Financial Officer in December 2020;
- we have engaged in efforts to restructure accounting processes and revise organizational structures to enhance accurate accounting and appropriate financial reporting;

- we have engaged outside service providers to assist with the valuation and recording of key reporting areas such as leases and stock compensation expense;
- we have implemented additional accounting software to aid in the accounting and financial reporting process;
- we have contracted an independent consulting firm to assist with the preparation of the Financial Statements and U.S. GAAP accounting research;
- we have hired additional experienced Certified Public Accountants including a Certified Information Systems Auditor, in the corporate office.

We are committed to maintaining a strong internal control environment, and we believe the measures described above will strengthen our internal control over financial reporting and remediate the material weakness we have identified. Our remediation efforts have begun, and we will continue to devote significant time and attention to these remedial efforts. As we continue to evaluate and work to improve our internal control over financial reporting, management may determine to take additional measures to strengthen controls or to modify the remediation plan described above, which may require additional implementation time.

As noted above, we believe that, as a result of management's in-depth review of its accounting processes, and the additional procedures management has implemented, there are no material inaccuracies or omissions of material fact in this Form 10-K and, to the best of our knowledge, we believe that the consolidated financial statements in this Form 10-K fairly present in all material respects our financial condition, results of operations and cash flows in conformity with GAAP.

Changes in Internal Control over Financial Reporting

Based on our evaluation, management concluded that our internal control over financial reporting was not effective as of December 31, 2020 due to a material weakness in our internal control over our financial close and reporting process, which was discovered in 2019, still remaining unmitigated. Management continues to conclude that as of December 31, 2020, we still did not have a sufficient complement of corporate personnel with appropriate levels of accounting and controls knowledge and experience commensurate with our financial reporting requirements to appropriately analyze, record and disclose accounting matters completely and accurately. As a result of this evaluation, we extensively used outside consultants who possessed the appropriate levels of accounting and controls knowledge to appropriately analyze, record and disclose accounting matters completely and accurately.

Other than as set forth in the foregoing paragraph, there have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information called for by this Item will be included in an amendment to this Annual Report on Form 10-K to be filed with the SEC and is incorporated by reference in this Item 10.

ITEM 11. EXECUTIVE COMPENSATION

Information called for by this Item will be included in an amendment to this Annual Report on Form 10-K to be filed with the SEC and is incorporated by reference in this Item 11.

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

Information called for by this Item will be included in an amendment to this Annual Report on Form 10-K to be filed with the SEC ” and is incorporated by reference in this Item 12.

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

Information called for by this Item will be included in an amendment to this Annual Report on Form 10-K to be filed with the SEC and is incorporated by reference in this Item 13.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information called for by this Item will be included in an amendment to this Annual Report on Form 10-K to be filed with the SEC and is incorporated by reference in this Item 14.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) *Consolidated Financial Statements.* For the financial statements included in this Annual Report on Form 10-K, see "Index to the Financial Statements" on page F-1.

(a)(2) *Consolidated Financial Statement Schedules.* All schedules are omitted because they are not applicable or because the required information is included in the financial statements or notes thereto.

(a)(3) *Exhibits.* The following exhibits are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K.

Exhibits Index

Exhibit No.	Description
2.1	Agreement and Plan of Merger by and among FORM Holdings Corp., FHXMS, LLC, XpresSpa Holdings, LLC, the unitholders of XpresSpa who are parties thereto and Mistral XH Representative, LLC, as representative of the unitholders, dated as of August 8, 2016 (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on August 8, 2016)
2.2	Amendment No. 1 to Agreement and Plan of Merger by and among FORM Holdings Corp., FHXMS, LLC, XpresSpa Holdings, LLC and Mistral XH Representative, LLC, as representative of the unitholders, dated September 8, 2016 (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on September 9, 2016)
2.3	Amendment No. 2 to Agreement and Plan of Merger by and among FORM Holdings Corp., FHXMS, LLC, XpresSpa Holdings, LLC and Mistral XH Representative, LLC, as representative of the unitholders, dated October 25, 2016 (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on October 25, 2016)
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference from Exhibit 3.1 to our Annual Report on Form 10-K filed with the SEC on April 20, 2020)
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of XpresSpa Group, Inc., filed with the Secretary of State of the State of Delaware on June 10, 2020 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on June 10, 2020)
3.3	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to our Annual Report on Form 10-K filed with the SEC on April 1, 2019)
4.1	Form of Warrant (incorporated by reference from Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on October 16, 2015)
4.2	Form of Warrant (incorporated by reference from Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on May 4, 2015)
4.3	Section 382 Rights Agreement, dated as of March 18, 2016, between Vringo, Inc. and American Stock Transfer & Trust Company, LLC, which includes the Form of Certificate of Designation of Series C Junior Participating Preferred Stock as Exhibit A, the Form of Right Certificate as Exhibit B and the Summary of

Exhibit No.	Description
	Rights to Purchase Preferred Stock as Exhibit C (incorporated by reference from Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on March 21, 2016)
4.4	Amendment to Section 382 Rights Agreement, dated March 18, 2019, between the Company and American Stock Transfer & Trust Company, LLC (incorporated by reference from Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on March 22, 2019)
4.5	Form of Warrant to Purchase Shares of Common Stock of FORM Holdings Corp. (incorporated by reference from Annex F to our Registration Statement on Form S-4 filed with the SEC on October 26, 2016)
4.6	Form of Secured Convertible Note (incorporated by reference from Exhibit 4.1 to our Quarterly Report on Form 10-Q filed with the SEC on May 15, 2018)
4.7	Amendment to Secured Convertible Note (incorporated by reference from Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on June 27, 2019)
4.8	Second Amended and Restated Convertible Promissory Note, dated as of July 8, 2019 (incorporated by reference from Exhibit 4.3 to our Current Report on Form 8-K filed with the SEC on July 8, 2019)
4.9	Third Amended and Restated Convertible Promissory Note, dated as of January 9, 2020 (incorporated by reference from Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on January 14, 2020)
4.10	Fourth Amended and Restated Convertible Promissory Note, dated as of March 6, 2020 (incorporated by reference from Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on March 6, 2020)
4.11	Form of Class A Warrant (incorporated by reference from Exhibit 4.2 to our Quarterly Report on Form 10-Q filed with the SEC on May 15, 2018)
4.12	Form of Class B Warrant (incorporated by reference from Exhibit 4.3 to our Quarterly Report on Form 10-Q filed with the SEC on May 15, 2018)
4.13	Form of First Amendment to Warrant to Purchase Common Stock, dated as of May 16, 2019 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on May 17, 2019)
4.14	Form of Second Amendment to Warrant to Purchase Common Stock, dated as of June 17, 2019 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on June 17, 2019)
4.15	Unsecured Convertible Note due May 31, 2022 (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on July 8, 2019)
4.16	Warrant to Purchase Common Stock in favor of Calm.com, Inc., dated as of July 8, 2019 (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on July 8, 2019)
4.17	Form of December 2016 Warrant Amendment, dated as of July 8, 2019 (incorporated by reference from Exhibit 4.4 to our Current Report on Form 8-K filed with the SEC on July 8, 2019)
4.18	Form of Pre-Funded Warrant to Purchase Common Stock, dated March 19, 2020 (incorporated by reference from Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on March 19, 2020)
4.19	Form of Pre-Funded Warrant to Purchase Common Stock, dated March 25, 2020 (incorporated by reference from Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on March 25, 2020)

Exhibit No.	Description
4.20	Form of Pre-Funded Warrant to Purchase Common Stock, dated March 27, 2020 (incorporated by reference from Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on March 27, 2020)
4.21	Form of Pre-Funded Warrant to Purchase Common Stock, dated April 6, 2020 (incorporated by reference from Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on April 7, 2020)
4.22	Description of the Registrant's Securities (incorporated by reference from Exhibit 4.22 to our Annual Report on Form 10-K filed with the SEC on April 20, 2020)
4.23	Amended and Restated Calm Note, dated as of April 17, 2020 (incorporated by reference from Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on April 17, 2020).
4.24	Amended and Restated Calm Note, dated as of April 22, 2020 (incorporated by reference from Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on April 24, 2020)
4.25	Form of Warrant to Purchase Common Stock, dated June 17, 2020 (incorporated by reference from Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on June 17, 2020)
4.26	Form of Placement Agent Warrant to Purchase Common Stock, dated June 17, 2020 (incorporated by reference from Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on June 17, 2020)
4.27	Form of Warrant to Purchase Common Stock, dated August 25, 2020 (incorporated by reference from Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on August 28, 2020)
4.28	Form of Pre-Funded Warrant to Purchase Common Stock, dated August 25, 2020 (incorporated by reference from Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on August 28, 2020)
4.29	Form of Placement Agent Warrant to Purchase Common Stock, dated August 25, 2020 (incorporated by reference from Exhibit 4.3 to our Current Report on Form 8-K filed with the SEC on August 28, 2020)
4.30	Form of Warrant to Purchase Common Stock, dated December 17, 2020 (incorporated by reference from Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on December 21, 2020)
4.31	Form of Placement Agent Warrant to Purchase Common Stock, dated December 17, 2020 (incorporated by reference from Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on December 21, 2020)
10.1†	Vringo, Inc. 2012 Employee, Director and Consultant Equity Incentive Plan, as amended (incorporated by reference from Appendix C of our Proxy Statement on Schedule 14A (DEF 14A) filed with the SEC on September 25, 2015)
10.2†	Form of Management Option Agreement (incorporated by reference from our Registration Statement on Form S-1 filed on March 29, 2010).
10.3†	Form of Stock Option Agreement (incorporated by reference from our Registration Statement on Form S-8 filed on July 26, 2012)
10.4†	Form of Restricted Stock Unit Agreement (incorporated by reference from our Registration Statement on Form S-8 filed on July 26, 2012)

Exhibit No.	Description
10.5	Form of Indemnification Agreement, dated January 31, 2013, by and between Vringo, Inc. and each of its Directors and Executive Officer (incorporated by reference from our Annual Report on Form 10-K for the period ended December 31, 2012 filed on March 21, 2013)
10.6†	FORM Holdings Corp. 2012 Employee, Director and Consultant Equity Incentive Plan, as amended (incorporated by reference from Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on November 28, 2016)
10.7†	Independent Director's Agreement, by and between FORM Holdings Corp. and Andrew R. Heyer, dated as of December 23, 2016 (incorporated by reference from Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on December 23, 2016)
10.8†	Executive Employment Agreement, dated January 20, 2017, by and between FORM Holdings Corp. and Edward Jankowski (incorporated by reference from Exhibit 10.2 to our Quarterly Report on Form 10-Q filed with the SEC on May 15, 2017)
10.9	Credit Agreement dated as of April 22, 2015, by and between XpresSpa Holdings, LLC and Rockmore Investment Master Fund Ltd (incorporated by reference from Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on May 15, 2018).
10.10	First Amendment to Credit Agreement and Conditional Waiver dated as of August 8, 2016, by and between XpresSpa Holdings, LLC and Rockmore Investment Master Fund Ltd (incorporated by reference from Exhibit 10.2 to our Quarterly Report on Form 10-Q filed with the SEC on May 15, 2018).
10.11	Second Amendment to Credit Agreement dated as of May 10, 2017, by and between XpresSpa Holdings, LLC and B3D, LLC (incorporated by reference from Exhibit 10.3 to our Quarterly Report on Form 10-Q filed with the SEC on May 15, 2018).
10.12	Third Amendment to Credit Agreement dated as of May 14, 2018, by and between XpresSpa Holdings, LLC and B3D, LLC (incorporated by reference from Exhibit 10.4 to our Quarterly Report on Form 10-Q filed with the SEC on May 15, 2018).
10.13	Fourth Amendment to Credit Agreement, dated as of July 8, 2019, by and between XpresSpa Holdings LLC and B3D, LLC (incorporated by reference from Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on July 8, 2019)
10.14	Registration Rights Agreement, dated as of July 8, 2019, by and between the Company and B3D, LLC (incorporated by reference from Exhibit 10.4 to our Current Report on Form 8-K filed with the SEC on July 8, 2019)
10.15	Amendment to Second Amended and Restated Convertible Promissory Note, dated August 22, 2019, by and between XpresSpa Holdings LLC and B3D, LLC (incorporated by reference from Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on August 26, 2019)
10.16	Fifth Amendment to Credit Agreement, dated as of January 9, 2020, by and between XpresSpa Holdings LLC and B3D, LLC (incorporated by reference from Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on January 14, 2020)
10.17	Sixth Amendment to Credit Agreement, dated as of March 6, 2020, by and between XpresSpa Holdings LLC and B3D, LLC (incorporated by reference from Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on March 6, 2020)

Exhibit No.	Description
10.18	Form of Securities Purchase Agreement, dated May 15, 2018, by and among the Company and the Investors (incorporated by reference from Exhibit 10.8 to our Quarterly Report on Form 10-Q filed with the SEC on May 15, 2018).
10.19	Form of Registration Rights Agreement, dated May 15, 2018, by and among the Company and the Investors (incorporated by reference from Exhibit 10.9 to our Quarterly Report on Form 10-Q filed with the SEC on May 15, 2018).
10.20	Amendment to Securities Purchase Agreement and Class A Warrants and Class B Warrants, dated as of July 8, 2019, by and between the Company and the purchasers party thereto (incorporated by reference from Exhibit 10.5 to our Current Report on Form 8-K filed with the SEC on July 8, 2019)
10.21	Product Sale and Marketing Agreement, dated November 12, 2018, by and between the Company and Calm.com, Inc. (incorporated by reference to Exhibit 10.28 to our Annual Report on Form 10-K filed with the SEC on April 1, 2019)
10.22	Amendment to Amended and Restated Product Sale and Marketing, dated as of October 30, 2019, by and between the Company and Calm.com, Inc. (incorporated by reference from Exhibit 10.8 to our Quarterly Report on Form 10-Q filed with the SEC on November 14, 2019)
10.23†	Separation Agreement between the Company and Mr. Edward Jankowski, dated March 14, 2019 (incorporated by reference from Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on March 15, 2019).
10.24†	Non-Disclosure Agreement between the Company and Mr. Edward Jankowski, dated March 14, 2019 (incorporated by reference from Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on March 15, 2019).
10.25	Securities Purchase Agreement, dated as of July 8, 2019, by and between the Company and Calm.com, Inc. (incorporated by reference from Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on July 8, 2019)
10.26	Registration Rights Agreement, dated as of July 8, 2019, by and between the Company and Calm.com, Inc. (incorporated by reference from Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on July 8, 2019)
10.27	Amendment No. 3 to Agreement and Plan of Merger, dated as of October 1, 2019, by and between the Company, XpresSpa Holdings, LLC, and Mistral XH Representative, LLC, as representative of the unitholders of the Company (incorporated by reference from Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on October 3, 2019)
10.28	Form of Accounts Receivable Advance, dated as of January 9, 2020, by and between certain subsidiaries of the Company and CC Funding, a division of Credit Cash NJ, LLC (incorporated by reference from Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on January 14, 2020)
10.29	Securities Purchase Agreement, date as of March 19, 2020, by and between the Company and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 19, 2020)
10.30	Form of Exchange Agreement, date as of March 19, 2020 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on March 19, 2020)

Exhibit No.	Description
10.31	Voting Agreement, date as of March 19, 2020, by and between the Company and Mistral Spa Holdings LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on March 19, 2020)
10.32	Securities Purchase Agreement, date as of March 25, 2020, by and between the Company and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 25, 2020)
10.33	Securities Purchase Agreement, date as of March 27, 2020, by and between the Company and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 27, 2020)
10.34	Securities Purchase Agreement, date as of April 6, 2020, by and between the Company and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 7, 2020)
10.35†*	Stock Option Grant under the XpresSpa Group Inc. 2020 Equity Incentive Plan
10.36†*	Notice of Restricted Stock Unit Award under the XpresSpa Group Inc. 2020 Equity Incentive Plan
10.37†*	Offer Letter, dated November 27, 2020, between the Company and James A. Berry
10.38	U.S. Small Business Administration Paycheck Protection Program Note (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 7, 2020
10.39	Form of Exchange Agreement, dated June 4, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 4, 2020)
10.40	Form of Securities Purchase Agreement, dated as of June 17, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 17, 2020)
10.41	Form of Securities Purchase Agreement, dated as of August 25, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 28, 2020)
10.42†	XpresTest, Inc. 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 28, 2020)
10.43†	XpresSpa Group, Inc. 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 30, 2020)
10.44	Form of Securities Purchase Agreement, dated as of December 17, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 21, 2020)
21*	Subsidiaries of XpresSpa Group, Inc.
23.1*	Consent of CohnReznick LLP, independent registered public accounting firm
23.2*	Consent of Friedman LLP, independent registered public accounting firm
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act, Rules 13a – 14(a) and 15d – 14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit No.	Description
31.2	Certification of Principal Financial Officer pursuant to Exchange Act, Rules 13a – 14(a) and 15d – 14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Furnished herewith.

Management contract or compensatory plan or arrangement.

†† Certain portions have been omitted pursuant to a confidential treatment request. Omitted information has been filed separately with the SEC.

ITEM 16. FORM 10-K SUMMARY

None.

Exhibit XpresSpa Group, Inc. and Subsidiaries
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Stockholders of XpresSpa Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of XpresSpa Group, Inc. and subsidiaries (the "Company") as of December 31, 2020, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for the year ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Critical Audit Matters

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

Valuation of Long-Lived Assets

As described in Note 2 to the financial statements, the Company evaluates long-lived assets for recoverability if events or changes in circumstances indicate that the carrying value of long-lived assets may not be recoverable. If indicators are present, the Company performs a recoverability test by comparing the sum of the estimated undiscounted future cash flows attributable to the asset group in question to its carrying amount. An impairment loss is recognized if it is determined that the long-lived asset group is not recoverable and is calculated based on the excess of the carrying amount of the long-lived asset group over the long-lived asset group fair value. The impairment tests require management to make assumptions when estimating the fair value of the asset groups, including financial projections.

We identified the valuation of long-lived assets as a critical audit matter because of certain significant assumptions management makes in determining the fair value of the asset groups, including projections. The significant judgements made by management resulted in a high degree of auditor judgment and an increased audit effort in performing procedures. This is made more challenging by the uncertainty of the potential impact to cash flows due to the COVID-19 pandemic.

Our audit procedures related to the Company's valuation of long-lived assets included the following, among others, (i) testing management's process for determining fair value estimates; (ii) evaluating the reasonableness of the significant assumptions used by management related to financial performance, and discount rates. Evaluating management's

assumptions related to financial performance involved evaluating whether the assumptions were reasonable considering (i) current and historical trends of the underlying assets; and (ii) engaging in discussions with management to evaluate the Company's plans to develop an asset or dispose of an asset before the end of its estimated useful life. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the reasonableness of the significant assumptions related to the discount rate.

Valuation of Intangible Assets

As described in Note 2 to the financial statements, the Company's intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing the recoverability of the Company's intangible assets, the Company must make estimates and assumptions regarding future cash flows and other factors to determine the fair value of the respective assets. These estimates could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such charge.

We identified the valuation of intangible assets as a critical audit matter because of certain significant assumptions management makes in determining the fair value of the assets. The significant judgments made by management resulted in a high degree of auditor judgement and an increased audit effort in performing procedures. This is made more challenging by the uncertainty of the potential impact to cash flows due to the COVID-19 pandemic.

Our audit procedures related to the Company's valuation of its intangible assets included the following, among others, (i) testing management's process for determining fair value estimates; (ii) evaluating the appropriateness of the method used; (iii) evaluating the reasonableness of the significant assumptions used by management related to revenue growth rates, discount rates, and royalty rates. Evaluating management's assumption related to revenue growth rates involved evaluating whether the assumption was reasonable considering (i) current and historical trends of the underlying asset; and (ii) whether the revenue growth rates were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the valuation method and (ii) the reasonableness of the significant assumptions used.

/s/ Friedman LLP

We have served as the Company's auditor since 2020.

East Hanover, New Jersey
March 31, 2021

Report of Independent Registered Public Accounting Firm

The Board of Directors and
Stockholders of XpresSpa Group, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of XpresSpa Group, Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity (deficit) and cash flows for the years then ended, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, based on its projections, the Company anticipates that during 2020, it will not have sufficient capital to repay its current obligations. Furthermore, the Company's recurring losses from operations, working capital deficiency and stockholders' deficit raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ CohnReznick LLP

We have served as the Company's auditor since 2015.

Jericho, New York
April 20, 2020

XpresSpa Group, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31, 2020	December 31, 2019
Current assets		
Cash and cash equivalents	$ 89,801	$ 2,184
Inventory	657	647
Other current assets	1,321	1,102
Total current assets	91,779	3,933
Restricted cash	701	451
Property and equipment, net	4,161	8,064
Intangible assets, net	870	6,783
Operating lease right of use assets, net	3,034	8,254
Other assets	2,588	1,239
Total assets	$ 103,133	$ 28,724
Current liabilities		
Accounts payable, accrued expenses and other	$ 7,382	$ 12,551
Current portion of operating lease liabilities	2,797	3,669
Current portion of promissory note, unsecured	3,298	-
Total current liabilities	13,477	16,220
Long-term liabilities		
Promissory note, unsecured	2,355	-
Convertible senior secured note, net	-	4,580
Convertible notes, net	-	1,182
Derivative liabilities	-	3,137
Operating lease liabilities	6,930	5,826
Other liabilities	-	315
Total liabilities	22,762	31,260
Commitments and contingencies (see Note 11)		
Stockholders' equity (deficit)		
Series A Convertible Preferred Stock, $0.01 par value per share; 6,968 shares authorized; none issued and outstanding	-	-
Series C Junior Preferred Stock, $0.01 par value per share; 300,000 shares authorized; none issued and outstanding	-	-
Series D Convertible Preferred Stock, $0.01 par value per share; 500,000 shares authorized; none issued and outstanding	-	-
Series E Convertible Preferred Stock, $0.01 par value per share, 2,397,060 shares authorized; none issued and outstanding as of December 31, 2020 and 977,865 issued and outstanding with a liquidation value of $3,031 as of December 31, 2019	-	10
Series F Convertible Preferred Stock, $0.01 par value per share, 9,000 shares authorized; none issued and outstanding as of December 31, 2020 and 8,996 shares issued and outstanding with a liquidation value of $900 as of December 31, 2019	-	-
Common Stock, $0.01 par value per share 150,000,000 shares authorized; 94,058,853 and 5,157,390 shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively *	941	52
Additional paid-in capital	475,709	302,118
Accumulated deficit	(398,624)	(308,136)
Accumulated other comprehensive loss	(220)	(283)
Total stockholders' equity (deficit) attributable to XpresSpa Group, Inc.	77,806	(6,239)
Noncontrolling interests	2,565	3,703
Total stockholders' equity (deficit)	80,371	(2,536)
Total liabilities and stockholders' equity (deficit)	$ 103,133	$ 28,724

*2019 share amounts were adjusted to reflect the impact of the 1:3 reverse stock split that became effective on June 11, 2020.

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

XpresSpa Group, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except share and per share data)

	Year ended December 31,	
	2020	**2019**
Revenue, net		
Services	$ 7,025	$ 39,989
Products	1,004	7,320
Other	356	1,206
Total revenue, net	8,385	48,515
Cost of sales		
Labor	6,290	22,847
Occupancy	2,809	7,831
Products and other operating costs	2,884	7,176
Total cost of sales	11,983	37,854
Depreciation and amortization	5,210	6,124
Impairment/disposal of assets	15,356	6,090
General and administrative	15,940	14,319
Total operating expenses	48,489	64,387
Operating loss	(40,104)	(15,872)
Interest expense, net	(1,832)	(2,900)
(Loss) gain on revaluation of warrants and conversion options	(51,147)	2,170
Other non-operating income (expense), net	858	(4,074)
Loss from operations before income taxes	(92,225)	(20,676)
Income tax (expense) benefit	(7)	146
Net loss	(92,232)	(20,530)
Net loss (income) attributable to noncontrolling interests	1,744	(693)
Net loss attributable to XpresSpa Group, Inc.	$ (90,488)	$ (21,223)
Net loss	$ (92,232)	$ (20,530)
Other comprehensive gain / (loss) from operations	63	(32)
Comprehensive loss	$ (92,169)	$ (20,562)
Loss per share*		
Basic and diluted net loss per share	$ (2.05)	$ (12.99)
Weighted-average number of shares outstanding during the year*		
Basic	44,567,542	1,634,444
Diluted	44,567,542	1,634,444

*2019 per share and weighted-average number of shares were adjusted to reflect the impact of the 1:3 reverse stock split that became effective on June 11, 2020.

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

XpresSpa Group, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY(DEFICIT)
(In thousands, except share data)

	Series D Preferred stock		Series E Preferred stock		Common stock		Additional paid-in capital *	Accumulated deficit	Accumulated other comprehensive loss	Total Company equity	Non-controlling interests	Total equity
	Shares	Amount	Shares	Amount	Shares *	Amount *						
December 31, 2018	425,750	$ 4	967,742	$ 10	587,267	$ 6	$ 296,250	$ (286,913)	$ (251)	$ 9,106	$ 4,029	$ 13,135
Conversion of senior notes and warrants into common shares	—	—	—	—	195,453	1	3,493	—	—	3,494	—	3,494
Issuance of Common Stock for repayment of debt and interest on senior notes	—	—	—	—	59,846	1	816	—	—	817	—	817
Issuance of common shares to pay interest on borrowings	—	—	—	—	74,664	1	103	—	—	104	—	104
Issuance of common shares upon vesting of RSU's	—	—	—	—	2,383	—	23	—	—	23	—	23
Exercise of warrants into common stock	—	—	—	—	464,790	5	(5)	—	—	—	—	—
Exercise of June 2019 Class A Warrants into common stock	—	—	—	—	118,167	1	(1)	—	—	—	—	—
Conversion of Series D Preferred Stock into common shares, net	(425,750)	(4)	—	—	3,654,820	37	(27)	—	—	6	—	6
Issuance of Series E Preferred Stock to pay interest on borrowings	—	—	10,123	—	—	—	—	—	—	—	—	—
Issuance of Series F Preferred Stock	—	—	—	—	—	—	1,131	—	—	1,131	—	1,131
Stock-based compensation	—	—	—	—	—	—	335	—	—	335	—	335
Foreign currency translation	—	—	—	—	—	—	—	—	(32)	(32)	—	(32)
Net income (loss) for the period	—	—	—	—	—	—	—	(21,223)	—	(21,223)	693	(20,530)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	—	—	178	178
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(1,197)	(1,197)
December 31, 2019	—	$ —	977,865	$ 10	5,157,390	$ 52	$ 302,118	$ (308,136)	$ (283)	$ (6,239)	$ 3,703	$ (2,536)

*2019 per share and weighted-average number of shares were adjusted to reflect the impact of the 1:3 reverse stock split that became effective on June 11, 2020.

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

XpresSpa Group, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share data)

	Series E Preferred stock		Series F Preferred stock		Common stock		Additional paid-in capital *	Accumulated deficit	Accumulated other comprehensive income (loss)	Total Company equity (deficit)	Non-controlling interests	Total equity (deficit)
	Shares	Amount	Shares	Amount	Shares *	Amount *						
December 31, 2019	977,865	$ 10	8,996	$ —	5,157,390	$ 52	$ 302,118	$ (308,136)	$ (283)	$ (6,239)	$ 3,703	$ (2,536)
Issuances of Common Stock for payment of interest on B3D Note	—	—	—	—	324,585	3	459	—	—	462	—	462
Conversion of B3D Note to Common Stock	—	—	—	—	13,934,525	139	20,000	—	—	20,139	—	20,139
Issuance of Series E Preferred Stock for payment of interest on Calm Note	10,123	—	—	—	—	-	63	—	—	63	—	63
Issuance of Common Stock for payment of interest on Calm Note	—	—	—	—	47,305	-	35	—	—	35	—	35
Conversion of Calm Note to Common Stock	—	—	—	—	4,761,906	48	10,551	—	—	10,599	—	10,599
Conversion of Series E Preferred Stock into Common Stock	(987,988)	(10)	—	—	510,460	5	5	—	—	—	—	—
Conversion of Series F Preferred Stock into Common Stock	—	—	(8,996)	—	1,221,945	12	(12)	—	—	—	—	—
Exercise of May 2018 Class A Warrants into Common Stock	—	—	—	—	4,961,290	50	8,987	—	—	9,037	—	9,037
Exercise of Calm Warrants into Common Stock	—	—	—	—	1,622,149	16	4,092	—	—	4,108	—	4,108
March Warrant Exchange for Common Stock - Class A Warrant	—	—	—	—	2,385,528	24	6,410	—	—	6,434	—	6,434
March Warrant Exchange for Common Stock - Class D Warrant	—	—	—	—	527,669	5	(5)	—	—	—	—	—
June Warrant Exchange for Common Stock - Calm Warrant	—	—	—	—	2,062,126	21	11,734	—	—	11,755	—	11,755
Direct offerings of Common Stock and pre-funded warrants, net of costs	—	—	—	—	56,374,555	564	110,055	—	—	110,619	—	110,619
Issuance of restricted stock	—	—	—	—	102,943	1	(1)	—	—	—	—	—
Stock option exercises	—	—	—	—	6,167	—	7	—	—	7	—	7
Issuance of Common Stock for services	—	—	—	—	58,333	1	134	—	—	135	—	135
Fractional shares retired in reverse stock split	—	—	—	—	(23)	—	-	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	1,077	—	—	1,077	251	1,328
Foreign currency translation	—	—	—	—	—	—	—	—	63	63	—	63

Net loss for the period	—	—	—	—	—	—	—	(90,488)	—	(90,488)	(1,744)	(92,232)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(244)	(244)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	—	—	599	599
December 31, 2020	-	$ -	-	$ -	94,058,853	$ 941	$475,709	$ (398,624)	$ (220)	$ 77,806	$ 2,565	$ 80,371

*2019 per share and weighted-average number of shares were adjusted to reflect the impact of the 1:3 reverse stock split that became effective on June 11, 2020.
The accompanying notes form an integral part of these consolidated financial statements.

XpresSpa Group, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year ended December 31,	
	2020	**2019**
Cash flows from operating activities		
Net loss	$ (92,232)	$ (20,530)
Adjustments to reconcile net loss to net cash used in operating activities:		
Items included in net loss not affecting operating cash flows:		
Revaluation of warrants and conversion options	51,147	(2,170)
Revaluation of contingent consideration	(315)	—
Depreciation and amortization	5,210	6,124
Impairment/disposal of assets	15,356	4,106
Accretion of debt discount on notes	1,125	958
Amortization of operating lease right of use asset	2,015	1,314
Issuance of shares of Common Stock for payment of interest	497	105
Issuance of Series F Convertible Preferred Stock	—	1,131
Issuance of shares of Series E Preferred Stock for payment of interest	63	—
Loss on the extinguishment of debt	182	—
Debt conversion expense	—	1,584
Issuance of shares of Common Stock for services	135	—
Amortization of debt issuance costs	128	1,031
Stock-based compensation	1,328	335
(Gain) impairment of investment	(1,287)	1,984
Issuance of warrants	—	689
Changes in assets and liabilities:		
Decrease (increase) in inventory	(10)	136
(Increase) decrease in other current assets and other assets	(281)	644
(Decrease) increase in lease liabilities	(2,904)	(1,314)
(Decrease) increase in accounts payable, accrued expenses and other	(5,169)	3,760
Net cash used in operating activities	(25,012)	(113)
Cash flows from investing activities		
Acquisition of property and equipment	(3,969)	(2,275)
Acquisition of software	(380)	—
Net cash used in investing activities	(4,349)	(2,275)
Cash flows from financing activities		
Proceeds from direct offerings of Common Stock and warrants	110,619	—
Proceeds from borrowings under Paycheck Protection Program	5,653	—
Proceeds from additional borrowing from B3D	500	500
Proceeds from stock option exercises	7	—
Proceeds from funding advance	910	—
Repayment of funding advance	(819)	—
Issuance of Calm Note	—	2,500
Debt issuance costs	—	(714)
Payments on convertible notes	—	(129)
Contributions from noncontrolling interests	599	178
Distributions to noncontrolling interests	(244)	(1,197)
Other	—	27
Net cash provided by financing activities	117,225	1,165
Effect of exchange rate changes on cash, cash equivalents and restricted cash	3	(32)
Increase (decrease) in cash, cash equivalents and restricted cash	87,867	(1,255)
Cash, cash equivalents, and restricted cash at beginning of the period	2,635	3,890
Cash, cash equivalents, and restricted cash at end of the period	$ 90,502	$ 2,635
Cash paid during the period for		
Interest	$ 187	$ 735
Income taxes	$ 11	$ 124
Non-cash investing and financing transactions		
Debt discount related to issuance of convertible notes	$ —	$ 4,142
Conversion of senior notes and warrants into common stock	$ —	$ 3,494
Issuance of shares of Common Stock to pay debt and interest	$ —	$ 817
Conversions of B3D Note into Common Stock	$ 20,139	$ —
Conversions of Calm Note into Common Stock	$ 10,599	$ —
Exercise and exchange of Calm Warrant into Common Stock	$ 15,863	$ —
Exercise and exchanges of May 2018 Class A Warrants	$ 15,471	$ 17
Conversion of Series D Preferred Stock into Common Stock	$ —	$ 110
Issuance of Series F Convertible Preferred Stock	$ —	$ 1,131

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

XpresSpa Group, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except for share and per share data)

Note 1. General

Overview

XpresSpa Group, Inc. ("XpresSpa Group" or the "Company") is a health and wellness services company. The Company is a leading airport retailer of spa services through the Company's XpresSpa™ locations, offering travelers premium spa services, including massage, nail and skin care, as well as spa and travel products ("XpresSpa"). In June 2020, the Company's subsidiary, XpresTest, Inc. ("XpresTest"), launched XpresCheck™ Wellness Centers, also located in airports, offering its COVID-19 and other medical diagnostic testing services to airport employees and the traveling public. The Company currently has two reportable operating segments: XpresSpa and XpresTest. XpresSpa is a well-recognized airport spa brand with 45 locations, consisting of 40 domestic and 5 international locations, and XpresTest, through its XpresCheck Wellness Centers, was operating in 5 airport locations domestically as of December 31, 2020.

During 2020 and 2019, XpresSpa Group generated $8,385 and $48,515 in revenue, respectively. In 2020 and 2019, approximately 84% and 82% of XpresSpa Group's total revenue was generated by XpresSpa services, primarily massage and nailcare, respectively. In 2020 and 2019, XpresSpa retail products and travel accessories accounted for 12% and 15%, respectively, of revenue and 4% and 3%, respectively, was other revenue generated through product placement arrangements in XpresSpa spas and from management fees earned by XpresTest.

Through its XpresCheck™ Wellness Centers and under the terms of Management Services Agreements ("MSAs") with a physician's practice, the Company offers testing services to airline employees, contractors, concessionaire employees, TSA officers and U.S. Customs and Border Protection agents, as well as the traveling public. The Company entered into MSAs with professional medical service entities that provide healthcare services to patients. Under the terms of the MSAs, XpresTest provides office space, equipment, supplies, non-licensed staff, and management services to be used for the purpose of COVID-19 and other medical diagnostic testing in return for a management fee. XpresTest recognized $80 of revenue initially under the MSAs, however as a result of uncertainties around the cash flows of the XpresCheck™ Wellness Centers, the Company subsequently concluded that the collectability criteria to qualify as a contract under ASC 606 was not met, and no further revenue associated with the monthly management fee will be recognized until a subsequent reassessment results in the MSAs meeting the collectability criteria.

Recent Developments

Effects of Coronavirus on Business

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic. The outbreak is having an impact on the global economy, resulting in rapidly changing market and economic conditions. National and local governments around the world instituted certain measures, including travel bans, prohibitions on group events and gatherings, shutdowns of certain non-essential businesses, curfews, shelter-in-place orders and recommendations to practice social distancing, and many jurisdictions have begun to re-impose stricter measures in response to increasing infection rates. The outbreak and associated restrictions on travel that have been implemented have had a material adverse impact on the Company's XpresSpa business and cash flow from operations, similar to many businesses in the travel sector. Effective March 24, 2020, the Company temporarily closed all global XpresSpa spa locations, largely due to the categorization of the spa locations by local jurisdictions as "non-essential services." Substantially all of our spa locations remain closed. The Company intends to reopen its XpresSpa spa locations and resume normal operations once restrictions are lifted and airport traffic returns to sufficient levels to support operations. The impact of COVID-19 is unknown and may continue as the rates of infection have increased in many states in the U.S., thus additional restrictive measures may be necessary.

XpresSpa Group, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

Liquidity

As of December 31, 2020, the Company had approximately $89,801 of cash and cash equivalents, and total current assets of approximately $91,779. The Company's total current liabilities balance, which includes accounts payable, accrued expenses, and the current portions of its promissory note and operating lease liabilities was approximately $13,477 as of December 31, 2020. The working capital was $78,302 as of December 31, 2020, compared to a working capital deficiency of $12,287 as of December 31, 2019. The increase in working capital was primarily due to the net proceeds from registered direct offerings of $110,619 and the resulting reduction in accounts payable, accrued expenses and other current liabilities, offset somewhat by the increase in the current portion of the unsecured promissory note, which are discussed in greater detail in the notes to these consolidated financial statements.

While the Company has aggressively reduced operating and overhead expenses in the XpresSpa brand, and while it continues to focus on its overall profitability, it has continued to generate negative cash flows from operations, and it expects to incur net losses in the short-term.

The Company has taken actions to improve its overall cash position and access to liquidity through equity offerings and debt retirements, by exploring valuable strategic partnerships, right sizing its corporate structure and streamlining its operations.

Note 2. Accounting and Reporting Policies

(a) Basis of presentation and principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). The consolidated financial statements include the accounts of the Company, all entities that are wholly owned by the Company, and all entities in which the Company has a controlling financial interest. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Use of estimates

The preparation of the accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses for the periods presented. Actual results may differ from such estimates. Significant items subject to such estimates and assumptions include the Company’s long-lived assets, intangibles assets, the useful lives of the Company’s intangible assets, the valuation of the Company’s derivative warrant liabilities, the valuation of stock-based compensation, deferred tax assets and liabilities, income tax uncertainties, and other contingencies.

(c) Translation into United States dollars

The Company conducts certain transactions in foreign currencies, which are recorded at the exchange rate as of the transaction date. All exchange gains and losses occurring from the remeasurement of monetary balance sheet items denominated in non-dollar currencies are included in non-operating income (expense) in the consolidated statements of operations and comprehensive loss.

Accounts of the foreign subsidiaries of XpresSpa are translated into United States dollars. Assets and liabilities have been translated primarily at year end exchange rates and revenues and expenses have been translated at average monthly rates for the year. The translation adjustments arising from the use of different exchange rates are included as foreign currency

translation within the consolidated statements of operations and comprehensive loss and consolidated statements of changes in stockholders' equity (deficit).

(d) Cash and cash equivalents

The Company maintains cash in checking and money market accounts with financial institutions. The Company has established guidelines relating to diversification and maturities of its investments in order to minimize credit risk and maintain high liquidity of funds. The Company considers all highly liquid investments purchased with an original maturity of three months or less from the time they are acquired to be cash equivalents. Cash equivalents include amounts due from third-party financial institutions for credit and debit card transactions which typically settle in less than five days.

(e) Derivative instruments

The Company recognizes all derivative instruments as either assets or liabilities in the consolidated balance sheets at their respective fair values. The Company's derivative instruments are revalued at each reporting date, with changes in the fair value of the instruments included in the consolidated statements of operations and comprehensive loss as non-operating income (expense). The Company reviews the terms of features embedded in non-derivative instruments to determine if such features require bifurcation and separate accounting as derivative financial instruments. Equity-linked derivative instruments are evaluated in accordance with FASB Accounting Standard Codification ("ASC") 815-40, "*Contracts in an Entity's Own Equity,"* to determine if such instruments are indexed to the Company's own stock and qualify for classification in equity.

(f) Inventory

All inventory is valued at the lower of cost or net realizable value. Cost is determined using a weighted-average cost method.

(g) Intangible assets

Intangible assets include trade names, customer relationships, and technology, which were primarily acquired as part of the acquisition of XpresSpa in December 2016 and were recorded based on the estimated fair value in purchase price allocation. The intangible assets are amortized over their estimated useful lives, which are periodically evaluated for reasonableness.

The Company's intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The fair value is than compared to the carrying value and an impairment charge is recognized by the amount in which the carrying value exceeds the fair value of the asset. We determine fair value by using the relief from royalty method. In assessing the recoverability of the Company's intangible assets, the Company must make estimates and assumptions regarding future cash flows and other factors to determine the fair value of the respective assets. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such charge. Fair value estimates are made at a specific point in time, based on relevant information.

(h) Property and Equipment

Property and equipment is recorded at historical cost and primarily consists of leasehold improvements, furniture and fixtures, and other operating equipment. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are depreciated over the lesser of the lease term or economic useful life. Maintenance and repairs are charged to expense, and renovations or improvements that extend the service lives of the Company's assets are capitalized over the lesser of the extension period or life of the improvement.

XpresSpa Group, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

(i) Impairment of long-lived assets

Long-lived assets are tested for impairment at the lowest level at which there are identifiable operating cash flows, which is at the individual spa or clinic location for the XpresSpa and XpresCheck businesses. The Company's long-lived assets consist primarily of leasehold improvements and right to use lease assets for each of its locations (considered the asset group). The Company reviews its long-lived assets for recoverability yearly or sooner if events or changes in circumstances indicate that the carrying value of long-lived assets may not be recoverable. If indicators are present, the Company performs a recoverability test by comparing the sum of the estimated undiscounted future cash flows attributable to the asset group in question to its carrying amount. An impairment loss is recognized if it is determined that the long-lived asset group is not recoverable and is calculated based on the excess of the carrying amount of the long-lived asset group over the long-lived asset groups fair value. The Company estimates the fair value of long-lived assets using present value income approach. Future cash flow was calculated based on forecasts over the estimated remaining useful life of the asset group, which for each of the Company's locations, is the remaining term of the operating lease.

(j) Leases

The right of use asset ("ROU") on the Company's consolidated balance sheet represents a lessee's right to use an asset over the life of a lease. Operating lease ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received. The amortization period for the right of use asset is from the lease commencement date to the earlier of the end of the lease term or the end of the useful life of the asset. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company has elected to exclude all short-term leases (i.e, leases with term of 12 months or less) from recognition on the balance sheet.

The Company's lease liabilities are determined by calculating the present value of all future lease payments using the rate implicit in the lease if it can be readily determined, or the lessee's incremental borrowing rate. The Company uses its incremental borrowing rate at the inception of the lease to determine the present value of future lease payments as the rate implicit in its leases could not be readily determined.

Certain leases provide for contingent rents that are not measurable at inception. These contingent rents are primarily based on a percentage of sales that are in excess of a predetermined level, an increase based on a change in the consumer price index or fair market value. These amounts are excluded from the calculation of the right of use asset and lease liability under ASC 842. Minimum rent under these leases is included in the determination of rent expense when it is probable that the expense has been incurred and the amount can be reasonably estimated.

The Financial Accounting Standards Board ("FASB") issued a Q&A in March 2020 that focused on the application of lease guidance in ASC 842 for lease concessions related to the effects of COVID-19. The FASB staff has said that entities can elect to not evaluate whether concessions granted by lessors related to COVID-19 are lease modifications. Entities that make this election can then apply the lease modification guidance in ASC 842 or account for the concession as if it were contemplated as part of the existing contract. The Company has elected to not treat the concessions as lease modifications and will instead account for the lease concessions as if they were contemplated as part of the existing leases. The Company has recorded negative variable lease expense and adjusted lease liabilities at the point in which the rent concession has become accruable.

XpresSpa Group, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

(k) Restricted cash

Restricted cash, which is listed as a separate line item in the consolidated balance sheets, represents balances at financial institutions to secure bonds and letters of credit as required by the Company's various lease agreements.

(l) Equity investments

Equity investments are carried at fair value with the changes in fair value recorded in the statement of operations and other comprehensive loss in accordance with ASU 2016-01. Equity investments without readily determinable fair values are measured at cost less any identified impairment and reflective of any observable transactions. The Company will perform a qualitative assessment on an annual basis and recognize impairment if there are sufficient indicators that the fair value of the investment is less than the carrying value.

(m) Revenue recognition

The Company recognizes revenue from the sale of XpresSpa products and services when the services are rendered at XpresSpa stores and from the sale of products at the time products are purchased at our stores or online usually by credit card, net of discounts and applicable sales taxes. Accordingly, the Company recognizes revenue for our single performance obligation related to both in-store and online sales at the point at which the service has been performed or the control of the merchandise has passed to the customer. Revenues from the XpresSpa retail and e-commerce businesses are recorded at the time goods are shipped.

Through its XpresCheck™ Wellness Centers and under the terms of Managed Services Agreements ("MSAs") with a physician's practice, the Company offers testing services to airline employees, contractors, concessionaire employees, TSA officers and U.S. Customs and Border Protection agents, as well as the traveling public. The Company entered into MSAs with professional medical service entities that provide healthcare services to patients. Under the terms of the MSAs, XpresTest provides office space, equipment, supplies, non-licensed staff, and management services to be used for the purpose of COVID-19 and other medical diagnostic testing in return for a management fee. As a result of uncertainties around the cash flows of the XpresCheck™ Wellness Centers, the Company concluded that the collectability criteria to qualify as a contract under ASC 606 is not met, and no revenue associated with the monthly management fee will be recognized at this point from the MSAs. The Company will instead recognize management fees paid to the company as a deposit contract liability until the subsequent reassessment of the contract results in the MSAs meeting the collectability criteria or termination of the contracts. As of December 31, 2020, management recorded a deposit contract liability of $886 for payments received in *Accounts payable, accrued expenses and other* on the Company's consolidated balance sheet.

The Company has a franchise agreement with an unaffiliated franchisee to operate an XpresSpa location. Under the Company's franchising model, all initial franchising fees relate to the franchise right, which is a single performance obligation that transfers over time. Upon receipt of the non-recurring, non-refundable initial franchise fee, management records a deferred revenue liability in *Accounts payable, accrued expenses and other* on the Company's consolidated balance sheets and recognizes revenue on a straight-line basis over the life of the franchise agreement.

The Company has also entered into collaborative agreements with marketing partners whereby it sells certain of its partners' products in the Company's XpresSpa spas. The Company acts as an agent for revenue recognition purposes and therefore records revenue net of the revenue share payable to the partners. Upon receipt of the non-recurring, non-refundable initial collaboration fee, management records a deferred revenue liability in *Accounts payable, accrued expenses and other* on the Company's consolidated balance sheets and recognizes revenue on a straight-line basis over the life of the collaboration agreement.

XpresSpa Group, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

The Company excludes all sales taxes assessed to our customers from revenue. Sales taxes assessed on revenues are included in *Accounts payable, accrued expenses and other* on the Company's consolidated balance sheets until remitted to state agencies.

(n) Gift cards and customer rewards program

XpresSpa offers no-fee, non-expiring gift cards to its customers. No revenue is recognized upon issuance of a gift card and a liability is established for the gift card's cash value. The liability is relieved, and revenue is recognized upon redemption by the customer. As the gift cards have no expiration date, there is no provision for reduction in the value of unused card balances.

In addition, XpresSpa maintains a rewards program in which customers earn loyalty points, which can be redeemed for future services. Loyalty points are rewarded upon joining the loyalty program, for customer birthdays, and based upon customer spending. When a customer redeems loyalty points, the Company recognizes revenue for the redeemed cash value and reduces the related loyalty program liability. On June 1, 2018, the Company adopted a formal expiration policy whereby any loyalty members with inactivity for an 18-month period will forfeit any unused loyalty rewards. Upon closure of the spa locations in March 2020, the Company temporarily suspended the expiration policy.

The costs associated with gift cards and reward points are accrued as the rewards are earned by the cardholder and are included in *Accounts payable, accrued expenses and other* in the consolidated balance sheets until used.

(o) Segment reporting

ASC 280, *Segment Reporting*, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is the Chief Executive Officer, who reviews the financial performance and the results of operations of the segments prepared in accordance with U.S. GAAP when making decisions about allocating resources and assessing performance of the Company.

The Company currently has two reportable operating segments: XpresSpa and XpresTest. XpresSpa, a leading airport retailer of spa services and offers travelers premium spa services in airports. XpresTest offers convenient COVID-19 and other medical diagnostic testing services to airport employees and to the traveling public. XpresSpa is a well-recognized airport spa brand in 45 locations, within of 40 domestic and 5 international airports, whereas XpresTest was operating in 5 airport locations domestically as of December 31, 2020.

During 2020 and 2019, XpresSpa Group generated $8,385 and $48,515 in revenue, respectively. In 2020 and 2019, approximately $8,045 and $47,328 of XpresSpa Group's total revenue in was generated by XpresSpa services and retail product revenues. In 2020, XpresTest accounted for $80 of XpresSpa Group's total revenue from management fees earned under the MSA's.

There are currently no intersegment revenues. Asset information by operating segment is presented below since the chief operating decision maker reviews this information by segment. The reporting segments follow the same accounting policies used in the preparation of the Company's audited consolidated financial statements.

(p) Pre-opening costs

Pre-opening and start-up activity costs, which include rent and occupancy, supplies, advertising, and other direct expenses incurred prior to the opening of a new store, are expensed in the period in which they are incurred.

XpresSpa Group, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

(q) Cost of sales

Cost of sales consists of spa and clinic operating costs. These costs include all costs that are directly attributable to the location's operations and include:

- payroll and related benefits for the location's operations and management;
- rent, percentage rent and occupancy costs;
- the cost of merchandise and testing supplies;
- freight, shipping and handling costs;
- production costs;
- inventory shortage and valuation adjustments; and
- costs associated with sourcing operations.

(r) Stock-based compensation

Stock-based compensation is recognized as an expense in the consolidated statements of operations and comprehensive loss and such cost is measured at the grant-date fair value of the equity-settled award. The fair value of stock options is estimated as of the date of grant using the Black-Scholes-Merton ("Black-Scholes") option-pricing model. The fair value of Restricted Stock Units ("RSUs") is calculated as of the date of grant using the grant date closing share price multiplied by the number of RSUs granted. The expense is recognized on a straight-line basis, over the requisite service period. The Company uses the simplified method to estimate the expected term of options due to insufficient history and high turnover in the past. Expected volatility is estimated based on a weighted average historical volatility of the Company. The risk-free rate for the expected term of the option is based on the United States Treasury yield curve as of the date of grant.

(s) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not more likely than not to be realized. Tax benefits related to excess deductions on stock-based compensation arrangements are recognized when they reduce taxes payable.

In assessing the need for a valuation allowance, the Company looks at cumulative losses in recent years, estimates of future taxable earnings, feasibility of tax planning strategies, the ability to realize tax benefit carryforwards, and other relevant information. Valuation allowances related to deferred tax assets can be impacted by changes to tax laws, changes to statutory tax rates and future taxable earnings. Ultimately, the actual tax benefits to be realized will be based upon future taxable earnings levels, which are very difficult to predict. In the event that actual results differ from these estimates in future periods, the Company will be required to adjust the valuation allowance.

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The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company had no uncertain tax positions as of December 31, 2020 and 2019.

(t) Noncontrolling interests

Noncontrolling interests represent the noncontrolling holders' percentage share of earnings or losses from the subsidiaries, in which the Company holds a majority, but less than 100%, ownership interest and the results of which are included in the Company's consolidated statements of operations and comprehensive loss. Net loss attributable to noncontrolling interests represents the proportionate share of the noncontrolling holders' ownership in certain subsidiaries of XpresSpa and of XpresTest.

(u) Net loss per common share

Basic net loss per share is computed by dividing the net loss attributable to common shareholders for the period by the weighted-average number of shares of Common Stock outstanding during the period. Diluted net loss per share is computed by dividing the net loss attributable to the Company for the period by the weighted-average number of shares of Common Stock plus dilutive potential Common Stock considered outstanding during the period. However, as the Company generated net losses in all periods presented, all potentially dilutive securities, including certain warrants and stock options, were not reflected in diluted net loss per share because the impact of such instruments was anti-dilutive.

(v) Commitments and contingencies

Liabilities for loss contingencies arising from assessments, estimates or other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs expected to be incurred in connection with a loss contingency are expensed as incurred.

(w) Reclassification

Certain balances in the 2019 consolidated financial statements have been reclassified to conform to the presentation in the 2020 consolidated financial statements, primarily the classification and presentation of certain items in the operating activities section of the statement of cash flows and the loss from operations before income taxes section of the statement of operations and comprehensive loss. Such reclassifications did not have a material impact on the consolidated financial statements.

(x) Fair value measurements

The Company measures fair value in accordance with ASC 820-10, Fair Value Measurements and Disclosures. ASC 820-10 clarifies that fair value is an exit price, representing the amount that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820-10 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

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Level 2: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

(y) Recently adopted accounting pronouncements

Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU No. 2016-13")

On January 1, 2020, the Company adopted ASU No. 2016-13 using a modified-retrospective approach. This standard changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including trade receivables, from an incurred loss model to an expected loss model and adds certain new required disclosures. Under the expected loss model, entities will recognize estimated credit losses to be incurred over the entire contractual term of the instrument rather than delaying recognition of credit losses until it is probable the loss has been incurred. Adoption of this standard did not result in an adjustment to opening accumulated deficit and did not have a material impact on the Company's consolidated financial statements.

Accounting Standards Update No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement ("ASU No. 2018-13")

On January 1, 2020, the Company adopted ASU No. 2018-13. This amendment provides updates to the disclosure requirements on fair value measures in Topic 820, which includes the changes in unrealized gains and losses in other comprehensive income for recurring Level 3 fair value measurements, the option of additional quantitative information surrounding unobservable inputs and the elimination of disclosures around the valuation processes for Level 3 measurements. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty have been applied prospectively beginning January 1, 2020. All other amendments have been applied retrospectively to all periods presented. Adoption of this standard did not have a material impact on the Company's consolidated financial statements.

(z) Recently issued accounting pronouncements

Accounting Standards Update No. 2020-10—Codification Improvements

Issued in October 2020, this release updates various codification topics by clarifying or improving disclosure requirements to align with the SEC's regulations. The Company will adopt ASU 2020-10 as of the reporting period beginning January 1, 2021. The adoption of this update is not expected to have a material effect on the Company's consolidated financial statements.

Accounting Standards Update No. 2020-06—Debt--Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)

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Issued in August 2020, this update is intended to reduce the unnecessary complexity of the current guidance thus resulting in more accurate accounting for convertible instruments and consistent treatment from one entity to the next. Under current GAAP, there are five accounting models for convertible debt instruments. Except for the traditional convertible debt model that recognizes a convertible debt instrument as a single debt instrument, the other four models, with their different measurement guidance, require that a convertible debt instrument be separated (using different separation approaches) into a debt component and an equity or a derivative component. Convertible preferred stock also is required to be assessed under similar models. The FASB decided to simplify the accounting for convertible instruments by removing certain separation models currently included in other accounting guidance that were being applied to current accounting for convertible instruments. Under the amendments in this update, an embedded conversion feature no longer needs to be separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives. Consequently, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost and a convertible preferred stock will be accounted for as a single equity instrument measured at its historical cost, as long as no other features require bifurcation and recognition as derivatives. The Board also decided to add additional disclosure requirements in an attempt to improve the usefulness and relevance of the information being provided.

The new standard is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

Accounting Standards Update No. 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815

Issued in January 2020, the amendments in this update affect all entities that apply the guidance in Topics 321, 323, and 815 and (1) elect to apply the measurement alternative or (2) enter into a forward contract or purchase an as option to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting. The Company applies the guidance included in Topic 815 to its derivative liabilities but does not intend on applying the new measurement alternative included in the update. The new standard is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

Accounting Standards Update No. 2019-12—*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*
Issued in December 2019, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The amendments in this update simplify the accounting for income taxes by removing certain exceptions to guidance in Topic 740. The specific areas of potential simplification were submitted by stakeholders as part of the FASB's simplification initiative. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

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Note 3. Net Loss per Share of Common Stock

The table below presents the computation of basic and diluted net losses per common share:

	Year ended December 31,	
	2020	**2019**
Basic and diluted numerator:		
Net loss attributable to XpresSpa Group, Inc.	$ (90,488)	$ (21,223)
Less: deemed dividend on warrants and preferred stock	(945)	—
Net loss attributable to common shareholders	$ (91,433)	$ (21,223)
Basic and diluted denominator:		
Basic and diluted weighted average shares outstanding	44,567,542	1,634,444
Basic and diluted net loss per share	$ (2.05)	$ (12.99)
Net loss per share data presented above excludes from the calculation of diluted net loss the following potentially dilutive securities, as they had an anti-dilutive impact:		
Both vested and unvested options to purchase an equal number of shares of Common Stock	1,353,888	49,653
Warrants to purchase an equal number of shares of Common Stock	48,044,381	1,129,371
Preferred stock on an as converted basis	—	655,164
Convertible notes on an as converted basis	—	1,583,333
Total number of potentially dilutive securities excluded from the calculation of loss per share attributable to common shareholders	49,398,269	3,417,521

Reverse Stock Split

On June 11, 2020, the Company effected a 1-for-3 reverse stock split, whereby every three shares of its Common Stock was reduced to one share of its Common Stock and the price per share of its Common Stock was multiplied by 3**.** All references to shares and per share amounts have been adjusted to reflect the reverse stock split.

Note 4. Cash, Cash Equivalents, and Restricted Cash

	December 31, 2020	**December 31, 2019**
Cash denominated in United States dollars	$ 88,636	$ 890
Cash denominated in currency other than United States dollars	1,158	1,048
Restricted cash	701	451
Credit and debit card receivables	7	246
Total cash, cash equivalents and restricted cash	$ 90,502	$ 2,635

As of December 31, 2020 and 2019, cash and cash equivalents included $7 and $246 of credit card receivables, respectively. The Company places its cash and temporary cash investments with credit quality institutions. At times, such cash denominated in United States dollars may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limit. At December 31, 2020, deposits in excess of FDIC limits were $88,556. As of December 31, 2020 and

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2019, the Company held cash balances in overseas accounts, totaling $1,158 and $1,048, respectively, which are not insured by the FDIC. If the Company were to distribute the amounts held overseas, the Company would need to follow an approval and distribution process as defined in its operating and partnership agreements, which may delay and/or reduce the availability of that cash to the Company.

Note 5. Other Current Assets

As of December 31, 2020, and 2019, the Company's other current assets were comprised of the following:

	December 31, 2020	December 31, 2019
Prepaid expenses	$ 1,135	$ 984
Other	186	118
Total other current assets	$ 1,321	$ 1,102

Prepaid expenses are predominantly comprised of financed and prepaid insurance policies which have terms of one year or less.

Note 6. Property and Equipment

Property and equipment is comprised of three categories: leasehold improvements, furniture and fixtures, and other operating equipment as of December 31, 2020 and 2019 as follows:

	December 31,		
	2020	2019	Useful Life
Leasehold improvements	$ 8,357	$ 16,102	Average 5-8 years
Furniture and fixtures	362	863	3-4 years
Other operating equipment	388	1,305	Maximum 5 years
	9,107	18,270	
Accumulated depreciation	(4,946)	(10,206)	
Total property and equipment, net	$ 4,161	$ 8,064	

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the shorter of remaining lease term or economic useful life (which is on average 5-8 years).

The Company performed assessments of its property and equipment for impairment for the years ended December 31, 2020 and 2019 and based upon the results of the impairment tests, the Company recorded impairment expenses of approximately $4,954 and $1,844, respectively, which is included in *"Impairment/disposal of assets"* in the consolidated statements of operations and comprehensive loss.

In 2019, as a result of an early termination of a lease for one of its closed locations, the Company assessed all assets at the closed location for impairment. This resulted in a charge of approximately $620, which was included in *"Impairment/disposal of assets"* in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2019. The Company also reduced the remaining right of use asset and the lease liability balances by approximately $421 related to the lease for this location.

The Company expensed approximately $231 of costs incurred during 2019 that had been capitalized in anticipation of opening new spa locations which the Company later determined were not viable. The Company also wrote off

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approximately $109 related to a previous asset disposition that had originally been classified as held for sale and was reclassified to continuing operations, but the assets were ultimately deemed not realizable as of December 31, 2019. These charges are included in the *"Impairment/disposition of assets"* line in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2019.

During the years ended December 31, 2020 and 2019, the Company recorded $2,853 and $3,821, respectively, of depreciation expense.

Note 7. Other Assets

Other assets in the consolidated balance sheets are comprised of the following as of December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Equity investments	$ 1,768	$ 484
Lease deposits	736	755
Other	85	—
Other assets	$ 2,588	$ 1,239

As of December 31, 2020, the equity investment in Route1 had a readily determinable fair value of $1,768. The Company recorded an unrealized gain of $1,284 in 2020 in connection with the remeasurement of the common shares and warrants of Route 1 it obtained in the 2018 sale of Group Mobile to Route 1. The gain is included in *Other non-operating income (expense), net* on the consolidated statement of operations and comprehensive loss for the year ended December 31, 2020.

In 2019, the Company fully impaired the portion of its equity investment in Route1 related to Group Mobile's failure to achieve certain performance targets established in connection with the sale of Group Mobile to Route 1, and recorded an impairment charge of $1,141, which is included in *"Impairment/disposal of assets"* on the consolidated statement of operations and comprehensive loss for the year ended December 31, 2019.

In 2019, the Company recorded an impairment loss on its FLI Charge cost method investment, which the Company received from the disposition of FLI Charge in October 2017, of approximately $47, which is included in "*Impairment/disposal of assets"* on the Company's consolidated statements of operations and comprehensive loss for the year ended December 31, 2019.

The Company assessed its investment in InfoMedia Services Limited ("InfoMedia") for impairment at December 31, 2019. InfoMedia had failed to obtain financing to fund continuing operations and the Company believes this represents a triggering event. It was determined that the Company should fully impair its investment in InfoMedia and recorded an impairment expense of $787, which is included in *"Impairment/disposal of assets"* on the Company's statement of operations and comprehensive loss for the year ended December 31, 2019.

The Company had an investment in Marathon Patent Group, Inc. ("Marathon"), which the Company acquired in January 2018, with an acquisition date fair value of $450. The Company sold its remaining investment in Marathon of $23 in 2019 for net proceeds of $14.

Also included in *"Other assets"* as of December 31, 2020 and 2019 were $736 and $755, respectively, of security deposits made pursuant to various lease agreements, which will be returned to the Company at the end of the leases.

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Note 8. Intangible Assets

The following table provides information regarding the Company's intangible assets, which consist of the following:

	December 31, 2020			December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade name	$ 1,339	$ (899)	$ 440	$ 13,309	$ (6,709)	$ 6,600
Software	694	(264)	430	312	(129)	183
Total intangible assets	$ 2,033	$ (1,163)	$ 870	$ 13,621	$ (6,838)	$ 6,783

The Company's trade name relates to the value of the XpresSpa trade name, and software relates to certain capitalized third-party costs related to a new website and a point-of-sale system.

In the year ended December 31, 2020, the Company recorded an impairment of the value of the XpresSpa trade name of $3,934, which is included in "*Impairment/disposal of assets*" on the Company's consolidated statement of operations and comprehensive loss for the year ended December 31, 2020.

In the year ended December 31, 2019, the Company wrote off the net book value of certain patents that were no longer generating cash flow totaling approximately $85, which is included in "*Impairment/disposal of assets*" on the Company's consolidated statement of operations and comprehensive loss.

The Company's intangible assets are amortized over their expected useful lives, which is six years for trade names and five years for software. During the years ended December 31, 2020 and 2019, the Company recorded amortization expense of $2,357 and $2,303, respectively, related to its intangible assets.

Estimated amortization expense for the Company's intangible assets at December 31, 2020 is as follows:

Calendar Years ending December 31,	Amount
2021	412
2022	390
2023	67
2024	1
Total	$ 870

Note 9. Leases

The Company leases spa and clinic locations at various domestic and international airports. Additionally, the Company leases its corporate office in New York City. Certain leases entered into by the Company are accounted for in accordance with ASC 842. The Company determines if an arrangement is a lease at inception and if it qualifies under ASC 842. The Company's lease arrangements generally contain fixed payments throughout the term of the lease and most also contain a variable component to determine the lease obligation where a certain percentage of sales is used to calculate the lease payments. The Company enters into leases that expire, are amended and extended, or are extended on a month-to-month basis. Leases are not included in the calculation of the total lease liability and the right of use asset when they are month-to-month.

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All qualifying leases held by the Company are classified as operating leases. Operating lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company records its operating lease assets and liabilities based on required guaranteed payments under each lease agreement. The Company uses its incremental borrowing rate, which approximates the rate at which the Company can borrow funds on a secured basis, using the information available at commencement date of the lease in determining the present value of guaranteed lease payments. The interest rate implicit in the lease is generally not determinable in transactions where a company is the lessee.

The Company reviews all of its existing lease agreements to determine whether there were any modifications to lease agreements and to assess if any agreements should be accounted for pursuant to the guidance in ASC 842. Upon adoption of ASC 842, the Company used 11.24% as its incremental borrowing rate for its leases. The Company did exercise its option to extend the term of existing lease contracts during the years ended December 31, 2020 and 2019. Since the existing lease liability did not originally consider the extension of the lease term for these leases, the Company reassessed the incremental borrowing rate used to calculate the lease liability. As a result of the Company renegotiating terms of its senior secured notes during 2019, the borrowing rate was reduced from 11.24% in 2019 to 9.0% in 2020 and the Company determined that it should use 9.0% as its 2020 incremental borrowing rate for lease extensions, modifications and new leases.

The Company has received rent concessions from landlords on a majority of its leases, allowing for the relief of minimum guaranteed payments in exchange for percentage-of-revenue rent or providing relief from rent through payment deferrals. Currently, the period of relief from these payments generally range from three to six months, are often extended and began in March 2020. The Company received minimum guaranteed payment concessions of $2,562 for the year ended December 31, 2020.

The following is a summary of the activity in the Company's current and long-term operating lease liabilities for the year ended December 31, 2020 and 2019:

	Year ended December 31,	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ (2,344)	$ (2,623)
Leased assets obtained in exchange for new and modified operating lease liabilities	$ (3,144)	$ (12,565)
Leased assets surrendered in exchange for termination of operating lease liabilities	$ 11	$ 447

As of December 31, 2020, future minimum operating leases commitments are as follows:

Calendar Years ending December 31,	Amount
2021	$ 3,658
2022	2,804
2023	2,018
2024	1,409
2025	810
Thereafter	1,443
Total future lease payments	12,143
Less: interest expense at incremental borrowing rate	(2,416)
Net present value of lease liabilities	$ 9,727

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Other assumptions and pertinent information related to the Company's accounting for operating leases are:

Weighted average remaining lease term:	4.5 years
Weighted average discount rate used to determine present value of operating lease liability:	10.31 %

Variable lease payments calculated monthly as a percentage of a product and services revenue were $611 and $3,025 for the years ended December 31, 2020 and 2019, respectively.

Rent expense for operating leases for the years ended December 31, 2020 and 2019 were $2,057 and $8,175, respectively.

The Company performed assessments of its right of use lease assets for impairment for the years ended December 31, 2020 and 2019. Based upon the results of the impairment tests, the Company recorded impairment expenses of approximately $6,341 and $1,217, which is included in *Impairment/disposal of assets* on the consolidated statement of operations and comprehensive loss for the years ended December 31, 2020 and 2019, respectively.

Note 10. Long-term Notes and Convertible Notes

Total debt as of December 31, 2020 and 2019 is comprised of the following:

	December 31, 2020	December 31, 2019
B3D Note, net of unamortized debt discount and debt issuance costs of $2,420 as of December 31 ,2019	$ —	$ 4,580
Promissory note, unsecured	5,653	—
Calm Note, net of unamortized debt discount and debt issuance costs of $1,318 as of December 31, 2019	—	1,182
Total debt	$ 5,653	$ 5,762

B3D 9% Senior Secured Note due May 31, 2021

On July 8, 2019, the Company entered into the fourth amendment to its existing credit agreement (the "Amendment to the Credit Agreement") with B3D, to renegotiate the terms of its 11.24 %, $6,500 senior secured note. The Amendment to the Credit Agreement, among other provisions, (i) extended the maturity date to May 31, 2021, (ii) reduced the applicable interest rate to 9.0%, and (iii) amended and restated certain other provisions. As consideration for these and other modifications, the principal amount owed to B3D was increased to $7,000.

On January 9, 2020, as compensation for the consent of B3D to the CC Agreement, the Company entered into the Fifth Credit Agreement Amendment with B3D in order to (i) increase the principal amount owed to B3D from $7,000 to $7,150, which additional $150 in principal and any interest accrued thereon will become convertible, at B3D's option, into shares of the Company's Common Stock upon receipt of the approval of the Company's stockholders, which was obtained on May 28, 2020 and (ii) provide for the advance payment of 97,223 shares of Common Stock in satisfaction of the interest payable pursuant to the B3D Note for the months of October, November and December 2020. The Common Stock was issued to B3D on January 14, 2020. The Company capitalized a $150 fee charged by the lender to consent to the CC Agreement.

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The total of fees paid to the lender as consideration for entering into the Fourth and Fifth Credit Agreement Amendments of $650 was capitalized and was being amortized over the remaining term of the B3D Note. The Company recorded amortization expense of $62 related to these capitalized costs, which is included in Interest expense in the Company's consolidated statements of operations and comprehensive loss.

On March 6, 2020, XpresSpa Holdings entered into the Sixth Credit Agreement Amendment with B3D in order to, among other provisions, (i) increase the principal amount owed to B3D from $7,150 to $7,900, which additional $750 in principal, comprised of $500 in new funding and $250 in debt issuance costs, and any interest accrued thereon will be convertible, at B3D's option, into shares of the Company's Common Stock subject to receipt of the approval of the Company's stockholders which was obtained on May 28, 2020 and (ii) decrease the conversion rate under the B3D Note from $6.00 per share to $1.68 per share. On March 19, 2020, the conversion rate was further reduced to $0.525 per share after giving effect to certain anti-dilution adjustments.

The Sixth Credit Agreement Amendment was accounted for as an extinguishment of debt in the Company's consolidated financial statements. In March 2020, the Company extinguished debt with a carrying value of $4,829, net of unamortized debt discount of $1,845 and unamortized debt issuance costs of $476. In addition, the Company extinguished $2,048 of derivative liability, which represented the estimated fair value of the conversion option based upon provisions included in the Fifth Credit Agreement Amendment. The Company determined that the conversion option in the Sixth Credit Agreement Amendment should be bifurcated from the host instrument and engaged a third party to assess the fair value of the conversion option. As a result, the Company recorded debt with a carrying value of $3,994, net of a debt discount of $3,656 and debt issuance costs of $250, and a derivative liability of $3,656. The Company recognized a loss on the extinguishment of debt of $273 during the year ended December 31, 2020, which represents the difference between the carrying amount of the debt recorded under the Fourth and Fifth Credit Agreement Amendments and the debt recorded under the Sixth Credit Agreement Amendment and is included in Other non-operating income (expense), net in the consolidated statements of operations and comprehensive loss.

Subsequent to the Sixth Credit Agreement Amendment and during the year ended December 31, 2020, B3D elected to convert a total of $7,900 of principal into shares of Common Stock at conversion prices of $1.68 and $0.525. As a result, approximately $15,395 of derivative liability was settled and reclassified to equity, the Company wrote off $3,156 of unamortized debt discount and debt issuance costs, and 13,934,525 shares of Common Stock were issued. The Company recognized a revaluation loss related to the derivative liability of $11,990 during the year ended December 31, 2020 and a gain of $1,012 during the year ended December 31, 2019, which are included in *"Loss on revaluation of warrants and conversion options"* in the consolidated statements of operations and comprehensive loss.

A total of $884 and $724 of accretion expense on the debt discount was recorded in the years ended December 31, 2020 and 2019, respectively, which is included in *"Interest expense"* in the consolidated statements of operations and comprehensive loss and increased the carrying value of the B3D Note. Total amortization expense related to the B3D Note debt issuance costs was $98 and $130 for the year ended December 31, 2020 and 2019, respectively, which is included in *"Interest expense"* in the consolidated statements of operations and comprehensive loss.

The B3D Note was guaranteed on a full, unconditional, joint, and several basis, by the parent Company, XpresSpa Group, Inc., and all wholly owned subsidiaries of Holdings (the "Guarantor Subsidiaries"). Under the terms of a security and guarantee agreement dated July 8, 2019, XpresSpa Group, Inc. (the parent company) and the Guarantor Subsidiaries each fully and unconditionally, jointly and severally, guaranteed the payment of interest and principal on the B3D Note. Holdings pledged and granted to B3D a first priority security interest in, among other things, all of its equity interests in Holdings and all of its rights to receive distributions, cash or other property in connection with Holdings. The Company has not presented separate consolidating financial statements of XpresSpa Group, Inc., Holdings and Holdings' wholly-owned subsidiaries, as each entity has guaranteed the B3D Note, so each entity is responsible for the payment.

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Paycheck Protection Program

On May 1, 2020, the Company entered into a U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") promissory note in the principal amount of $5,653 payable to Bank of America, NA (the "Bank of America") evidencing a PPP loan (the "PPP Loan"). The PPP Loan bears interest at a rate of 1% per annum. No payments will be due on the PPP Loan during a ten-month deferral period. Commencing one month after the expiration of the deferral period, and continuing on the same day of each month thereafter until the maturity date of the PPP Loan, the Company will be obligated to make monthly payments of principal and interest, each in such equal amount required to fully amortize the principal amount outstanding on the PPP Loan by the maturity date. The maturity date is May 2, 2022. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon the Company's request to the extent that PPP Loan proceeds are used to pay expenses permitted by the PPP. Bank of America may forgive interest accrued on any principal forgiven if the SBA pays the interest. At this time, there can be no assurance that any part of the PPP Loan will be forgiven. The PPP Loan contains customary borrower default provisions and lender remedies, including the right of Bank of America to require immediate repayment in full the outstanding principal balance of the PPP Loan with accrued interest. As of December 31, 2020, $37 of interest has been accrued and is included in Accounts payable, accrued expenses and other in the consolidated balance sheet.

5% Secured Convertible Notes

On May 15, 2018, in a private placement offering, the Company issued (i) 5% Secured Convertible Notes (the "5% Secured Convertible Notes") convertible into Common Stock at $37.20 per share, originally due November 2019, (ii) May 2018 Class A Warrants to purchase 119,287 shares of Common Stock and (iii) May 2018 Class B Warrants to purchase 59,644 shares of Common Stock. The May 2018 Class A Warrants and May 2018 Class B Warrants were originally convertible into Common Stock at $37.20 per share. The Company received aggregate proceeds of $4,438 from the May 2018 private placement. Debt issuance costs that had been capitalized related to the 5% Secured Convertible Notes, were being amortized on a straight-line basis over their remaining term of the 5% Secured Convertible Notes. The Company did not record amortization expense of the debt issuance costs related to the 5% Secured Convertible Notes after June 30, 2019 as the notes were converted into Common Stock on June 27, 2019. The balance of debt issuance costs of $135 was written off in June 2019 and was included in "Interest expense" in the consolidated financial statements for the year ended December 31, 2019.

During the second quarter of 2019, the Company failed to make minimum monthly payments as required pursuant to the 5% Secured Convertible Notes, which failure constituted an event of default. Pursuant to the terms of the 5% Secured Convertible Notes, upon an event of default, an investor may elect to accelerate payment of the outstanding principal amount of such investor's 5% Secured Convertible Notes, liquidated damages and other amounts owing in respect thereof through the date of acceleration, which amounts become immediately due and payable in cash. No investor provided notice to the Company electing to exercise its right to accelerate payment.

On June 27, 2019, the Company entered into the Third Amendment Agreement to the 5% Secured Convertible Notes (the "Third Amendment") whereby the holders of the 5% Convertible Notes agreed to convert their notes then held into Common Stock. The Third Amendment reduced the conversion price of the 5% Convertible Notes to Common Stock from $37.20 per share to $7.44 per share. As a result of the reduction in the conversion price, the Company recorded debt conversion expense of $1,584 to account for the additional consideration paid over what was agreed to in the original 5% Secured Convertible Notes agreement. The expense is reflected in "Other non-operating income (expense), net" in the consolidated statement of operations and comprehensive loss. The 5% Secured Convertible Notes holders converted their remaining outstanding principal balances plus accrued interest into 195,453 shares of Common Stock and 118,924 Class A Warrants (the "June 2019 Class A Warrants"). The June 2019 Class A Warrants had an exercise price of $0.0033 and are otherwise identical in form and substance to the Company's existing May 2018 Class A Warrants.

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The Company had a valuation expert perform an appraisal of the June 2019 Class A Warrants as of June 30, 2019. The June 2019 Class A Warrants were assigned an original appraised value of $689. The value of these warrants was recorded as a derivative liability on the consolidated balance sheet and will be marked to market at the end of each reporting period. The expense of $689 is included in "*Other non-operating income (expense), net*" in the consolidated statements of operations and comprehensive loss.

The June 2019 Class A Warrants were converted into 118,167 shares of Common Stock in July 2019.

Credit Cash Funding Advance

On January 9, 2020, certain of the Company's wholly owned subsidiaries (the "CC Borrowers") entered into an accounts receivable advance agreement (the "CC Agreement") with CC Funding, a division of Credit Cash NJ, LLC (the "CC Lender"). Pursuant to the terms of the CC Agreement, the CC Lender agreed to make an advance of funds in the amount of $1,000 for aggregate fees of $160, for a total repayment amount of $1,160 . The outstanding repayment amount of was secured by substantially all of the assets of the CC Borrowers, including CC Borrowers' existing and future accounts receivables and other rights to payment. On June 1, 2020, the CC Borrowers entered into a payoff letter (the "Payoff Letter") with the CC Lender pursuant to which the CC Agreement was terminated. Under the Payoff Letter, the Company repaid the then outstanding $733 owed under the CC Agreement as of June 1, 2020, net of a $91 discount for prepayment, and the CC Lender released all security interests held on the assets of the CC Borrowers, including the CC Borrowers' existing and future accounts receivables and other rights to payment. The Company recognized a gain of $91 with is included in *Other non-operating incme (expense), net* in the consolidated statements of operations and comprehensive loss.

Calm Note

On July 8, 2019, the Company entered into a securities purchase agreement with Calm.com, Inc. ("Calm") pursuant to which the Company agreed to sell (i) an aggregate principal amount of $2,500 in an unsecured convertible note (the "Calm Note"), which is convertible into shares of Series E Convertible Preferred Stock at a conversion price of $6.00 per share of Common Stock equivalent (the "Series E Preferred Stock") and (ii) warrants to purchase 312,500 shares of the Company's Common Stock at an exercise price of $6.00 per share (the "Calm Warrants"). On March 6, 2020, the exercise price of the Calm Warrants was reduced to $1.68 per share and on March 19, 2020 further reduced to $.0525 per share, after giving effect to certain anti-dilution adjustments. The Calm Note was an unsecured subordinated obligation of the Company. The Calm Note matures on May 31, 2022, and bears interest at a rate of 5% per annum, subject to increase in the event of default. Interest on the Calm Note is payable in arrears and may be paid in cash, shares of Series E Preferred Stock or a combination thereof. The Company recorded derivative liabilities for the conversion feature and the Calm Warrants related to the issuance of the Calm Note on July 8, 2019, resulting in a debt discount of $1,369. During the year ended December 31, 2020, the Company recorded accretion expense on the debt discount of $187, which is included in *Interest expense* in the Company's consolidated statements of operations and comprehensive loss. In addition, the Company capitalized $220 of debt issuance costs related to the issuance of the Calm Note in 2019. During the year ended December 31, 2020, the Company recorded amortization expense on the debt issuance costs of $30, which is included in *Interest expense* in the Company's consolidated statements of operations and comprehensive loss.

On April 17, 2020, the Company and Calm amended and restated the Calm Note in order to provide, among other items, that Calm shall not have the right to convert the shares of Series E Preferred Stock issued in connection with the Calm Note into shares of Common Stock to the extent that such conversion would cause Calm to beneficially own in excess of the Beneficial Ownership Limitation, initially defined as 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of the Series E Preferred Stock. On April 22, 2020, the Company further amended and restated the Calm Note, which had been transferred from Calm to B3D in a private transaction, in order to (i) reflect the transfer of the Calm Note to B3D and (ii) provide for

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the conversion of the Calm Note directly into Common Stock instead of into shares of the Company's Series E Convertible Preferred Stock. Aside from the changes outlined above, the original terms of the Calm Note, including the underlying conversion price and the number of shares of Common Stock that may ultimately be issued in connection with the Calm Note, remain in effect and have not been changed.

In 2020, the holder of the Calm Note elected to convert all $2,500 of principal into shares of Common Stock at a conversion price of $0.525. As a result, $9,200 of derivative liability was settled and reclassified to equity, the Company wrote off $947 of unamortized debt discount and $154 of unamortized debt issuance costs, and 4,761,906 shares of Common Stock were issued. The Company assessed the fair value of the conversion option in the Calm Note at each conversion date as well as at the end of each reporting period, resulting in a revaluation loss related to the derivative liability of $8,985 which is included in *Loss on revaluation of warrants and conversion options* in the consolidated statement of operations and comprehensive loss.

Loss on revaluation of warrants and conversion options

The Company engaged third-party valuation experts to provide the fair value of certain components of the debt, equity and derivative securities transactions as of each of the conversion, exercise and exchange dates during the year ended December 31, 2020. *Loss on revaluation of warrants and conversion options* is comprised of adjustments to the fair value of the derivative conversion option of the debt instruments and the fair value of the warrants, including a gain of $2,170 related to the Calm Private Placement and the B3D Note during the year ended December 31, 2019 and losses of $11,990, $8,985, $15,480 and $14,692 related to the B3D Note, the Calm Note, the Calm Warrants and the Class A Warrants, respectively, during the year ended December 31, 2020.

May 2018 Convertible Notes

The Company recorded $736 and $135 in accretion of debt discount and amortization of debt issuance costs during the year ended December 31, 2019, respectively, related to its May 2018 convertible notes which were settled in June 2019.

Note 11. Stockholders' Equity and Warrants

Warrants

The following table represents the activity related to the Company's warrants during the year ended December 31, 2020.

	No. of warrants*	Exercise price range*
December 31, 2019	1,129,371	$ 6.00 – 300.00
Granted	62,843,994	$0.001 - 6.5663
Exercised	(12,602,972)	$ 0.001 - 0.525
Exchanged	(3,317,054)	$ 0.525
Expired	(8,958)	$ 180.00
December 31, 2020	48,044,381	$0.525 - 300.00

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The Company's outstanding equity warrants as of December 31, 2020 consist of the following:

	No. outstanding*	Exercise price*	contractual life	Expiration Date
October 2015 Warrants	833	$ 300.0000	0.29 years	April 15, 2021
December 2016 Warrants	124,413	$ 0.5250	0.98 years	December 23, 2021
June 2020 Investor Warrants	7,614,700	$ 5.2530	1.21 years	March 17, 2022
June 2020 Placement Agent Warrants	133,258	$ 6.5663	1.21 years	March 17, 2022
June 2020 Placement Agent Tail Fee	609,176	$ 5.2530	1.21 years	March 17, 2022
August 2020 Investor Warrants	11,216,932	$ 3.0200	1.66 years	August 28, 2022
August 2020 Placement Agent Warrants	222,222	$ 3.9375	1.66 years	August 28, 2022
August 2020 Placement Agent Tail Fee	897,355	$ 3.0200	1.66 years	August 28, 2022
December 2020 Investor Warrants	24,509,806	$ 1.7000	1.97 years	December 21, 2022
December 2020 Placement Agent Warrants	754,902	$ 2.1250	1.97 years	December 21, 2022
December 2020 Placement Agent Tail Fee	1,960,784	$ 1.7000	1.97 years	December 21, 2022
	48,044,381			

*Warrants and exercise prices of warrants issued prior to June 11, 2020 are adjusted to reflect the 1:3 reverse stock split.

Warrant Exchanges

On March 19, 2020, the Company entered into separate Warrant Exchange Agreements (the "March Exchange Agreements") with the holders of certain existing warrants (the "March Exchanged Warrants") to exchange warrants for shares of the Company's Common Stock, subject to receipt of the approval of the Company's stockholders, which was obtained on May 28, 2020. The holders of March Exchanged Warrants exchanged each of the March Exchanged Warrants for 1.5 shares of the Company's Common Stock. Pursuant to the March Exchange Agreements, the holders exchanged 1,942,131 of the March Exchanged Warrants for an aggregate of 2,913,197 shares of the Company's Common Stock, which had an aggregate fair value of $6,434. On June 4, 2020, the Company entered into a Warrant Exchange Agreement (the "June Exchange Agreement") with the holder of certain existing warrants (the "June Exchanged Warrants") to exchange the June Exchanged Warrants for shares of Common Stock. The holders of the June Exchanged Warrants exchanged each of the June Exchanged Warrants for 1.5 shares of the Company's Common Stock.
Pursuant to the June Exchange Agreement, on the closing date the holder exchanged 1,374,750 of the June Exchanged Warrants for an aggregate of 2,062,126 shares of Common Stock which had an aggregate fair value of $11,755.

Registered Direct Common Stock Offerings

The Company sold a total of 6,511,280 shares of Common Stock and 1,900,625 of pre-funded warrants and received total proceeds of $4,258, net of financial advisory and consulting fees of $626, in connection with three registered direct offerings in March 2020.

On April 6, 2020, the Company entered into a securities purchase agreement with certain purchasers, pursuant to which it issued and sold, in a registered direct offering (i) 4,139,393 shares of Common Stock at an offering price of $0.66 per share and (ii) an aggregate of 481,818 pre-funded warrants exercisable for shares of Common Stock at an offering price of $0.63 per pre-funded warrant. The Company received proceeds of $2,806, net of $244 in financial advisory consultant fees.

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On June 17, 2020, the Company entered into a securities purchase agreement pursuant to which the Company agreed to issue and sell 7,614,700 shares of the Company's Common Stock at an offering price of $5.253 per share (the "Registered Offering"). In a concurrent private placement (the "Private Placement" and together with the Registered Offering, the "Offerings"), the Company agreed to issue to the purchasers who participated in the Registered Offering warrants (the "Warrants") exercisable for an aggregate of 7,614,700 shares of Common Stock at an exercise price of $5.25 per share. Each Warrant will be immediately exercisable and will expire 21 months from the issuance date. The Offerings closed on June 19, 2020 with the Company receiving gross proceeds of $40,000 before deducting placement agent fees and related offering expenses of $4,414.

In connection with the Registered Offering, warrants to purchase 133,258 shares of our Common Stock were issued to Palladium Capital Advisors, LLC ("Palladium") (the "Palladium Warrants") at an exercise price equal to $5.25 per share and warrants to purchase 609,176 shares of our Common Stock were issued to H.C. Wainwright & Co., LLC (the "H.C.W. Warrants") at an exercise price equal to $6.5663 per share pursuant to the respective placement agent agreements. Palladium Capital Advisors, LLC and H.C. Wainwright & Co., LLC are also entitled to additional warrants upon the holders' exercise of warrants pursuant to the respective placement agent agreements.

On August 25, 2020, the Company entered into a securities purchase agreement pursuant to which the Company agreed to issue and sell in a registered direct offering 10,407,408 shares of the Company's Common Stock and warrants exercisable for an aggregate of 11,216,932 shares of Common Stock at a combined offering price of $3.15 per share. The Warrants have an exercise price of $3.02 per share. The Company also offered and sold to certain purchasers pre-funded warrants to purchase an aggregate of 809,524 shares of Common Stock, in lieu of shares of Common Stock. Each pre-funded warrant represented the right to purchase one share of Common Stock at an exercise price of $0.001 per share and was exercised in August 2020. The offering closed on August 28, 2020 with the Company receiving gross proceeds of $35,333 before deducting placement agent fees and related offering expenses of $3,914.

In connection with the August offering, warrants to purchase 222,222 shares of our Common Stock were issued to Palladium at an exercise price equal to $3.02 per share and warrants to purchase 897,355 shares of our Common Stock were issued to H.C. Wainwright & Co., LLC at an exercise price equal to $3.9375 per share pursuant to the respective placement agent agreements. Palladium Capital Advisors, LLC and H.C. Wainwright & Co., LLC are also entitled to additional warrants upon the holders' exercise of warrants pursuant to the respective placement agent agreements.

On December 17, 2020, the Company entered into a securities purchase agreement pursuant to which the Company agreed to issue and sell, in a registered direct offering 24,509,806 shares of the Company's common stock, par value $0.01 per share and warrants exercisable for an aggregate of 24,509,806 in a registered direct offering. The combined purchase price for one share of common stock (or common stock equivalent) and a warrant to purchase one share of common stock is $1.70. Each Warrant is immediately exercisable and will expire 24 months from the issuance date. The offering closed on December 21, 2020 with the Company receiving gross proceeds of approximately $41,667 before deducting placement agent fees and related offering expenses of $5,118.

In connection with the December offering, warrants to purchase 754,902 shares of our Common Stock were issued to Palladium at an exercise price equal to $1.70 per share and warrants to purchase 1,960,784 shares of our Common Stock were issued to H.C Wainwright & Co., LLC at an exercise price equal to $2.13 per share pursuant to the respective placement agent agreements. Palladium Capital Advisors, LLC and H.C. Wainwright & Co., LLC are also entitled to additional warrants upon the holders' exercise of warrants pursuant to the respective placement agent agreements.

Series E Convertible Preferred Stock

On July 8, 2019, the Company filed the Series E COD Amendment with the State of Delaware to (i) increase the number of authorized shares of Series E Preferred Stock to 2,397,060 and (ii) reduce the conversion price to $6.00. The Series E

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COD Amendment was approved by the Board of Directors of the Company and the Company obtained shareholder approval of the Series E COD Amendment on October 2, 2019.

When a reporting entity changes the terms of its outstanding preferred stock, it must assess whether the changes should be accounted for as either a modification or an extinguishment. The Company engaged an independent third party to perform an appraisal to determine the fair value of the Series E Preferred Stock before and after the changes were made. The results of the fair value assessment indicated that the fair values before and after the change in the provisions and characteristics of the Series E Preferred Stock were not substantially different (in practice, substantially different has been interpreted to be greater than 10%). Therefore, the Company did not record an adjustment to the Series E Preferred Stock.

During 2020, the Company issued 10,123 shares of Series E Preferred Stock. Subsequent to the issuance, all outstanding shares were converted into 510,460 shares of Common Stock.

Series F Convertible Preferred Stock

The Series F Preferred Stock has a par value of $0.01 per share, a stated value of $100 per share, and was initially convertible into Common Stock at an exercise price of $6.00 per share. On March 6, 2020, the exercise price was reduced from $6.00 to $1.68 and on March 19, 2020 was reduced again to $0.525 after giving effect to certain anti-dilution adjustments. As a result, the Company recorded a deemed dividend of approximately $140 which represents the fair value transferred to the Series F shareholders from the anti-dilution protection being triggered.

During the year ended December 31, 2020 all 8,996 shares of outstanding shares of Series F Convertible Preferred Stock was converted into 1,221,945 shares of Common Stock.

Reverse Stock Split

On June 10, 2020, the Company filed a certificate of amendment to its amended and restated certificate of incorporation with the Secretary of State of the State of Delaware to effect a 1-for-3 reverse stock split of the Company's shares of Common Stock. Such amendment and ratio were previously approved by the Company's stockholders and Board of Directors.

As a result of the reverse stock split, every three (3) shares of the Company's pre-reverse split Common Stock were combined and reclassified into one (1) share of Common Stock. A total of 146,577,707 pre-reverse split shares of Common Stock were combined and reclassified into 48,859,213 shares of Common Stock post-reverse stock split. Proportionate voting rights and other rights of common stockholders were affected by the reverse stock split. Stockholders who would have otherwise held a fractional share of Common Stock received payment in cash in lieu of any such resulting fractional shares of Common Stock as the post-reverse split amounts of Common Stock were rounded down to the nearest full share. No fractional shares were issued in connection with the reverse stock split. The reverse stock split became effective at 5:00 p.m., Eastern Time, on June 10, 2020, and the Company's Common Stock traded on the Nasdaq Capital Market on a post-reverse split basis at the open of business on June 11, 2020.

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Note 12. Fair Value Measurements

The following table presents the placement in the fair value hierarchy of the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of December 31, 2020 and 2019. Assets and liabilities that are measured at fair value on a nonrecurring basis relate primarily to tangible property and equipment and other intangible assets, which are remeasured when the derived fair value is below carrying value in the consolidated balance sheets. For these assets, the Company does not periodically adjust carrying value to fair value except in the event of impairment. If it is determined that impairment has occurred, the carrying value of the asset is reduced to fair value and the difference is included in *Impairment / disposal of assets* in the consolidated statements of operations and comprehensive loss.

		Fair value measurement at reporting date using		
	Balance	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As of December 31, 2020:				
Recurring fair value measurements				
Equity securities:				
Route1	$ 1,768	$ —	$ 1,768	$ —
Total equity securities	1,768	—	1,768	—
Total recurring fair value measurements	$ 1,768	$ —	$ 1,768	$ —
Nonrecurring fair value measurements				
Property, plant and equipment	$ 4,161	$ —	$ —	$ 4,161
Intangible assets	440	—	—	440
Operating lease right-of-use asset	3,034	—	—	3,034
Total nonrecurring fair value measurements	$ 7,635	$ —	$ —	$ 7,635
As of December 31, 2019:				
Recurring fair value measurements				
Derivatives:				
May 2018 Class A Warrants	$ 778	$ —	$ —	$ 778
Calm Warrants	382	—	—	382
Calm Conversion Option	216	—	—	216
B3D Conversion Option	1,761	—	—	1,761
Total recurring fair value measurements	$ 3,137	$ —	$ —	$ 3,137
Nonrecurring fair value measurements				
Property, plant and equipment	$ 8,064	$ —	$ —	$ 8,064
Operating lease right-of-use asset	8,254	—	—	8,254
Contingent consideration	315	—	—	315
Total nonrecurring fair value measurements	$ 16,633	$ —	$ —	$ 16,633

In addition to the above, the Company's financial instruments as of December 31, 2020 and 2019 consisted of cash and cash equivalents, receivables, accounts payable and debt. The carrying amounts of all the aforementioned financial instruments approximate fair value because of the short-term maturities of these instruments.

The Company measures its derivative liabilities at fair value. The derivative liabilities were classified within Level 3 because they were valued using the Monte Carlo model, which utilizes significant inputs that are unobservable in the market. These derivative liabilities were initially measured at fair value and are marked to market at each balance sheet

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date. The derivative warrant and conversion option liabilities are recorded as *"Derivative liabilities"* on the consolidated balance sheets and the revaluation of the derivative liabilities is included in *"Other non-operating income (expense)"* in the consolidated statements of operations and comprehensive loss.

The purchase value of the contingent consideration assumed by the Company following the acquisition of Excalibur Integrated Systems, Inc. ("Excalibur"), was determined using the Monte-Carlo simulation and, as such, was classified as Level 3 of the fair value hierarchy. The fair value measurements are evaluated by management to ensure that changes are consistent with expectations of management based upon the sensitivity and nature of the inputs. The contingent consideration expired in 2020.

The following table summarizes the changes in the Company's derivative liabilities measured at fair value using significant unobservable inputs (Level 3) during the year ended December 31, 2020:

December 31, 2019	**$**	**3,137**
Increase due to B3D Note Fifth Credit Agreement Amendment		36
Decrease due to the extinguishment of B3D Note		(2,048)
Increase due to B3D Note Sixth Credit Agreement Amendment		3,656
Revaluation of derivative conversion options and warrants		51,147
Conversions of B3D Note to Common Stock		(15,396)
Conversions of Calm Note to Common Stock		(9,200)
Exercise of Series A Warrants		(9,036)
Exercise of Calm Warrants		(4,108)
Warrant Exchange - Series A		(6,434)
Warrant Exchange - Calm Warrants		(11,754)
December 31, 2020	**$**	—

Valuation processes for Level 3 Fair Value Measurements

Fair value measurement of the derivative liabilities falls within Level 3 of the fair value hierarchy. The fair value measurements are evaluated by management to ensure that changes are consistent with expectations of management based upon the sensitivity and nature of the inputs. The valuation of the derivative liabilities is performed by a valuation expert at the end of each reporting period.

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As of December 31, 2019:

Description	Valuation technique	Unobservable inputs	Range
Calm Warrants	Monte Carlo Model	Volatility	66.90 %
		Risk-free interest rate	1.62 %
		Expected term, in years	4.52
		Dividend yield	0.00 %
Calm Conversion option	Monte Carlo Model	Volatility	66.90 %
		Risk-free interest rate	1.75 %
		Expected term, in years	2.41
		Dividend yield	0.00 %
B3D Conversion option	Monte Carlo Model	Volatility	65.70 %
		Risk-free interest rate	1.62 %
		Expected term, in years	1.42
		Dividend yield	0.00 %
May 2018 Class A Warrants	Monte Carlo Model	Volatility	65.20 %
		Risk-free interest rate	1.67 %
		Expected term, in years	3.38
		Dividend yield	0.00 %

Sensitivity of Level 3 measurements to changes in significant unobservable inputs

The inputs to estimate the fair value of the Company's derivative warrant and conversion liabilities were the current market price of the Company's Common Stock, the exercise price of the derivative warrant liabilities, their remaining expected term, anti-dilution provisions, the volatility of the Company's Common Stock price and the risk-free interest rate over the expected term. Significant changes in any of those inputs in isolation can result in a significant change in the fair value measurement.

Generally, an increase in the market price of the Company's shares of Common Stock, an increase in the volatility of the Company's shares of Common Stock, and an increase in the remaining term of the derivative liabilities would each result in a directionally similar change in the estimated fair value of the Company's derivative liabilities. Such changes would increase the associated liability while decreases in these assumptions would decrease the associated liability. An increase in the risk-free interest rate or a decrease in the differential between the derivative warrant liabilities' exercise price and the market price of the Company's shares of Common Stock would result in a decrease in the estimated fair value measurement and thus a decrease in the associated liability. The Company has not, and does not plan to, declare dividends on its Common Stock and, as such, there is no change in the estimated fair value of the derivative warrant liabilities due to the dividend assumption.

The inputs to calculate future cash flows to estimate the Company's fair value of the Company's tangible property and equipment and intangible assets involves uncertainties and matters of significant judgements. Changes in assumptions could significantly affect the estimated fair value of each asset group.

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Note 13. Stock-based Compensation

The Company has a stock-based compensation plan available to grant stock options and RSUs to the Company's directors, employees and consultants. Under the 2012 Employee, Director and Consultant Equity Incentive Plan, as amended (the "2012 Plan"), a maximum of 840,000 shares of Common Stock may be awarded.

Awards granted under the 2012 Plan remain in effect pursuant to their terms. Generally, stock options are granted with exercise prices equal to the fair market value on the date of grant, vest in four equal quarterly installments, and expire 10 years from the date of grant. RSUs granted generally vest over a period of one year.

In September 2020, the Board of Directors approved a new stock-based compensation plan available to grant stock options, restricted stock and RSU's to the Company's directors, employees and consultants. Under the 2020 Equity Incentive Plan (the "2020 Plan"), a maximum of 5,000,000 shares of Common Stock may be issued, subject to receiving shareholder approval which was subsequently obtained on October 28, 2020. The 2012 Plan was terminated upon receipt of shareholder approval of the 2020 Plan.

In September 2020, the Company's XpresTest subsidiary created a stock-based compensation plan available to grant stock options, restricted stock and RSU's to the subsidiary's directors, employees and consultants. Under the XpresTest 2020 Equity Incentive Plan (the "XpresTest Plan"), a maximum of 200 shares of XpresTest Common Stock may be awarded. Certain named executive officers and directors of the Company are eligible to participate in the XpresTest Plan. As of December 31, 2020, no awards under the XpresTest Plan have been granted to such named executive officers or directors.

In September 2020, XpresTest awarded 37.5 shares of restricted stock (the "XpresTest RSAs") to certain non-employee consultants and advisors under the XpresTest Plan. On the date of the grants, the awarded shares had an aggregate fair market value of $455. The XpresTest RSAs vest upon satisfaction of certain service and performance-based conditions.

As of December 31, 2020, 11.25 shares of the XpresTest RSAs have vested, and there is $212 of unrecognized stock-based compensation related to the awards.

The fair value of stock options is estimated as of the date of grant using the Black-Scholes-Merton ("Black-Scholes") option-pricing model. The Company uses the simplified method to estimate the expected term of options due to insufficient history and high turnover in the past.

The following variables were used as inputs in the model:

Share price of the Company's Common Stock on the grant date:	$	1.26 - 5.01
Exercise price:	$	1.26 - 5.01
Expected volatility:		123 %
Expected dividend yield:		0 %
Annual average risk-free rate:		0.37 %
Expected term:		5.38 years

Total stock-based compensation expense for the years ended December 31, 2020 and 2019 was $1,328 and $335, respectively.

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The following tables summarize information about stock options and RSU activity during the year ended December 31, 2020:

	RSUs		Stock options		
	No. of RSUs*	Weighted average grant date fair value*	No. of options*	Weighted average exercise price*	Exercise price range*
Outstanding as of December 31, 2019	—	$ —	49,653	$ 63.15	$ 1.53 - 2,460.00
Granted	89,567	1.83	1,319,849	1.90	1.26 - 5.01
Exercised/Vested	(89,567)	1.83	(6,167)	1.53	1.53
Forfeited		—	(4,585)	1.53	1.53
Expired	—	—	(4,862)	93.00	93.00
Outstanding as of December 31, 2020	—	$ —	1,353,888	$ 3.82	$ 1.53 - 2,460.00
Exercisable as of December 31, 2020	—	$ —	672,405	$ 5.28	$ 1.53 - 2,460.00

The weighted average remaining contractual term for options outstanding as of December 31, 2020 was 9.5 years.

As of December 31, 2020, there was no aggregate intrinsic value associated with the options outstanding as the exercise price of the options was greater than the Company's Common Stock price. There was no unrecognized stock-based payment cost related to non-vested stock options as of December 31, 2020.

* Balances as of December 31, 2019 were adjusted to reflect the impact of the 1:3 reverse stock split that became effective on June 11, 2020.

Note 14. Segment Information

The Company analyzes the results of the business through the two reportable segments: XpresSpa and XpresTest. The XpresSpa segment provides travelers premium spa services, including massage, nail and skin care, as well as spa and travel products. The XpresTest segment provides diagnostic COVID-19 tests at XpresCheck™ Wellness Centers in airports, to airport employees and to the traveling public. The chief operating decision maker evaluates the operating results and performance of our segments through operating income. Expenses that can be specifically identified with a segment have been included as deductions in determining operating income. Any remaining expenses and other charges are included in Corporate and Other.

The Company currently operates in two geographical regions: United States and all other countries, which include Amsterdam, and Dubai. The following table represents the geographical revenue, and total long-lived asset information as of and for the years ended December 31, 2020 and 2019. There were no concentrations of geographical revenue and long-lived assets related to any single foreign country that were material to the Company's consolidated financial statements. Long-lived assets include property and equipment, restricted cash, security deposits and right of use lease assets.

	For the years ended December 31,	
	2020	2019
Revenue		
United States	$ 7,051	$ 43,455
All other countries	1,334	5,060
Total revenue	$ 8,385	$ 48,515
Long-lived assets		

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United States	$ 9,019	$ 15,122
All other countries	1,380	2,886
Total long-lived assets	$ 10,399	$ 18,008

The Company's continuing operating segments are defined as components of an enterprise about which separate financial information is available that is regularly evaluated by the enterprise's CODM in deciding how to allocate resources and in assessing performance.

As a result of the Company's transition to a pure-play health and wellness services company, the Company currently has two reportable operating segments: XpresSpa and XpresTest. As of December 31, 2020, we operated 45 XpresSpa locations, consisting of 40 domestic and 5 international locations, and XpresTest, through its XpresCheck Wellness Centers, operated in 5 domestic airport locations.

	For the twelve months ended December 31,	
	2020	**2019**
Revenue		
XpresSpa	$ 8,045	$ 47,328
XpresTest	80	—
Corporate and other	260	1,187
Total revenue	$ 8,385	$ 48,515
Operating loss		
XpresSpa	$ (29,966)	$ (12,180)
XpresTest	(3,494)	—
Corporate and other	(6,644)	(3,692)
Total operating loss	$ (40,104)	$ (15,872)

	December 31, 2020	**December 31, 2019**
Assets		
XpresSpa	$ 9,014	$ 26,690
XpresTest	2,999	—
Corporate and other	91,120	2,034
Total assets	$ 103,133	$ 28,724

Long-lived assets includes property and equipment, right of use lease assets, security deposits, equity investments and restricted cash.

Note 15. Related Parties Transactions

In 2018, the Company entered into a collaboration agreement with Calm to the display, market, promote, and offer for sale Calm's products in each of the Company's branded stores worldwide. In connection with the collaboration agreement, the

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Company began selling Calm subscriptions and certain Calm-branded retail products in its spas, beginning in November 2018. Also, Calm previously held 937,500 warrants to purchase shares of Company's Common stock and a $2,500 unsecured note convertible into the Company's Series E Convertible Preferred Stock (see Note 10, *Long-term Notes and Convertible Notes* for further details). During the years ended December 31, 2020 and 2019, the Company recorded revenue of $11 and $40, respectively from the sale of Calm's branded products in its spas which is included in products revenue in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2020 and 2019.

Note 16. Accounts Payable, Accrued Expenses and Other Current Liabilities

As of December 31, 2020, and 2019, the Company's accounts payable, accrued expenses and other current liabilities were comprised of the following:

	December 31,	
	2020	**2019**
Accounts payable	$ 2,440	$ 7,069
Litigation accrual	2,221	1,800
Deposit contract liability	886	279
Accrued compensation	287	1,162
Tax-related liabilities	551	429
Gift certificates and loyalty reward program liabilities	495	527
Other	502	1,285
Total accounts payable, accrued expenses and other current liabilities	$ 7,382	$ 12,551

Concentrations of Supplier Risk

For the XpresTest segment, substantially all supplies for testing were purchased from one vendor. For the XpresSpa segment, substantially all inventory was also purchased from one vendor.

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Note 17. Income Taxes

For the years ended December 31, 2020 and 2019, the loss before income taxes consisted of the following:

	2020	**2019**
Domestic	$ (91,030)	$ (21,567)
Foreign	(1,195)	891
	$ (92,225)	$ (20,676)

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Income tax expense (benefit) for the years ended December 31, 2020 and 2019 consisted of the following:

	For the years ended December 31,	
	2020	2019
Current:		
Federal	$ —	$ (167)
State	7	(6)
Foreign	—	27
Deferred:		
Federal	—	—
	$ 7	$ (146)

The income tax benefit of $(146) for the year ended December 31, 2019 is comprised primarily of the release of a liability for an uncertain tax position for which the statute of limitations expired in 2019, partially offset by the tax on earnings generated by foreign subsidiaries.

Income tax expense differed from the amounts computed by applying the applicable United States federal income tax rate to loss from continuing operations before taxes on income as a result of the following:

	For the years ended December 31,	
	2020	2019
Loss from operations before income taxes	$ (92,225)	$ (20,676)
Tax rate	21 %	21 %
Computed “expected” tax benefit	(19,367)	(4,342)
State taxes, net of federal income tax benefit	(2,395)	(944)
Change in valuation allowance	12,459	3,039
Nondeductible expenses	10,841	607
Other items	(1,531)	1,494
Income tax expense (benefit)	$ 7	$ (146)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company’s deferred tax assets and liabilities as of December 31, 2020 and 2019 are as follows:

	December 31,	
	2020	2019
Deferred income tax assets		
Net operating loss carryforwards	$ 50,446	$ 41,985
Stock-based compensation	4,765	4,642
Intangible assets and other	9,034	5,161
Net deferred income tax assets	64,245	51,788
Less:		
Valuation allowance	(64,245)	(51,788)
Net deferred income tax assets	$ —	$ —

The Company assesses the need for a valuation allowance related to its deferred income tax assets by considering whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. A valuation

(In thousands, except for share and per share data)

allowance has been recorded against the Company's deferred income tax assets, as it is in the opinion of management that it is more likely than not that the net operating loss carryforwards ("NOLs") will not be utilized in the foreseeable future. The cumulative valuation allowance will be reduced if and when the Company determines that the deferred income tax assets are more likely than not to be realized.

The following table presents the changes to the valuation allowance during the years presented:

As of January 1, 2019	$ 48,748
Charged to cost and expenses	4,842
Return to provision true-up and other	(1,802)
As of December 31, 2019	51,788
Charged to cost and expenses	11,984
Return to provision true-up and other	473
As of December 31, 2020	$ 64,245

As of December 31, 2020, the Company’s estimated aggregate total NOLs were $150,926, for U.S. federal purposes, expiring 20 years from the respective tax years to which they relate, and $60,269 for U.S. federal purposes with an indefinite life due to new regulations in the Tax Act of 2017 (the “Tax Act”). The NOL amounts are presented before Internal Revenue Code, Section 382 limitations (“Section 382”). The Tax Reform Act of 1986 imposed substantial restrictions on the utilization of NOL and tax credits in the event of an ownership change of a corporation. Thus, the Company’s ability to utilize all such NOL and credit carryforwards may be limited. The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted on March 27, 2020 and provides favorable changes to tax law for businesses impacted by COVID-19. However, the Company does not anticipate the income tax law changes will materially benefit the Company.

The Company files its tax returns in the U.S. federal jurisdiction, as well as in various state and local jurisdictions. The Company is not currently under audit in any taxing jurisdictions. The federal statute of limitations for audit consideration is 3 years from the filing date, and generally states implement a statute of limitations of between 3 and 5 years.

On December 22, 2017, the U.S. government enacted comprehensive tax reform, commonly referred to as the Tax Act. The Tax Act makes changes to the corporate tax rate, business-related deductions and taxation of foreign earnings, among other changes, that will generally be effective for tax years beginning after December 31, 2017. After the one-year evaluation under SAB 118, the Company determined that there was no material impact from the Tax Act.

Note 18. Commitments and Contingencies

Litigation and legal proceedings

Certain of the Company’s outstanding legal matters include speculative claims for substantial or indeterminate amounts of damages. The Company regularly evaluates developments in its legal matters that could affect the amount of any potential liability and makes adjustments as appropriate. Significant judgment is required to determine both the likelihood of there being any potential liability and the estimated amount of a loss related to the Company’s legal matters.

With respect to the Company’s outstanding legal matters, based on its current knowledge, the Company’s management believes that the amount or range of a potential loss will not, either individually or in the aggregate, have a material adverse effect on its business, consolidated financial position, results of operations or cash flows. However, the outcome of such legal matters is inherently unpredictable and subject to significant uncertainties. The Company evaluated the outstanding legal matters and assessed the probability and likelihood of the occurrence of liability. Based on management’s estimates, the Company has recorded accruals of $2,221 and $1,800 as of December 31, 2020 and December 31, 2019, respectively, which is included in *“Accounts payable, accrued expenses and other current liabilities”* in the consolidated balance sheets.

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The Company expenses legal fees in the period in which they are incurred.

Cordial

Effective October 2014, XpresSpa terminated its former Airport Concession Disadvantaged Business Enterprise ("ACDBE") partner, Cordial Endeavor Concessions of Atlanta, LLC ("Cordial"), in several store locations at Hartsfield-Jackson Atlanta International Airport.

Cordial filed a series of complaints with the City of Atlanta, both before and after the termination, in which Cordial alleged, among other things, that the termination was not valid and that XpresSpa unlawfully retaliated against Cordial when Cordial raised concerns about the joint venture. In response to the numerous complaints it received from Cordial, the City of Atlanta required the parties to engage in two mediations.

After the termination of the relationship with Cordial, XpresSpa sought to substitute two new ACDBE partners in place of Cordial.

In April 2015, Cordial filed a complaint with the United States Federal Aviation Administration ("FAA"), which oversees the City of Atlanta with regard to airport ACDBE programs, and, in December 2015, the FAA instructed that the City of Atlanta review XpresSpa's request to substitute new partners in lieu of Cordial and Cordial's claims of retaliation. In response to the FAA instruction, pursuant to a corrective action plan approved by the FAA, the City of Atlanta held a hearing in February 2016 and ruled in favor of XpresSpa such substitution and claims of retaliation. Cordial submitted a further complaint to the FAA claiming that the City of Atlanta was biased against Cordial and that the City of Atlanta's decision was wrong. In August 2016, the parties met with the FAA. On October 4, 2016, the FAA sent a letter to the City of Atlanta directing that the City of Atlanta retract previous findings on Cordial's allegations and engage an independent third party to investigate issues previously decided by Atlanta. The FAA also directed that the City of Atlanta determine monies potentially due to Cordial.

On January 3, 2017, XpresSpa filed a lawsuit in the Supreme Court of the State of New York, County of New York, against Cordial and several related parties. The lawsuit alleges breach of contract, unjust enrichment, breach of fiduciary duty, fraudulent inducement, fraudulent concealment, tortious interference, and breach of good faith and fair dealing. XpresSpa is seeking damages, declaratory judgment, rescission/termination of certain agreements, disgorgement of revenue, fees and costs, and various other relief. On February 21, 2017, the defendants filed a motion to dismiss. On March 3, 2017, XpresSpa filed a first amended complaint against the defendants. On April 5, 2017, Cordial filed a motion to dismiss. On September 12, 2017, the Court held a hearing on the motion to dismiss. On November 2, 2017, the Court granted the motion to dismiss which was entered on November 13, 2017. On December 22, 2017, XpresSpa filed a notice of appeal, and on September 24, 2018, XpresSpa perfected its appellate rights and submitted a brief to the Supreme Court of New York, First Department appellate court. Oral arguments on the appeal went forward on March 20, 2019.

On March 30, 2018, Cordial filed a lawsuit against XpresSpa, a subsidiary of XpresSpa, and several additional parties in the Superior Court of Fulton County, Georgia, alleging the violation of Cordial's civil rights, tortious interference, breach of fiduciary duty, civil conspiracy, conversion, retaliation, and unjust enrichment. Cordial has threated to seek punitive damages, attorneys' fees and litigation expenses, accounting, indemnification, and declaratory judgment as to the status of the membership interests of XpresSpa and Cordial in the joint venture and Cordial's right to profit distributions and management fees from the joint venture. On May 3, 2018, the Court issued an order extending the time for the defendants to respond to Cordial's lawsuit until June 25, 2018. On May 4, 2018, the defendants moved the lawsuit to the United States District Court for the Northern District of Georgia. On June 5, 2018, the Court granted an extension of time for the defendants' response until August 17, 2018. On August 9, 2018, the Court granted an additional extension of time for the defendants' response until September 7, 2018, and thereafter provided another extension pending the Court's consideration of XpresSpa's Motion to Stay all action in the Georgia lawsuit, pending resolution of the New York lawsuit and the FAA action. On October 29, 2018, XpresSpa's Motion to Stay was denied. Prior to resolution of the Motion to Stay, Cordial

filed a Motion for Temporary Restraining Order (“TRO Motion”), seeking to enjoin the defendants and specifically XpresSpa, from, among other things, distributing any cash flow, net profits, or management fees, or otherwise expending resources beyond necessary operating expenses. XpresSpa filed an opposition and, in a decision entered December 26, 2018, the Court denied Cordial’s TRO Motion entirely. Defendants filed a Motion to Dismiss the Complaint in its entirety on November 20, 2018.

A Director's Determination was issued by the FAA in connection with the Part 16 Complaint ("Part 16 Proceeding") filed by Cordial against the City of Atlanta ("City") in 2017 ("Director's Determination"). The Company and Cordial were not parties to the FAA action, and had no opportunity to present evidence or otherwise be heard in such action. The Director's Determination concluded that the City was not in compliance with certain Federal obligations concerning the federal government's ACDBE program, including relating to the City's oversight of the Joint Venture Operating Agreement between Clients and Cordial, Cordial's termination, and Cordial's retaliation and harassment claims, and the City was ordered to achieve compliance in accordance with the Director's Determination. The Director's Determination does not constitute a Final Agency Decision and it is not subject to judicial review, pursuant to 14 CFR § 16.247(b)(2). Because the Company is not a party to the Part 16 Proceeding, the Company would not be considered "a party adversely affected by the Director's Determination" with a right of appeal to the FAA Assistant Administrator for Civil Rights.

On August 7, 2019, the Company filed a response, advising the U.S. District Court that: (i) the Company is not party to the FAA proceeding and therefore had no opportunity to present evidence or otherwise be heard in such action; (ii) as non-party, the Company is not bound by the Director's Determination; and (iii) the FAA cannot dictate the interpretation or enforceability of the contract between Cordial and the Company, which is the subject of the U.S. District Court action initiated by Cordial and the New York State Court action initiated by the Company.

In response to the numerous complaints it received from Cordial, the City of Atlanta required the parties to engage in mediation. On November 22, 2019, a Mutual Release and Settlement Agreement (the “Settlement Agreement”) and a Confidential Payment Agreement (the “Payment Agreement”) have been executed by the applicable parties. Pursuant to the terms of the settlement, all pending litigation was dismissed. Also, pursuant to the Settlement Agreement terms, the City agreed to approve new five-year leases for the Company and Cordial to operate as joint venture partners for spas located on Concourse A and Concourse C of the Hartsfield-Jackson Atlanta International Airport (“together, “Leases”). The City has approved the new Leases, and the Leases have been executed by the Company and the City. The parties are in the process of negotiating and completing an operating agreement. Such negotiations have been deferred during the Hartsfield-Jackson Atlanta International Airport shutdown due to the pandemic. Pursuant to the Payment Agreement, the Company has recorded an expense, made payment and accrued the balance of the amounts due thereunder that is included in *Accounts payable, accrued expenses and other current liabilities.*

In re Chen et al.

In March 2015, four former XpresSpa employees who worked at XpresSpa locations in John F. Kennedy International Airport and LaGuardia Airport filed a putative class and collective action wage-hour litigation in the United States District Court, Eastern District of New York. *In re Chen et al.*, CV 15-1347 (E.D.N.Y.). Plaintiffs claim that they and other spa technicians around the country were misclassified as exempt commissioned salespersons under Section 7(i) of the federal Fair Labor Standards Act (“FLSA”). Plaintiffs also assert class claims for unpaid overtime on behalf of New York spa technicians under the New York Labor Law, and discriminatory employment practices under New York State and City laws. On July 1, 2015, the plaintiffs moved to have the court authorize notice of the FLSA misclassification claim sent to all employees in the spa technician job classification at XpresSpa locations around the country in the last three years. Defendants opposed the motion. On February 16, 2016, the Magistrate Judge assigned to the case issued a Report & Recommendation, recommending that the District Court Judge grant the plaintiffs’ motion. On March 1, 2016, the defendants filed Opposition to the Magistrate Judge’s Report & Recommendation, arguing that the District Court Judge should reject the Magistrate Judge’s findings. On September 23, 2016, the court ruled in favor of the plaintiffs and conditionally certified the class. The parties held a mediation on February 28, 2017 and reached an agreement on a

settlement in principle. On September 6, 2017, the parties entered into a settlement agreement. On September 15, 2017, the parties filed a motion for settlement approval with the Court. XpresSpa subsequently paid the agreed-upon settlement amount to the settlement claims administrator to be held in escrow pending a fairness hearing and final approval by the Court. On March 30, 2018, the Court entered a Memorandum and Order denying the motion without prejudice to renewal due to questions and concerns the Court had about certain settlement terms. On April 24, 2018, the parties jointly submitted a supplemental letter to the Court advocating for the fairness and adequacy of the settlement and appeared in Court on April 25, 2018 for a hearing to discuss the settlement terms in greater detail with the assigned Magistrate Judge. At the conclusion of the hearing, the Court still had questions about the adequacy and fairness of the settlement terms, and the Judge asked that the parties jointly submit additional information to the Court addressing the open issues. The parties submitted such information to the Court on May 18, 2018.

On August 21, 2019, the Court issued an Order denying the parties' motion for preliminary approval of the revised settlement, as the Court still had concerns about several of the settlement terms. At the December 6, 2019 Status Conference with the Court, the Court reiterated its denial of preliminary approval of the proposed settlement agreement. The Court instructed a notice of pendency to be disseminated to putative collective members, who will then have a 60-day window to decide whether to participate in the case. On or about August 10, 2020, the parties entered into settlement agreements and are seeking a preliminary approval order from the Court.

The Company retained joint counsel to represent the Company and the Binns. In January 2020, the Binns then retained separate counsel, and made a demand upon the Company to pay said counsel's fees. In March 2020, the Company rejected the demand. On July 27, 2020, the Binns filed a complaint against the Company in Delaware Chancery Court regarding the Company's rejection of the Binns' demand for payment of counsel's fees. This action sought declaratory and injunctive relief compelling the Company to pay counsel's fees and was captioned *Moreton Binn and Marisol Binn v. XpresSpa Group, Inc. f/k/a Form Holdings Corp. f/k/a XpresSpa Holdings, LLC*, No. 2020-0623. The parties have settled this action, which was voluntarily dismissed on September 17, 2020, and the Company paid specified counsel fees.

Binn et al v. FORM Holdings Corp. et al.

On November 6, 2017, Moreton Binn and Marisol F, LLC, former stockholders of XpresSpa, filed a lawsuit against FORM Holdings Corp. ("FORM) and its directors in the United States District Court for the Southern District of New York. The lawsuit alleged violations of various sections of the Securities Exchange Act of 1934 ("Exchange Act"), material omissions and misrepresentations (negligent and fraudulent), fraudulent omission, expropriation, breach of fiduciary duties, aiding and abetting, and unjust enrichment in the defendants' conduct related to the Company's acquisition of XpresSpa, and sought rescission of the transaction, damages, equitable and injunctive relief, fees and costs, and various other relief. On January 17, 2018, the defendants filed a motion to dismiss the complaint. On February 7, 2018, the plaintiffs amended their complaint. On February 28, 2018, the defendants filed a motion to dismiss the amended complaint. By March 30, 2018, the motion to dismiss was fully briefed. On August 7, 2018, the Court ruled on the defendants' motion, dismissing eight of the plaintiffs' ten claims and denying the defendants' motion to dismiss with respect to the two remaining claims, related to the Exchange Act. On October 30, 2018, the Court ordered that the plaintiffs could file an amended complaint, and, in response, the defendants could move for summary judgment.

Consistent with the Court's Order, on November 16, 2018, the plaintiffs filed a second amended complaint, modifying their allegations, and asserting claims pursuant to the Exchange Act and the Securities Act of 1933, as well as bringing a breach of contract claim. On December 17, 2018, the defendants filed a motion for summary judgment seeking dismissal of all claims. On February 1, 2019, the plaintiffs opposed defendant's motion, requested discovery and cross-moved for partial summary judgement and filed an opposition to defendants' motion and a counter motion for partial summary judgment. Defendants' summary judgement motion and plaintiff's cross-motion for partial summary judgment were fully briefed as of March 15, 2019. On April 29, 2019, an emergency hearing was held before the Court in which the plaintiff

sought a temporary restraining order and preliminary injunction to preclude acceleration of the maturity on the Senior Secured Note. The Court entered a temporary restraining order, while allowing parties the opportunity to brief the issue.

On May 21, 2019, the Court granted the defendant's motion for summary judgement in full, dismissing all claims in the action. On July 3, 2019, the plaintiffs filed a notice of appeal in the United States Court of Appeals for the second circuit. On July 1, 2019, the Court held oral argument on Binn's motion for preliminary injunction. After hearing argument by both sides, the Court deferred action and ordered that the temporary restraining order remain in place. On July 23, 2019, the Court denied the plaintiffs' request for a preliminary injunction and vacated the temporary restraining order. On September 13, 2019, plaintiffs filed their appellate brief in the Second Circuit. As of December 13, 2019, plaintiffs' appeal was fully briefed. Oral argument was scheduled for May 4, 2020. On May 8, 2020, the Second Circuit affirmed the dismissal of all claims against the Defendants.

Binn, et al. v. Bernstein et al.

On June 3, 2019, a suit was commenced in the United States District Court for the Southern District of New York against FORM, five of its directors, as well as Rockmore, the Company's previous senior secured lender and a senior executive of the lender. Although this action is brought by Morton Binn and Marisol F, LLC, it is asserted derivatively on behalf of the Company. Plaintiffs assert eight causes of action, including that certain individual defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, by making false statements concerning, inter alia, the merger and the independence of FORM's board of directors and the valuation of the Company's lease portfolio. Plaintiffs also assert common law claims for breach of fiduciary duty, corporate waste, unjust enrichment, faithless servant doctrine, and aiding and abetting certain of the directors' alleged breaches of fiduciary duty.

The defendants filed a motion to dismiss on October 23, 2019. The court heard oral argument on the defendants' motion to dismiss on January 22, 2020. On August 6, 2020, the court dismissed the plaintiff's complaint with prejudice and without leave to amend.

Kainz v. FORM Holdings Corp. et al.

On March 20, 2019, a suit was commenced in the United States District Court for the Southern District of New York against FORM, seven of its directors and former directors, as well as a managing director of Mistral Equity Partners ("Mistral"). The individual plaintiff, a shareholder of XpresSpa Holdings, LLC at the time of the merger in December 2016, alleges that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making false statements concerning, *inter alia*, the merger and the independence of FORM's board of directors, violated Section 12(2) of the Securities Act of 1933, breached the merger agreement by making false and misleading statements concerning the merger and fraudulently induced the plaintiff into signing the joinder agreement related to the merger. On May 8, 2019, the Company and its directors and the managing director of Mistral filed a motion to dismiss the complaint. On June 5, 2019, plaintiff opposed the motion and filed a cross-motion for a partial stay. Defendants' motion to dismiss was fully briefed as of June 19, 2019.

On November 13, 2019, the matter was dismissed in its entirety. On December 12, 2019, plaintiff filed a motion for reconsideration to vacate the order and judgment, dismissing the action, and for leave to amend the complaint. The motion was fully briefed as of February 6, 2020. On April 1, 2020, the Court denied plaintiff's motion in full. Plaintiff has 30 days to file a notice of appeal. On April 10, 2020, plaintiff filed a notice of appeal to the United States Court of Appeals for the Second Circuit. On June 1, 2020 plaintiff filed his appellate brief. On June 16, 2020, the Second Circuit entered the parties' non-dispositive stipulation, dismissing certain defendant-appellees, including the Company. On July 6, 2020, the remaining defendants filed their opposition brief. On July 27, 2020, the plaintiff filed their reply brief. On July 28, 2020, the Second Circuit marked plaintiff's reply brief as defective because it was filed a week late. Subsequently, plaintiff moved to request permission to file a late reply brief. On January 11, 2021, the judgment of the Court was affirmed by

the Second Circuit court. The Company and its directors continue to believe that this action is without merit and intend to defend the appeal.

Route1

On or about May 23, 2018, Route1 Inc., Route1 Security Corporation (together, "Route1") and Group Mobile Int'l, LLC ("Group Mobile") commenced a legal proceeding against the Company in the Ontario Superior Court of Justice.

Route1 and Group Mobile seek damages of $567,000 in relation to alleged breaches of a Membership Purchase Agreement entered into between Route1 and the Company on or about March 7, 2018, pursuant to which Route1 acquired the Company's 100% membership interest in Group Mobile. The Company counterclaimed against the Plaintiffs for amounts owed to the Company in relation to the sale of Excluded Inventory and is seeking damages thereon. The Company delivered a draft amended counterclaim to the Plaintiffs on or around November 2019 seeking, among other things, damages. The Company is seeking the Plaintiffs' consent to amend its counterclaim. Examinations for discovery were scheduled to take place in Toronto, Canada in June 2020.

The action settled at mediation on or about September 17, 2020. The parties agreed to dismiss the claim and the counterclaim, subject to XpresSpa's right to commence an application to seek rectification of certain shares and warrants that were issued in connection with the Member Purchase Agreement. On September 21, 2020, the Ontario Superior Court of Justice entered an Order dismissing, without costs, the action and counterclaim. XpresSpa was granted the Order seeking the rectification of the shares and warrant and that matter was completed in March 2021.

Rodger Jenkins and Gregory Jones v. XpresSpa Group, Inc.

In March 2019, Rodger Jenkins and Gregory Jones filed a lawsuit against the Company in the United States District Court for the Southern District of New York. The lawsuit alleges breach of contract of the stock purchase agreement related to the Company's acquisition of Excalibur Integrated Systems, Inc. and seeks specific performance, compensatory damages and other fees, expenses and costs. When this action was first commenced, the plaintiffs had demanded cash or stock in the sum of $750. On or about January 3, 2020, the court granted the plaintiffs' motion to amend their pleading to increase their total demand to $1,500.

On December 11, 2020, the court issued its decision and order on the parties' respective motions for summary judgment in which the court: (a) awarded plaintiffs damages in the sum of $750, plus prejudgment interest; (b) granted that portion of the Company's motion dismissing Jenkins's claim for $600 based on his having executed a written waiver of his right to receive that sum; and (c) denied both sides' motions with respect to Jones's claim to recover $150 and directed Jones's claim to be tried. The court has stated that the trial on the remaining portion of Jones's claim will occur in May 2021. We remain confident in the Company's defenses to the remaining portion of Jones's claim. We further believe that the Company has meritorious arguments with respect to the claims already decided against the Company, and, accordingly, the Company plans to appeal all unfavorable rulings following the trial of Jones's remaining claim.

EFP Capital Solutions LLC settlement

In March 2019, a complaint was filed against the Company by EFP Capital Solutions LLC ("EFP"), the receivables factor of the Company's vendor MobiPT, Inc. ("MobiPT"), relating to payments made incorrectly by the Company to MobiPT for receivables MobiPT had sold to EFP. The ensuing mediation resulted in the Company agreeing to pay EFP $165 for such payments, for which the Company recorded an expense. The Company made the final settlement installment payment on or about July 15, 2020. The claim against the Company is now fully resolved and the action has been dismissed as to the Company. The Company obtained a default judgment against MobiPT on October 27, 2020 and intends to seek reimbursement of $192 from MobiPT, but there is no assurance the Company will be successful.

XpresSpa Group, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

Kyle Collins v. Spa Products Import & Distribution Co., LLC et al

This is a combined class action and California Private Attorney's General Act ("PAGA") action. Plaintiff seeks to recover wages, penalties and PAGA penalties for claims for (1) failure to provide meal periods, (2) failure to provide rest breaks, (3) failure to pay overtime, (4) inaccurate wage statements, (5) waiting time penalties, and (6) PAGA penalties of $100 per employee per pay period per violation. There are approximately 240 current and former employees in the litigation class. The parties agreed to mediation on May 26, 2020, however, due to COVID-19 the parties subsequently stayed all proceedings. The mediation session occurred on March 18, 2021and the parties reached a settlement in principle.

In addition to those matters specifically set forth herein, the Company and its subsidiaries are involved in various other claims and legal actions that arise in the ordinary course of business. The Company does not believe that the ultimate resolution of these actions will have a material adverse effect on the Company's financial position, results of operations, liquidity, or capital resources. However, a significant increase in the number of these claims, or one or more successful claims under which the Company incurs greater liabilities than the Company currently anticipates, could materially adversely affect the Company's business, financial condition, results of operations and cash flows.

In the event that an action is brought against the Company or one of its subsidiaries, the Company will investigate the allegation and vigorously defend itself.

Leases

XpresSpa is contingently liable to a surety company under certain general indemnity agreements required by various airports relating to its lease agreements. XpresSpa agrees to indemnify the surety for any payments made on contracts of suretyship, guaranty, or indemnity. The Company believes that all contingent liabilities will be satisfied by its performance under the specified lease agreements.

Note 19. Subsequent Events

On March 22, 2021, the Company executed a cashless exercise of 3,000,000 warrants of Route 1. In exchange, the Company received 1,355,443 common shares of Route 1. See *Note 7. Other assets* for further discussion of the Route 1 equity investments.

In 2021, holders of the Company's December 2020 Investor Warrants, December 2020 Placement Agent Warrants and December 2020 Placement Agent Tail Fee Warrants exercised a total of 11,223,529 warrants for common shares. The Company received gross proceeds of approximately $19,161. In accordance with the placement agent agreements with H.C. Wainwright & Co., LLC and Palladium, the Company paid cash fees of $2,154 and issued 842,589 warrants to H.C. Wainwright & Co., LLC at an exercise price of $2.125 per share and 325,500 warrants to Palladium at an exercise price of $1.70 per share. See *Note 11. Stockholders' Equity and Warrants* for related discussion.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned thereunto, duly authorized on the 31st day of March, 2021.

XpresSpa Group, Inc.

By: /s/ DOUGLAS SATZMAN
Douglas Satzman
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities indicated below and on the dates indicated.

Signature	Title	Date
/s/ DOUGLAS SATZMAN **Douglas Satzman**	Chief Executive Officer and Director (Principal Executive Officer)	3/31/2021
/s/ JAMES A. BERRY **James A. Berry**	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	3/31/2021
/s/ BRUCE T. BERNSTEIN **Bruce T. Bernstein**	Director	3/31/2021
/s/ ROBERT WEINSTEIN **Robert Weinstein**	Director	3/31/2021
/s/ MICHAEL LEBOWITZ **Michael Lebowitz**	Director	3/31/2021
/s/ DONALD E. STOUT **Donald E. Stout**	Director	3/31/2021

Exhibit 10.35

Option No.[[GRANTNUMBER]]

XpresSpa Group Inc.

Stock Option Grant Notice
Stock Option Grant under the
XpresSpa Group Inc. 2020 Equity Incentive Plan

1.	Name and Address of Participant:	[[FIRSTNAME]] [[LASTNAME]] [[RESADDR1]] [[RESCITY]], [[RESSTATEORPROV]] [[RESPOSTALCODE]]
2.	Date of Option Grant:	[[GRANTDATE]]
3.	Type of Grant:	[[GRANTTYPE]]
4.	Maximum Number of Shares for which this Option is exercisable:	[[SHARESGRANTED]]
5.	Exercise (purchase) price per share:	[[GRANTPRICE]]
6.	Option Expiration Date:	[[GRANTEXPIRATIONDATE]]
7.	Vesting Commencement Date:	[[VESTINGSTARTDATE]]

8. Vesting Schedule: This Option shall become exercisable (and the Shares issued upon exercise shall be vested) as follows provided the Participant is an Employee, Director or Consultant of the Company or of an Affiliate on the applicable vesting date:

Vesting Schedule

On the last day of the first calendar quarter after the Grant Date	**25%**
On the last day of the second calendar quarter after the Grant Date	**25%**
On the last day of the third calendar quarter after the Grant Date	**25%**
On the last day of the fourth calendar quarter after the Grant Date	**25%**

The foregoing rights are cumulative and are subject to the other terms and conditions of this Agreement and the Plan.

The Company and the Participant acknowledge receipt of this Stock Option Grant Notice and agree to the terms of the Stock Option Agreement attached hereto and incorporated by reference herein, the Company's 2020 Equity Incentive Plan and the terms of this Option Grant as set forth above.

XpresSpa Group Inc.

By: /s/ Doug Satzman

Name: Doug Satzman

Title: Chief Executive Officer

[[SIGNATURE]]

Participant

XPRESSPA GROUP, INC.

STOCK OPTION AGREEMENT - INCORPORATED TERMS AND CONDITIONS

AGREEMENT made as of the date of grant set forth in the Stock Option Grant Notice by and between XpresSpa Group, Inc. (the "Company"), a Delaware corporation, and the individual whose name appears on the Stock Option Grant Notice (the "Participant").

WHEREAS, the Company desires to grant to the Participant an Option to purchase shares of its common stock, $0.01 par value per share (the "Shares"), under and for the purposes set forth in the Company's 2020 Equity Incentive Plan (the "Plan");

WHEREAS, the Company and the Participant understand and agree that any terms used and not defined herein have the same meanings as in the Plan; and

WHEREAS, the Company and the Participant each intend that the Option granted herein shall be of the type set forth in the Stock Option Grant Notice.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto agree as follows:

1. GRANT OF OPTION.

The Company hereby grants to the Participant the right and option to purchase all or any part of an aggregate of the number of Shares set forth in the Stock Option Grant Notice, on the terms and conditions and subject to all the limitations set forth herein, under United States securities and tax laws, and in the Plan, which is incorporated herein by reference. The Participant acknowledges receipt of a copy of the Plan.

2. EXERCISE PRICE.

The exercise price of the Shares covered by the Option shall be the amount per Share set forth in the Stock Option Grant Notice, subject to adjustment, as provided in the Plan, in the event of a stock split, reverse stock split or other events affecting the holders of Shares after the date hereof (the "Exercise Price"). Payment shall be made in accordance with Paragraph 6.4 of the Plan.

3. EXERCISABILITY OF OPTION.

Subject to the terms and conditions set forth in this Agreement and the Plan, the Option granted hereby shall become vested and exercisable as set forth in the Stock Option Grant Notice and is subject to the other terms and conditions of this Agreement and the Plan.

4. TERM OF OPTION.

This Option shall terminate on the Option Expiration Date as specified in the Stock Option Grant Notice and, if this Option is designated in the Stock Option Grant Notice as an Incentive Stock Option ("ISO") and the Participant owns as of the date hereof more than 10% of the total combined voting power of all classes of capital stock of the Company or an Affiliate, such date may not be more than five years from the date of this Agreement, but shall be subject to earlier termination as provided herein or in the Plan.

If the Participant ceases to be an Employee, Director or Consultant of the Company or of an Affiliate for any reason other than the death or Disability of the Participant, or termination of the Participant for Cause (the "Termination Date"), the Option to the extent then vested and exercisable pursuant to Section 3 hereof as of the Termination Date, and not previously terminated in accordance with this Agreement, may be exercised within three months after the Termination Date, or on or prior to the Option Expiration Date as specified in the Stock Option Grant Notice, whichever is earlier, but may not be exercised thereafter except as set forth below. In such event, the unvested portion of the Option shall not be exercisable and shall expire and be cancelled on the Termination Date.

If this Option is designated in the Stock Option Grant Notice as an ISO and the Participant ceases to be an Employee of the Company or of an Affiliate but continues after termination of employment to provide service to the Company or an Affiliate as a director or Consultant, this Option shall continue to vest in accordance with Section 3 above as if this Option had not terminated until the Participant is no longer providing services to the Company. In such case, this Option shall automatically convert and be deemed a Non-Qualified Option as of the date that is three months from termination of the Participant's employment and this Option shall continue on the same terms and conditions set forth herein until such Participant is no longer providing service to the Company or an Affiliate.

Notwithstanding the foregoing, in the event of the Participant's Disability or death within three months after the Termination Date, the Participant or the Participant's estate, a person who acquired the right to exercise the Option by bequest or inheritance, or a person designated to exercise the Option upon the Participant's death ("Survivors") may exercise the Option (to the extent then vested and exercisable as of the Termination Date and not previously terminated in accordance with this Agreement) within one year after the Termination Date, but in no event after the Option Expiration Date as specified in the Stock Option Grant Notice.

In the event the Participant's service is terminated by the Company or an Affiliate for Cause, the Participant's right to exercise any unexercised portion of this Option even if vested shall cease immediately as of the time the Participant is notified his or her service is terminated for Cause, and this Option shall thereupon terminate. Notwithstanding anything herein to the contrary, if subsequent to the Participant's termination, but prior to the exercise of the Option, the Administrator determines that, either prior or subsequent to the Participant's termination, the Participant engaged in conduct which would constitute Cause, then the Participant shall immediately cease to have any right to exercise the Option and this Option shall thereupon terminate.

In the event the Participant's service terminates as a result of the Disability of the Participant, as determined in accordance with the Plan, the Option shall be exercisable within one year after the Participant's termination of service due to Disability or, if earlier, on or prior to the Option Expiration Date as specified in the Stock Option Grant Notice. In such event, the Option shall be exercisable:

(a) to the extent that the Option has become exercisable but has not been exercised as of the date of the Participant's termination of service due to Disability; and

(b) in the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion through the date of the Participant's termination of service due to Disability of any additional vesting rights that would have accrued on the next vesting date had the Participant not become Disabled. The proration shall be based upon the number of days accrued in the current vesting period prior to the date of the Participant's termination of service due to Disability.

In the event of the death of the Participant while an Employee, Director or Consultant of the Company or of an Affiliate, the Option shall be exercisable by the Participant's Survivors within one year after the date of death of the Participant or, if earlier, on or prior to the Option Expiration Date as specified in the Stock Option Grant Notice. In such event, the Option shall be exercisable:

(x) to the extent that the Option has become exercisable but has not been exercised as of the date of death; and

(y) in the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion through the date of death of any additional vesting rights that would have accrued on the next vesting date had the Participant not died. The proration shall be based upon the number of days accrued in the current vesting period prior to the Participant's date of death.

5. METHOD OF EXERCISING OPTION.

Subject to the terms and conditions of this Agreement, the Option may be exercised by written notice to the Company or its designee, in substantially the form of Exhibit A attached hereto (or in such other form acceptable to the Company, which may include electronic notice). Such notice shall state the number of Shares with respect to which the Option is being exercised and shall be signed by the person exercising the Option (which signature may be provided electronically in a form acceptable to the Company). Payment of the Exercise Price for such Shares shall be made in accordance with Paragraph 6.4 of the Plan. The Company shall deliver such Shares as soon as practicable after the notice shall be received, provided, however, that the Company may delay issuance of such Shares until completion of any action or obtaining of any consent, which the Company deems necessary under any applicable law (including, without

limitation, state securities or "blue sky" laws). The Shares as to which the Option shall have been so exercised shall be registered in the Company's share register in the name of the person so exercising the Option (or, if the Option shall be exercised by the Participant and if the Participant shall so request in the notice exercising the Option, shall be registered in the Company's share register in the name of the Participant and another person jointly, with right of survivorship) and shall be delivered as provided above to or upon the written order of the person exercising the Option. In the event the Option shall be exercised, pursuant to Section 4 hereof, by any person other than the Participant, such notice shall be accompanied by appropriate proof of the right of such person to exercise the Option. All Shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and nonassessable.

6. PARTIAL EXERCISE.

Exercise of this Option to the extent above stated may be made in part at any time and from time to time within the above limits, except that no fractional share shall be issued pursuant to this Option.

7. NON-ASSIGNABILITY.

The Option shall not be transferable by the Participant otherwise than by will or by the laws of descent and distribution. If this Option is a Non-Qualified Option then it may also be transferred pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act or the rules thereunder**.** Except as provided above in this paragraph, the Option shall be exercisable, during the Participant's lifetime, only by the Participant (or, in the event of legal incapacity or incompetency, by the Participant's guardian or representative) and shall not be assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted transfer, assignment, pledge, hypothecation or other disposition of the Option or of any rights granted hereunder contrary to the provisions of this Section 7, or the levy of any attachment or similar process upon the Option shall be null and void.

8. NO RIGHTS AS STOCKHOLDER UNTIL EXERCISE.

The Participant shall have no rights as a stockholder with respect to Shares subject to this Agreement until registration of the Shares in the Company's share register in the name of the Participant. Except as is expressly provided in the Plan with respect to certain changes in the capitalization of the Company, no adjustment shall be made for dividends or similar rights for which the record date is prior to the date of such registration.

9. ADJUSTMENTS.

The Plan contains provisions covering the treatment of Options in a number of contingencies such as stock splits and mergers. Provisions in the Plan for adjustment with respect to stock subject to Options and the related provisions with respect to successors to the business of the Company are hereby made applicable hereunder and are incorporated herein by reference.

10. TAXES.

The Participant acknowledges that any income or other taxes due from him or her with respect to this Option or the Shares issuable pursuant to this Option shall be the Participant's responsibility. The Participant acknowledges and agrees that (i) the Participant was free to use professional advisors of his or her choice in connection with this Agreement, has received advice from his or her professional advisors in connection with this Agreement, understands its meaning and import, and is entering into this Agreement freely and without coercion or duress; (ii) the Participant has not received and is not relying upon any advice, representations or assurances made by or on behalf of the Company or any Affiliate or any employee of or counsel to the Company or any Affiliate regarding any tax or other effects or implications of the Option, the Shares or other matters contemplated by this Agreement; and (iii) neither the Committee, the Company, its Affiliates, nor any of its officers or directors, shall be held liable for any applicable costs, taxes, or penalties associated with the Option if, in fact, the Internal Revenue Service were to determine that the Option constitutes deferred compensation under Section 409A of the Code.

The Participant agrees that the Company may withhold from the Participant's remuneration, if any, the amount of federal, state and local withholding taxes attributable to such amount that is considered compensation includable in such person's gross income. At the Company's discretion, the amount required to be withheld may be withheld in cash from such remuneration, or in kind from the Shares otherwise deliverable to the Participant on exercise of the Option. The Participant further agrees that, if the Company does not withhold an amount from the Participant's remuneration sufficient to satisfy the Company's income tax withholding obligation, the Participant will reimburse the Company on demand, in cash, for the amount under-withheld.

11. PURCHASE FOR INVESTMENT.

Unless the offering and sale of the Shares to be issued upon the particular exercise of the Option shall have been effectively registered under the Securities Act, the Company shall be under no obligation to issue the Shares covered by such exercise unless the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act and until the following conditions have been fulfilled:

(a) The person(s) who exercise the Option shall warrant to the Company, at the time of such exercise, that such person(s) are acquiring such Shares for their own respective accounts, for investment, and not with a view to, or for sale in connection with, the distribution of any such Shares, in which event the person(s) acquiring such Shares shall be bound by the provisions of the following legend which shall be endorsed upon any certificate(s) evidencing the Shares issued pursuant to such exercise:

"The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or

(b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws;" and

(b) If the Company so requires, the Company shall have received an opinion of its counsel that the Shares may be issued upon such particular exercise in compliance with the Securities Act without registration thereunder. Without limiting the generality of the foregoing, the Company may delay issuance of the Shares until completion of any action or obtaining of any consent, which the Company deems necessary under any applicable law (including without limitation state securities or "blue sky" laws).

12. RESTRICTIONS ON TRANSFER OF SHARES.

12.1 The Participant agrees that in the event the Company proposes to offer for sale to the public any of its equity securities and such Participant is requested by the Company and any underwriter engaged by the Company in connection with such offering to sign an agreement restricting the sale or other transfer of Shares, then it will promptly sign such agreement and will not transfer, whether in privately negotiated transactions or to the public in open market transactions or otherwise, any Shares or other securities of the Company held by him or her during such period as is determined by the Company and the underwriters, not to exceed 180 days following the closing of the offering, plus such additional period of time as may be required to comply with Marketplace Rule 2711 of the National Association of Securities Dealers, Inc. or similar rules thereto (such period, the "Lock-Up Period"). Such agreement shall be in writing and in form and substance reasonably satisfactory to the Company and such underwriter and pursuant to customary and prevailing terms and conditions. Notwithstanding whether the Participant has signed such an agreement, the Company may impose stop-transfer instructions with respect to the Shares or other securities of the Company subject to the foregoing restrictions until the end of the Lock-Up Period.

12.2 The Participant acknowledges and agrees that neither the Company, its shareholders nor its directors and officers, has any duty or obligation to disclose to the Participant any material information regarding the business of the Company or affecting the value of the Shares before, at the time of, or following a termination of the service of the Participant by the Company, including, without limitation, any information concerning plans for the Company to make a public offering of its securities or to be acquired by or merged with or into another firm or entity.

13. NO OBLIGATION TO MAINTAIN RELATIONSHIP.

The Participant acknowledges that: (i) the Company is not by the Plan or this Option obligated to continue the Participant as an employee, Director or Consultant of the Company or an Affiliate; (ii) the Plan is discretionary in nature and may be suspended or terminated by the Company at any time; (iii) the grant of the Option is a one-time benefit which does not create any contractual or other right to receive future grants of options, or benefits in lieu

of options; (iv) all determinations with respect to any such future grants, including, but not limited to, the times when options shall be granted, the number of shares subject to each option, the option price, and the time or times when each option shall be exercisable, will be at the sole discretion of the Company; (v) the Participant's participation in the Plan is voluntary; (vi) the value of the Option is an extraordinary item of compensation which is outside the scope of the Participant's employment or consulting contract, if any; and (vii) the Option is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

14. IF OPTION IS INTENDED TO BE AN ISO.

If this Option is designated in the Stock Option Grant Notice as an ISO so that the Participant (or the Participant's Survivors) may qualify for the favorable tax treatment provided to holders of Options that meet the standards of Section 422 of the Code then any provision of this Agreement or the Plan which conflicts with the Code so that this Option would not be deemed an ISO is null and void and any ambiguities shall be resolved so that the Option qualifies as an ISO. The Participant should consult with the Participant's own tax advisors regarding the tax effects of the Option and the requirements necessary to obtain favorable tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements.

Notwithstanding the foregoing, to the extent that the Option is designated in the Stock Option Grant Notice as an ISO and is not deemed to be an ISO pursuant to Section 422(d) of the Code because the aggregate Fair Market Value (determined as of the Date of Option Grant) of any of the Shares with respect to which this ISO is granted becomes exercisable for the first time during any calendar year in excess of $100,000, the portion of the Option representing such excess value shall be treated as a Non-Qualified Option and the Participant shall be deemed to have taxable income measured by the difference between the then Fair Market Value of the Shares received upon exercise and the price paid for such Shares pursuant to this Agreement.

Neither the Company nor any Affiliate shall have any liability to the Participant, or any other party, if the Option (or any part thereof) that is intended to be an ISO is not an ISO or for any action taken by the Administrator, including without limitation the conversion of an ISO to a Non-Qualified Option.

15. NOTICE TO COMPANY OF DISQUALIFYING DISPOSITION OF AN ISO.

If this Option is designated in the Stock Option Grant Notice as an ISO then the Participant agrees to notify the Company in writing immediately after the Participant makes a Disqualifying Disposition of any of the Shares acquired pursuant to the exercise of the ISO. A Disqualifying Disposition is defined in Section 424(c) of the Code and includes any disposition (including any sale) of such Shares before the later of (a) two years after the date the Participant was granted the ISO or (b) one year after the date the Participant acquired Shares by exercising the ISO, except as otherwise provided in Section 424(c) of the Code. If the Participant has died before the Shares are sold, these holding period requirements do not apply and no Disqualifying Disposition can occur thereafter.

16. NOTICES.

Any notices required or permitted by the terms of this Agreement or the Plan shall be given by recognized courier service, facsimile, registered or certified mail, return receipt requested, addressed as follows:

If to the Company:

XpresSpa Group, Inc.
254 West 31st Street, 11th Floor
New York, New York 10001
Attention: Chief Financial Officer

If to the Participant at the address set forth on the Stock Option Grant Notice

or to such other address or addresses of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given upon the earlier of receipt, one business day following delivery to a recognized courier service or three business days following mailing by registered or certified mail.

17. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the conflict of law principles thereof. For the purpose of litigating any dispute that arises under this Agreement, the parties hereby consent to exclusive jurisdiction in New York and agree that such litigation shall be conducted in the state courts of New York or the federal courts of the United States for the District of New York.

18. BENEFIT OF AGREEMENT.

Subject to the provisions of the Plan and the other provisions hereof, this Agreement shall be for the benefit of and shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

19. ENTIRE AGREEMENT.

This Agreement, together with the Plan, embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement shall affect or be used to interpret, change or restrict, the express terms and provisions of this Agreement, provided, however, in any event, this Agreement shall be subject to and governed by the Plan.

20. MODIFICATIONS AND AMENDMENTS.

The terms and provisions of this Agreement may be modified or amended as provided in the Plan.

21. WAIVERS AND CONSENTS.

Except as provided in the Plan, the terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

22. DATA PRIVACY.

By entering into this Agreement, the Participant: (i) authorizes the Company and each Affiliate, and any agent of the Company or any Affiliate administering the Plan or providing Plan recordkeeping services, to disclose to the Company or any of its Affiliates such information and data as the Company or any such Affiliate shall request in order to facilitate the grant of options and the administration of the Plan; and (ii) authorizes the Company and each Affiliate to store and transmit such information in electronic form for the purposes set forth in this Agreement.

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Exhibit A

NOTICE OF EXERCISE OF STOCK OPTION

[Form for Shares registered in the United States]

To: **XpresSpa Group, Inc.**

IMPORTANT NOTICE: This form of Notice of Exercise may only be used at such time as the Company has filed a Registration Statement with the Securities and Exchange Commission under which the issuance of the Shares for which this exercise is being made is registered and such Registration Statement remains effective.

Ladies and Gentlemen:

I hereby exercise my Stock Option to purchase [[SHARESGRANTED]] shares (the "Shares") of the common stock, $0.01 par value, of XpresSpa Group, Inc. (the "Company"), at the exercise price of $[[GRANTPRICE]] per share, pursuant to and subject to the terms of that Stock Option Grant Notice dated [[GRANTDATE]].

I understand the nature of the investment I am making and the financial risks thereof. I am aware that it is my responsibility to have consulted with competent tax and legal advisors about the relevant national, state and local income tax and securities laws affecting the exercise of the Option and the purchase and subsequent sale of the Shares.

I am paying the option exercise price for the Shares as follows:

Please issue the Shares (check one):

£ to me; or

£ to me and _____, as joint tenants with right of survivorship,

at the following address:

_____

_____

_____

My mailing address for shareholder communications, if different from the address listed above, is:

_____

_____

_____

Very truly yours,

[[SIGNATURE]]

_____

Participant (signature)

[[FIRSTNAME]] [[LASTNAME]]

Print Name

[[SIGNATURE_DATE]]

Date

Accepted by:

_____

Name and Title

_____

Signature

_____

Date of Receipt of Notice and Payment

Exhibit A-2

XPRESSPA GROUP, INC.
2020 EQUITY INCENTIVE PLAN

NOTICE OF RESTRICTED STOCK UNIT AWARD

The Participant is hereby provided this Notice of the following grant of a Restricted Stock Unit Award (the "**Award**") with respect to shares of the Common Stock of XpresSpa Group, Inc., a Delaware corporation (the "**Company**") under the XpresSpa Group, Inc. 2020 Equity Incentive Plan (the "**Plan**"). All capitalized terms in this Notice shall have the meaning assigned to them in this Notice or in the attached Restricted Stock Unit Agreement, or, if not defined herein or therein, in the Plan.

Participant: _____

Grant Date: _____

Number of Restricted Stock Units: _____

Vesting Schedule: The Participant shall vest in the Restricted Stock Units, subject to the Participant's continued service with the Company, as follows:

Vesting Schedule

On the last day of the first calendar quarter after the Grant Date	**25%**
On the last day of the second calendar quarter after the Grant Date	**25%**
On the last day of the third calendar quarter after the Grant Date	**25%**
On the last day of the fourth calendar quarter after the Grant Date	**25%**

The foregoing vesting schedule notwithstanding, if the Participant's Continuous Service terminates for any reason at any time before all of his or her Restricted Stock Units have vested, the Participant's unvested Restricted Stock Units shall be automatically forfeited upon such termination of Continuous Service and neither the Company nor any Affiliate shall have any further obligations to the Participant under this Notice or the Restricted Stock Unit Agreement. [Insert other vesting terms.

The Participant hereby acknowledges and agrees that (a) the Company has made available to the Participant copies of the Plan, the form of Restricted Stock Unit Agreement and the prospectus for the Plan and (b) the Participant has had the opportunity to review such documents and this Notice and to consult with the Participant's individual tax advisor and legal counsel with respect to the same.

The Participant understands and agrees that the Award is granted subject to and in accordance with the terms of the Plan. By executing this Notice, the Participant further agrees to be bound by the terms of the Plan and the terms of the Award as set forth in the Restricted Stock Unit Agreement attached hereto. By accepting this Award, the Participant consents to receive Plan documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

XpresSpa Group, Inc.	**Participant**
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Date: _____
Date: _____	

XpresSpa Group, Inc.
2020 Equity Incentive Plan

Restricted Stock Unit Agreement

XpresSpa Group, Inc. (the "**Company**") has awarded the Participant set forth in the Grant Notice a Restricted Stock Unit Award (the "**Award**") that is subject to the XpresSpa Group, Inc. 2020 Equity Incentive Plan (the "**Plan**"), the Notice of Restricted Stock Unit Award (the "**Grant Notice**") and this Restricted Stock Unit Agreement (the "**Agreement**"), for the number of Restricted Stock Units indicated in the Grant Notice. Capitalized terms not explicitly defined in this Agreement or in the Grant Notice but defined in the Plan will have the same definitions as in the Plan. In the event of any conflict between the terms in this Agreement and the Plan, the terms of the Plan will control. This Agreement will be deemed to be signed by the Participant on the signing by the Participant of the Grant Notice to which it is attached.

1. Grant of Restricted Stock Units. The Company hereby issues to the Participant on the Grant Date an Award for the number of Restricted Stock Units set forth in the Grant Notice (the "**Restricted Stock Units**"). Each Restricted Stock Unit represents the right to receive one share of Common Stock, subject to the terms and conditions set forth in this Agreement and the Plan. The Restricted Stock Units shall be credited to a separate account maintained for the Participant on the books and records of the Company (the "**Account**"). All amounts credited to the Account shall continue for all purposes to be part of the general assets of the Company.

2. Consideration. The grant of the Restricted Stock Units is made in consideration of the services to be rendered by the Participant to the Company.

3. Vesting. The Restricted Stock Units will vest as set forth in the Grant Notice. The period during which any Restricted Stock Units remain subject to vesting is described in this Agreement as the "**Restricted Period**". In the event of a Change in Control, the Restricted Stock Units will be subject to the provisions of the Plan relating to a Change in Control. Once vested, the Restricted Stock Units become "**Vested Units.**"

4. Restrictions. Subject to any exceptions set forth in this Agreement or the Plan, during the Restricted Period and until such time as the Restricted Stock Units are settled in accordance with Section 6, the Restricted Stock Units or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Restricted Stock Units or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Restricted Stock Units will be forfeited by the Participant and all of the Participant's rights to such units shall immediately terminate without any payment or consideration by the Company.

5. Rights as Shareholder; Dividend Equivalents.

5.1 The Participant shall not have any rights of a shareholder with respect to the shares of Common Stock underlying the Restricted Stock Units unless and until the Restricted Stock Units vest and are settled by the issuance of such shares of Common Stock.

5.2 Upon and following the settlement of the Restricted Stock Units, the Participant shall be the record owner of the shares of Common Stock underlying the Restricted Stock Units unless and until such shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a shareholder of the Company (including voting rights).

5.3 If, prior to the settlement date, the Company declares a cash or stock dividend on the shares of Common Stock, then, on the payment date of the dividend, the Participant's Account shall be credited with Dividend Equivalents in an amount equal to the dividends that would have been paid to the Participant if one share of Common Stock had been issued on the Grant Date for each Restricted Stock Unit granted to the Participant as set forth in this Agreement. Such Dividend Equivalents shall be distributed in cash or, at the discretion of the Committee, in shares of Common Stock having a Fair Market Value equal to the amount of such Dividend Equivalents to the Participant upon settlement of

such Restricted Stock Unit and, if such Restricted Stock Unit is forfeited, the Participant shall have no right to such Dividend Equivalents.

6. Settlement of Restricted Stock Units.

6.1 Subject to Section 9 hereof, promptly following the vesting date, and in any event no later than March 15 of the calendar year following the calendar year in which such vesting occurs, the Company shall (a) issue and deliver to the Grantee the number of shares of Common Stock equal to the number of Vested Units and cash equal to any Dividend Equivalents credited with respect to such Vested Units and the interest thereon, or, at the discretion of the Committee, shares of Common Stock having a Fair Market Value equal to such Dividend Equivalents and the interest thereon; and (b) enter the Grantee's name on the books of the Company as the shareholder of record with respect to the shares of Common Stock delivered to the Grantee.

6.2 Notwithstanding the foregoing, in accordance with the terms of the Plan, the Committee may, but is not required to, prescribe rules pursuant to which the Participant may elect to defer settlement of the Restricted Stock Units. Any deferral election must be made in compliance with such rules and procedures as the Committee deems advisable.

7. No Right to Continued Service. Neither the Plan nor this Agreement shall confer upon the Participant any right to be retained in any position, as an Employee, Consultant or Director of the Company. Further, nothing in the Plan or this Agreement shall be construed to limit the discretion of the Company to terminate the Participant's Continuous Service at any time, with or without Cause.

8. Adjustments. If any change is made to the outstanding Common Stock or the capital structure of the Company, if required, the Restricted Stock Units shall be adjusted or terminated in any manner as contemplated by the terms of the Plan.

9. Tax Liability and Withholding.

9.1 The Participant shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Participant pursuant to the Plan, the amount of any required withholding taxes in respect of the Restricted Stock Units and to take all such other action as the Committee deems necessary to satisfy all obligations for the payment of such withholding taxes. The Committee may permit the Participant to satisfy any federal, state or local tax withholding obligation by any of the following means, or by a combination of such means:

(a) tendering a cash payment;

(b) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable or deliverable to the Participant as a result of the vesting of the Restricted Stock Units; and

(c) delivering to the Company previously owned and unencumbered shares of Common Stock.

9.2 Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("**Tax-Related Items**"), the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and the Company (a) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting or settlement of the Restricted Stock Units or the subsequent sale of any shares; and (b) does not commit to structure the Restricted Stock Units to reduce or eliminate the Participant's liability for Tax-Related Items.

10. Compliance with Law. The issuance and transfer of shares of Common Stock shall be subject to compliance by the Company and the Participant with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's shares of Common Stock may be listed. No shares of Common Stock shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

11. Notices. Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Chief Financial Officer of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Participant under this Agreement shall be in writing and addressed to the Participant at the Participant's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the conflict of law principles thereof. For the purpose of litigating any dispute that arises under this Agreement, the parties hereby consent to exclusive jurisdiction in New York and agree that such litigation shall be conducted in the state courts of New York or the federal courts of the United States for the District of New York..

13. Restricted Stock Units Subject to Plan. This Agreement is subject to the Plan as approved by the Company's shareholders. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

14. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Participant and the Participant's beneficiaries, executors, administrators and the person(s) to whom the Restricted Stock Units may be transferred by will or the laws of descent or distribution.

15. Severability. The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

16. Discretionary Nature of Plan. The Plan is discretionary and may be amended, cancelled or terminated by the Company at any time, in its discretion. The grant of the Restricted Stock Units in this Agreement does not create any contractual right or other right to receive any Restricted Stock Units or other Awards in the future. Future Awards, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Participant's employment with the Company.

17. Amendment. The Committee has the right to amend, alter, suspend, discontinue or cancel the Restricted Stock Units, prospectively or retroactively; provided, that, no such amendment shall adversely affect the Participant's material rights under this Agreement without the Participant's consent.

18. Section 409A. This Agreement will be interpreted to the greatest extent possible in a manner that makes the Restricted Stock Units exempt from Section 409A of the Code, and to the extent not so exempt, in compliance with the requirements imposed by Section 409A of the Code. If any provision in the Grant Notice or this Agreement would result in the imposition of an additional tax under Section 409A of the Code, the Company and the Participant intend that the Grant Notice or this Agreement will be reformed to avoid imposition, to the extent possible, of the applicable tax and no action taken to comply with Section 409A of the Code shall be deemed to adversely affect the Participant's rights to the Restricted Stock Units. The Participant further agrees that the Committee, in the exercise of its sole discretion and without the consent of the Participant, may amend or modify the Plan, the Grant Notice or this Agreement in any manner and delay the payment of any amounts payable pursuant to the Restricted Stock Units to the extent necessary to meet the requirements of Section 409A of the Code as the Committee deems appropriate or desirable. The Company makes no representation that the Plan or any Award complies with Section 409A of the Code and shall have no liability to any Participant for any failure to comply with Section 409A of the Code. If the Restricted Stock Units are intended to comply with Section 409A of

the Code and Participant is deemed a “specified employee” within the meaning of Section 409A of the Code, as determined by the Committee, at a time when the Participant becomes eligible for settlement of the RSUs upon “separation from service” within the meaning of Section 409A of the Code, then to the extent necessary to prevent any accelerated or additional tax under Section 409A of the Code, such settlement will be delayed until the earlier of: (a) the date that is six months following the Participant’s separation from service and (b) the Participant’s death.

19. No Impact on Other Benefits. The value of the Participant’s Restricted Stock Units is not part of his or her normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit.

20. Purchase for Investment. Unless the offering and sale of the shares of Common Stock underlying the Restricted Stock Units shall have been effectively registered under the Securities Act:

(a) The person(s) who receives these Shares of Common Stock underlying the Restricted Stock Units warrants to the Company, at the time of such issuance, that such person(s) are acquiring such Shares of Common Stock underlying the Restricted Stock Units for their own respective accounts, for investment, and not with a view to, or for sale in connection with, the distribution of any such Shares of Common Stock underlying the Restricted Stock Units, in which event the person(s) acquiring such Shares of Common Stock underlying the Restricted Stock Units shall be bound by the provisions of the following legend which shall be endorsed upon any certificate(s) evidencing the Shares of Common Stock underlying the Restricted Stock Units issued hereunder:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT COVERING SUCH SECURITIES, THE SALE IS MADE IN ACCORDANCE WITH RULE 144 UNDER THE ACT, OR THE COMPANY RECEIVES AN OPINION OF COUNSEL FOR THE HOLDER OF THESE SECURITIES SATISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE ACT.

(b) If the Company so requires, the Company may delay issuance of the Shares of Common Stock underlying the Restricted Stock Units until completion of any action or obtaining of any consent, which the Company deems necessary under any applicable law (including without limitation state securities or “blue sky” laws).

21. Acceptance. The Participant hereby acknowledges receipt of a copy of the Plan, the Grant Notice, and this Agreement. The Participant has read and understands the terms and provisions thereof, and accepts the Restricted Stock Units subject to all of the terms and conditions of the Plan, the Grant Notice, and this Agreement. The Participant acknowledges that there may be adverse tax consequences upon the vesting or settlement of the Restricted Stock Units or disposition of the underlying shares and that the Participant has been advised to consult a tax advisor prior to such vesting, settlement or disposition.

XpresSpaGroup XpresSpa / XpresCheck

Mr. James A. Berry
Wrentham, MA 02093
Cc: james.berry29@comcast.net

November 25, 2020

Dear James,

On behalf of the entire leadership team, we are very pleased to present you with our offer for the position of Chief Financial Officer, XpresSpa Group. Please review the terms of our offer below:

Position:	**Chief Financial Officer**
Reporting to:	Chief Executive Officer
Start Date:	Ideally, we would like you to start your new role as quickly as practical and will work with you to ensure an effective transition from your former employer to XpresSpa Group. Once you have had a chance to review the offer, please get back to me with your estimated start date.
Base Salary:	**$250,000** per year payable bi-weekly at $9,615.38 (less applicable taxes and deductions for employee paid benefits).
Signing Bonus:	As an additional incentive to your acceptance of this offer and your agreement to start your employment no later than December 14, 202, we will provide you with a one-time bonus equal to **$25,000** (net of tax). This incentive is payable in the first regular pay period after 90 days of employment.
Benefits:	As a full-time employee, you will be eligible to participate in the Company's health, welfare and retirement plans. Participation in these plans is voluntary and your effective date for enrollment will be the first of the month following your start date.
Time-Off:	Technology has created a variety of tools to allow our teams to provide support in ways that empower individuals to exceed performance expectations while effectively balancing their work and life. To that end, we happily provide unlimited time off to our support center teams.
Total Pay Review:	As a member of the executive leadership team, your total pay (base salary, bonus and equity) will be reviewed annually (usually during the 4th quarter of the fiscal year) by the Compensation Committee of the Board of Directors. This review will determine any increase or modification to the structure of your total compensation based on your performance and executive compensation survey data gathered

	periodically by the Compensation Committee. The next formal review of your total pay will be Q4 2021 (with an effective date in Q1 2022).
Short Term Incentive:	As a member of the leadership team, you will participate in our annual short-term incentive plan with a target incentive payout of **50%** of your annual base salary. The structure of the incentive plan is still under development and you will have an opportunity to influence its design. In general terms, the plan will measure your performance and ability to influence two key goals (revenue and profit) as well as your performance against specific personal goals which should be focused on developing the leadership capabilities of your team and yourself. The payout of Short-Term Incentive awards are generally made during the first quarter following close of the fiscal year.
Long Term Incentive:	As a member of the senior leadership team, you are also eligible to participate in the Company's Long-Term Incentive Plan (LTIP). Generally, the Company's LTIP provides executives with stock option awards as appropriate. Options would be issued to purchase shares of common stock at current market price with a 4-year vesting period and a 10-year term. We have agreed to provide you with an initial equity award equal to **$250,000 in Stock Options**. Executive equity is reviewed annually during the Annual Compensation Review as well as periodically when used as recognition for delivering key performance goals for the Company.
References:	This offer of employment is contingent on the successful results of a reference check (in process) and background check (to be administered upon conditional acceptance of this offer). Your conditional acceptance of this offer represents your agreement to complete a background check including credit, verification of employment (where able), federal, state and local law enforcement background review.
Remote Work:	We are committed to supporting a geographically dispersed workforce and will maintain that arrangement indefinitely or until such time as we agree (as an executive team) that such an arrangement no longer supports our long-term objectives. To help support your remote working arrangement, you will be issued electronic equipment including laptop and other peripheral devices to ensure you are able to maintain a successful remote work structure. Additionally, you will be expected from time to time to travel "in market" for team meetings where face-to-face connection is essential to advancing the business' agenda and continued cultural evolution in the organization.
Onboarding	As a new team member, we will prepare a comprehensive immersion plan to effectively onboard and enculturate you to our Company. This immersion plan will include time spent in our XpresCheck Wellness Centers, interaction with our field-based teams and one-on-one meetings with your new team as well as key members of the XSPA family. Once we agree on an appropriate start date, I will be back in touch with you to schedule your first few weeks of immersion.

James, on behalf of the entire XSPA family, we are very excited to have you officially join the executive team. We are excited to have you join and look forward to the many contributions you will make to our success! Welcome aboard.

Regards,

/s/ Scott Milford
Scott Milford
Chief People Officer

Cc: Doug Satzman, CEO

Acceptance:

/s/ James Berry	11/27/20
James Berry (Signature)	Date
/s/ James Berry	11/27/20
James Berry (Please Print)	Date

Subsidiaries of XpresSpa Group, Inc.

Name of Subsidiary	Jurisdiction of Incorporation
I/P Engine, Inc.	Virginia
Innovate/Protect, Inc.	Delaware
International Development Group, Ltd.	Maryland
Iron Gate Security, Inc.	Delaware
Quantum Stream Inc.	Delaware
Spa Products Import & Distribution Co., LLC	New York
Spa Products Wholesaling, LLC	New York
Vringo Acquisition, Inc.	Delaware
Vringo GmbH	Germany
Vringo Infrastructure, Inc.	Delaware
Vringo Labs, Inc.	Delaware
Vringo Ltd.	Israel
Vringo Mobile, Inc.	Delaware
VRTUAL, Inc.	Delaware
XpresSpa Amsterdam Airport B.V.	Netherlands
XpresSpa at Term. 4 JFK, LLC	New York
XpresSpa Atlanta Terminal A, LLC	New York
XpresSpa Atlanta Terminal C, LLC	New York
XpresSpa Atlanta Terminal D&E, LLC	New York
XpresSpa Austin Airport, LLC	New York
XpresSpa Charlotte Airport, LLC	New York
XpresSpa Chicago O'Hare, LLC	New York
XpresSpa Denver Airport, LLC	New York
XpresSpa DFW International, LLC	New York
XpresSpa DFW Kiosk, LLC	New York
XpresSpa DFW Terminal A, LLC	New York
XpresSpa Downtown NYC, LLC	New York
XpresSpa Europe B.V.	Netherlands
XpresSpa Franchising, LLC	New York
XpresSpa Franchising USA, LLC	New York
XpresSpa Holdings, LLC	Delaware
XpresSpa Houston Hobby, LLC	New York
XpresSpa Houston Intercontinental Terminal A, LLC	New York
XpresSpa International Holdings, LLC	New York
XpresSpa JFK Terminal 1, LLC	New York
XpresSpa JFK Terminal 7, LLC	New York
XpresSpa JFK Terminal 8, LLC	New York
XpresSpa John Wayne Airport, LLC	New York
XpresSpa LaGuardia Airport, LLC	New York
XpresSpa Las Vegas Airport, LLC	New York
XpresSpa LAX Airport, LLC	New York
XpresSpa LAX Tom Bradley, LLC	New York
XpresSpa Miami Airport, LLC	New York
XpresSpa Middle East B.V.	Netherlands
XpresSpa Middle East Limited	British Virgin Islands

Name of Subsidiary	Jurisdiction of Incorporation
XpresSpa Mobile Services, LLC	New York
XpresSpa MSP Airport, LLC	New York
XpresSpa Online Shopping, LLC	New York
XpresSpa Orlando International, LLC	New York
XpresSpa Orlando, LLC	New York
XpresSpa Philadelphia Airport, LLC	New York
XpresSpa Philadelphia Terminal B, LLC	New York
XpresSpa Phoenix Airport, LLC	New York
XpresSpa Pittsburgh A, LLC	New York
XpresSpa Raleigh-Durham Intl, LLC	New York
XpresSpa RDU Airport, LLC	New York
XpresSpa S.F. International, LLC	New York
XpresSpa Salt Lake City, LLC	New York
XpresSpa Washington Reagan, LLC	New York
XpresRecover Charlotte Airport, LLC	New York

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (No. 333-225531, No. 333-232764, No. 333-233419, No. 333-239913 and No. 333-240084) on Forms S-3, and the registration statements (No. 333-254508, No. 333-239915, No. 333-210257, No. 333-182853 and No. 333-181477) on Forms S-8, of XpresSpa Group Inc. of our report dated April 20, 2020, on our audit of the consolidated financial statements of XpresSpa Group Inc. and subsidiaries as of December 31, 2019, and for the year then ended, which report appears in this annual report on Form 10-K of XpresSpa Group Inc. Our report dated April 20, 2020 contains an explanatory paragraph stating there is substantial doubt about the ability of XpresSpa Group Inc. and subsidiaries to continue as a going concern.

/s/ CohnReznick LLP

March 31, 2021
Jericho, New York

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
XpresSpa Group, Inc.

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 No 333-254508, and on Form S-3 Nos 333-239913, 333-240084, 333-225531, and 333-233419 of XpresSpa Group, Inc. (the" Company") of our report dated March 31, 2021 with respect to the consolidated financial statements of XpresSpa Group, Inc. included in this Annual Report (Form 10-K) of XpresSpa Group, Inc. for the year ended December 31, 2020.

/s/ Friedman LLP

East Hanover, New Jersey
March 31, 2021

Exhibit 31.1

CERTIFICATIONS UNDER SECTION 302

I, Douglas Satzman, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

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

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

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

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

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

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

Date: March 31, 2021

/s/ DOUGLAS SATZMAN

Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS UNDER SECTION 302

I, James Berry, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

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

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

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

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

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

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

Date: March 31, 2021

/s/ JAMES BERRY

Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit 32

CERTIFICATIONS UNDER SECTION 906

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of XpresSpa Group, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report for the year ended December 31, 2020 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2021

/s/ DOUGLAS SATZMAN
Chief Executive Officer
(Principal Executive Officer)

/s/ JAMES BERRY
Chief Financial Officer
((Principal Financial and Accounting Officer)