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**September 10, 2020**  
**Letter from the CEO**

Dear Kinesics Members,

Our last update in May left us preparing for an implementation Go-Live at FMOLHS. I am pleased to report that we have completed over 1,400 evaluations as of the end of August. I am extremely proud of our team that pulled this off during a global pandemic within a multi-state health system. We are actively evaluating employees in Baton Rouge, Lafayette, Bogalusa, Monroe, and Jackson, MS, across 14 facilities and several departments. We are positioned to have a busy September and October at FMOLHS while closing out their annual wellness screenings and moving into re-evaluation cycles. If we can coordinate this job in this environment, we believe we can do anything!

I would have preferred to reach out to you earlier in August with a quarterly update, but our crazy schedule had us constantly traveling last month. Thank you for your patience as we push through an important learning curve. Our skeleton crew on the ground is making it happen every day!

With this letter, you will find a summary of financials as of June 2020. The summary includes our thoughts on past performance with year-to-year comparisons. The document also includes projections through the end of 2020 based on a conservative volume of evaluation services with FMOLHS. If our volume of work remains consistent, we are positioned to reach cashflow break-even by the end of the year. The variable of greatest concern is unpredictability of evaluation volume into 2021. Also attached is the latest FMOLHS Status Report.

Our current customers will allow us to support the team we have into the near future. However, our team is running on all cylinders, and we are starting to feel the need for additional operational assistance. We will continue the path we are on, work our tails off to see success at FMOLHS, and keep our sights on the next great opportunity.

The missing links to Kinesics' success are dedicated resources for technology development and support. We are currently only supporting our in-house developer and the maintenance of the Kinesics App. We are attempting to organize a beta release of the range of motion app, "MotionDX," but are falling short of internal goals due to a lack of financial and human resources. We are reaching a turning point where we either support future growth with available capital or look for additional funding to reach our goals. Time is what we cannot afford, and competition is our greatest threat.

As always, please reach out if you have any questions. You might catch me on the road to Mississippi or North Louisiana – I do enjoy a conversation to pass the time!

Sincerely,

Matt Adler  
CEO | Kinesics



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PS – Below is a link to a wonderful article written by Kristin Wall, LWCC President & Chief Executive Officer. She writes about her experience with Jerry and the Kinesics/FITT model. We are looking forward to working with Kristin and LWCC on future projects!

Click below to read the article:

<https://cooperaerobics.wordpress.com/2020/01/13/transforming-company-culture/>



**Financial Review for Kinesics Members  
Q2 2020 Update**

**Takeaways form the first half of 2020:**

1. Enterprise revenue is up **343%** over the same period from last year and is already **118%** higher than the full year 2019
2. Compared to the prior year period, SaaS and Other Revenue is down **4%** and **6%**, respectively
3. Enterprise revenue contribution is **86%** of total sales vs. only **56%** in the same period last year
4. As expected, gross margin has contracted to **63.6%** from **77.0%** in the same period last year given the shift in revenue contribution
5. Operating Expenses are down **37%** year-over-year through the first half of 2020
6. Net Loss is **\$232K** better than the prior year period

**Actuals vs. Prior Year: 1H 2020**

Financial Overview	First Half Actuals	
	1H 2019	1H2020
Enterprise Revenue	\$29,712	\$131,499
<i>Y/Y Growth</i>		<i>343%</i>
SaaS Revenue	\$10,931	\$10,509
<i>Y/Y Growth</i>		<i>-4%</i>
Courseware & Other Revenue	\$12,295	\$11,511
<i>Y/Y Growth</i>		<i>-6%</i>
<b>Total Revenue</b>	<b>\$52,938</b>	<b>\$153,519</b>
<i>Y/Y Growth</i>		<i>190%</i>
<b>% of total</b>		
Enterprise Revenue	56.1%	85.7%
SaaS Revenue	20.6%	6.8%
Courseware & Other Revenue	23.2%	7.5%
<b>Total COGS</b>	<b>\$12,158</b>	<b>\$55,852</b>
<b>Gross Profit</b>	<b>\$40,780</b>	<b>\$97,667</b>
Gross Margin	77.0%	63.6%
Total Operating Expenses	\$503,669	\$315,518
<b>Operating Profit</b>	<b>(\$462,889)</b>	<b>(\$217,851)</b>
<b>Net Income</b>	<b>(\$468,981)</b>	<b>(\$236,767)</b>
<b>EBITDA</b>	<b>(\$381,616)</b>	<b>(\$136,114)</b>

**June 2020 Cash and Debt Update:**

1. As of the end of June, Kinesics had a cash balance of **\$40K**
2. Total debt stands at **\$346K**, consisting of a \$130K balance on the revolving line of credit and company credit card, two \$60K loans from Matt Adler and Gerald Drefahl which have been extended, and \$93K from the Payroll Protection Program, which will likely be forgiven
3. Based on increased revenue and significant cost cutting, operating cash outflow was just over **\$12K** in the month of June (excludes Line of Credit paydown)

### A Look Ahead: Projections for 2020

Financial Overview	Annual Actuals		Annual Projections
	2018A	2019A	2020
Enterprise Revenue	\$24,221	\$60,398	\$443,132
<i>Y/Y Growth</i>	<i>N/A</i>	<i>149%</i>	<i>634%</i>
SaaS Revenue	\$37,343	\$28,375	\$21,693
<i>Y/Y Growth</i>	<i>N/A</i>	<i>-24%</i>	<i>-24%</i>
Courseware & Other Revenue	\$28,279	\$16,369	\$18,711
<i>Y/Y Growth</i>	<i>N/A</i>	<i>-42%</i>	<i>14%</i>
<b>Total Revenue</b>	<b>\$89,843</b>	<b>\$105,141</b>	<b>\$483,536</b>
<i>Y/Y Growth</i>		<i>17%</i>	<i>360%</i>
<b>% of total</b>			
Enterprise Revenue	27.0%	57.4%	91.6%
SaaS Revenue	41.6%	27.0%	4.5%
Courseware & Other Revenue	31.5%	15.6%	3.9%
<b>Total COS</b>	<b>\$83,224</b>	<b>\$5,174</b>	<b>\$197,411</b>
<b>Gross Profit</b>	<b>\$6,619</b>	<b>\$99,967</b>	<b>\$286,125</b>
Gross Margin	7.4%	95.1%	59.2%
<b>Total Operating Expenses</b>	<b>\$968,792</b>	<b>\$1,158,716</b>	<b>\$525,645</b>
<b>Operating Profit</b>	<b>(\$962,173)</b>	<b>(\$1,058,749)</b>	<b>(\$239,521)</b>
<b>Net Income</b>	<b>(\$1,031,142)</b>	<b>(\$1,072,113)</b>	<b>(\$281,840)</b>
<b>EBITDA</b>	<b>(\$822,061)</b>	<b>(\$896,133)</b>	<b>(\$75,866)</b>

#### Goals and Assumptions headed in 2H2020

- Continued focus primarily on FMOLHS; revenue forecast contemplates conservative contributions from FMOLHS, with minimal contribution from the legacy business and no new clients
  - Assume **\$443K** in Enterprise revenue for the year, **up 634%**
  - Assume **\$484K** in total Revenue, **up 360%**
- Opex remains largely fixed around **\$35-40K** per month; no new hires included in assumptions
  - Total Operating Expenses are expected to **decline by 55%** over 2019
- Assumes no meaningful additional investment into software development or other capex
- Kinesics expects to draw down the balance of the Line of Credit and we assume that outstanding term loan creditors (Matt Adler and Jerry Drefahl) will continue to extend their maturities
- Based on current projections, Kinesics believes that it will be operating at or near cash flow breakeven on a monthly basis by the end of 2020.**

# Monthly Status Report

## FMOLHS

Report Date: 09/03/20



### Current Period: 8/1/20 - 8/31/20

Employee Health	
Lourdes	48
Baton Rouge	127
Total Employee Health	175
Healthy Lives	730
<b>Evaluations (current period)</b>	<b>905</b>

### Cumulative: 6/1/20 - 8/31/20

Employee Health	
Lourdes	105
Baton Rouge	302
Total Employee Health	407
Healthy Lives	1,025
<b>Evaluations (cumulative)</b>	<b>1,432</b>

### August 2020 Update:

#### Active Locations

##### Baton Rouge

- Baton Rouge Employee Health
- Healthy Lives + Kinesics Campaign at Lake Main Hospital
- Healthy Lives + Kinesics Campaign at Pauline O'Sullivan Campus
- Healthy Lives at Lake Ascension
- Kinesics Campaign at Corcoran Building
- Kinesics Campaign at Risk & MarCom Building

##### Acadiana

- Lourdes Employee Health
- Healthy Lives + Kinesics Campaign at Lourdes Ambassador Caffery
- Healthy Lives + Kinesics Campaign at Lourdes Women's & Children's
- Healthy Lives at Lourdes St. Landry Campus
- Healthy Lives + Kinesics Campaign at Heart Hospital of Lafayette

##### Northshore

- Kinesics Campaign at Our Lady of Angels

##### North LA

- Healthy Lives + Kinesics Campaign at St. Francis Medical Center

##### Mississippi

- Kinesics Campaign at St. Dominic Hospital

#### Upcoming Implementations

##### Northshore

- Employee Health at Our Lady of Angels
- Healthy Lives at Our Lady of Angels

##### North LA

- Employee Health at St. Francis Medical Center

##### Mississippi

- Employee Health at St. Dominic Hospital
- Healthy Lives at St. Dominic Hospital