

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

FORM 10-Q

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

For the quarterly period ended March 31, 2019

o **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: 001-37872

Priority Technology Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

47-4257046

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

**2001 Westside Parkway
Suite 155
Alpharetta, GA**

30004

(Address of principal executive offices)

(Zip Code)

(800) 935-5961

(Registrant's phone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 x 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 x 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	x	Smaller reporting company	x
		Emerging growth company	x

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

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

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 \$0.001	PRTH	Nasdaq Global Market

As of May 10, 2019, 67,013,737 shares of common stock, par value \$0.001 per share, were issued and outstanding.

Priority Technology Holdings, Inc.
Quarterly Report on Form 10-Q
March 31, 2019

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

Priority Technology Holdings, Inc.
Condensed Consolidated Balance Sheets
As of March 31, 2019 and December 31, 2018
Unaudited

<i>(in thousands)</i>	March 31, 2019	December 31, 2018
ASSETS		
Current Assets:		
Cash	\$ 9,091	\$ 15,631
Restricted cash	20,149	18,200
Accounts receivable, net of allowance for doubtful accounts of \$511 and \$484	47,902	45,651
Prepaid expenses and other current assets	4,394	3,642
Current portion of notes receivable	1,438	979
Settlement assets	1,006	1,042
Total current assets	83,980	85,145
Notes receivable, less current portion	717	852
Property, equipment, and software, net	18,381	17,482
Goodwill	109,515	109,515
Intangible assets, net	206,921	124,637
Deferred income taxes, net	51,313	49,692
Other non-current assets	1,288	1,295
Total assets	\$ 472,115	\$ 388,618
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	\$ 23,568	\$ 27,638
Accrued residual commissions	18,293	18,715
Customer deposits and advance payments	3,737	3,282
Borrowings outstanding under revolving credit facility	10,000	—
Current portion of long-term debt	3,293	3,293
Settlement obligations	13,381	11,132
Total current liabilities	72,272	64,060
Long-term debt, net of discounts and deferred financing costs	472,537	402,095
Other non-current liabilities	12,411	7,936
Total long-term liabilities	484,948	410,031
Total liabilities	557,220	474,091
Commitments and Contingencies		
Stockholders' deficit:		
Common stock issued and outstanding	67	67
Additional paid-in capital	1,160	—
Accumulated deficit	(91,986)	(85,540)
Total Priority Technology Holdings, Inc. stockholders' deficit	(90,759)	(85,473)
Non-controlling interest	5,654	—
Total stockholders' deficit	(85,105)	(85,473)
Total liabilities and stockholders' deficit	\$ 472,115	\$ 388,618

See Notes to Unaudited Condensed Consolidated Financial Statements

Priority Technology Holdings, Inc.
Condensed Consolidated Statements of Operations
For the Quarters ended March 31, 2019 and March 31, 2018
Unaudited

<i>(in thousands, except per share amounts)</i>	Quarter ended March 31,	
	2019	2018
REVENUE:		
Merchant card fees	\$ 91,829	\$ 108,010
Outsourced services and other	8,148	7,586
Total revenue	99,977	115,596
OPERATING EXPENSES:		
Costs of merchant card fees	67,871	82,813
Costs of outsourced services and other	4,566	4,376
Salary and employee benefits	10,899	8,972
Depreciation and amortization	8,925	3,767
Selling, general and administrative	6,750	7,790
Total operating expenses	99,011	107,718
Income from operations	966	7,878
OTHER INCOME (EXPENSES):		
Interest expense	(9,363)	(6,929)
Other, net	227	(4,126)
Total other expenses, net	(9,136)	(11,055)
Loss before income taxes	(8,170)	(3,177)
Income tax benefit	(1,724)	—
Net loss	<u>\$ (6,446)</u>	<u>\$ (3,177)</u>
Loss per common share:		
Basic and diluted	\$ (0.10)	\$ (0.06)
PRO FORMA (C-corporation basis):		
Income tax benefit	\$	(665)
Net loss	\$	(2,512)
Loss per common share:		
Basic and diluted	\$	(0.04)

See Notes to Unaudited Condensed Consolidated Financial Statements

Priority Technology Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
For the Quarters ended March 31, 2019 and March 31, 2018
Unaudited

(in thousands)	Quarter ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net loss	\$ (6,446)	\$ (3,177)
Adjustment to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	8,925	3,767
Equity-based compensation	1,160	188
Amortization of debt issuance costs and discounts	405	308
Equity in losses and impairment of unconsolidated entities	6	54
Provision for deferred tax benefit	(1,621)	—
Change in fair value of warrant liability	—	3,481
Payment-in-kind interest	1,210	1,193
Other non-cash	(174)	—
Change in operating assets and liabilities:		
Accounts receivable	(2,252)	4,797
Settlement assets	36	2,879
Prepaid expenses and other current assets	(752)	(766)
Notes receivable	(324)	831
Accounts payable and other accrued liabilities	(3,634)	(4,270)
Settlement obligations	2,249	3,230
Other assets and liabilities	(28)	99
Net cash (used in) provided by operating activities	(1,240)	12,614
Cash flows from investing activities:		
Payment for prior year business acquisition	(184)	—
Additions to property, equipment and software	(2,382)	(2,624)
Acquisitions of merchant portfolios and assets	(79,612)	(3,700)
Net cash used in investing activities	(82,178)	(6,324)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt, net of issue discount	69,650	67,113
Repayment of long-term debt	(823)	(670)
Debt issuance costs	—	(646)
Borrowings under revolving credit facility	10,000	—
Distributions to members prior to July 25, 2018 recapitalization	—	(4,024)
Redemptions of membership interests prior to July 25, 2018 recapitalization	—	(74,093)
Net cash provided by (used in) financing activities	78,827	(12,320)
Net change in cash and restricted cash:		
Net decrease in cash and restricted cash	(4,591)	(6,030)
Cash and restricted cash at beginning of year	33,831	44,159
Cash and restricted cash at March 31	\$ 29,240	\$ 38,129
Supplemental cash flow information:		
Cash paid for interest	\$ 7,126	\$ 5,355
Non-cash investing and financing activities:		
Intangible assets acquired by issuing non-controlling interest in a subsidiary	\$ 5,654	\$ —

See Notes to Unaudited Condensed Consolidated Financial Statements

PRIORITY TECHNOLOGY HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements
For the Quarters Ended March 31, 2019 and 2018 and as of March 31, 2019 and December 31, 2018
Unaudited

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

Priority Technology Holdings, Inc. and its subsidiaries (the "Company") are a leading fintech enterprise with strong core payments technology. The Company is headquartered in Alpharetta, Georgia and operates other facilities in Texas, Tennessee, Arizona, and New York. Operations began in 2005 with a mission to build a merchant-inspired payments platform that would advance the goals of its customers and partners. Today, the Company is a leading provider of merchant acquiring and commercial payment solutions, offering unique product capabilities to small and medium size businesses and enterprises and distribution partners in the United States. The Company operates from a purpose-built business platform that includes tailored customer service offerings and bespoke technology development, allowing the Company to provide end-to-end solutions for payment and payment-adjacent needs.

The Company provides:

- Consumer payments processing solutions for business-to-consumer ("B2C") transactions through independent sales organizations ("ISOs"), financial institutions, independent software vendors ("ISVs"), and other referral partners. The Company's proprietary MX platform for B2C payments provides merchants a fully customizable suite of business management solutions.
- Commercial payments solutions such as automated vendor payments and professionally curated managed services to industry leading financial institutions and networks. The Company's proprietary business-to-business ("B2B") Commercial Payment Exchange (CPX) platform was developed to be a best-in-class solution for buyer/supplier payment enablement.
- Institutional services (also known as Managed Services) solutions that provide audience-specific programs for institutional partners and other third parties looking to leverage the Company's professionally trained and managed call center teams for customer onboarding, assistance, and support, including marketing and direct-sales resources.
- Integrated partners solutions for ISVs and other third-parties that allow them to leverage the Company's core payments engine via robust application program interfaces resources and high-utility embeddable code.
- Consulting and development solutions focused on the increasing demand for integrated payments solutions for transitioning to the digital economy.

The Company provides its services through two reportable segments: (1) Consumer Payments and (2) Commercial Payments and Managed Services. For additional information about our reportable segments, see Note 15, *Segment Information*.

To provide many of its services, the Company enters into agreements with payment processors which in turn have agreements with multiple card associations. These card associations comprise an alliance aligned with insured financial institutions ("member banks") that work in conjunction with various local, state, territory, and federal government agencies to make the rules and guidelines regarding the use and acceptance of credit and debit cards. Card association rules require that vendors and processors be sponsored by a member bank and register with the card associations. The Company has multiple sponsorship bank agreements and is itself a registered ISO with Visa®. The Company is also a registered member service provider with MasterCard®. The Company's sponsorship agreements allow the capture and processing of electronic data in a format to allow such data to flow through networks for clearing and fund settlement of merchant transactions.

Corporate Matters

On July 25, 2018, MI Acquisitions, Inc. ("MI Acquisitions"), which was formed under the laws of the State of Delaware on April 23, 2015, acquired all of the outstanding member equity interests of Priority Holdings, LLC ("Holdings") in exchange for the

issuance of MI Acquisitions' common stock. As a result, Holdings which was previously a privately-owned company, became a wholly-owned subsidiary of MI Acquisitions (the "Business Combination"). Simultaneously, MI Acquisitions changed its name to Priority Technology Holdings, Inc. For financial accounting and reporting purposes under generally accepted accounting principles in the United States ("GAAP"), the acquisition was accounted for as a "reverse merger." Under this method of accounting, MI Acquisitions is treated as the acquired entity whereby Holdings was deemed to have issued common stock for the net assets and equity of MI Acquisitions accompanied by a simultaneous equity recapitalization (the "Recapitalization") of Holdings. Net assets of the Company are stated at historical cost and accordingly the equity and net assets of the Company have not been adjusted to fair value. As of July 25, 2018, the consolidated financial statements of the Company include the combined operations, cash flows, and financial positions of both MI Acquisitions and Holdings. Prior to July 25, 2018, the results of operations, cash flows, and financial position are those of Holdings. The units and corresponding capital amounts and earnings per unit of Holdings prior to July 25, 2018 have been retroactively restated as shares reflecting the exchange ratio established in the Recapitalization.

The Company's common stock is traded on The Nasdaq Global Market under the symbol "PRTH." Certain shares of the Company's common stock are restricted shares, meaning that there are certain regulatory restrictions on the holders' abilities to sell, transfer, pledge or otherwise dispose of shares. Common shares of the Company issued to certain non-affiliates may become unrestricted common shares in the future due to the lapse of certain regulatory restrictions on the holders' ability to sell, transfer, pledge, or dispose of the unregistered shares.

The Company's Chairman, President, and Chief Executive Officer controls a majority of the voting power of the Company's outstanding common stock. As a result, the Company is a "controlled company" within the meaning of corporate governance standards of the Nasdaq Stock Market LLC ("Nasdaq").

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements include those of the Company and its consolidated subsidiaries. All material inter-company accounts and transactions have been eliminated in consolidation. "First quarter of 2019" refers to the period covering January 1, 2019 through March 31, 2019 and "first quarter of 2018" refers to the period covering January 1, 2018 through March 31, 2018.

The unaudited condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information and the rules and regulations of the SEC.

The accompanying unaudited condensed consolidated financial statements are unaudited; however, in the opinion of management they include all normal and recurring adjustments necessary for a fair presentation of the Company's unaudited condensed consolidated financial statements for the periods presented. The accompanying unaudited condensed consolidated balance sheet and related footnote disclosures as of December 31, 2018 were derived from the Company's audited consolidated financial statements and accompanying footnotes as of and for the year ended December 31, 2018. Results of operations reported for interim periods are not necessarily indicative of results for the entire year due to seasonal fluctuations in the Company's revenue as a result of consumer spending patterns.

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ materially from those estimates.

Prior to July 25, 2018, substantially all of the Company's operations were conducted through pass-through entities for income tax purposes, and as such the Company had no material income tax accounting reflected in its financial statements for financial reporting purposes since substantially all taxable income and deductions were "passed through" to unconsolidated owners. Effective July 25, 2018, the Company is a "C Corp" and reports its income and deductions for income tax purposes. Accordingly, effective July 25, 2018 the consolidated financial statements of the Company now account for income taxes in accordance with Accounting Standards Codification ("ASC") 740, Income Taxes ("ASC 740").

The Company is an "emerging growth company" (EGC), as defined in the Jumpstart Our Business Startups Act of 2012. The Company may remain an EGC until December 31, 2021. However, if the Company's non-convertible debt issued within a rolling

three-year period exceeds \$1.0 billion, the Company would cease to be an EGC immediately, or if its revenues for any fiscal year exceed \$1.07 billion, or the market value of its common stock that is held by non-affiliates exceeds \$700.0 million on the last day of the second quarter of any given year, the Company would cease to be an EGC as of the beginning of the following year. As an EGC, the Company is not required to comply with the auditor attestation requirements of section 404 of the Sarbanes-Oxley Act of 2002. Additionally, the Company as an EGC may continue to elect to delay the adoption of any new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As such, the Company's financial statements may not be comparable to companies that comply with public company effective dates.

Comprehensive Income (Loss)

Comprehensive income (loss) represents the sum of net income (loss) and other amounts that are not included in the unaudited condensed consolidated statement of operations as the amounts have not been realized. For the quarters ended March 31, 2019 and 2018, there were no differences between the Company's net loss and comprehensive loss. Therefore, no separate Statement of Comprehensive Income (Loss) is included in the consolidated financial statements for the reporting periods.

Cash and Restricted Cash

Cash includes cash held at financial institutions that is owned by the Company. Restricted cash is held by the Company in financial institutions for the purpose of in-process customer settlements or reserves held per contract terms.

Reclassifications

Certain prior period amounts in these unaudited condensed consolidated financial statements have been reclassified to conform to the current period presentation, with no net effect on the Company's stockholders' equity (deficit) or net income (loss) for any period.

Accounting Policies

There have been no material changes to the Company's accounting policies from December 31, 2018 through March 31, 2019, however, see Note 2, *Acquisitions of Assets*, for information on the non-controlling interest issued in connection with certain net assets acquired from YapStone, Inc.

Components of Revenues and Expenses

Revenues

Merchant card fees revenue consists mainly of fees for processing electronic payments, including credit, debit and electronic benefit transaction card processing. The fees are generally based on a variable percentage of the dollar amount of each transaction and, in some cases, additional fees for each transaction. In addition, merchant customers may also be charged miscellaneous fees, including statement fees, annual fees, monthly minimum fees, fees for handling chargebacks, gateway fees, and fees for other miscellaneous services. Merchant card fees revenue is attributable primarily to our Consumer Payments segment.

Outsourced services and other revenue consist mainly of cost-plus fees related to B2B services, merchant financing and buyer-initiated payment programs sold on behalf of certain enterprise customers, originated through our in-house sales force, including incentives for meeting sales targets. Outsourced services revenue is attributable primarily to our Commercial Payments and Managed Services reportable segment. Other revenues include revenue from the sales of equipment (primarily point of sale terminals) and processing of automated clearing house ("ACH") transactions.

Costs of Services

Costs of Merchant Card Fees

Costs of merchant card fees primarily consist of residual payments to agents and ISOs and other third-party costs directly attributable to payment processing. The residual payments represent commissions paid to agents and ISOs based upon a percentage of the net revenues generated from merchant transactions.

Costs of Outsourced Services and Other Revenue

Costs of outsourced services and other revenue consist of salaries directly related to outsourced services revenue, the cost of equipment (point of sale terminals) sold, and third-party fees and commissions related to the Company's ACH processing activities.

Selling, General and Administrative ("SG&A")

SG&A expenses include mainly professional services, advertising, rent, office supplies, software licenses, utilities, state and local franchise and sales taxes, litigation settlements, executive travel, insurance, and expenses related to the Business Combination.

Interest Expense

Interest expense consists of interest on outstanding debt and amortization of deferred financing costs and original issue discounts.

Other, net

Other, net is composed of interest income, debt modification and extinguishment expenses, changes in fair value of warrant liabilities, and equity in losses and impairment of unconsolidated entities. Interest income consists mainly of interest received pursuant to notes receivable from independent sales agents. Debt modification and extinguishment expenses includes write-offs of unamortized deferred financing costs and original issue discount relating to the extinguished debt. Equity in loss and impairment of unconsolidated entities consists of the Company's share of the income or loss of its equity method investment as well as any impairment charges related to such investments.

New Accounting Standards Adopted

The Company did not adopt any new accounting standards during the quarter ended March 31, 2019.

Recently Issued Standards Not Yet Adopted

Prior to July 25, 2018, the Company was defined as a non-public entity for purposes of applying transition guidance related to new or revised accounting standards under GAAP, and as such was typically required to adopt new or revised accounting standards subsequent to the required adoption dates that applied to public companies. Subsequent to July 25, 2018, the Company retains EGC status until no later than December 31, 2021. The Company will maintain the election available to an EGC to use any extended transition period applicable to non-public companies when complying with a new or revised accounting standards. Therefore, as long as the Company retains EGC status, before December 31, 2021 the Company can continue to elect to adopt any new or revised accounting standards on the adoption date (including early adoption) required for a private company.

Revenue Recognition (ASC 606)

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which since has been codified and amended in ASC 606, *Revenue from Contracts with Customers*. This guidance clarifies the principles for recognizing revenue and will be applicable to all contracts with customers regardless of industry-specific or transaction-specific fact patterns. Further, the guidance will require improved disclosures as well as additional disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Since

its original issuance, the FASB has issued several updates to this guidance. The new standard could change the amount and timing of revenue and costs for certain significant revenue streams, increase areas of judgment and related internal controls requirements, change the presentation of revenue for certain contract arrangements and possibly require changes to the Company's software systems to assist in both internally capturing accounting differences and externally reporting such differences through enhanced disclosure requirements. As an EGC, the standard is effective for the Company's 2019 annual reporting period and for interim periods after 2019. The standard permits the use of either the retrospective or modified retrospective transition method. The Company has not yet selected a transition method and is currently evaluating the effect that the standard may have on its consolidated financial statements and disclosures.

Leases (ASC 842)

In February 2016, the FASB issued new lease accounting guidance in ASU No. 2016-02, *Leases-Topic 842*, which has been codified in ASC 842, *Leases*. Under this new guidance, lessees will be required to recognize for all leases (with the exception of short-term leases): 1) a lease liability equal to the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and 2) a right-of-use asset which will represent the lessee's right to use, or control the use of, a specified asset for the lease term. As an EGC, this standard is effective for the Company's annual reporting period beginning in 2020 and interim reporting periods beginning first quarter of 2021. The adoption of ASC 842 will require the Company to recognize non-current assets and liabilities for right-of-use assets and operating lease liabilities on its consolidated balance sheet, but it is not expected to have a material effect on the Company's results of operations or cash flows. ASC 842 will also require additional footnote disclosures to the Company's consolidated financial statements.

Credit Losses (ASU 2016-13 and ASU 2018-19)

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This new guidance will change how entities account for credit impairment for trade and other receivables, as well as for certain financial assets and other instruments. ASU 2016-13 will replace the current "incurred loss" model with an "expected loss" model. Under the "incurred loss" model, a loss (or allowance) is recognized only when an event has occurred (such as a payment delinquency) that causes the entity to believe that a loss is probable (i.e., that it has been "incurred"). Under the "expected loss" model, a loss (or allowance) is recognized upon initial recognition of the asset that reflects all future events that leads to a loss being realized, regardless of whether it is probable that the future event will occur. The "incurred loss" model considers past events and current conditions, while the "expected loss" model includes expectations for the future which have yet to occur. ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*, was issued in November 2018 and excludes operating leases from the new guidance. The standard will require entities to record a cumulative-effect adjustment to the balance sheet as of the beginning of the first reporting period in which the guidance is effective. The Company is currently evaluating the potential impact that ASU 2016-13 may have on the timing of recognizing future provisions for expected losses on the Company's accounts receivable. As an EGC, the ASU is effective for annual periods beginning in 2021 and interim periods within annual periods beginning in 2022.

Statement of Cash Flows (ASU 2016-15)

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230)*. This ASU represents a consensus of the FASB's Emerging Issues Task Force on eight separate issues that each impact classifications on the statement of cash flows. In particular, issue number three addresses the classification of contingent consideration payments made after a business combination. Under ASU 2016-15, cash payments made soon after an acquisition's consummation date (i.e., approximately three months or less) will be classified as cash outflows from investing activities. Payments made thereafter will be classified as cash outflows from financing activities up to the amount of the original contingent consideration liability. Payments made in excess of the amount of the original contingent consideration liability will be classified as cash outflows from operating activities. As an EGC, this ASU is effective for the Company for years beginning in 2019 and interim periods within years beginning in 2020. The Company is evaluating the effect this ASU will have on its consolidated statement of cash flows.

Goodwill Impairment Testing (ASU 2017-04)

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. ASU 2017-04 will eliminate the requirement to calculate the implied fair value of goodwill (i.e., step 2 of the current goodwill impairment test) to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on

the excess of a reporting unit's carrying amount over its fair value (i.e., measure the charge based on the current step 1). Any impairment charge will be limited to the amount of goodwill allocated to an impacted reporting unit. ASU 2017-04 will not change the current guidance for completing Step 1 of the goodwill impairment test, and an entity will still be able to perform the current optional qualitative goodwill impairment assessment before determining whether to proceed to Step 1. Upon adoption, the ASU will be applied prospectively. As an EGC, this ASU will be effective for annual and interim impairment tests performed in periods beginning in 2022. The impact that ASU 2017-04 may have on the Company's financial condition or results of operations will depend on the circumstances of any goodwill impairment event that may occur after adoption.

Share-Based Payments to Non-Employees (ASU 2018-07)

In June 2018, the FASB issued ASU 2018-07, *Share-based Payments to Non-Employees*, to simplify the accounting for share-based payments to non-employees by aligning it with the accounting for share-based payments to employees, with certain exceptions. As an EGC, the ASU is effective for annual reporting periods beginning in 2020 and interim periods within annual periods beginning in the first quarter of 2021, but not before the Company adopts ASC 606, *Revenue Recognition*. The Company is evaluating the impact this ASU will have on its consolidated financial statements.

Disclosures for Fair Value Measurements (ASU 2018-13)

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of the FASB's disclosure framework project. For all entities, this ASU is effective for annual and interim reporting periods beginning in 2020. Certain amendments must be applied prospectively while others are to be applied on a retrospective basis to all periods presented. As disclosure guidance, the adoption of this ASU will not have an effect on the Company's financial position, results of operations or cash flows.

Implementation Costs Incurred in Cloud Computing Arrangements (ASU 2018-15)

In August 2018, the FASB issued ASU 2018-15, *Implementation Costs Incurred in Cloud Computing Arrangements* ("ASU 2018-15"), which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). As an EGC, this ASU is effective for the Company for annual reporting periods beginning in 2021, and interim periods within annual periods beginning in 2022. The amendments should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is evaluating the impact this ASU will have on its consolidated financial statements.

Concentration of Risk

The Company's revenue is substantially derived from processing Visa® and MasterCard® bank card transactions. Because the Company is not a member bank, in order to process these bank card transactions, the Company maintains sponsorship agreements with member banks which require, among other things, that the Company abide by the by-laws and regulations of the card associations.

Substantially all of the Company's revenues and receivables are attributable to merchant customer transactions, which are processed by third-party payment processors.

A majority of the Company's cash and restricted cash is held in certain financial institutions, substantially all of which is in excess of federal deposit insurance corporation limits. The Company does not believe it is exposed to any significant credit risk from these transactions.

No one merchant customer accounted for 10% or more of the Company's consolidated revenues for any period presented.

2. ACQUISITIONS OF ASSETS

YapStone

In March 2019, the Company, through one of its subsidiaries, Priority Real Estate Technology, LLC ("PRET"), acquired certain assets and assumed certain related liabilities (the "YapStone net assets") from YapStone, Inc. ("YapStone") under an asset purchase and contribution agreement. The purchase price for the YapStone net assets was \$65.0 million in cash plus a non-controlling interest in PRET. The fair value of the non-controlling interest was estimated to be approximately \$5.7 million. The total purchase price was assigned to customer relationships, except for \$1.0 million and \$1.2 million which were assigned to a software license agreement and a services agreement, respectively. The \$65.0 million of cash was funded from a draw down of the Senior Credit Facility on a delayed basis as provided for and pursuant to the third amendment thereto executed in December 2018. See Note 7, *Long-Term Debt*.

During the quarter ended March 31, 2019, no earnings of PRET were allocated to the non-controlling interest pursuant to the profit-sharing agreement between the Company and the non-controlling interest.

eTab and Cumulus (Related Party)

In February 2019, a subsidiary of the Company, Priority Hospitality Technology, LLC ("PHT"), acquired substantially all of the operating assets and assumed certain related liabilities (the "net assets") of eTab, LLC ("eTab") and CUMULUS POS, LLC ("Cumulus") under asset contribution agreements. These net assets were composed substantially of technology-related assets. Prior to these transactions, eTab was 80% owned by the Company's Chairman, President, and Chief Executive Officer. No cash consideration was paid to the sellers of eTab or Cumulus at acquisition. As consideration for these acquired net assets, the sellers were issued redeemable preferred equity interests in PHT. Under these redeemable preferred equity interests, the sellers are eligible to receive up to \$4.5 million of profits earned by PHT, plus a preferred yield on any of the \$4.5 million amount that has not been distributed to them. The Company's Chairman, President and Chief Executive Officer owns 83.3% of the redeemable preferred equity interests in PHT. Once a total of \$4.5 million plus the preferred yield has been distributed to the holders of the redeemable preferred equity interests, the redeemable preferred equity interests will cease to exist. The value of the assets acquired and the fair value of the redeemable preferred equity interests in PHT have been estimated as of March 31, 2019 based on information available to the Company and may be adjusted, if necessary, should additional information become available to refine these estimates.

Residual Portfolio Acquisition

On March 15, 2019, a subsidiary of the Company paid \$15.2 million cash to acquire certain residual portfolio rights. Of the \$15.2 million, \$5.0 million was funded from a delayed draw down of the Senior Credit Facility as provided for and pursuant to the third amendment thereto executed in December 2018. See Note 7, *Long-Term Debt*. Additionally, a \$10.0 million draw was made against the revolving credit facility under the Senior Credit Facility and cash on hand was used to fund the remaining amount. The purchase price may be subject to an increase of up to \$6.4 million in accordance with the terms of the agreement between the Company and the sellers. Any additional purchase price will be accounted for when payment to the seller becomes probable and it will be added to the carrying value of the asset.

3. SETTLEMENT ASSETS AND OBLIGATIONS

The standards of the card networks restrict non-members, such as the Company, from performing funds settlement or accessing merchant settlement funds. Instead, these funds must be in the possession of the member bank until the merchant is funded. The Company has relationships with member banks to facilitate payment transactions. These agreements allow the Company to route transactions under a member bank's control to process and clear transactions through card networks. Amounts for payment card

settlements included in settlement assets and obligations on the Company's consolidated balance sheets represent intermediary balances arising in the settlement process.

Reserves Held For ACH Customers

For the Company's ACH business component that conducts business as ACH.com, the Company earns revenues by processing ACH transactions for financial institutions and other business customers. Certain customers establish and maintain reserves with the Company to cover potential losses in processing ACH transactions. These reserves are held in bank accounts controlled by the Company. As such, the Company recognizes the cash balances within restricted cash and settlement obligations on its consolidated balance sheets.

Merchant Reserves and Estimated Shortfalls

Under agreements between the Company and merchants, merchants assume liability for obligations such as chargebacks, customer disputes, and unfilled orders. However, under its risk-based underwriting policy, the Company may require certain merchants to establish and maintain reserves designed to protect the Company from anticipated obligations such as chargebacks, customer disputes, and unfilled orders. A merchant reserve account is funded by the merchant but controlled by a sponsor bank during the term of the merchant agreement. Unused merchant reserves are returned to the merchant after termination of the merchant agreement or in certain instances upon a reassessment of risks during the term of the merchant agreement. Sponsor banks held merchant reserves of approximately \$120.5 million and \$186.2 million at March 31, 2019 and December 31, 2018, respectively. Since these merchant reserves held at sponsor banks are not assets of the Company and the associated risks are not liabilities of the Company, neither is recognized on the Company's consolidated balance sheets.

In the event the amount in a merchant reserve is insufficient to cover expected or incurred losses, the Company may be liable to cover the shortfall. The Company recognized a liability for estimated shortfalls of approximately \$2.1 million and \$2.0 million at March 31, 2019 and December 31, 2018, respectively. The liabilities are included in the Company's consolidated balance sheet as contra balances against settlement assets.

The Company's settlement assets and obligations at March 31, 2019 and December 31, 2018 were as follows:

<i>(in thousands)</i>		
Settlement Assets:	March 31, 2019	December 31, 2018
Card settlements due from merchants, net of estimated losses	\$ 936	\$ 988
Card settlements due from processors	70	54
Total settlement assets	\$ 1,006	\$ 1,042
Settlement Obligations:		
Card settlements due to merchants	\$ 767	\$ 777
Due to ACH payees (1)	12,614	10,355
Total Settlement Obligations	\$ 13,381	\$ 11,132

(1) Amounts due to ACH payees are held by the Company in restricted cash.

4. GOODWILL AND INTANGIBLE ASSETS

The Company records goodwill when an acquisition is made and the purchase price is greater than the fair value assigned to the underlying tangible and intangible assets acquired and the liabilities assumed. The Company's goodwill was allocated to reporting units as follows:

<i>(in thousands)</i>	March 31, 2019	December 31, 2018
Consumer Payments	106,832	\$ 106,832
Commercial Payments and Managed Services	2,683	2,683
	<u>\$ 109,515</u>	<u>\$ 109,515</u>

There were no changes in the carrying amount of goodwill for the quarter ended March 31, 2019.

The Company's intangible assets primarily include merchant portfolios and other intangible assets such as non-compete agreements, trade names, acquired technology (developed internally by acquired companies prior to acquisition by the Company) and customer relationships. As of March 31, 2019 and December 31, 2018, intangible assets consisted of the following:

<i>(in thousands)</i>	March 31, 2019	December 31, 2018
Other intangible assets:		
Merchant portfolios	\$ 153,152	\$ 137,576
Non-compete agreements	3,390	3,390
Tradenname	2,870	2,870
Acquired technology	19,890	14,390
Customer relationships	124,630	55,940
	<u>303,932</u>	<u>214,166</u>
Less accumulated amortization:		
Merchant portfolios	(52,891)	(48,492)
Non-compete agreements	(3,390)	(3,390)
Trade names	(1,081)	(1,017)
Acquired technology	(10,981)	(10,222)
Customer relationships	(28,668)	(26,408)
	<u>(97,011)</u>	<u>(89,529)</u>
	<u>\$ 206,921</u>	<u>\$ 124,637</u>

See Note 2, *Acquisitions of Assets*, for information about additions made during the first quarter of 2019.

Amortization expense for finite-lived intangible assets was approximately \$7.5 million and \$2.7 million for the quarters ended March 31, 2019 and 2018, respectively. Amortization expense for future periods could differ due to new intangible asset acquisitions, changes in useful lives of existing intangible assets, and other relevant events or circumstances.

The Company tests goodwill for impairment for each of its reporting units on an annual basis, or when events occur or circumstances indicate the fair value of a reporting unit is below its carrying value. The Company expects to perform its next annual goodwill impairment test as of November 30, 2019 using market data and discounted cash flow analysis. The Company concluded there were no indicators of impairment as of March 31, 2019 or December 31, 2018. As such, there was no accumulated impairment loss as of March 31, 2019 and December 31, 2018.

5. PROPERTY, EQUIPMENT AND SOFTWARE

The Company's property, equipment, and software balance primarily consists of furniture, fixtures, and equipment used in the normal course of business, computer software developed for internal use, and leasehold improvements. Computer software represents purchased software and internally developed back office and merchant interfacing systems used to assist the reporting of merchant processing transactions and other related information.

A summary of property, equipment, and software as of March 31, 2019 and December 31, 2018 follows:

<i>(in thousands)</i>	March 31, 2019	December 31, 2018	Useful Life
Furniture and fixtures	\$ 2,254	\$ 2,254	2-7 years
Equipment	8,243	8,164	3-7 years
Computer software	30,055	27,804	3-5 years
Leasehold improvements	5,943	5,935	5-10 years
	46,495	44,157	
Less accumulated depreciation	(28,114)	(26,675)	
Property, equipment, and software, net	<u>\$ 18,381</u>	<u>\$ 17,482</u>	

Depreciation expense totaled \$1.4 million and \$1.1 million for the quarters ended March 31, 2019 and March 31, 2018, respectively.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The Company accrues for certain expenses that have been incurred and not paid, which are classified within accounts payable and accrued expenses in the accompanying consolidated balance sheets.

The components of accounts payable and accrued expenses that exceeded five percent of total current liabilities as of March 31, 2019 and December 31, 2018 consisted of the following:

<i>(in thousands)</i>	March 31, 2019	December 31, 2018
Accounts payable	\$ 6,582	\$ 8,030
Accrued compensation	\$ 3,156	\$ 6,193
Other accrued expenses	\$ 6,521	\$ 6,971

7. LONG-TERM DEBT

Long-term debt, excluding amounts outstanding on the revolving credit facility, as of March 31, 2019 and December 31, 2018 consisted of the following:

<i>(in thousands)</i>	March 31, 2019	December 31, 2018
Term Loan - Senior, matures January 3, 2023 and bears interest at LIBOR plus 5.0% at March 31, 2019 and December 31, 2018 (rate of 7.50% at March 31, 2019 and 7.53% at December 31, 2018)	\$ 391,842	\$ 322,666
Term Loan - Subordinated, matures July 3, 2023 and bears interest at 5.0% plus payment-in-kind interest (rate of 10.5% at March 31, 2019 and December 31, 2018)	91,226	90,016
Total	<u>483,068</u>	<u>412,682</u>
Less: current portion of long-term debt	(3,293)	(3,293)
Less: unamortized debt discounts	(3,457)	(3,300)
Less: deferred financing costs	(3,781)	(3,994)
Total long-term debt	<u>\$ 472,537</u>	<u>\$ 402,095</u>

Substantially all of the Company's assets are pledged as collateral under a senior credit agreement with a syndicate of lenders (the "Senior Credit Agreement") and under a credit and guaranty agreement with Goldman Sachs Specialty Lending Group, L.P. (the "GS Credit Agreement"). However, the parent entity, Priority Technology Holdings, Inc., is neither a borrower nor a guarantor of this aforementioned debt. The Company's subsidiaries that are borrowers or guarantors are referred to as the "Borrowers."

The December 2018 modification of the Senior Credit Agreement and the GS Credit Agreement (collectively, the "Third Amendment") included a delayed draw basis amount of \$70.0 million. Until the additional \$70.0 million, net of a \$350,000 discount, was drawn in March 2019, the Borrowers were assessed a fee on the undrawn amounts. This fee amounted to \$0.4 million and is reflected in interest expense on the unaudited condensed consolidated statement of operations for the quarter ended March 31, 2019.

At March 31, 2019, the Senior Credit Agreement has a maximum borrowing amount of \$422.5 million consisting of a \$397.5 million term loan and a \$25.0 million revolving credit facility. The allowed borrowings amount under the GS Credit Agreement is \$80.0 million, excluding payment-in-kind interest.

The credit facilities under the Senior Credit Agreement (the "Senior Credit Facility") mature on January 3, 2023, with the exception of the revolving credit facility which expires on January 2, 2022. Any amounts outstanding under the revolving credit facility must be paid in full before the maturity date of January 2, 2022. The GS Credit Agreement matures on July 3, 2023.

At March 31, 2019, there was \$10.0 million outstanding on the revolving credit facility; no amount was outstanding as of December 31, 2018. The variable interest rate on the revolving credit facility was 9.5% at March 31, 2019.

As a result of the Third Amendment, borrowings under the Senior Credit Agreement are subject to an applicable margin, or percentage per annum, equal to: (i) with respect to Initial Term Loans, (a) for LIBOR Rate Loans, 5.00% per annum and (b) for Base Rate Loans, 4.00% per annum; and (ii) with respect to Revolving Loans (a) for LIBOR Rate Loans and Letter of Credit fees, 5.00% per annum, (b) for Base Rate Loans, per annum, 4.00% and (c) for unused commitment fees, 0.50% per annum.

Under the Senior Credit Agreement, the Borrowers are required to make quarterly principal payments of \$0.8 million. Additionally, the Borrowers may be obligated to make certain additional mandatory prepayments based on excess cash flow, as defined in the Senior Credit Agreement. No such prepayment was due for the year ended December 31, 2018.

Principal contractual maturities on long-term debt are as follows:

<i>(in thousands)</i>	
Year	Maturities
2019	\$ 3,293
2020	3,293
2021	3,293
2022	3,293
2023	469,896
	<u>\$ 483,068</u>

For each of the quarters ended March 31, 2019 and 2018, payment-in-kind (PIK) interest under the GS Credit Agreement added \$1.2 million to the principal amount of the subordinated debt.

For the quarters ended March 31, 2019 and 2018, interest expense, including amortization of deferred financing costs and debt discounts, was \$9.4 million and \$6.9 million, respectively. Deferred financing costs and debt discounts are being amortized using the effective interest method over the remaining term of the respective debt and are recorded as a component of interest expense. Interest expense related to amortization of deferred finance costs and debt discounts was approximately \$0.4 million and \$0.3 million for the quarters ended March 31, 2019 and 2018, respectively,

Covenants

The Senior Credit Agreement and the GS Credit Agreement, as amended, contain representations and warranties, financial and collateral requirements, mandatory payment events, events of default, and affirmative and negative covenants, including without

limitation, covenants that restrict among other things, the ability to create liens, pay dividends or distribute assets from the Company's subsidiaries to Priority Technology Holdings, Inc., merge or consolidate, dispose of assets, incur additional indebtedness, make certain investments or acquisitions, enter into certain transactions (including with affiliates), and to enter into certain leases. Substantially all of the Borrowers' assets are pledged as collateral under the Senior Credit Agreement and GS Credit Agreement. The Borrowers are also required to comply with certain restrictions on their Total Net Leverage Ratio (as defined in the Senior Credit Agreement and GS Credit Agreement). As of March 31, 2019 and December 31, 2018, the Borrowers were in compliance with the covenants.

8. INCOME TAXES

Prior to July 25, 2018, substantially all of the Company's operations were conducted through pass-through entities for income tax purposes, and as such the Company had no material income tax accounting reflected in its financial statements for financial reporting purposes since substantially all taxable income and deductions were "passed through" to unconsolidated owners. Effective July 25, 2018, the Company is a "C Corp" and reports its income and deductions for income tax purposes. Accordingly, effective July 25, 2018, the consolidated financial statements of the Company reflect the accounting for income taxes in accordance with ASC 740, Income Taxes. The Company's unaudited condensed consolidated financial statements for the quarter ended March 31, 2018 reflect unaudited pro-forma income tax disclosure amounts to illustrate the income tax effects had the Company been subject to federal and state income taxes.

The Company's effective income tax rate was a benefit of approximately 21% for the quarter ended March 31, 2019.

The Company recognizes the tax effects of uncertain tax positions only if such positions are more likely than not to be sustained based solely upon its technical merits at the reporting date. The Company refers to the difference between the tax benefit recognized in its financial statements and the tax benefit claimed in the income tax return as an "unrecognized tax benefit." As of March 31, 2019, the net amount of our unrecognized tax benefits was not material.

The Company is subject to U.S. federal income tax and income tax in multiple state jurisdictions. Tax periods for 2015 and all years thereafter remain open to examination by the federal and state taxing jurisdictions and tax periods for 2014 and all years thereafter remain open for certain state taxing jurisdictions to which the Company is subject.

9. COMMITMENTS AND CONTINGENCIES

The Company is involved in certain legal proceedings and claims, which arise in the ordinary course of business. In the opinion of the Company, based on consultations with inside and outside counsel, the results of any of these ordinary course matters, individually and in the aggregate, are not expected to have a material effect on its results of operations, financial condition, or cash flows.

10. RELATED PARTY TRANSACTIONS

See Note 2, *Acquisitions of Assets*, for information about the acquisitions of certain assets and liabilities of eTab and Cumulus.

11. RECONCILIATION OF STOCKHOLDERS' EQUITY (DEFICIT) AND NON-CONTROLLING INTEREST

The following tables provide a reconciliation of the beginning and ending carrying amounts of equity (deficit) attributable to stockholders of Priority Technology Holdings, Inc., and equity attributable to non-controlling interest:

(in thousands)	Preferred Stock		Common Stock		Additional Paid-In Capital (Deficit)	Accumulated Earnings (Deficit)	Total Priority Technology Holdings, Inc. Stockholders' Deficit	Non- Controlling Interest
	Shares	Amount	Shares	Amount				
								—
January 1, 2018	—	\$ —	73,110	\$ 73	\$ —	\$ (90,228)	\$ (90,155)	\$ —
Distribution to members (before recapitalization)	—	—	—	—	(188)	(3,836)	(4,024)	—
Member redemption (before recapitalization)	—	—	(12,565)	(13)	—	(64,890)	(64,903)	—
Pro-rata adjustment for redemption (before recapitalization)	—	—	(724)	—	—	—	—	—
Equity-based compensation	—	—	—	—	188	—	188	—
Net loss	—	—	—	—	—	(3,177)	(3,177)	—
March 31, 2018	—	\$ —	59,821	\$ 60	\$ —	\$ (162,131)	\$ (162,071)	\$ —
January 1, 2019	—	\$ —	67,038	\$ 67	\$ —	\$ (85,540)	\$ (85,473)	\$ —
Equity-based compensation	—	—	—	—	1,160	—	1,160	—
Warrant redemptions	—	—	420	(a)	(a)	—	—	—
Net loss	—	—	—	—	—	(6,446)	(6,446)	—
Issuance of non-controlling interest	—	—	—	—	—	—	—	\$ 5,654
March 31, 2019	—	\$ —	67,458	\$ 67	\$ 1,160	\$ (91,986)	\$ (90,759)	\$ 5,654

(a) Par value of the common shares issued in connection with the warrant exchange rounds to less than one thousand dollars (see Note 12, *Equity*).

The Company is authorized to issue 100,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the board of directors. As of March 31, 2019 and December 31, 2018, the Company has not issued any shares of preferred stock.

12. EQUITY

Warrants for the Company's Common Stock

In August 2018, the Company was informed by Nasdaq that it intended to delist the Company's outstanding warrants and units due to an insufficient number of round lot holders for the public warrants. The Company subsequently filed a Registration Statement on Form S-4 with the SEC for the purpose of offering holders of the Company's outstanding 5,310,109 public warrants and 421,107 private warrants the opportunity to exchange each warrant for 0.192 shares of the Company's common stock. The exchange offer expired in February 2019 resulting in a portion of the warrants being tendered in exchange for approximately 420,000 shares of the Company's common stock plus cash in lieu of fractional shares. Nasdaq proceeded to delist the remaining outstanding warrants and units, which were comprised of one share of common stock and one warrant, from The Nasdaq Global Market at the open of business on March 6, 2019. The delisting of the remaining outstanding warrants and units had no impact on the Company's financial statements.

Earn-Out Consideration

An additional 9.8 million common shares may be issued under the Company's Earn-Out Incentive Plan. For the first earn-out of up to 4.9 million common shares, consolidated adjusted EBITDA (as defined in the Earn-Out Incentive Plan) of the Company must have been no less than \$82.5 million for the year ended December 31, 2018 and the Company's stock price must trade in excess of \$12.00 for any 20 trading days within any consecutive 30-day trading period at any time on or before December 31, 2019. For the second earn-out of up to 4.9 million common shares, consolidated adjusted EBITDA of the Company must be no less than \$91.5 million for the year ending December 31, 2019 and the Company's stock price must trade in excess of \$14.00 for any 20 trading days within any consecutive 30-day trading period at any time between January 1, 2019 and December 31, 2020. In the event that the first earn-out targets are not met, the entire 9.8 million shares may be issued if the second earn-out targets are met. As of March 31, 2019 and December 31 2018, none of the 9.8 million shares have been earned. Any unvested shares issued to management or directors under compensation plans will be expensed under the provisions of ASC 718, *Stock Compensation*.

13. EQUITY-BASED COMPENSATION PLANS

The Company has three equity-based compensation plans: 2018 Equity Incentive Plan; Earnout Incentive Plan; and 2014 Management Incentive Plan. Total equity-based compensation expense for the quarters ended March 31, 2019 and 2018 was approximately \$1.2 million and \$0.2 million, respectively, which is included in Salary and employee benefits in the accompanying unaudited condensed consolidated statements of operations. Expense recognized by plan was as follows:

<i>(in thousands)</i>	Quarter Ended March 31,	
	2019	2018
2018 Equity Incentive Plan	\$ 924	\$ —
2014 Management Incentive Plan	236	188
Earnout Incentive Plan	—	—
Total	\$ 1,160	\$ 188

Grants under the 2018 Equity Incentive Plan will begin to vest starting in July 2019.

Beginning in 2018, the Company elected to recognize the effects of forfeitures on compensation expense as the forfeitures occur for all plans.

14. FAIR VALUE

The following is a description of the valuation methodology used for the warrants issued to Goldman Sachs Specialty Lending Group, L.P. ("GS") and contingent consideration issued in business combinations, which were recorded and remeasured at fair value at the end of each reporting period.

GS Warrants

In connection with the GS Credit Agreement, warrants issued by Holdings to GS for the purchase of Holdings' Class A common units (each, a "GS Warrant" and collectively, the "GS Warrants") were issued, canceled, and replaced at various times in 2018 and prior years. During the first quarter of 2018, a GS Warrant for the purchase of 1.8% of Holdings' outstanding Class A common units was replaced by a GS Warrant to purchase of 2.2% of Holdings' Class A Common units. This new GS Warrant had a term of 7 years, an exercise price of \$0, and could be exercised at any time prior to expiration date. Since the obligation was based solely on the fact that the 2.2% interest in the equity of Holdings was fixed and known at inception as well as the fact that GS could exercise the GS Warrant with a settlement in cash any time prior to the expiration date of December 31, 2023, the outstanding GS Warrant was required to be recorded as a liability. At March 31, 2018, the outstanding GS Warrant had a fair value of \$12.2 million. A \$3.5 million increase in the fair value of the GS Warrant for the quarter ended March 31, 2018 is included in Other, net in the accompanying unaudited condensed consolidated statements of operations. The GS Warrant was redeemed in full on July 25, 2018.

The GS Warrants were classified as level 3 in the fair value hierarchy. The fair value of the GS warrants was estimated based on the fair value of Holdings using a weighted-average of values derived from generally accepted valuation techniques, including market approaches, which consider the guideline public company method, the guideline transaction method, the recent funding method, and an income approach, which considered discounted cash flows.

Contingent Consideration Issued in 2018 Business Combinations

The estimated fair values of contingent consideration related to the Priority Payment Systems Tech Partners and Priority Payment Systems Northeast business acquisitions are based on a weighted payout probability at the measurement date, which falls within Level 3 on the fair value hierarchy. Both of these acquisitions occurred during the third quarter of 2018. At March 31, 2019 and December 31, 2018, the total fair value of the contingent consideration for both acquisitions was approximately \$1.0 million, which was not materially different than the fair values on their original measurement dates.

The following table shows a reconciliation of the beginning and ending balances for liabilities measured at fair value on a recurring basis using significant unobservable inputs that were classified as Level 3 in the fair value hierarchy for the quarters ended March 31, 2019 and 2018:

(in thousands)			
	Contingent Consideration		Warrant Liability
Balance at January 1, 2018	\$	—	\$ 8,701
Extinguishment of GS 1.8% warrant liability		—	(8,701)
GS 2.2% warrant liability		—	12,182
Balance at March 31, 2018	\$	—	\$ 12,182
Balance at January 1, 2019	\$	980	\$ —
Fair value adjustments		—	—
Balance at March 31, 2019	\$	980	\$ —

There were no transfers among the fair value levels during the quarters ended March 31, 2019 and 2018.

Fair Value of Debt

The Borrower's outstanding debt obligations (see Note 7, *Long-Term Debt*) are reflected in the Company's consolidated balance sheets at carrying value since the Company did not elect to remeasure debt obligations to fair value at the end of each reporting period. The carrying values of the long-term debt approximate fair value due to mechanisms in the credit agreements that adjust the applicable interest rates.

15. SEGMENT INFORMATION

The Company has two reportable segments that are reviewed by the Company's chief operating decision maker ("CODM"), who is the Company's President, Chief Executive Officer and Chairman. The Consumer Payments operating segment is one reportable segment. The Commercial Payments, Institutional Services, and Integrated Partners operating segments are aggregated into one reportable segment, Commercial Payments and Managed Services.

- *Consumer Payments* – represents consumer-related services and offerings including merchant acquiring and transaction processing services including the proprietary MX enterprise suite. Either through acquisition of merchant portfolios or through resellers, the Company becomes a party or enters into contracts with a merchant and a sponsor bank. Pursuant to the contracts, for each card transaction, the sponsor bank collects payment from the credit, debit or other payment card issuing bank, net of interchange fees due to the issuing bank, pays credit card association (e.g., Visa, MasterCard) assessments and pays the transaction fee due to the Company for the suite of processing and related services it provides to merchants, with the remainder going to the merchant.
- *Commercial Payments and Managed Services* – represents services provided to certain enterprise customers, including outsourced sales force to those customers and accounts payable automation services to commercial customers. Additional payment and payment adjacent services are provided to the health care and residential real estate industries.

Corporate includes costs of corporate functions and shared services not allocated to our reportable segments. During the fourth quarter of 2018, the Company adjusted its methodology of allocating certain corporate overhead costs to its reportable segments. All prior periods presented have been adjusted to reflect the current allocation methodology.

Information on segments and reconciliations to consolidated revenues, consolidated income (loss) from operations, and consolidated depreciation and amortization are as follows for the periods presented:

	Quarter Ended March 31,	
(in thousands)	2019	2018
Revenues:		
Consumer Payments	\$ 89,822	\$ 108,981
Commercial Payments and Managed Services	10,155	6,615
Consolidated Revenues	<u>\$ 99,977</u>	<u>\$ 115,596</u>
Income (loss) from operations:		
Consumer Payments	\$ 7,719	\$ 15,215
Commercial Payments and Managed Services	(684)	(327)
Corporate	(6,069)	(7,010)
Consolidated income from operations	<u>\$ 966</u>	<u>\$ 7,878</u>
Depreciation and amortization:		
Consumer Payments	\$ 7,808	\$ 3,436
Commercial Payments and Managed Services	789	140
Corporate	328	191
Consolidated depreciation and amortization	<u>\$ 8,925</u>	<u>\$ 3,767</u>

A reconciliation of total income from operations of reportable segments to the Company's net loss is provided in the following table:

(in thousands)	Quarter Ended March 31,	
	2019	2018
Total income from operations of reportable segments	\$ 7,035	\$ 14,888
Less Corporate	(6,069)	(7,010)
Less interest expense	(9,363)	(6,929)
Plus (less) other, net	227	(4,126)
Income tax benefit	(1,724)	—
Net loss	<u>\$ (6,446)</u>	<u>\$ (3,177)</u>

The Company is not significantly reliant upon any single customer for the quarters ended March 31, 2019 and 2018. Substantially all revenues are generated in the United States.

16. LOSS PER SHARE

The following tables set forth the computation of the Company's loss per share:

	Quarter Ended March 31,	
(in thousands except per share amounts)	2019	2018
Numerator:		
Net loss	\$ (6,446)	\$ (3,177)
Less: Distributions to participating securities	—	(45)
Net loss attributable to common stockholders	\$ (6,446)	\$ (3,222)
Denominator:		
Weighted average shares outstanding	67,164	58,543
Basic and diluted loss per share	\$ (0.10)	\$ (0.06)

Anti-dilutive securities that were excluded from loss per share that could potentially be dilutive in future periods are as follows:

(in thousands)	Quarter Ended March 31,	
	2019	2018
Warrants on common stock	—	5,731
Restricted stock awards	238	—
Stock options	2,047	—
Earnout incentive awards issued	95	—

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated from the balance sheet date through May 14, 2019, the date on which the unaudited condensed consolidated financial statements were available to be issued.

Stock Repurchases

On April 17, 2019, April 26, 2019, May 1, 2019 and May 13, 2019, the Company repurchased an aggregate of 445,298 shares of its common stock for an aggregate amount in cash of \$2.4 million under the stock repurchase program authorized by the Company's board of directors in December 2018.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and related notes for the years ended December 31, 2018, 2017 and 2016 and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on March 29, 2019 (the "Annual Report").

Cautionary Note Regarding Forward-Looking Statements

Some of the statements made in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the federal securities laws. Such forward-looking statements include, but are not limited to, statements regarding our or our management's expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, such as statements about our future financial performance, including any underlying assumptions, are forward-looking statements. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "future," "goal," "intend," "likely," "may," "might," "plan," "possible," "potential," "predict," "project," "seek," "should," "would," "will," "approximately," "shall" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- competition in the payment processing industry;
- the use of distribution partners;
- any unauthorized disclosures of merchant or cardholder data, whether through breach of our computer systems, computer viruses, or otherwise;
- any breakdowns in our processing systems;
- government regulation, including regulation of consumer information;
- the use of third-party vendors;
- any changes in card association and debit network fees or products;
- any failure to comply with the rules established by payment networks or standards established by third-party processor;
- any proposed acquisitions or any risks associated with completed acquisitions; and
- other risks and uncertainties set forth in the "Item 1A - Risk Factors" included in the Annual Report.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on our current expectations and beliefs concerning future developments and their potential effects on us. You should not place undue reliance on these forward-looking statements in deciding whether to invest in our securities. We cannot assure you that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause our actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report on Form 10-Q with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Forward-looking statements speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Terms Used in the Quarterly Report on Form 10-Q

As used in this Quarterly Report on Form 10-Q, unless the context otherwise requires, references to the terms "Company," "we," "us" and "our" refer to Priority Technology Holdings, Inc. and its consolidated subsidiaries.

Results of Operations

This section includes a summary of our results of operations for the periods presented followed by a detailed discussion of our results for the quarter ended March 31, 2019 compared to the quarter ended March 31, 2018. We have derived this data, except key indicators for merchant bankcard processing dollar values and transaction volumes, from our unaudited condensed consolidated financial statements included elsewhere in the Quarterly Report on Form 10-Q and our audited consolidated financial statements included in the Annual Report.

Our revenue for the quarter ended March 31, 2019 has been negatively affected by the closure of high-margin accounts with certain subscription-billing e-commerce merchants. The closure of merchants in this channel was due to industry-wide changes for enhanced card association compliance. This revenue, which is entirely within our Consumer Payments reportable segment, was \$3.9 million and \$31.7 million for the quarters ended March 31, 2019 and 2018, respectively. Our income from operations associated with these merchants was \$1.6 million and \$10.0 million for the quarters ended March 31, 2019 and 2018, respectively.

In addition to the impact of the closures of certain merchants described above, our income from operations for the first quarter of 2019 has been negatively affected by certain expenses largely associated with our July 25, 2018 business combination (the "Business Combination"), conversion to a public company and certain legal matters. These expenses, which were entirely within Corporate, were \$1.2 million and \$3.3 million for the first quarters of 2019 and 2018, respectively.

Quarter ended March 31, 2019 compared to quarter ended March 31, 2018

	Quarter Ended March 31,			
	2019	2018	Change	% Change
	(dollars in thousands)			
REVENUE:				
Merchant card fees	\$ 91,829	\$ 108,010	\$ (16,181)	(15.0)%
Outsourced services and other	8,148	7,586	562	7.4 %
Total revenue	99,977	115,596	(15,619)	(13.5)%
OPERATING EXPENSES:				
Costs of merchant card fees	67,871	82,813	(14,942)	(18.0)%
Costs of outsourced services and other	4,566	4,376	190	4.3 %
Salary and employee benefits	10,899	8,972	1,927	21.5 %
Depreciation and amortization	8,925	3,767	5,158	136.9 %
Selling, general and administrative	6,750	7,790	(1,040)	(13.4)%
Total operating expenses	99,011	107,718	(8,707)	(8.1)%
Income from operations	966	7,878	(6,912)	(87.7)%
OTHER INCOME (EXPENSES):				
Interest expense	(9,363)	(6,929)	(2,434)	35.1 %
Other, net	227	(4,126)	4,353	(105.5)%
Total other expenses, net	(9,136)	(11,055)	1,919	(17.4)%
Loss before income taxes	(8,170)	(3,177)	(4,993)	157.2 %
Income tax benefit	(1,724)	—	(1,724)	nm
Net loss	\$ (6,446)	\$ (3,177)	\$ (3,269)	102.9 %

The following table shows our segment income statement data and selected performance measures for the periods indicated:

(dollars and volume amounts in thousands)	Quarter Ended March 31,			
	2019	2018	Change	% Change
Consumer Payments:				
Revenue	\$ 89,822	\$ 108,981	\$ (19,159)	(17.6)%
Operating expenses	82,103	93,766	(11,663)	(12.4)%
Income from operations	<u>\$ 7,719</u>	<u>\$ 15,215</u>	<u>\$ (7,496)</u>	<u>(49.3)%</u>
Operating margin	8.6 %	14.0 %		
Depreciation and amortization	\$ 7,808	\$ 3,436	\$ 4,372	
Key Indicators:				
Merchant bankcard processing dollar value	\$ 9,872,377	\$ 9,084,227	\$ 788,150	8.7 %
Merchant bankcard transaction volume	117,781	110,405	7,376	6.7 %
Commercial Payments and Managed Services:				
Revenue	\$ 10,155	\$ 6,615	\$ 3,540	53.5 %
Operating expenses	10,839	6,942	3,897	56.1 %
Loss from operations	<u>\$ (684)</u>	<u>\$ (327)</u>	<u>\$ (357)</u>	109.2 %
Operating margin	(6.7)%	(4.9)%		
Depreciation and amortization	\$ 789	\$ 140	\$ 649	
Key Indicators:				
Merchant bankcard processing dollar value	\$ 73,854	\$ 55,536	\$ 18,318	33.0 %
Merchant bankcard transaction volume	70	26	44	169.2 %
Income from operations of reportable segments	\$ 7,035	\$ 14,888	\$ (7,853)	(52.7)%
Less: Corporate expenses	<u>(6,069)</u>	<u>(7,010)</u>	<u>941</u>	<u>(13.4)%</u>
Consolidated income from operations	<u>\$ 966</u>	<u>\$ 7,878</u>	<u>\$ (6,912)</u>	<u>(87.7)%</u>
Corporate depreciation and amortization	\$ 328	\$ 191	\$ 137	
Key indicators:				
Merchant bankcard processing dollar value	\$ 9,946,231	\$ 9,139,763	\$ 806,468	8.8 %
Merchant bankcard transaction volume	117,851	110,431	\$ 7,420	6.7 %

Revenue

For the first quarter of 2019, our consolidated revenue decreased by \$15.6 million, or 13.5%, from the first quarter of 2018 to \$100.0 million. This decrease was driven by a \$19.2 million, or 17.6%, decrease in revenue from our Consumer Payments segment, partially offset by a \$3.5 million, or 53.5%, increase in revenue from our Commercial Payments and Managed Services segment. Consolidated merchant bankcard processing dollar value and merchant bankcard transactions increased 8.8% and 6.7%, respectively.

For the first quarter of 2019, the decrease in Consumer Payments revenue was primarily attributable to a decrease in revenue of \$27.8 million from certain subscription-billing e-commerce merchants. Excluding this impact, revenue grew due to increases in

bankcard processing dollar value and merchant bankcard transactions of 8.7% and 6.7%, respectively, compared to the first quarter of 2018. The higher merchant bankcard processing dollar value and transaction volume for the first quarter of 2019 were mainly due to the continuation of higher consumer spending trends in 2019 and positive net onboarding of new merchants. Additionally, the average dollar amount per bankcard transaction (calculated by dividing bankcard processing volume by the associated number of transactions processed) increased to \$83.82, or 1.9%, for the first quarter of 2019 from \$82.28 for the first quarter of 2018.

Commercial Payments and Managed Services revenue for the first quarter of 2019 included \$3.2 million from our Integrated Partners business, which was established in the third quarter of 2018. Additionally, increases in merchant bankcard processing dollar value and the number of merchant bankcard transactions volume of 33.0% and 169.2%, respectively, contributed to this reportable segment's revenue growth in the first quarter of 2019. Managed Services revenue in the first quarter of 2019 was in line with the 2018 first quarter.

Operating expenses

Our consolidated operating expenses decreased \$8.7 million, or 8.1%, from \$107.7 million for the first quarter of 2018 to \$99.0 million for the first quarter of 2019, driven primarily by a \$14.9 million, or 18.0%, decrease in costs of merchant card fees. This decrease was related to the corresponding decrease in revenue from our Consumer Payments segment and by lower costs attributable to the acquisitions of residual portfolio commission rights, partially offset by growth in processing volume. Costs of merchant card fees, as a percentage of merchant card fee revenue, dropped by 280 basis points for first quarter of 2019 compared to the first quarter of 2018.

Our selling, general, and administrative ("SG&A") expenses decreased overall by \$1.0 million, or 13.4%, for the first quarter of 2019 compared to the first quarter of 2018, driven by a \$2.1 million decrease in certain expenses in Corporate largely associated with our 2018 Business Combination, conversion to a public company, and certain legal matters. This decrease was partially offset by a \$1.1 million increase in other SG&A expenses primarily attributable to software license and maintenance costs and accounting and tax services.

The overall decreases in operating expenses discussed above for costs of merchant card fees and SG&A expenses were partially offset by increases in salary and employee benefits and depreciation and amortization. Salary and employee benefits increased \$1.9 million, or 21.5%, for the first quarter of 2019 compared to the first quarter of 2018; this increase was related to additional headcount in corporate and operations functions and from business acquisitions made after the first quarter of 2018, plus an increase of \$1.0 million in equity-based compensation for the first quarter of 2019. Depreciation and amortization expenses increased \$5.2 million, or 136.9%, for the first quarter of 2019 compared to the first quarter of 2018 due to higher amortization expense for acquired merchant portfolios and intangible assets related to business combinations and asset acquisitions made after the first quarter of 2018, and internally developed software related to the MX Connect and CPX platforms.

Income from operations

Consolidated income from operations decreased \$6.9 million, or 87.7%, for the first quarter of 2019 compared to the first quarter of 2018. Our consolidated operating margin for the first quarter of 2019 was 1.0% compared to 6.8% for the first quarter of 2018. This margin decrease was driven by the loss of certain subscription-billing e-commerce merchants and the increases in operating expenses as previously discussed.

Our Consumer Payments reportable segment contributed \$7.7 million in income from operations for the first quarter of 2019, a decrease of \$7.5 million, or 49.3%, from \$15.2 million for the first quarter of 2018. This decrease largely reflected the loss of certain subscription-billing e-commerce merchants, which contributed \$1.6 million and \$10 million of income from operations in first quarters of 2019 and 2018, respectively, offset by income resulting from the growth in merchant bankcard processing dollar value and transaction volume. The decrease in this segment's income from operations was also impacted by an increase of \$4.4 million in depreciation and amortization expense due to amortization of merchant portfolios acquired after the first quarter of 2018.

Our Commercial Payments and Managed Services reportable segment incurred a \$0.7 million loss from operations for the first quarter of 2019 compared to a \$0.3 million loss from operations for the first quarter of 2018. This change in the loss from operations was primarily attributable to our recently established Integrated Partners business group, which resulted in increases in amortization

expense related to intangible assets acquired after the first quarter of 2018 and higher salary and benefit expenses, partially offset by income from the growth in merchant bankcard processing dollar value and transaction volume for the first quarter of 2019.

Corporate expenses were \$6.1 million for the first quarter of 2019, a decrease of \$0.9 million from expenses of \$7.0 million for the first quarter of 2018. Included in these amounts are certain expenses largely related to the Business Combination, conversion to a public company, and certain legal matters of \$1.2 million and \$3.3 million for the first quarters of 2019 and 2018, respectively, partially offset by increases in accounting and tax services and other SG&A expenses.

Interest expense

Interest expense, including amortization of deferred debt issuance costs and discount, increased by \$2.4 million, or 35.1%, to \$9.4 million in the first quarter of 2019 from \$6.9 million in the first quarter of 2018. This increase was primarily due to higher outstanding borrowings in 2019 driven by acquisition financing.

Other, net

Other, net resulted in income of \$0.2 million in the first quarter of 2019, as compared to an expense of \$4.1 million for the first quarter of 2018. First quarter of 2018 included a \$3.5 million charge related to a change in the fair value of the warrants issued to Goldman Sachs (these warrants were redeemed in July 2018) and \$0.8 million of expenses related to debt modification.

Income tax expense (benefit)

For the first quarter of 2019, our effective income tax rate was 21.1%, reflecting a tax benefit of \$1.7 million on a pre-tax loss of \$8.2 million. Our income tax benefit and effective income tax rate for the first quarter of 2019 may not be indicative of our effective tax rates for future periods. For full-year 2019, the Company at this time estimates that its effective annual income tax rate will be approximately 22%.

Prior to July 25, 2018, substantially all of our operations were conducted through pass-through entities for income tax purposes, and as such we had no material income tax accounting reflected in our financial statements for financial reporting purposes since substantially all taxable income and deductions were "passed through" to our unconsolidated owners. Effective July 25, 2018, we became a "C Corp" in connection with our Business Combination and recapitalization events. Accordingly, effective July 25, 2018, our financial statements reflect the accounting for income taxes. Our financial statements for the first quarter of 2018 reflect unaudited pro-forma income tax disclosure amounts to illustrate the income tax effects had we been subject to federal and state income taxes then.

Net loss

Our consolidated net loss for the first quarter of 2019 was \$6.4 million compared to a loss of \$3.2 million for the first quarter of 2018 for the aforementioned reasons.

Certain Non-GAAP Measures

We periodically review the following key non-GAAP measures to evaluate our business and trends, measure our performance, prepare financial projections and make strategic decisions.

Consolidated EBITDA, which represents consolidated earnings (loss) before interest, income tax, and depreciation and amortization, is reconciled to net income (loss) calculated under GAAP.

Consolidated Adjusted EBITDA starts with Consolidated EBITDA and further adjusts for certain non-cash, non-recurring or non-core expenses including: 1) non-cash equity-based compensation; 2) debt modification costs and warrant fair value changes; 3) certain legal expenses; and 4) certain professional, accounting and consulting fees.

In addition, the financial covenants under the debt agreements of the Company's subsidiaries (the "Borrowers") and our earnout incentive plan pursuant to the Business Combination are based on a non-GAAP measure referred to as Consolidated Earnout Adjusted EBITDA. The calculation of Consolidated Earnout Adjusted EBITDA starts with Consolidated Adjusted EBITDA and further adjusts for the pro-forma impact of acquisitions and residual streams and run rate adjustments for certain contracted savings on an annualized basis, other consulting and professional fees, and other tax expenses and other adjustments, which are not included as adjustments to Consolidated Adjusted EBITDA.

We believe these non-GAAP measures illustrate the underlying financial and business trends relating to our results of operations and comparability between current and prior periods. We also use these non-GAAP measures to establish and monitor operational goals.

These non-GAAP measures are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not as a substitute or superior to, the other measures of financial performance prepared in accordance with GAAP. Using only the non-GAAP financial measures, particularly Consolidated Adjusted EBITDA, to analyze our performance would have material limitations because their calculations are based on subjective determination regarding the nature and classification of events and circumstances that investors may find significant. We compensate for these limitations by presenting both the GAAP and non-GAAP measures of our operating results. Although other companies may report measures entitled "Adjusted EBITDA" or similar in nature, numerous methods may exist for calculating a company's Adjusted EBITDA or similar measures. As a result, the methods we use to calculate Consolidated Adjusted EBITDA may differ from the methods used by other companies to calculate their non-GAAP measures.

The reconciliations of Consolidated EBITDA, Consolidated Adjusted EBITDA, and Consolidated Earnout Adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with GAAP, are shown in the table below:

(in thousands)	Quarter Ended March 31,	
	2019	2018
Consolidated net loss (GAAP)	\$ (6,446)	\$ (3,177)
Add: Interest expense (1)	9,363	6,929
Add: Depreciation and amortization	8,925	3,767
Less: Income tax benefit	(1,724)	—
Consolidated EBITDA (non-GAAP)	10,118	7,519
Further adjusted by:		
Add: Non-cash equity-based compensation	1,160	188
Add: Debt modification costs and warrant fair value changes	—	4,263
Add: Certain legal expenses (2)	514	1,176
Add: Professional, accounting and consulting fees (3)	671	2,154
Consolidated Adjusted EBITDA (non-GAAP)	\$ 12,463	\$ 15,300
Further adjusted by:		
Add: Pro-forma impacts for acquisitions	2,995	375
Add: Other professional and consulting fees	395	399
Add: Other tax expenses and other adjustments	(169)	203
Consolidated Earnout Adjusted EBITDA (non-GAAP) (4)	\$ 15,684	\$ 16,277

(1) Interest expense includes amortization of debt issuance costs and issue discount.

(2) Legal expenses related to business and asset acquisition activity and settlement negotiation and other litigation expenses.

(3) Primarily transaction-related, capital markets and accounting advisory services.

(4) Reflects definition in debt agreements entered into in connection with the January 2017 debt financing. Subsequent to the Business Combination, the Earnout Adjusted EBITDA of the Borrowers under the credit agreements excludes expenses of Priority Technology Holdings, Inc., which is neither a borrower nor a guarantor under the credit agreements. Earnout Adjusted EBITDA of the Borrowers was approximately \$19.4 million for the quarter ended March 31, 2019.

Financial Condition

Compared to our consolidated balance sheet as of December 31, 2018, the following key changes have occurred as of March 31, 2019.

Cash

Cash decreased by \$6.5 million. For an explanation of the key drivers of this change, see the subsequent section, *Liquidity and Capital Resources*.

Intangible Assets

Intangible assets increased during the first quarter of 2019 by \$82.3 million due to asset acquisitions, partially offset by amortization. For additional information, see Note 2, *Acquisitions of Assets*, to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report.

Long-Term Debt

Long-term debt, including outstanding borrowings under the revolving credit facility, increased by \$80.4 million. This increase was driven by borrowings to acquire certain intangible assets. See Note 7, *Long-Term Debt*, to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report, for information on credit facilities, available credit, and covenants.

Stockholders' Deficit

The deficit equity position attributable to the stockholders of Priority Technology Holdings, Inc., increased by \$5.3 million, from a deficit of \$85.5 million at December 31, 2018 to a deficit of \$90.8 million at March 31, 2019. The primary driver of this change was the net loss for the first quarter of 2019, partially offset by a \$1.2 million credit to additional paid-in capital for equity-based compensation. See Note 11, *Equity Reconciliation*, to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report.

Liquidity and Capital Resources

Liquidity and capital resource management is a process focused on providing the funding we need to meet our short-term and long-term cash and working capital needs. We have used our funding sources to build our merchant portfolio, technology solutions, and to make acquisitions with the expectation that such investments will generate cash flows sufficient to cover our working capital needs and other anticipated needs, including for our acquisition strategy. We anticipate that cash on hand, funds generated from

operations and available borrowings under our revolving credit agreement are sufficient to meet our working capital requirements for at least the next twelve months.

Our principal uses of cash are to fund business operations, administrative costs, and debt service.

Our working capital, defined as current assets less current liabilities, was \$11.7 million at March 31, 2019 and \$21.1 million at December 31, 2018. As of March 31, 2019, we had cash totaling \$9.1 million compared to \$15.6 million at December 31, 2018. These balances do not include restricted cash, which reflects cash accounts holding customer settlement funds of \$20.1 million at March 31, 2019 and \$18.2 million at December 31, 2018.

At March 31, 2019, we had availability of \$15.0 million under our revolving credit arrangement.

The following tables and narrative reflect our changes in cash flows for the comparative quarterly periods.

<i>(dollars in thousands)</i>	Quarter Ended March 31,	
	2019	2018
Net cash provided by (used in):		
Operating activities	\$ (1,240)	\$ 12,614
Investing activities	(82,178)	(6,324)
Financing activities	78,827	(12,320)
Net decrease in cash and restricted cash	<u>\$ (4,591)</u>	<u>\$ (6,030)</u>

Cash (Used In) Provided By Operating Activities

Net cash used in the first quarter of 2019 was \$1.2 million compared to net cash provided of \$12.6 million for the first quarter of 2018. The \$13.9 million decrease for the first quarter of 2019 was principally the result of the change in the net loss, an increase in cash interest payments of \$1.8 million, and net cash changes in operating assets and liabilities of \$11.5 million for the first quarter of 2019 compared to the first quarter of 2018. These changes in operating assets and liabilities mainly reflected changes in accounts receivable and settlement assets and obligations.

Cash Used In Investing Activities

Net cash used in investing activities was \$82.2 million and \$6.3 million for the first quarters of 2019 and 2018, respectively. Cash used in investing activities for the first quarter of 2019 included \$15.8 million used to acquire merchant portfolios and \$63.8 million used to acquire certain assets from YapStone, Inc. ("YapStone"). During the first quarter of 2018, \$3.7 million was used to acquire merchant portfolios. Cash used to acquire property, equipment, and software amounted to \$2.4 million and \$2.6 million for the first quarter of 2019 and 2018, respectively.

Cash Provided By (Used In) Financing Activities

Net cash provided by financing activities was \$78.8 million for the first quarter of 2019 compared to net cash used in financing activities of \$12.3 million in the first quarter of 2018. The amount for the first quarter of 2019 included a \$69.7 million, net of issue discount, delayed draw under the credit facility under the senior credit agreement with a syndicate of lenders (the "Senior Credit Agreement") that was used to acquire certain assets from YapStone. Additionally, a \$10.0 million draw under the revolving credit feature of our Senior Credit Agreement was used to partially fund a portfolio acquisition. Cash flow used in financing activities for the first quarter of 2018 was primarily driven by equity redemptions and distributions totaling \$78.1 million and repayments on debt and debt issuance cost of \$1.3 million, partially offset by proceeds from the issuance of long-term debt of

\$67.1 million. The equity redemptions and distributions involved Priority Holdings, LLC before the Company's recapitalization on July 25, 2018.

Off-Balance Sheet Arrangements

We have not entered into any transactions with third parties or unconsolidated entities whereby we have financial guarantees, subordinated retained interest, derivative instruments, or other contingent arrangements that expose us to material continuing risks, contingent liabilities or other obligations.

Commitments and Contractual Obligations

There have been no significant changes to our contractual obligations and commitments compared to those disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations of Priority" included in the Annual Report, except for additional borrowings under our existing Senior Credit Agreement consisting of \$70.0 million of term debt and \$10.0 million under our revolving credit facility. For an updated schedule of debt repayments, see Note 7, *Long-Term Debt*, to the unaudited condensed consolidated financial statements contained in Item 1 of this Quarterly Report.

Related Party Transactions

Acquisitions from Related Party

See Note 2, *Acquisitions of Assets*, to the unaudited condensed consolidated financial statements contained in Item 1 of this Quarterly Report.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim periods, which often require the judgment of management in the selection and application of certain accounting principles and methods. Our critical accounting policies and estimates are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report. There have been no material changes to these critical accounting policies and estimates as of March 31, 2019.

Effect of New Accounting Pronouncements and Recently Issued Accounting Pronouncements Not Yet Adopted

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board or other standards setting bodies that may affect our current and/or future financial statements. See Note 1, *The Company and Basis of Presentation*, to our unaudited condensed consolidated financial statements included in Item 1 of the Quarterly Report on Form 10-Q for a discussion of recently issued accounting pronouncements not yet adopted.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

The credit facility under the Senior Credit Agreement bears interest at a rate based on LIBOR plus a fixed margin that changes periodically. As of March 31, 2019, the Company's subsidiaries that are borrowers or guarantors had \$391.8 million in outstanding borrowings under the senior credit facility. The applicable LIBOR rate stood at 2.5% at March 31, 2019 and the fixed margin stood at 5%, for an interest rate of 7.5%.

A hypothetical 1.0% increase or decrease in the applicable LIBOR rate on the outstanding indebtedness under the senior secured credit facility for the first quarter of 2019 would have increased or decreased interest expense by approximately \$1.0 million. Per annum, a 1% hypothetical increase or decrease in the applicable LIBOR on this debt rate would increase annual interest expense by approximately \$3.9 million.

We currently do not hedge against interest rate risk.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our 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 management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were not effective at a reasonable assurance level because of the material weaknesses in internal control over financial reporting described below, which are in the process of being remediated.

Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives. The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures can prevent all possible errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There are inherent limitations in all control systems, including the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of one or more persons. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and, while our disclosure controls and procedures are designed to be effective under circumstances where they should reasonably be expected to operate effectively, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in any control system, misstatements due to possible errors or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

As disclosed in Item 9A in the Annual Report, we previously identified material weaknesses in internal control over financial reporting related to (1) lack of sufficient accounting and financial reporting resources and (2) deficiencies in certain aspects of our financial statement review and close processes. In order to continue to remediate the material weaknesses described above, during the quarter ended March 31, 2019, we undertook or were engaged in the following measures or activities to address the material weaknesses in internal control over financial reporting:

- recruiting and hiring additional qualified financial reporting personnel;
- utilizing outside consultants to assist us with certain financial accounting and reporting matters; and
- implementing additional policies and procedures to enhance internal control and provide timely reconciliation and review of the Company's accounting policies and procedures.

As we continue to evaluate and improve our internal control over financial reporting, additional measures to remediate the material weaknesses or modifications to certain of the remediation procedures described above may be necessary.

Management is committed to improving our internal control processes and intends to meet with the Audit Committee on a regular basis to monitor the status of remediation activities. Management believes that the measures described above should remediate the material weakness identified and strengthen our internal control over financial reporting.

Except as set forth above, we have identified no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in certain legal proceedings and claims which occur in the normal course of our business. We are not currently a party to any legal proceedings that we believe would have a material adverse effect on our financial position, results of operations, or cash flows.

ITEM 1A. RISK FACTORS

As of March 31, 2019, there have been no material changes to the risk factors previously disclosed in the Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

N/A

ITEM 4. MINE SAFETY DISCLOSURES

N/A

ITEM 5. OTHER INFORMATION

N/A

ITEM 6. EXHIBITS

<u>Exhibit</u>	<u>Description</u>
10.1	* Asset Purchase and Contribution Agreement by and among YapStone, Inc., Priority Real Estate Technology, LLC, and Priority Technology Holdings, Inc., dated March 22, 2019. Portions of this exhibit (indicated by asterisks) have been omitted and are subject to confidential treatment.
31.1	* Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
31.2	* Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
32	** Certification of Chief Executive Officer and Chief 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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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

SIGNATURES

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

PRIORITY TECHNOLOGY HOLDINGS, INC.

May 14, 2019

/s/ Thomas C. Priore
Thomas C. Priore
President, Chief Executive Officer and Chairman
(Principal Executive Officer)

May 14, 2019

/s/ Michael Vollkommer
Michael Vollkommer
Chief Financial Officer
(Principal Financial and Accounting Officer)

THE SYMBOL “[*]” DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED

**ASSET PURCHASE AND CONTRIBUTION AGREEMENT BY AND AMONG
YAPSTONE, INC.,**

**PRIORITY REAL ESTATE TECHNOLOGY, LLC, AND PRIORITY TECHNOLOGY HOLDINGS, INC.
DATED MARCH 22, 2019**

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ASSET PURCHASE AND CONTRIBUTION AGREEMENT

This ASSET PURCHASE AND CONTRIBUTION AGREEMENT (this “**Agreement**”) is made and entered into as of March 22, 2019 by and among YapStone, Inc., a Delaware corporation (“**Seller**”), Priority Real Estate Technology, LLC, a Delaware limited liability company (“**Purchaser**”) and, solely for purposes of Section 6.6, Section 8.5, Section 8.8, Section 8.11 and Section 8.12, Priority Technology Holdings, Inc., a Delaware corporation (“**Parent**”). Capitalized terms used herein not otherwise defined have the meanings ascribed to them in Section 1.1.

WITNESSETH:

WHEREAS, among other lines of business, Seller is engaged in the RentPayment, DuesPayment and StorageRentPayment businesses, through which Seller facilitates acceptance of electronic payments via credit cards, debit cards, and prepaid cards, including providing payment authorization, clearing and settlement services and providing certain other value-added services (including fraud monitoring, detection and mitigation, and other management services) in connection with Seller’s “RentPayment,” “DuesPayment” and “StorageRentPayment” brands;

WHEREAS, Purchaser desires to purchase and, as applicable, acquire and accept from Seller, and Seller desires to sell and, as applicable, contribute, assign and deliver to Purchaser, on the terms and subject to the conditions of this Agreement, all of the Assets as set forth in this Agreement, in consideration for the Purchase Price and in exchange for the issuance by Purchaser to Seller of preferred equity in Purchaser (the “**Contribution**”), on the terms and subject to the conditions of this Agreement (the “**Purchase**”); and

WHEREAS, concurrently with the execution and delivery of this Agreement, Purchaser and Seller desire to enter into, among others, (i) a services agreement (the “**Services Agreement**”), (ii) a license agreement (the “**License Agreement**”), pursuant to which, among other things, Seller will provide to Purchaser a license to use certain software and related documentation and certain Intellectual Property that has been used with respect to the Rent, Dues and Storage Activities and is referred to internally by Seller as the “RP Stack” (collectively, the “**Software**”), (iii) in connection with the Contribution, together with the other members of Purchaser, an amended and restated limited liability company agreement of Purchaser (the “**Operating Agreement**”), and (iv) an award agreement pursuant to which Seller will receive Class B Preferred Units (as defined in the Operating Agreement) of Purchaser (the “**Award Agreement**”).

NOW, THEREFORE, in consideration of the premises and of the mutual covenants, representations, warranties and agreements contained herein, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE I DEFINITIONS; CONSTRUCTION

1.1 **Defined Terms.** When used in this Agreement, the following terms shall have the respective meanings specified below:

“**Affiliate**” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such Person. For the purposes of this definition, “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), with respect to any Person, means the possession, directly or indirectly, of the power to direct or

cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by Contract or otherwise.

“Ancillary Documents” means the Services Agreement and the License Agreement.

“Benefit Plan” means each plan, fund, program, agreement, arrangement, policy or scheme providing for employee benefits or for the remuneration, direct or indirect, of current or former employees, directors, managers, members, officers, consultants, independent contractors, contingent workers or leased employees or the spouses, beneficiaries or dependents of any of them (whether written or oral), including, without limitation, each deferred compensation, bonus, incentive compensation, pension, retirement, stock purchase, stock option and other equity compensation plan or program, each “welfare” plan (within the meaning of Section 3(1) of ERISA, determined without regard to whether such plan is subject to ERISA), each “pension” plan (within the meaning of Section 3(2) of ERISA, determined without regard to whether such plan is subject to ERISA), each employment, severance termination, health, vacation, paid time off, summer hours, supplemental unemployment benefit, long term disability, short term disability, life insurance, hospitalization insurance, medical, prescription, surgical, dental, legal, fringe benefit plan, fund, program, agreement, policy or arrangement, and each other employee benefit plan, fund, program, agreement, policy or arrangement, in each case that is sponsored, maintained or contributed to, or required to be contributed to, by Seller or an ERISA Affiliate.

“Business Day” means any day except a Saturday, a Sunday or any other day on which commercial banks are required or authorized to close in New York, New York.

“Code” means the United States Internal Revenue Code of 1986, as amended, and the regulations and rulings promulgated and issued thereunder.

“Confidential Information” means all information, data, documents, reports, agreements, interpretations, forecasts and records (whether in oral or written form, electronically stored or otherwise) containing or otherwise reflecting material information concerning the Assets. The term “Confidential Information” shall not include information that (a) is or becomes generally available to the public, other than as a result of disclosure by Seller or its Representatives in violation of this Agreement, (b) becomes available to Seller or its Representatives after the date hereof from a Person other than Purchaser on a non- confidential basis, provided that such Person was not known by Seller or its Representatives to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, Purchaser with respect to such materials, (c) has appeared in Seller’s audited and unaudited financial statements prior to the date hereof, or that is required to appear in Seller’s financial statements in the future; (d) has appeared as part of financial projections shared with third parties prior to the date hereof; (e) has been or will be required to be disclosed in order for Seller to timely comply with any of its present or future regulatory requirements, money transmitter obligation or money service business obligations in connection with Seller’s business or (f) was or is independently developed by Seller or its Representatives without use of any Confidential Information.

“Contract” means any note, bond, mortgage, indenture, guaranty, license, franchise, agreement, understanding, arrangement, contract, commitment, letter of intent, or other instrument or obligation, and any amendments thereto in each case that is legally binding.

“Domain Names” means internet web sites and internet domain names, including all related internet protocol addresses, and including common law and statutory rights therein and therefor, and further including goodwill relating thereto, registrations and renewals thereof, and applications for registration therefor.

“DuesPayment” means the business that Seller engages in to enable a homeowners’ association (**“HOA”**) to accept periodic dues payments from homeowner members of the HOA. Under a management contract between the HOA and each homeowner, the homeowner pays dues, in exchange for which the HOA manages the residential subdivision where the homeowner lives, providing a specified range of maintenance, security and other services. Under the applicable client services agreement between Seller and the HOA, the homeowner dues payments are processed and/or settled through Seller. Without limiting the generality of the foregoing, Seller currently provides the foregoing services via the DuesPayment.com website.

“Effective Date” means 11:59 p.m. EST on February 28, 2019.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

“ERISA Affiliate” means any Person that, together with Seller, would be deemed a “single employer” within the meaning of Section 414 of the Code.

“ERISA Affiliate Plan” means each Benefit Plan sponsored or maintained or required to be sponsored or maintained at any time by any ERISA Affiliate, or to which such ERISA Affiliate makes or has made, or has had an obligation to make, contributions at any time.

“Files and Records” means files, documents, books and other records, including merchant lists; records generated from completed or active merchant transactions (including billing, payment and dispute histories, credit information and similar data but excluding any personal confidential information of any user of Seller’s platform); business, financial records and correspondence with merchants; data; process instructions; statistics, and other technical and financial information of Seller, in each case, to the extent relating to the Assets.

“Fraud” means actual fraud with intent to deceive.

“Governmental Entity” means any federal, state, or local court, arbitral tribunal, administrative agency or commission or other governmental or regulatory agency or authority or any securities exchange or any other body exercising legislative or police powers having the force of Law.

“Indebtedness” means (a) any indebtedness for borrowed money or issued in substitution for or exchange of indebtedness for borrowed money, (b) any indebtedness evidenced by any note, bond, debenture, or other debt securities, (c) any indebtedness for the deferred purchase price of property or services with respect to which a Person is liable, contingently or otherwise, as obligor or otherwise (other than trade payables and other current Liabilities incurred in the ordinary course of business as it pertains to ownership of the Assets), (d) any obligations under capitalized leases with respect to which a Person is liable as obligor (to the extent such capitalized leases are not included in the Assets), (e) any indebtedness secured by a Lien on a Person’s assets, (f) any distributions, loans or advances payable to any of such Person’s Affiliates, members, shareholders, or partners as of the Closing which are not paid at Closing, (g) in respect of any obligations of the type referred to in clauses (a) through (e) of any Person for the payment of which Seller is responsible or liable, directly or indirectly, as obligor, guarantor, surety, or otherwise, including guarantees of such obligations, (h) in respect of any obligations of the type referred to in clauses

(a) through (f) of any Person that is secured by (or for which the holder of such obligations has an existing right, contingent or otherwise, to be secured by) any Lien on any property or asset of Seller, (i) all obligations of Seller in respect of performance bonds, banker’s acceptances and letters of credit, including standby letters of credit, (j) all obligations under derivative, hedging, swap, foreign exchange or similar instruments, and (k) any accrued interest, prepayment penalties, and premiums on any of the foregoing.

“Intellectual Property” means any of the following in any jurisdiction throughout the world: (a) patents, patent applications, patent disclosures and inventions, including any continuations, divisions, continuations-in-part, renewals and reissues for any of the foregoing; (b) Domain Names, trademarks, service marks, trade dress, trade names, logos, slogans, and corporate names, and registrations and applications for registration thereof, together with all of the goodwill associated therewith; (c) copyrights (registered or unregistered) and copyrightable works and registrations and applications for registration thereof; (d) mask works and registrations and applications for registration thereof; (e) computer software (excluding shrink wrap software); and (f) copies and tangible embodiments of any of the foregoing (in whatever form or medium).

“IRS” means the United States Internal Revenue Service.

“Law” means any statute, law, ordinance, policy, rule or regulation of any Governmental Entity and all binding and applicable judicial interpretations thereof.

“Liabilities” means any and all Indebtedness, Taxes, liabilities, obligations, and commitments, whether accrued or fixed, express or implied, known or unknown, absolute or contingent, matured or unmatured or determined or determinable.

“Liens” means any liens, security interests, encumbrances, claims, easements, mortgages, charges, indentures, deeds of trust, or any other encumbrances of any kind.

“Long-Term Rental” means the rental of residential or other property characterized by the tenant or renter signing a lease or rental agreement affording the tenant or renter an exclusive right to use and occupy the property to which the lease or rental agreement relates, to the exclusion of others (including the landlord), for an agreed period of time in excess of a daily, weekly or monthly rental period, and shall exclude Short-Term Rentals.

“Losses” means, without duplication, losses, damages, Liabilities, fines, fees, out-of-pocket costs and expenses, including reasonable attorneys’ fees and disbursements; provided that Losses shall not include consequential, special, indirect, punitive or other exemplary damages.

“Marketplace” means a third-party owned or operated e-commerce website that connects unaffiliated buyers and unaffiliated sellers of goods or services all within one platform, for the purposes of helping facilitate buying, renting or leasing of the goods or services. Marketplaces include, for example, e-commerce websites that connect passengers with drivers, and potential tenants or renters seeking to rent or lease rental properties with PMC/Os seeking potential tenants or renters for the properties they own or manage (e.g., HomeAway or RentPath). For the avoidance of doubt, the definition of Marketplace is not intended to restrict Purchaser’s right to use the Licensed Materials (as defined in the License Agreement) in connection with Purchaser’s business done through RadPad or to allow third-party merchants to license RadPad for use on their own payment websites.

“Money Transmitter Laws” means any Law relating to the regulation of the business of the transmission of money or funds and the sale or issuance of payment instruments.

“Money Transmitter Licenses” means any Permits issued, granted, given, or otherwise made available by, under or pursuant to any Money Transmitter Law.

“Open Source Software” means any software that is licensed, distributed or conveyed under a Contract that requires as a condition of its distribution that it be disclosed or distributed in source code form, delivered at no charge or be licensed, distributed or conveyed under the same terms as such

Contract; “Open Source Software” includes, without limitation, software licensed under the GNU’s General Public License or Lesser/Library General Public License, the Apache License, or any derivative thereof, and any license listed at www.opensource.org.

“**Order**” means any judgment, order, injunction, decree, writ, award, or ruling of any Governmental Entity.

“**Overlap Period**” means with respect to the Assets, any taxable year or other taxable period beginning on or before and ending after the Effective Date.

“**Parties**” means Purchaser and Seller and, solely for purposes of [Section 6.6](#), [Section 8.5](#), [Section 8.8](#), [Section 8.11](#) and [Section 8.12](#), Parent.

“**Permits**” means all federal, state and local permits, approvals, licenses, authorizations, certificates, registrations, exemptions and orders from Governmental Entities that are necessary for the operation of Seller’s business as presently conducted.

“**Permitted Liens**” means (a) Liens for Taxes not yet due and payable or which may thereafter be paid without penalty or that are being contested in good faith by appropriate proceedings, (b) mechanics’, carriers’, workmen’s, repairmen’s or other like Liens arising in the ordinary course of business securing amounts that are not past due or which are contested in good faith, (c) zoning, entitlement and other land use and environmental regulations to the extent such regulations are not individually or in the aggregate material, (d) Liens related to workers’ compensation and other similar statutory regimes, (e) all other matters affecting title that have been waived or consented to by Purchaser, (f) Liens that will be released as of the Closing, and (g) claims or restrictions arising under this Agreement.

“**Person**” means and includes an individual, a partnership, a limited partnership, a limited liability partnership, a joint venture, a corporation, a limited liability company, an association, a trust, an unincorporated organization, a group and a Governmental Entity.

“**PMC/O**” means a property management company or property owner.

“**Purchase Price**” means the sum of \$65,000,000.

“**Pre-Effective Date Period**” means all taxable years or other taxable periods to the extent related to the Assets that end on or before the Effective Date and, with respect to any Overlap Period, the portion of such period ending as of the Effective Date.

“**Operating Agreement**” means that certain Second Amended and Restated Limited Liability Company Agreement of Purchaser, dated as of the date hereof.

“**Rent, Dues and Storage Activities**” means the services that Seller offers through the RentPayment, DuesPayment and StorageRentPayment businesses as of the Effective Date but excludes the Retained Business. For the avoidance of doubt, the definition of Rent, Dues and Storage Activities is not intended to restrict Seller’s right to conduct any of the Retained Business.

“**RentPayment**” means the business that Seller engages in to enable a PMC/O to accept rental payments from its tenants or renters. Under the applicable lease, tenants make rental payments to the PMC/O in exchange for which the PMC/O provides the tenants with rental services ranging from providing living accommodation to providing maintenance and management of the apartment property. Under the applicable client services agreement between Seller and the PMC/O, the rental payments are

processed and/or settled through Seller. Without limiting the generality of the foregoing, Seller currently provides RentPayment via the RentPayment.com website.

“Representatives” of any Person means such Person’s directors, managers, officers, employees, agents, attorneys, consultants, advisors or other Persons acting on behalf of such Person at their request.

“Retained Business” means, collectively, Seller’s services to or in connection with (a) Contracts other than Assumed Contracts as of and after the Effective Date, (b) Marketplaces or Marketplace providers or operators, including Seller’s Marketplace partners in the Long-Term Rental and Short-Term Rental verticals, (c) vacation rental customers, (d) TOPS where Seller’s payment processing services are available to TOPS for pay-in or vendor pay-out services, (e) any TOPS customers serviced by Seller through Seller’s payment processing services that are embedded as the primary payment service available to TOPS customers; and (f) RentPath and RentPath’s affiliated businesses, including the AG Sites services.

“Short-Term Rental” means rental of residential or other property for short-term occupancy on a daily, weekly or monthly basis, such as for corporate housing or vacation rentals (including bed-n-breakfast establishments and inns).

“StorageRentPayment” means the business that Seller engages in to enable a self-storage unit PMC/O to accept rental payments from its storage unit renters. Under the applicable contract between the PMC/O and the storage unit renter, the storage unit renter makes rental payments to the PMC/O, in exchange for which the PMC/O provides storage unit rental services ranging from the provision of the storage units to related management and maintenance services. Under the applicable client services agreement between Seller and the PMC/O, the rental payments are processed and/or settled through Seller. Without limiting the generality of the foregoing, Seller currently provides the foregoing services via the StorageRentPayment.com website.

“Taxes” means all taxes, assessments, charges, duties, fees, levies or other governmental charges of any kind, including all United States federal, state, local, foreign and other income, franchise, profits, gross receipts, capital gains, capital stock, transfer, sales, use, value added, occupation, property, unclaimed property, escheat, excise, severance, windfall profits, stamp, license, payroll, social security, withholding, workers compensation, unemployment taxes and other taxes, assessments, charges, duties, fees, levies or other governmental charges of any kind whatsoever in the nature of taxes, all estimated taxes, deficiency assessments, additions to tax, penalties and interest.

“Tax Return” means any return, declaration, election, disclosure, report, claim for refund, statement or information report or filing filed or required to be filed with any Governmental Entity with respect to Taxes, including any schedules attached thereto and including any amendment thereof.

“TOPS” means TOPS Software, LLC.

“Treasury Regulations” means the Treasury Regulations promulgated pursuant to the Code, as amended from time to time, including the corresponding provisions of any successor regulations.

1.2 **Additional Defined Terms**. In addition to the terms defined in Section 1.1, additional defined terms used herein shall have the respective meanings indicated in the sections referenced opposite such term below:

Defined Term Section

Action 4.8
Affiliate Commissions Reports 4.4(b)
Agreed Claims 7.6(d)
Agreement Preamble
Assets 2.2
Assumed Contracts 2.2(a)
Assumed Liabilities 2.4
Award Agreement Recitals
Cash Cap 7.4(c)
Claim Certificate 7.6(a)
Closing 3.3(a)
Closing Date 3.3(a)
Closing Statement 3.3(b)(vii)
Collateral Source 7.5
Contribution Recitals
Deductible 7.4(b)
Distributed Software 4.12
Equity Forfeiture Cap 7.4(c)
Excluded Assets 2.3
Excluded Liabilities 2.5
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Fundamental Representations 7.1
GAAP 5.10
Indemnified Party 7.6(a)
Indemnifying Party 7.6(a)
Interim Amount 3.1(c)
Interim Statement 3.1(c)
Knowledge of Seller 1.5
License Agreement Recitals
Material Contract 4.7(a)
Nonassignable Right 2.6
Objection Notice 3.1(c)
Operating Agreement Recitals
Parent Preamble
PIPH 5.6(a)
Purchase Recitals
Purchaser Preamble
Purchaser Financial Statements 5.10
Purchaser Fundamental Representations 7.1
Purchaser Guaranteed Obligations 6.6(a)
Purchaser Indemnitees 7.2
Reference Date 4.5(a)
Registrar 6.5
Seller Preamble
Seller Disclosure Schedule ARTICLE IV
Seller Fundamental Representations 7.1
Seller Indemnitees 7.3
Services Agreement Recitals
Software Recitals

Standard Exceptions 4.2(a)
Third-Party Claim 7.7(a)
Transfer Taxes 6.4(a)
Units 5.6(a)

1.3 Construction. In this Agreement, unless the context otherwise requires:

- (a) words expressed in the singular number shall include the plural and vice versa; words expressed in the masculine shall include the feminine and neuter gender and vice versa;
- (b) references in this Agreement to Articles, Sections, Exhibits, Sections of the Seller Disclosure Schedule, the Preamble and the Recitals are references to articles, sections, exhibits, the disclosure schedule, the preamble and the recitals of this Agreement unless otherwise indicated, and the descriptive headings of the several Articles and Sections of this Agreement, and Sections of the Seller Disclosure Schedule are inserted for convenience only, do not constitute a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement;
- (c) any capitalized terms used in any Schedule (including the Seller Disclosure Schedule) or Exhibit but not otherwise defined therein shall have the meaning as defined in this Agreement;
- (d) the phrases “delivered” or “made available” shall mean that the information referred to has been physically or electronically delivered to the relevant parties (including, in the case of “made available” to Purchaser, material that has been posted, retained and thereby made available to Purchaser through an on-line “virtual data room” established by or on behalf of Seller;
- (e) the words “hereof”, “herein”, “hereto” and “hereunder”, and words of similar import, shall refer to this Agreement as a whole and not to any provision of this Agreement;
- (f) this “Agreement” or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated or supplemented;
- (g) references to “day” or “days” are to calendar days;
- (h) “include”, “includes”, and “including” are deemed to be followed by “without limitation” whether or not they are actually followed by such words or words of similar import;
- (i) the word “or” shall not be exclusive and may also mean “and/or” as the context requires; and
- (j) references to “Dollars”, “dollars” or “\$”, without more are to the lawful currency of United States of America.

1.4 Exhibits and the Seller Disclosure Schedule. The Exhibits and the Seller Disclosure Schedule are incorporated into and form an integral part of this Agreement.

1.5 Knowledge. When any representation, warranty, covenant or agreement contained in this Agreement is expressly qualified by reference to the “Knowledge of Seller” or words of similar import, it shall mean any matter or fact actually known, or that should have been known following due inquiry, by Thomas Villante, David Weiss, Jerry Ulrich, David Durant or Scott Stockberger.

ARTICLE II

SALE AND CONTRIBUTION OF ASSETS AND ASSUMPTION OF LIABILITIES

2.1 Sale and Contribution of Assets. Upon the terms and subject to the conditions of this Agreement, as of the Closing Date Purchaser hereby purchases or, as applicable, acquires and accepts from Seller, and Seller hereby sells, conveys, transfers, assigns, contributes and delivers to Purchaser, all of Seller's right, title and interest in and to the Assets, in each case, free and clear of any Liens and Orders of any kind whatsoever, except Permitted Liens.

2.2 Assets Defined. Notwithstanding anything else herein to the contrary, "Assets" means all of Seller's right, title and interest in, to and under the following assets (in each case, other than the Excluded Assets):

(a) all right, title, and interest in each Contract listed on Section 2.2(a) of the Seller Disclosure Schedule and any other Contract that generates revenue that is derived from the Rent, Dues and Storage Activities, including those captured in the Affiliate Commissions Reports, and including all rights to receive payments or commissions under such Contracts for transactions initiated on or after the Effective Date (the "Assumed Contracts"); provided, however, that "Assumed Contracts" shall not include any Contracts made in connection with or arising out of the Retained Business;

(b) the Files and Records to the extent related primarily to the Rent, Dues and Storage Activities; provided, however, that Seller shall be able to retain copies of the same;

(c) sales literature, promotional literature, and other selling and advertising material, creative materials, advertising, studies, reports and other printed or written materials, in each case whether in hard copy or computer format, to the extent solely used in connection with the Rent, Dues and Storage Activities, and all Intellectual Property rights to such printed or written sales, promotional or advertising materials; provided, however, that Seller shall be able to retain copies of such materials and use such copies for Seller's performance of its obligations under the Ancillary Documents and for purposes other than the conduct of the Rent, Dues and Storage Activities;

(d) all fax numbers, phone numbers, e-mail addresses, websites, including the Domain Names set forth on Section 2.2(d) of the Seller Disclosure Schedule, and "d/b/a" rights and names (e.g., the "RentPayment," "DuesPayment" and "StorageRentPayment" names) that are solely used in connection with the Rent, Dues and Storage Activities, all rights to such numbers, e-mail addresses, websites and "d/b/a" rights and names used solely in connection with the Rent, Dues and Storage Activities, and all log- in passwords or other access credentials used to service the Assumed Contracts; and

(e) all claims, defenses and rights of offset or counterclaim (at any time or in any manner arising or existing, whether choate or inchoate, known or unknown, contingent or non-contingent), to the extent exclusively arising from the Assumed Contracts or the Assumed Liabilities after the Effective Date.

2.3 Excluded Assets. Notwithstanding anything to the contrary in this Agreement, all rights, assets and properties of Seller that are not expressly listed in Section 2.2, as well as the following, whether owned by, held by or relating to Seller or any of its Affiliates do not, and shall not, constitute Assets (collectively, the "Excluded Assets"):

(a) Retained Business;

(b) rights under Seller's Contracts, except the Assumed Contracts;

(c) all rights of Seller to receive payments or commissions under the Assumed Contracts for transactions initiated prior to the Effective Date;

(d) (i) Files and Records that comprise Seller's permanent Tax records, corporate minute books, stock books, related organizational documents and other Files and Records having to do with the corporate organization of Seller, whether or not related to the Rent, Dues or Storage Activities or the Assumed Contracts, (ii) a copy of those Files and Records that Seller is required to retain pursuant to any Law or Order, (iii) Files and Records which Seller is prohibited from transferring to Purchaser under applicable Law, (iv) Files and Records related to the Excluded Assets or Excluded Liabilities, and (v) attorney-client privileged documents (including emails) and other work product of Seller or Seller's attorneys (including emails) relating to the negotiation or consummation of the transactions contemplated by this Agreement;

(e) personnel records of Seller's employees and all other employee-related or employee benefit-related Files and Records related to such employees;

(f) all prepayments of Taxes and claims for refund or credit of Taxes and other Governmental Entity charges, refunds, reimbursements or claims settlements of whatever nature that are attributable to Seller for any Pre-Effective Date Period or that are otherwise paid by Seller;

(g) all claims, defenses and rights of offset or counterclaim (at any time or in any manner arising or existing, whether choate or inchoate, known or unknown, contingent or non-contingent) to the extent arising from any of the Excluded Assets or Excluded Liabilities, or relating to any indemnification obligation of Seller hereunder, in each case whether arising by way of counterclaim or otherwise;

(h) Seller's claims against Purchaser with respect to this Agreement or relating to the Excluded Assets or the Excluded Liabilities;

(i) the equity interests of any Person;

(j) cash and cash equivalents;

(k) prepaid expenses and deposits to the extent set forth on Section 2.3(k) of the Seller Disclosure Schedule;

(l) all furniture, servers, computers, Software, equipment, supplies, fixtures and personal property;

(m) employment Contracts with any Person;

(n) all insurance policies of Seller and all rights to applicable claims and proceeds

thereunder;

(o) Benefit Plans and ERISA Affiliate Plans and any of the assets related thereto;

(p) all Permits;

(q) all rights of Seller under this Agreement and the Exhibits, Seller Disclosure Schedule and other documents contemplated hereby;

(r) all of Seller's Intellectual Property and rights therein that are not expressly included in the Assets; and

(s) all other tangible and intangible assets, properties, rights and privileges, except those expressly included as an Asset in

Section 2.2.

2.4 Assumption of Liabilities. Upon the terms and subject to the conditions of this Agreement, Purchaser hereby assumes and agrees to pay, perform and discharge when due, each of those Liabilities and obligations set forth below (collectively, the "**Assumed Liabilities**");

(a) All Liabilities incurred on or after the Effective Date relating to the Assets and Seller's obligations under the Assumed Contracts to the extent arising on or after the Effective Date, including expenses incurred by Seller to provide the services pursuant to the terms and conditions of the Assumed Contracts, liability for chargebacks, card organization fines and other credit-related Losses relating to transactions having a processing date on or after the Effective Date (other than Liabilities or obligations attributable to any failure of Seller to comply with the terms of any such Assumed Contract prior to the Closing Date); and

(b) all other Liabilities and obligations arising out of or relating to Purchaser's or its Affiliates' ownership or operation of the Assets on or after the Effective Date.

2.5 Excluded Liabilities. Notwithstanding anything contained herein to the contrary, Purchaser shall not assume, or cause to be assumed, or be deemed to have assumed or caused to have assumed or be liable or responsible for any Liabilities or obligations (whether known or unknown, fixed, absolute, matured, unmatured, accrued or contingent, now existing or arising after the date hereof) of Seller or its Affiliates other than the Assumed Liabilities (such obligations and Liabilities not assumed hereunder, which include any and all Liabilities (a) in respect of Taxes (i) relating to Seller for the Assets or Rent, Dues and Storage Activities for any Pre-Effective Date Period or (ii) of Seller or any of its Affiliates for Taxes of any Person under Treasury Regulation Section 1502-6 (or any similar provision of state, local or non-U.S. Law) as a transferee or successor, by contract or otherwise, (b) of Seller or any of its Affiliates relating to any Indebtedness of Seller or any of its Affiliates, (c) of Seller or any of its Affiliates to pay wages, commissions, bonuses, severance, vacation pay, or any other amounts due any termination of employment or arising out of the failure of any such Person to satisfy any employment or labor-related Laws, (d) for any trailing chargebacks, fines or penalties or charge-offs related to or arising from the ownership of the Assets prior to the Effective Date, including any such events with respect to which notice is received after the Effective Date, (e) of Seller or any of its Affiliates related to or arising from any Benefit Plans or ERISA Affiliate Plans of Seller or an Affiliate thereof, and (f) of Seller or any of its Affiliates incurred in connection with the making or performance of this Agreement, including any broker's fees and legal fees, the "**Excluded Liabilities**").

2.6 Consents of Third Parties. Notwithstanding anything to the contrary in this Agreement, to the extent that any Asset is not assignable or transferable without the consent or waiver of, or the taking of any other action by, any third party (including any Governmental Entity) (a "**Nonassignable Right**"), or if the assignment or transfer thereof or the attempted assignment or transfer thereof would constitute a breach under any applicable Contract or a violation of any applicable Law, this Agreement shall not constitute an assignment or transfer, or an attempted assignment or transfer thereof until such consent or waiver has been obtained or such other action has been taken, and the following provisions shall be applicable until such time as such consent or waiver has been obtained or such other action has been taken:

(a) Seller shall use its commercially reasonable efforts (which shall not require it to incur any financial obligation or any other material obligation), and Purchaser shall cooperate therewith, to obtain such consent or waiver or cause the taking of any required action, as applicable. To the extent that any such consent or waiver is not so obtained or any such action is not so taken, Seller shall use commercially reasonable efforts at Purchaser's sole cost and expense to (a) provide to Purchaser the benefits of any such Nonassignable Right, (b) cooperate in any reasonable arrangement requested by Purchaser designed to provide such benefits to Purchaser, and (c) enforce for the account of Purchaser any right of Seller arising from any such Nonassignable Right against such third party.

(b) To the extent that Purchaser is provided the benefits pursuant to this Section 2.6 of any such Nonassignable Right, Purchaser shall perform for the benefit of the applicable third party, the obligations of Seller thereunder or in connection therewith and shall indemnify and hold Seller harmless against any such Liability or obligations thereunder arising or to be performed on or after the Closing Date. If such consent is subsequently obtained, the Asset will be deemed for purposes of this Agreement to have been transferred effective as of the Closing Date.

2.7 Bulk Sales. The Parties hereby waive compliance with the provisions of any bulk sales, bulk transfer or similar Law of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Assets to Purchaser; it being understood that any Liabilities arising out of the failure of Seller to comply with such requirements and provisions of any bulk sales, bulk transfer or similar Law of any jurisdiction shall be treated as Excluded Liabilities.

2.8 Wrong Pocket. If, after the Closing Date, Purchaser identifies an asset owned by Seller that is an Asset and that should have been, but inadvertently was not previously, transferred by Seller to Purchaser pursuant to this Article II, then Seller shall offer to transfer or cause to be transferred such asset to Purchaser or its designee for no additional consideration. If, after the Closing Date, Seller identifies any Assumed Liabilities that should have been, but inadvertently were not previously, transferred by Seller to Purchaser pursuant to this Article II, then Seller shall offer to transfer or cause to be transferred such Assumed Liabilities to Purchaser or its designee for no additional consideration. If, after the Closing Date, Seller in good faith identifies an asset that is an Excluded Asset that should not have been, but inadvertently was previously, transferred by Seller to Purchaser or of which Purchaser is otherwise in possession, then Purchaser shall transfer such asset to Seller for no consideration. Prior to any such transfer, Seller or Purchaser, as applicable, shall, or shall cause its Affiliates to, hold such asset in trust for Purchaser or Seller, as applicable.

2.9 Withholding. Notwithstanding any other provision in this Agreement, Purchaser shall be entitled to deduct and withhold from the payments to be made pursuant to this Agreement any Taxes required to be deducted and withheld with respect to the making of such payments under the Code, the Treasury Regulations issued thereunder or any other provision of applicable Law, and to request any reasonably necessary Tax forms including IRS Form W-9 or the appropriate series of IRS Form W-8, as applicable, or any similar information for the purpose of determining whether such withholding is required; provided that Purchaser shall provide reasonable advance notice to Seller of any amount it intends to deduct and withhold and, in any event, at least three (3) days in advance of the Closing Date. Purchaser, on the one hand, and Seller, on the other hand, shall use commercially reasonable efforts to minimize any such deduction and withholding. To the extent that amounts are so withheld and deducted pursuant to this Section 2.9 and paid over to the appropriate Governmental Entity, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to such Person in respect of which such deduction and withholding was made.

ARTICLE III PURCHASE PRICE AND CLOSING

3.1 Purchase Price; Delivery of Funds; Contribution.

(a) At the Closing, in consideration for the sale and transfer of a [%] interest in each of the Assets pursuant to Section 2.1 hereof, Purchaser shall assume the applicable portion of the Assumed Liabilities associated with such Assets and Purchaser shall pay, or cause to be delivered to Seller, the Purchase Price by wire transfer of immediately available funds to an account designated in the Closing Statement.

(b) At the Closing, in consideration for the transfer, conveyance, assignment and delivery of a [%] interest in each of the Assets pursuant to Section 2.1 hereof, Purchaser shall assume the applicable portion of the Assumed Liabilities associated with such Assets and Purchaser shall effect the Contribution. The Class B Preferred Units issued to Seller will carry certain rights and restrictions, including restrictions on transferability of such interests, in accordance with applicable law and the terms and conditions of the Operating Agreement.

(c) Within 60 days after the Closing Date (or such longer period as Purchaser and Seller mutually agree on), Seller shall prepare and deliver to Purchaser a written statement (the “**Interim Statement**”) setting forth in reasonable detail Seller’s calculation of the amount (the “**Interim Amount**”) that is equal to (i) all payments and commissions received by Seller under Assumed Contracts for transactions initiated on or after the Effective Date to the Closing Date, *minus* (ii) all third-party expenses paid by Seller for the benefit of Purchaser, and an amount equal to the payments to which Seller would have been entitled pursuant to the Services Agreement if the Services Agreement had become effective on the Effective Date. Upon delivery by Seller of the Interim Statement, Seller shall provide Purchaser with reasonable access, during normal business hours, to Seller’s accounting and other personnel and to the books and records reasonably necessary to allow Purchaser to verify the accuracy of the Interim Statement. If Purchaser does not object to the Interim Statement by a written notice of objection, including Purchaser’s alternative calculations (the “**Objection Notice**”), delivered to Purchaser within 30 days after Purchaser’s receipt of the Interim Statement, the Interim Statement shall be deemed final and binding.

(d) If Purchaser delivers an Objection Notice within 30 days after Purchaser’s receipt of the Interim Statement, Purchaser and Seller shall negotiate in good faith to determine the final Interim Amount within 30 days after Seller’s receipt of the Objection Notice. If Seller and Purchaser have not agreed on the final Interim Amount during such 30-day period, such dispute shall be resolved in accordance with Section 8.8.

(e) If the Interim Amount (as finally determined pursuant to Sections 3.1(c) or 3.1(d)) is positive, within two Business Days after the determination thereof, Seller shall pay to Purchaser an amount equal to the Interim Amount by wire transfer of immediately available funds to the account designated in writing by Purchaser. If the Interim Amount (as finally determined pursuant to Sections 3.1(c) or 3.1(d)) is negative, within two Business Days after the determination thereof, Purchaser shall pay to Seller an amount equal to the absolute value of the Interim Amount by wire transfer of immediately available funds to the account designated in writing by Seller.

3.2 Allocation of Purchase Price and Contribution.

(a) Purchaser and Seller agree that the Purchase Price and the Assumed Liabilities associated with the Assets attributable thereto (plus other relevant items, if applicable) shall be allocated

among such Assets for income tax purposes in accordance with an allocation prepared pursuant to this Section 3.2 and in a manner consistent with Section 1060 of the Code (and any similar provision of state, local or foreign tax law, as may be applicable), which allocation shall be binding upon all Parties. Such allocation shall be prepared by Purchaser and Seller as soon as practicable after the Closing and both Purchaser and Seller shall cooperate in good faith to prepare in a timely manner an allocation that is mutually acceptable to both Parties. To the extent Purchaser and Seller cannot agree on an allocation in a timely manner, Purchaser and Seller shall jointly retain a nationally recognized accounting firm to resolve the disputed items. The costs, fees and expenses of the accounting firm shall be borne equally by Purchaser and Seller. Purchaser, Seller, and their respective Affiliates shall report, act and file Tax Returns (including IRS Form 8594) in all respects and for all purposes consistent with such allocation agreed to by Seller and Purchaser pursuant to this Section 3.2. Neither Purchaser (or any Affiliate of Purchaser), nor Seller (or any Affiliate of Seller) shall take any position (whether in audits, Tax Returns or otherwise) that is inconsistent with such allocation unless required to do so by a determination of a taxing authority following an audit or examination in which the foregoing Tax position has been defended in good faith.

(b) Except as otherwise required by applicable Law, the Parties agree to report the transactions contemplated by this Agreement for U.S. federal income tax purposes (and any similar provision of state, local or foreign tax law, as may be applicable) in accordance with Example 1 of Treasury Regulation Section 1.707-3(f) as (A) a taxable sale by Seller of the appropriate portion of each of the Assets to Purchaser in exchange for the cash consideration and assumption of a proportionate share of the Assumed Liabilities under Section 707(a)(2)(B) of the Code and the accompanying Treasury Regulations and (B) a contribution by Seller of the remaining portion of Assets and remaining portion of Assumed Liabilities to Purchaser in exchange for the preferred equity in Purchaser under Section 721 of the Code, provided that cash received by Seller pursuant to this Agreement shall be treated as a distribution under Section 731 to the extent permitted by Treasury Regulations Sections 1.707-4(d) (relating to pre-formation capital expenditures) or 1.707-5(b) (relating to debt-financed distributions) to the maximum extent permitted by Law as reasonably determined by the board of Purchaser in good faith pursuant to the Operating Agreement.

3.3 Closing; Closing Deliverables.

(a) The closing of the Purchase (the “**Closing**”) shall take place remotely by exchange of documents and signatures via email, facsimile, or DocuSign on the date hereof upon the execution of this Agreement and the other agreements contemplated hereby. Such date is herein referred to as the “**Closing Date**”.

(b) At the Closing, unless waived in writing by Purchaser, in its sole and absolute discretion, Seller shall deliver or cause to be delivered to Purchaser:

(i) a non-foreign person affidavit from Seller in form reasonably satisfactory to Purchaser, dated as of the Closing Date, as required by Section 1445 of the Code, duly executed by Seller;

(ii) a duly executed certificate of the Secretary or other duly authorized officer of Seller, certifying as to and attaching (A) true and complete copies of organizational documents of Seller, as amended, each as in effect immediately prior to the Closing, (B) true and complete copies of the resolutions of the board of directors of Seller approving the transactions contemplated hereby; and (C) the incumbency of the officers of Seller executing this Agreement or any other agreement executed and delivered in connection with transactions contemplated by this Agreement;

(iii) a recent certificate of good standing of Seller from the Secretary of State of Seller's jurisdiction of formation;

(iv) a duly executed counterpart from Seller to each of (A) a joinder agreement to the Operating Agreement; (B) the Services Agreement; (C) the License Agreement, and (D) the Award Agreement, each of which shall be in form and substance acceptable to the parties thereto;

(v) lien release letters executed by the holders of all Liens on the Assets, other than Permitted Liens, in form and substance reasonably acceptable to Purchaser;

(vi) a closing and disbursement schedule, in form and substance reasonably acceptable to the Parties, reflecting all payments and disbursements made at Closing (the "Closing Statement"), duly executed by Seller;

(vii) validly executed Domain Name assignments irrevocably transferring all rights in the Domain Names listed in Section 2.2(d) of the Seller Disclosure Schedule to Purchaser; and

(viii) a copy of this Agreement, duly executed by Seller.

(c) At the Closing, unless waived in writing by Seller, in its sole and absolute discretion, Purchaser shall deliver or cause to be delivered the following to Seller:

(i) the Purchase Price in accordance with Section 3.1;

(ii) a duly executed counterpart from Purchaser to each of (A) the Operating Agreement; (B) the Services Agreement; (C) the License Agreement; and (D) the Award Agreement, each of which shall be in form and substance acceptable to the parties thereto;

(iii) a duly executed certificate of the Secretary or other duly authorized officer of Purchaser, certifying as to and attaching (A) true and complete copies of all resolutions adopted by the board of directors, managers, members, or other governing body of Purchaser authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby; and (B) the incumbency of the officers executing this Agreement or any other agreement executed and deliver in connection with transactions contemplated by this Agreement, and certifying the names and signatures of the officers of Purchaser authorized to sign this Agreement and the other documents to be delivered hereunder;

(iv) a copy of this Agreement, duly executed by Purchaser; and

(v) a recent certificate from the Secretary of State or other appropriate official of Purchaser's jurisdiction of formation to the effect that Purchaser is in good standing (or the equivalent thereof) in such jurisdiction.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the Seller Disclosure Schedule attached to this Agreement (the “**Seller Disclosure Schedule**”), Seller hereby represents and warrants to Purchaser as follows as of the Closing Date:

4.1 Due Organization, Good Standing. Seller is duly organized, validly existing and in good standing (or the equivalent thereof) under the Laws of the jurisdiction of its organization. Seller has all requisite corporate power and authority to own, lease, and operate its properties and to carry on its business as now being conducted. Seller is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the property owned, leased or operated by Seller, or the nature of the business conducted by Seller makes such qualification necessary, except such jurisdictions where the failure to be so qualified or licensed and in good standing does not, individually or in the aggregate, materially and adversely affect the Assets.

4.2 Authorization; Noncontravention.

(a) Seller has the corporate power and authority and has taken all action necessary to execute and deliver this Agreement and all other instruments and agreements to be delivered by Seller as contemplated hereby, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by Seller of this Agreement and all other instruments and agreements to be delivered by Seller as contemplated hereby, the consummation by Seller of the transactions contemplated hereby and the performance of its obligations hereunder have been duly authorized and approved by all necessary corporate action with respect to Seller. This Agreement has been, and all other instruments and agreements to be executed and delivered by Seller as contemplated hereby have been, duly executed and delivered by Seller. Assuming the due execution and delivery by Purchaser of this Agreement, this Agreement constitutes a valid and binding obligation of Seller enforceable against Seller in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforcement of creditors’ rights generally and by general equitable principles (the “**Standard Exceptions**”). Assuming the due execution and delivery by Purchaser of all other instruments and agreements to be entered into by Purchaser under this Agreement, such instruments and agreements will constitute valid and binding obligations of Seller enforceable against Seller in accordance with their terms, except as such enforcement may be limited by the Standard Exceptions.

(b) The execution and delivery of this Agreement and all other instruments and agreements to be delivered by Seller as contemplated hereby do not, and the consummation of the transactions contemplated hereby will not (i) conflict with any of the provisions of the Restated Certificate of Incorporation of Seller, as amended, (ii) create any Lien (other than Permitted Liens) upon any of the Assets, (iii) except as set forth on Section 4.3 of the Seller Disclosure Schedule, conflict with or result in a material breach of, or constitute a material default under, or result in the acceleration of any material obligation or loss of any benefits under any Assumed Contract that is a Material Contract, (iv) except as individually or in the aggregate would not have a material adverse effect on Seller or the Rent, Dues and Storage Activities, conflict with or result in a material breach of, or constitute a material default under, or result in the acceleration of any material obligation or loss of any benefits under any Assumed Contract that is not a Material Contract, or (v) subject to receipt of the consents or making of the filings referred to in Section 4.3 of the Seller Disclosure Schedule, contravene any Law or any Order applicable to Seller, or by which any of the Assets are bound.

4.3 Consents and Approvals. Except as set forth on Section 4.3 of the Seller Disclosure Schedule, no consent of or filing with any Governmental Entity or any other Person (in the case of a Person that is party to an Assumed Contract, only if such Assumed Contract is a Material Contract or if the failure to obtain such consent would have a material adverse effect on the Rent, Dues and Storage Activities) must be obtained or made by Seller in connection with the execution and delivery of this Agreement by Seller or the consummation by Seller of the transactions contemplated by this Agreement.

4.4 Financial Statements.

(a) Attached to Section 4.4(a) of the Seller Disclosure Schedule is a copy of each of the following unaudited financial metrics for the Assets for the (a) 12-month period ended December 31, 2017, and (b) 12-month period ended December 31, 2018: (i) sales and cost of sales (including royalties) for the Rent, Dues and Storage Activities, and (ii) network, gateway and other fees not included in cost of sales with respect to the Rent, Dues and Storage Activities (the “**Financial Statements**”). The Financial Statements truly and accurately reflect and fairly present, in all material respects, the applicable financial metrics for the periods covered thereby of the Assets.

(b) Section 4.4(b) of the Seller Disclosure Schedule contains a true, accurate and complete copy of the affiliate commissions report in respect of the Assumed Contracts covering the one- month period ended each of November 30, 2018 and December 31, 2018 (the “**Affiliate Commissions Report**”). The Rent, Dues and Storage Activities were conducted in the ordinary course during the period covered by the Affiliate Commissions Reports.

4.5 Absence of Certain Changes.

(a) Except as set forth on Section 4.5(a) of the Seller Disclosure Schedule, since July 1, 2018 (the “**Reference Date**”), to the Knowledge of Seller, there has not been any event, circumstance, development, state of facts, occurrence, change or effect which has, or would reasonably be expected to, materially and adversely affect the Assets.

(b) Except as expressly contemplated by this Agreement, since the Reference Date, Seller has not taken any of the following actions with respect to the Assets:

(i) entered into, materially amended, become subject to or terminated any Contract that would be an Assumed Contract, in each case outside of the ordinary course of business consistent with past practice;

(ii) made any change in any method of accounting or auditing practice;

(iii) subjected any of the Assets to any Lien, other than Permitted Liens;

(iv) cancelled or otherwise waived any claims or rights relating to the Assets involving any amount in excess of \$10,000 for any given month;

(v) sold, transferred, granted, or otherwise disposed of any assets of Seller that constitute (or would have constituted, absent such sale, transfer, grant, or disposition) an Asset, in each case outside of the ordinary course of business consistent with past practice; or

(vi) entered into any Contract to do, or committed or agreed to do, any of the foregoing.

4.6 Title to Assets. Seller has good and marketable title to all of the Assets, free and clear of all Liens, other than Permitted Liens or Liens to be released immediately prior to the Closing.

4.7 Contracts.

(a) Section 4.7(a) of the Seller Disclosure Schedule sets forth an accurate and complete list as of the date hereof of each of the following Contracts which relate to the Assets or the Assumed Liabilities (each such Contract set forth on such Schedule, a “**Material Contract**”) to which Seller is a party or by which the Assets are bound:

(i) a Contract or series of related Contracts exclusively for the provision by Seller of the Rent, Dues and Storage Activities that involve or could reasonably be expected to involve (A) annual payments, other than settlement amounts, by Seller of \$25,000 or more, (B) aggregate payments, other than settlement amounts, by Seller of \$25,000 or more, or (C) annual receipts by Seller for products sold or services rendered of \$25,000 or more, or pursuant to which Seller received payments or anticipates receiving payments for products sold or services rendered of more than \$25,000 in the year ended December 31, 2018;

(ii) a Contract or series of related Contracts that create, or obligate Seller to participate in, any joint venture or similar arrangement with respect to or affecting the Assets or that grant to any Person any preferential rights to purchase any of the Assets;

(iii) a Contract or series of related Contracts that constitute any other agreement, commitment, arrangement or plan not made in the ordinary course of business that is material to the Rent, Dues and Storage Activities business;

(iv) except for Contracts relating to trade receivables, each Contract relating to the Assumed Liabilities (including guarantees);

(v) a Contract with any customer relating to the Rent, Dues and Storage Activities business (A) where the current term is longer than twelve months and (B) that involve or could reasonably be expected to involve (I) annual payments, other than settlement amounts, by Seller of \$25,000 or more, (II) aggregate payments, other than settlement amounts, by Seller of \$25,000 or more, or (III) annual receipts by Seller for products sold or services rendered of \$25,000 or more, or pursuant to which Seller received payments or anticipates receiving payments for products sold or services rendered of more than \$25,000 in the year ended December 31, 2018; and

(vi) a Contract which restrains the ability of Seller to engage or compete in any manner or in any business in a manner, including any non-competition, non-solicitation, no-hire, exclusivity or most favored nation provisions, that, in each case, has, or would reasonably be expected to have, a material effect on the Assets.

(b) No Material Contract has been terminated or, to the Knowledge of Seller, repudiated by any party thereto. Each Material Contract is in full force and effect and is the legal, valid and binding obligation of Seller and, to the Knowledge of Seller, each of the other parties thereto, enforceable in accordance with the terms thereof, except to the extent that its enforceability may be subject to the Standard Exceptions. There exists no material default or event of default, or to the Knowledge of Seller, any event, occurrence, condition or act (including the transactions contemplated hereby) which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a material default or event of default thereunder with respect to any Material Contract. All the covenants to be performed by Seller prior to the date of this Agreement under any Material Contract have been fully

performed in all material respects. To the Knowledge of Seller, all of the covenants to be performed prior to the date of this Agreement by any other party to any Material Contract have been fully performed in all material respects. Except as set forth on Section 4.7(b) of the Seller Disclosure Schedule, Seller has made available to Purchaser true and complete copies, including all amendments, of each Material Contract.

4.8 Litigation. There is no material action, suit, proceeding at law or in equity, arbitration or administrative or other proceeding, or any investigation or audit, by, before or against any Governmental Entity or any other Person (each an “**Action**”), pending, or, to the Knowledge of Seller, threatened, against Seller in respect of the Assets or the Assumed Liabilities. Except as set forth on Section 4.10(a) of the Seller Disclosure Schedule, Seller is not subject to any Order which materially restricts the operation of the business as it pertains to the Assets.

4.9 Tax Matters.

(a) Seller has timely filed or caused to be timely filed with the appropriate Governmental Entities all Tax Returns required to have been filed with respect to the ownership of the Assets and the Rent, Dues and Storage Activities (taking into account any extension of time to file granted or to be obtained on behalf of Seller) and all such Tax Returns are complete and correct in all material respects and have been prepared in material compliance with all applicable Laws.

(b) All Taxes and Tax liabilities required to have been paid by Seller with respect to the ownership of the Assets and the Rent, Dues and Storage Activities (regardless if such Taxes are shown or required to be shown on a Tax Return) have been timely paid. There are no unpaid Taxes in any amount due or claimed to be due by a Governmental Entity of any jurisdiction and, to the Knowledge of Seller, no basis exists for any such claim in each case which could reasonably be expected to give rise to a Lien on the Assets. No Tax audit or examination of Seller with respect to the ownership of the Assets or the Rent, Dues and Storage Activities is in process or, to the Knowledge of Seller, threatened or contemplated, and Seller has not received a notice of assessment from any Governmental Entity indicating that a Tax assessment or recalculation of any Taxes in any Tax Return previously filed with respect to the ownership of the Assets or the Rent, Dues and Storage Activities. Seller has not been informed by any Governmental Entity in any jurisdiction that such Governmental Entity believes that Seller was required to file any Tax Return with respect to the ownership of the Assets or the Rent, Dues and Storage Activities that was not filed by Seller. Seller has not waived any statute of limitations with respect to Taxes or Tax Return or agreed to an extension of time with respect to a Tax deficiency or assessment. There are no Liens for Taxes with respect to, in connection with, or related to any Asset (other than for ad valorem and personal property Taxes not yet due and payable).

(c) The representations and warranties contained in this Section 4.9 are the only representations and warranties made by Seller with respect to Tax matters.

(d) Seller has withheld and paid over to the appropriate taxing authority all material Taxes that Seller is required to withhold from amounts paid or owing to any employee, independent contractor, member, equity holder, creditor or any other Person (and Seller has complied with all reporting and record keeping requirements related thereto, including filing Forms W-2 and 1099 (or other applicable forms)).

(e) None of the “section 197 intangibles” (as defined in Code Section 197) owned by Seller immediately prior to the Closing are excluded from being “amortizable section 197 intangibles” (as defined in Code Section 197) as a result of Code Section 197(f)(9).

4.10 Compliance with Laws

(a) Except as set forth in the attachment to Section 4.10(a) of the Seller Disclosure Schedule, (i) Seller is currently conducting and has, for the previous three years, conducted its business in material compliance with all Laws and Orders applicable to the Assets and the Assumed Liabilities;

(ii) Seller has not received any warning letters, notices of adverse findings, or similar documents in writing that assert a lack of substantial compliance with any such applicable Laws, Orders, or regulatory requirements and there is no pending or, to the Knowledge of Seller, threatened regulatory action, investigation or inquiry of any sort against Seller relating to the Assets or the Assumed Liabilities or which could reasonably be expected to result in the revocation or suspension of a Money Transmitter License or any other license held by Seller; (iii) Seller holds all money transmission-related Permits necessary for the conduct of the Rent, Dues and Storage Activities as currently conducted and applicable to the Assets and the Assumed Liabilities; (iv) to the Knowledge of Seller, the operation of the business of Seller as applicable to the Assets and the Assumed Liabilities is in compliance with all Permits it holds in all material respects; and (v) to the Knowledge of Seller, no event has occurred or circumstance exists that (with or without notice or lapse of time or both) could reasonably be expected to result directly or indirectly in the revocation, withdrawal, suspension, cancellation, or termination of any Money Transmitter License or Permit listed or required to be listed on Section 4.10(b) of the Seller Disclosure Schedule. To the Knowledge of Seller, (x) no suspension, cancellation or termination of any such Permit has been ordered or threatened by any Governmental Entity, and none is imminent other than expirations, and (y) neither Seller, nor any of its officers, directors, agents or employees are subject to any Order that prohibits such officer, director, agent or employee from engaging in or continuing any lawful conduct, activity, or practice related to Seller, the Assets or the Rent, Dues and Storage Activities.

(b) The attachment to Section 4.10(b) of the Seller Disclosure Schedule contains a complete and accurate list of each Money Transmitter License and each Permit that is held by Seller or that is necessary to the conduct of the Rent, Dues and Storage Activities, as currently conducted. Except as set forth in the attachment to Section 4.10(b) of the Seller Disclosure Schedule, each Money Transmitter License and each other Permit listed or required to be listed on Section 4.10(b) of the Seller Disclosure Schedule is valid and in full force and effect.

4.11 Sufficiency of Assets. Except for services, licenses and support contemplated under the Ancillary Documents, the Assets include all of the assets, properties and rights of every type and description, real, personal, mixed, tangible and intangible, that are used or held for use in connection with the conduct of the Rent, Dues and Storage Activities in substantially the same manner as currently conducted by Seller as of the Effective Date.

4.12 Open Source Software. Section 4.12 of the Seller Disclosure Schedule lists all Open Source Software embedded in or combined with any product or service distributed by Seller to customers in connection with the operation of the Rent, Dues and Storage Activities (the “**Distributed Software**”). Except as disclosed on Section 4.12 of the Seller Disclosure Schedule: (i) none of the Distributed Software constitutes, contains, or is dependent on any Open Source Software; (ii) none of the Distributed Software is subject to any contractual obligation that would require, based on Seller’s current use of the Distributed Software, Seller to divulge to any Person any source code or trade secret that is part of the Software; and

(iii) Seller has not used any Open Source Software that is Distributed Software in a manner that obligates Seller to disclose, make available, offer or deliver any portion of the source code of the Software to any Person. All use and distribution of any Open Source Software that is Distributed Software by Seller is in

material compliance with the terms of the license under which such Open Source Software is licensed to Seller, including all copyright notice and attribution requirements.

4.13 Finders; Brokers. No agent, broker, Person or firm acting on behalf of Seller is, or shall be, entitled to any broker's fees, finder's fees or commissions from any of the Parties hereto, or from any of Seller's Affiliates, in connection with this Agreement or any of the transactions contemplated hereby.

4.14 Exclusivity of Representations. The representations and warranties of Seller contained in this Article IV are the only representations and warranties made by Seller with respect to the Assets and Assumed Liabilities and in connection with the transactions contemplated herein and, for greater certainty and without limiting the generality of the foregoing, no other representation, warranty or condition, whether contractual or legal, and whether express or implied by Seller or construed by Purchaser, is made in connection with, arising out of or relating to the transactions contemplated by this Agreement.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Seller as follows as of the Closing Date:

5.1 Due Organization, Good Standing and Power of Purchaser. Purchaser is a limited liability company duly organized, validly existing and in good standing (or the equivalent thereof) under the Laws of the jurisdiction of its organization and has all requisite limited liability company power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

5.2 Authorization; Noncontravention.

(a) Purchaser has the requisite limited liability company power and authority and has taken all limited liability company action necessary to execute and deliver this Agreement and all other instruments and agreements to be delivered by Purchaser as contemplated hereby, to perform its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by Purchaser of this Agreement and all other instruments and agreements to be delivered by Purchaser as contemplated hereby, the consummation by it of the transactions contemplated hereby and the performance of its obligations hereunder have been duly authorized and approved by the requisite members and the board of managers of Purchaser. This Agreement and all other instruments and agreements to be executed and delivered by Purchaser as contemplated hereby have been duly executed and delivered by Purchaser. Assuming that Seller duly executes and delivers to Purchaser this Agreement and all other instruments and agreements to be delivered by Seller pursuant to this Agreement, this Agreement and all other instruments and agreements to be delivered by Purchaser pursuant to this Agreement will constitute a valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as such enforcement may be limited by the Standard Exceptions.

(b) The execution and delivery of this Agreement and all other instruments and agreements to be delivered by Purchaser as contemplated hereby do not, and the consummation of the transactions contemplated hereby and thereby will not, (i) conflict with any of the provisions of the articles of organization or operating agreement or equivalent charter documents of Purchaser, as amended to the date of this Agreement, (ii) conflict with or result in a material breach of, or constitute a material default under, or result in the acceleration of any material obligation or loss of any benefits under any Contract or other instrument by which Purchaser or any of its properties or assets are bound or (iii) contravene any Law or any Order applicable to Purchaser or by which any of its properties or assets are bound.

5.3 Consents and Approvals. No consent of or filing with any Governmental Entity or any other Person, must be obtained or made in connection with the execution and delivery of this Agreement by Purchaser or the consummation by Purchaser of the transactions contemplated by this Agreement.

5.4 Finders; Brokers. No agent, broker, Person or firm acting on behalf of Purchaser nor any of its officers, managers or Affiliates is or shall be entitled to any fee, commission or broker's or finder's fees in connection with this Agreement or any of the transactions contemplated hereby.

5.5 Availability of Funds; Solvency. Purchaser has sufficient immediately available funds in cash to pay the Purchase Price and all other amounts payable by Purchaser pursuant to this Agreement and to effect the transactions contemplated hereby. Purchaser has not incurred any obligation, commitment, restriction or Liability of any kind, and is not contemplating or aware of any obligation, commitment, restriction or Liability of any kind, which would impair or adversely affect such funding. Immediately after giving effect to the transactions contemplated hereby: (a) the fair saleable value (determined on a going concern basis) of the assets of Purchaser will be greater than the total amount of its Liabilities (whether direct or indirect, fixed or contingent, secured or unsecured, disputed or undisputed); (b) Purchaser will be able to pay its debts and obligations in the ordinary course of business as they become due; and (c) Purchaser will have adequate capital to carry on its business as presently conducted and all other businesses in which Purchaser is about to engage. In consummating the transactions contemplated hereby, Purchaser does not intend to hinder, delay or defraud any present or future creditors of Purchaser.

5.6 Capitalization.

(a) Purchaser. Immediately following the Closing, the ownership of Purchaser shall be as set forth in Schedule A to the Operating Agreement. All of the outstanding Class A Preferred Units, Class B Preferred Units, the Redeemable Preferred Units and PI Units (each as defined in the Operating Agreement; collectively, the "Units") of Purchaser are, and immediately after the Closing shall be, duly and validly issued, fully paid, and non-assessable. Except as set forth in: (i) this Agreement, (ii) the Operating Agreement, and (iii) the Redeemable Preferred Unit Award Agreement executed by and between Priority Integrated Partner Holdings, LLC, a Delaware limited liability company ("PIPH") evidencing the issuance of one Redeemable Preferred Unit to PIPH as of the Closing, there are no options, warrants, subscriptions, calls, convertible securities, or other rights, agreements, arrangements or commitments relating to the Units or obligating Purchaser to issue or sell any Units of, or any other equity interest in, Purchaser. Except as set forth in the Operating Agreement, there are no outstanding contractual obligations of Purchaser to repurchase, redeem, or otherwise acquire any Units or make any investment (in the form of a loan, capital contribution, or otherwise) in any other Person.

(b) Parent and Affiliates. Immediately following the Closing, (i) PIPH shall own 750,000 Class A Preferred Units and one Redeemable Preferred Unit of Purchaser; (ii) Priority Payment Systems Holdings, LLC, a Georgia limited liability company, shall own 100% of the membership interest of PIPH; (iii) Priority Holdings, LLC, a Delaware limited liability company, shall own 100% of the membership interest of Priority Payment Systems Holdings, LLC; and (iv) Parent shall own 100% of the membership interest of Priority Holdings, LLC, a Delaware limited liability company.

5.7 Compliance with Laws. Purchaser is currently conducting and has, for the previous three years, conducted its business in material compliance with all Laws and Orders applicable to Purchaser, its properties and assets. Purchaser has not received any warning letters, notices of adverse findings, or similar documents in writing that assert a lack of substantial compliance with any applicable Laws, Orders, or regulatory requirements and there is no pending or, to the knowledge of Purchaser, threatened regulatory action, investigation or inquiry of any sort against Purchaser.

5.8 Title to Assets. Purchaser has good and marketable title to all of its tangible assets and properties, free and clear of all Liens, other than Permitted Liens or Liens to be released immediately prior to the Closing or Liens arising from (a) the Credit and Guaranty Agreement, dated as of January 3, 2017 (as amended, extended, renewed, restated, amended and restated, supplemented, restructured, refinanced or otherwise modified from time to time), among Priority Payment Systems Holdings LLC, Pipeline Cynergy Holdings, LLC and Priority Institutional Partner Services LLC, the other Credit Parties (as defined therein) party thereto from time to time, the lenders party thereto from time to time, and SunTrust Bank, as Administrative Agent, as Collateral Agent, an Issuing Bank and the Swing Line Lender, or (b) the Credit and Guaranty Agreement, dated as of January 3, 2017 (as amended, extended, renewed, restated, amended and restated, supplemented, restructured, refinanced or otherwise modified from time to time), among Priority Holdings, LLC, the other Credit Parties (as defined therein) party thereto from time to time, the lenders party thereto from time to time, and Goldman Sachs Specialty Lending Group, L.P., as Administrative Agent.

5.9 Litigation. There is no Action pending or, to the knowledge of Purchaser, threatened, against Purchaser in respect of its assets or properties. Purchaser is not subject to any Order which materially restricts the operation of its business as currently conducted.

5.10 Financial Statements. Purchaser has provided to Seller a copy of any available unaudited financial statements of Purchaser for the period beginning on July 2, 2018 and ending on December 31, 2018 (the “**Purchaser Financial Statements**”). The Purchaser Financial Statements fairly and accurately present, in all material respects, the results of operations and financial condition of Purchaser for the periods covered thereby. The Purchaser Financial Statements have been prepared in accordance with generally accepted accounting principles (“**GAAP**”) applied on a consistent basis throughout the periods indicated. Except as set forth in the Purchaser Financial Statements, Purchaser has no material liabilities or obligations, contingent or otherwise, other than (a) liabilities incurred in the ordinary course of business subsequent to December 31, 2018; (b) obligations under contracts and commitments incurred in the ordinary course of business; and (c) liabilities and obligations of a type or nature not required under GAAP to be reflected in the Purchaser Financial Statements, which, in all such cases, individually and in the aggregate would not have a material adverse effect on Purchaser.

5.11 Tax Matters.

(a) Purchaser has timely filed or caused to be timely filed with the appropriate taxing authorities all returns, statements, forms and reports for Taxes required to have been filed under applicable law.

(b) All Taxes and Tax Liabilities required to have been paid by Purchaser have been timely paid. There are no unpaid Taxes in any amount due or claimed to be due by a Governmental Entity of any jurisdiction and, to the knowledge of Purchaser, no basis exists for any such claim in each case which could reasonably be expected to give rise to a Lien on its assets. No Tax audit of Purchaser is in process or, to the knowledge of Purchaser, threatened or contemplated, and Purchaser has not received a notice of assessment from any Governmental Entity indicating that a Tax assessment or recalculation of any Taxes in any Tax Return previously filed. No Tax examination or audit by any Governmental Entity is currently in progress or, to the knowledge of Purchaser, is threatened or contemplated. Purchaser has not been informed by any Governmental Entity in any jurisdiction that such Governmental Entity believes that Purchaser was required to file any Tax Return that was not filed by Purchaser. Purchaser has not waived any statute of limitations with respect to Taxes or Tax Return or agreed to an extension of time with respect to a Tax deficiency or assessment. There are no Liens for Taxes with respect to, in connection with, or related to any asset held by Purchaser.

(c) Purchaser has withheld and paid over to the appropriate taxing authority all material Taxes that Purchaser is required to withhold from amounts paid or owing to any employee, independent contractor, member, equity holder, creditor or any other Person (and Purchaser has complied with all reporting and record keeping requirements related thereto, including filing Forms W-2 and 1099 (or other applicable forms)).

5.12 Certain Transactions. Other than (a) standard employee Contracts and benefits generally made available to all employees, (b) standard consulting Contracts, and (c) the Working Capital Line (as defined in the Operating Agreement), the Operating Agreement and the contracts set forth in Section 14.17 of the Operating Agreement, there are no material Contracts between Purchaser and any of its Affiliates, officers, managers, consultants or key employees, or any Affiliate thereof. Purchaser is not indebted, directly or indirectly, to any of its managers, officers or employees or to their respective spouses or children or to any Affiliate of any of the foregoing, other than in connection with expenses or advances of expenses incurred in the ordinary course of business or employee relocation expenses and for other customary employee benefits made generally available to all employees.

5.13 Exclusivity of Representations. The representations and warranties made by Purchaser in this Article V are the exclusive representations and warranties made by Purchaser. Purchaser hereby disclaims any other express or implied representations or warranties with respect to itself.

ARTICLE VI COVENANTS

6.1 Confidentiality. Until the date that is two years after the date hereof, Seller shall, and shall use commercially reasonable efforts to cause its Affiliates to, hold in confidence and not disclose to any Person other than Seller's legal, tax, accounting, banking or other professional advisers, the Confidential Information. If Seller or any of its Affiliates or Representatives are compelled to disclose any Confidential Information by judicial or administrative process or by other requirements of Law or any securities exchange or trading market, Seller shall notify Purchaser and shall disclose only that portion of such Confidential Information which Seller is advised by its counsel (including in-house counsel) is legally required to be disclosed. Seller shall cooperate with Purchaser, at Purchaser's sole expense, to obtain an appropriate protective order or other reasonable assurance that confidential treatment will be accorded such Confidential Information. The provisions of this Section 6.1 shall not apply to any information or data used exclusively in the operation of the Excluded Assets or relating to the Excluded Liabilities.

6.2 Public Announcements. No Party shall, and the Parties shall cause their respective Affiliates not to, make any public announcements in respect of this Agreement or the transactions contemplated hereby without the prior written consent of the other Party after review of such press release or announcement, except as may be required by Law or by any listing agreement with a securities exchange or trading market and then only to the extent so required and after giving the other Party hereto an opportunity to review and comment on such disclosure, which comments the announcing Party shall consider in good faith. Notwithstanding the foregoing and notwithstanding Section 6.1, the Parties and their respective Affiliates may disclose the terms of this Agreement, the financial results obtained or the terms of any of the contemplated transactions (a) to their Representatives, (b) to their Affiliates' investors (whether existing or future), limited partners, members, and equity holders in connection with their respective fund raising, marketing, informational, reporting activities and other ordinary course activities,

(c) to any of their Affiliates, auditors, attorneys, or financing sources, or (d) to any bona fide prospective purchaser of the equity or assets of Seller or its Affiliates, in each case subject to a duty of confidentiality at least as restrictive as that provided hereunder.

6.3 Post-Closing Access to Records; Reporting Obligations; Personnel; Litigation Support.

(a) For a period of six years after the Closing Date, Purchaser shall retain the books and records included in the Assets, and upon reasonable notice, afford Seller reasonable access (including the right to make, at Seller's expense, photocopies), during normal business hours, to such books and records in connection with an audit, accounting, Tax, litigation, securities disclosure, or other similar need or any other reasonable legal or business purpose.

(b) Notwithstanding the foregoing, any and all such records may be destroyed by Purchaser during the period beginning on the Closing Date and continuing for six years thereafter if Purchaser sends to Seller written notice of its intent to destroy such records, specifying in reasonable detail the contents of the records to be destroyed, unless Seller or its Affiliate notifies Purchaser in writing that it desires to obtain possession of such records within 60 days following the date of delivery of such notice, in which event Purchaser shall transfer the records to Seller or its Affiliate.

(c) If and for so long as a Party actively is contesting or defending against any action, claim, lawsuit, demand, inquiry, hearing, investigation, notice of a violation or noncompliance, litigation, proceeding, arbitration, appeal or other dispute, brought by a third party in connection with (i) this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing Date involving the Assets, the Assumed Liabilities or the Excluded Liabilities, the non-contesting or non-defending Party shall reasonably cooperate with the contesting or defending Party and its counsel, at the contesting or defending Party's expense.

(d) Seller agrees to take commercially reasonable efforts to enforce, at Purchaser's request and sole expense, on Seller's own behalf and for the benefit of Purchaser, all rights of Seller related to restrictive covenants (e.g., nondisclosure, confidentiality, noncompete, and nonsolicitation rights) contained in any Contracts of Seller related to the Rent, Dues and Storage Activities to the extent such rights are not transferred or assigned to Purchaser pursuant to or in connection with this Agreement.

(e) Seller and Purchaser shall reasonably cooperate, as and to the extent reasonably requested by the other Party, in connection with the preparation of audited financial statements and related financial and other disclosures that may be required to be included in any registration statement or report filed by the other Party under federal securities Laws pertaining to the Assets or any portion thereof. Such cooperation shall be at the sole cost and expense of the requesting Party and shall include the retention and (upon the other Party's request) the prompt provision of records and information to the extent the records and information are reasonably relevant to any such audited financial statements and related financial and other disclosures and making employees available on a mutually convenient basis during normal business hours to provide additional information and explanation of any material provided hereunder. Notwithstanding the foregoing, neither Party shall be required to (i) indemnify or commit to any obligation with respect to any such audit or cooperation, except for customary authorization letters, (ii) pay, or agree to pay, any fees or incur any other costs, expenses, or Liabilities, (iii) waive or amend any provision of any Contract or take any action in violation of any Law or Contract, (iv) take any action that would reasonably be expected to result in the loss of any attorney-client privilege, work-product doctrine, or other applicable legal privilege, or (v) disclose any information that is not directly related to the Assets or that is otherwise confidential or that has competitive value.

(f) Seller shall provide to the individuals designated by Purchaser on Exhibit A reasonable access, subject to Seller's defined security policies (to the extent that such security policies permit reasonable access), to all logins and passwords used on the date hereof reasonably necessary to access the Assets.

6.4 Tax Matters. With respect to the Assets and the Rent, Dues and Storage Activities:

(a) All stamp, transfer, documentary, sales and use, value added, registration and other such taxes and fees (including any penalties and interest) incurred in connection with this Agreement or the Purchase (collectively, the “**Transfer Taxes**”) shall be borne in equal parts by Seller and by Purchaser. Seller and Purchaser shall cooperate in the filing of all Tax Returns related to any Transfer Tax and Seller and Purchaser shall each provide to the other evidence of payment of its portion of Transfer Taxes.

(b) All ad valorem and personal property Taxes with respect to the ownership of the Assets that relate to the Overlap Period shall be apportioned between Seller and Purchaser as follows on a per diem basis beginning on the day following the Effective Date. Seller shall be liable for Taxes with respect to the ownership of the Assets that are attributable to all Pre-Effective Date Periods. Purchaser shall be liable for Taxes with respect to the ownership of the Assets that are attributable to all post-Effective Date periods.

(c) Seller and Purchaser shall cooperate fully, as and to the extent reasonably requested by the other, in connection with the filing of Tax Returns and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon a Party’s request) the provision of records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder.

6.5 Domain Names. Seller is the owner, whether directly or through a proxy, of the Domain Name registrations that are identified in Section 2.2(d) of the Seller Disclosure Schedule, each of which is registered with the accredited domain name registrar (each, a “**Registrar**”) as set forth on Section 2.2(d) of the Seller Disclosure Schedule. Seller shall take all action reasonably requested by Purchaser and necessary to consent irrevocably and to authorize each Registrar to transfer all rights in the Domain Names to Purchaser. Seller shall also cooperate fully with Purchaser and each Registrar of the Domain Names to facilitate the filing and processing of all forms and other formalities (including changing passwords, user names, and internet provider addresses) necessary to complete the transfer of the Domain Name registrations.

6.6 Parent Guarantee of Purchaser Indemnification Obligations

(a) Parent hereby unconditionally and irrevocably guarantees to Seller the due and punctual payment and performance by Purchaser (and any permitted assignees thereof) of Purchaser’s indemnification obligations under Article VII, if any, and all costs of collection and expenses, including reasonable attorneys’ fees, incurred by Seller in enforcing the terms of this Section 6.6 (the “**Purchaser Guaranteed Obligations**”). The foregoing sentence is an absolute, unconditional and continuing guaranty of the full and punctual discharge and performance of the Purchaser Guaranteed Obligations, and is a guaranty of payment, not collection. Notwithstanding anything to the contrary contained in this Agreement, the Parties agree that Seller may resort first to Parent to enforce the Purchaser Guaranteed Obligations.

(b) Parent represents and warrants to Seller as follows: (i) Parent is a corporation duly formed, validly existing and in good standing under the Laws of the jurisdiction of its organization and has the requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations under this Section 6.6; (ii) the execution, delivery and performance of this Agreement by Parent has been duly authorized by all necessary organizational action, and no other proceedings or actions on the part of Parent is necessary therefor; (iii) this Agreement constitutes the legal, valid and binding obligations of Parent and is enforceable against Parent in accordance with its

terms, subject to the Standard Exceptions; and (iv) the execution, delivery or performance by Parent of this Agreement will not contravene, conflict with or result in a violation of Parent's certificate of incorporation, bylaws, or any Laws or Contracts to which Parent is subject or bound.

(c) This guarantee shall not be impaired whatsoever by any modification or other alteration of any of the Purchaser Guaranteed Obligations, including the modification or amendment (whether material or otherwise) of any obligation of Parent or Purchaser under this Agreement. The liability of Parent is direct and unconditional and may be enforced without requiring Seller first to resort to any other right, remedy or security. Parent hereby waives any notice of acceptance; presentment and protest of any instrument, and notice thereof; notice of default; and all other notices to which each might otherwise be entitled.

6.7 Further Assurances. From time to time after the Closing Date, each Party hereto shall, at the reasonable request of any other Party hereto, execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions, as such Party may reasonably request to consummate the transactions contemplated by this Agreement and to permit Purchaser to timely comply with all legal and regulatory requirements, including rules of the U.S. Securities and Exchange Commission (e.g., in preparing and auditing any financial statements, related footnotes and disclosures, at Purchaser's sole expense, as related to the Assets), following the Closing Date, including executing and delivering such assignments, deeds, bills of sale, consents and other documents and instruments as such Party or its counsel may reasonably request.

ARTICLE VII SURVIVAL; INDEMNIFICATION

7.1 Survival of Representations and Warranties. Subject to Section 7.4(a), the respective representations and warranties of Seller and Purchaser contained in this Agreement shall survive the Closing until the date that is 18 months following the Closing Date, except that the representations and warranties contained in (a) (i) Section 4.1 (Due Organization, Good Standing), Section 4.2(a) (Authorization; Noncontravention), Section 4.4(b) (Financial Statements – Affiliate Commissions Report) and Section 4.6 (Title to Assets) (the “**Seller Fundamental Representations**”), and (ii) Section 5.1 (Due Organization, Good Standing and Power of Purchaser), Section 5.2(a) (Authorization; Noncontravention) and Section 5.5 (Availability of Funds; Solvency) (the “**Purchaser Fundamental Representations**”) and together with the Seller Fundamental Representations, the “**Fundamental Representations**”) shall survive the applicable statute of limitations, and (b) Section 4.9 (Tax Matters) shall survive the Closing until the date that is 60 days after the date the applicable statutes of limitations with respect to the liabilities in question expire (after giving effect to any extensions or waivers thereof). The indemnification under Sections 7.2(c), 7.2(d) and 7.2(e) survive the applicable statute of limitations. Each covenant and other agreement of Purchaser or Seller hereunder shall survive for the period specified with respect to such covenant, and if no period is specified, until fully performed.

7.2 Indemnification by Seller. Subject to the limitations set forth in this Article VII, Seller agrees to and shall indemnify Purchaser and each of its Representatives and Affiliates (the “**Purchaser Indemnitees**”) and save and hold each of them harmless from and against any and all Losses suffered, incurred or paid by them as a result of or arising out of:

(a) any breach of any representation or warranty of Seller contained in Article IV (other than any Seller Fundamental Representation);

- Agreement;
- (b) any breach of any Seller Fundamental Representation or any covenant or agreement by Seller contained in this Agreement;
 - (c) without duplication, any Taxes attributable to Seller or to the Assets with respect to any Pre-Effective Date Period;
 - (d) any Excluded Liability; or
 - (e) Fraud or willful breach of this Agreement by Seller or any of its Representatives or Affiliates.

7.3 Indemnification by Purchaser. Subject to the limitations set forth in this Article VII, Purchaser agrees to and shall indemnify Seller and each of its Representatives and Affiliates (the “***Seller Indemnitees***”) and save and hold each of them harmless from and against any and all Losses suffered, incurred or paid by them as a result of or arising out of:

- (a) any breach of any representation or warranty of Purchaser contained in Article V (other than any Purchaser Fundamental Representation);
- (b) any breach of any Purchaser Fundamental Representation or any covenant or agreement by Purchaser contained in this Agreement;
- (c) any Assumed Liability;
- (d) without duplication, any Taxes attributable to the Assets with respect to any post-Effective Date period; or
- (e) Fraud or willful breach of this Agreement by Purchaser or any of its Representatives or Affiliates.

7.4 Limitation on Indemnification. Notwithstanding anything to the contrary contained in this Agreement:

(a) No Person shall be liable for any claim for indemnification under this Article VII unless a Claim Certificate is delivered by the Person seeking indemnification to the Person from whom indemnification is sought prior to the expiration of the applicable survival period, in which case the representation, warranty, covenant or agreement which is the subject of such claim shall survive until such claim is resolved, whether or not the amount of the Losses resulting from such breach has been finally determined at the time the notice is given and whether or not the applicable survival period would have expired but for this sentence.

(b) Neither Seller nor Purchaser, as the case may be, shall be liable for any claim for indemnification pursuant to Section 7.2(a) or Section 7.3(a), as the case may be, unless the aggregate amount of Losses on a cumulative basis which may be recovered from Seller or Purchaser, as the case may be, equals or exceeds \$500,000 (the “***Deductible***”), in which case, subject to the other limitations herein, Seller or Purchaser, as the case may be, shall only be liable for the aggregate amount of Losses in excess of the amount of the Deductible.

(c) The maximum aggregate liability of Seller pursuant to (i) Section 7.2(a) shall not exceed (A) an amount in cash equal to \$[*] (the “***Cash Cap***”) plus (B) a forfeiture of such number of Seller’s Class B Preferred Units in an amount up to \$[*] based on the Fair Market Value (as

defined in the Operating Agreement) of such Class B Preferred Units at the time of the delivery of the applicable Claim Certificate(s) pursuant to the provisions of Section 7.6 (the “**Equity Forfeiture Cap**”); provided, however, that any amounts due to Purchaser pursuant to the provisions of this Article VII shall be offset first against the Cash Cap, and only upon exhaustion thereof, the Equity Forfeiture Cap; and (ii) Section 7.2(b) through (e) of this Agreement shall not exceed an amount equal to the Purchase Price actually received by Seller. Notwithstanding anything to the contrary in this Agreement, the aggregate amount of all Losses that may be recovered from Seller by Purchaser Indemnitees under this Agreement shall not exceed (x) an amount equal to the Purchase Price actually received by Seller *plus* (y) the forfeiture of the Class B Preferred Units actually received by Seller pursuant to the Award Agreement, valued at the Fair Market Value at the time of the delivery of the applicable Claim Certificate(s) pursuant to the provisions of Section 7.6.

7.5 Losses Net of Insurance, etc. The amount of any Loss for which indemnification is provided under Section 7.2 or Section 7.3 shall be net of any insurance proceeds received as an offset against such Loss (a “**Collateral Source**”). If the amount to be netted hereunder in connection with a Collateral Source from any payment required under Section 7.2 or Section 7.3 is received after payment by the Indemnifying Party of any amount otherwise required to be paid to an Indemnified Party pursuant to this Article VII, the Indemnified Party shall repay to the Indemnifying Party, promptly after such receipt, any amount that the Indemnifying Party would not have had to pay pursuant to this Article VII had such receipt occurred at the time of such payment. Each Party shall use commercially reasonable efforts to mitigate Losses for which it intends to seek indemnification hereunder. The party seeking indemnification under this Article VII shall not be entitled to recover any Losses relating to any matter arising under one provision of this Agreement to the extent that such party has already recovered such Losses with respect to such matter pursuant to other provisions of this Agreement.

7.6 Indemnification Procedure.

(a) In the event any Person incurs Losses to which it is entitled to indemnification pursuant to Section 7.2 or Section 7.3, as applicable, including any claim by a Person described in Section

7.7 (an “**Indemnified Party**”) that might give rise to indemnification hereunder, the Indemnified Party shall, during the applicable survival period set forth in Section 7.1, deliver a certificate (a “**Claim Certificate**”) to the party from which indemnification is sought (the “**Indemnifying Party**”), which Claim Certificate shall:

(i) state that the Indemnified Party has paid or anticipates, in good faith, it will incur Losses for which such Indemnified Party is entitled to indemnification pursuant to this Agreement, together with a good faith estimate thereof to the extent known; and

(ii) specify in reasonable detail the nature of the misrepresentation, breach of warranty, breach of covenant or claim to which the Losses such Indemnified Party claims to be entitled hereunder relate together with reference to the applicable representation or warranty or covenant hereunder.

Notwithstanding the foregoing, the failure to so notify the Indemnifying Party during the applicable survival period set forth in Section 7.1 shall not affect the Indemnified Party’s right to indemnification hereunder except to the extent the Indemnifying Party was materially prejudiced thereby.

(b) The Indemnified Party making the claim shall only be required to state what is required in subsections (i) and (ii) above and shall not be required to admit or deny the validity of the facts or circumstances out of which such claim arose.

(c) The Indemnifying Party and the Indemnified Party shall, within the 60-day period beginning on the date of receipt by the Indemnifying Party of a Claim Certificate, attempt in good faith to agree upon the rights of the respective parties with respect to each of such claims set forth in the Claim Certificate. If the Indemnified Party and the Indemnifying Party reach agreement on their respective rights with respect to any of such claims, the Indemnified Party and the Indemnifying Party shall promptly prepare and sign a memorandum setting forth such agreement. Should the Indemnified Party and the Indemnifying Party not agree as to any particular item or items or amount or amounts within such time period, then the Indemnified Party shall be permitted to submit such dispute to the courts set forth in Section 8.8.

(d) Claims for Losses covered by a memorandum of agreement of the nature described in Section 7.6(c) and claims for Losses, including Third-Party Claims, the validity and amount of which have been the subject of judicial determination as described in Sections 7.6(c) and 8.8 or shall have been settled with the consent of the Parties are hereinafter referred to, collectively, as “**Agreed Claims**”. Within 10 Business Days of the determination of the amount of any Agreed Claim, subject to the limitations on liability herein, the Indemnifying Party shall pay to the Indemnified Party an amount equal to the Agreed Claim by wire transfer in immediately available funds to the bank account or accounts designated by the Indemnified Party in a notice to the Indemnifying Party.

7.7 Third-Party Claims.

(a) If a claim by a third party (a “**Third-Party Claim**”) is made against any Indemnified Party, and if such party intends to seek indemnity with respect thereto under this Section 7.7, such Indemnified Party shall promptly notify the Indemnifying Party of such Third-Party Claim and provide a Claim Certificate in connection therewith, provided that the failure to promptly notify the Indemnifying Party shall not affect the Indemnified Party’s right to indemnification hereunder except to the extent the Indemnified Party was materially prejudiced thereby. The Indemnifying Party shall have 30 days after receipt of such notice to assume the conduct and control, at the expense of the Indemnifying Party, through counsel of its choosing which is reasonably acceptable to the Indemnified Party, of the settlement or defense of such Third-Party Claim and the Indemnified Party shall cooperate with the Indemnifying Party in connection therewith; provided, that the Indemnifying Party shall permit the Indemnified Party to participate in such settlement or defense through counsel chosen by such Indemnified Party; provided, that the fees and expenses of such counsel shall be borne by such Indemnified Party. The Indemnifying Party shall not be entitled to assume control of such defense and, subject to the limitations on liability herein, shall pay the reasonable fees and expenses of counsel retained by the Indemnified Party if (i) such Third- Party Claim relates to or arises in connection with any criminal proceeding, action, indictment, allegation or investigation that constitutes a breach of any representation or warranty of the Indemnifying Party hereunder; (ii) such Third-Party Claim seeks an injunction against the Indemnified Party; (iii) the Indemnified Party has been advised by counsel that a reasonable likelihood exists of a conflict of interest between the Indemnifying Party and the Indemnified Party (other than a conflict arising out of this Agreement); or (iv) upon petition by the Indemnified Party, the appropriate court rules that the Indemnifying Party failed or is failing to vigorously prosecute or defend such Third-Party Claim. Notwithstanding any other provision of this Agreement, with respect to any claim with respect to Taxes, Seller shall have the right to control such claim at its sole expense if, but only if, such claim relates solely to Taxes (x) attributable to the Assets with respect to any Pre-Effective Date Period or (y) imposed on Seller.

(b) Any Indemnified Party shall have the right to employ separate counsel in any such action or claim and to participate in the defense of such Third-Party Claim, but the fees and expenses of such counsel shall not be at the expense of the Indemnifying Party unless (i) the Indemnifying Party shall have failed, or is not entitled, to assume the defense of such Third-Party Claim in accordance with Section 7.7(a) and such Third-Party Claim constitutes a breach of any representation or warranty of the

Indemnifying Party hereunder, or (ii) the employment of such counsel has been specifically authorized in writing by the Indemnifying Party. So long as the Indemnifying Party is reasonably contesting in good faith any Third-Party Claim that such Indemnifying Party has assumed the settlement or defense of, the Indemnified Party shall not pay or settle any such Third-Party Claim, unless otherwise consented to by the Indemnifying Party.

(c) If the Indemnifying Party does not notify the Indemnified Party within 30 days after the receipt of the Indemnified Party's notice of a Third-Party Claim of indemnity hereunder that it elects to undertake the defense thereof, the Indemnified Party shall have the right to settle the Third-Party Claim but shall not thereby waive any right to indemnity therefor pursuant to this Agreement and any such settlement shall not be determinative of the amount or existence of any Losses under this Article VII.

(d) The Indemnifying Party shall not, except with the consent of the Indemnified Party (not to be unreasonably withheld or delayed), enter into any settlement that does not include, as an unconditional term thereof, an unconditional release from all liability by the Person or Persons asserting such Third-Party Claim to all Indemnified Parties with respect to such Third-Party Claim or consent to entry of any judgment.

(e) The Indemnifying Party and the Indemnified Party shall cooperate with each other in all reasonable respects in connection with the defense of any Third-Party Claim, including making available records relating to such Third-Party Claim and furnishing such employees of the Indemnified Party as may be reasonably necessary for the preparation of the defense of any such Third-Party Claim or for testimony as witnesses in any proceeding relating to such Third-Party Claim.

7.8 Tax Treatment of Indemnities. Indemnity payments under this Article VII shall be treated as adjustments to the Purchase Price for all federal, state, local and foreign Tax purposes, and the Parties agree to file their Tax Returns accordingly.

7.9 Offset. The Parties Agree that, in addition to all other remedies available under this Agreement, at law, in equity, or otherwise, any amounts due to Seller by Purchaser pursuant to this Agreement may be reduced by any and all amounts of Agreed Claims due by Seller to Purchaser.

7.10 Materiality Scrape. The representations and warranties contained in this Agreement will be deemed to have been made without any qualifications as to materiality, material adverse effect, specified dollar thresholds, or similar qualifiers for purposes of determining the amount of Losses indemnifiable under this Article VII but not for purposes of determining if there is a breach of such representations and warranties.

7.11 Exclusive Remedies. Except with respect to the remedies described in Section 8.10 and except for Fraud with respect to the representations and warranties in this Agreement or willful breach of the covenants in this Agreement, the Parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims arising from this Agreement shall be pursuant to the indemnification provisions set forth in this Article VII. The Parties may not avoid the limitations on liability, recovery and recourse set forth in this Article VII by seeking damages for breach of contract, tort or pursuant to any other theory of Liability. Except as provided in Section 8.10 and except for Fraud with respect to the representations and warranties in this Agreement or willful breach of the covenants in this Agreement, each of the Parties hereby waives and releases the other Parties from any right to recover any damages, Losses or Liabilities in connection with this Agreement, other than pursuant to the indemnification provisions set forth in Article VII. The Parties agree that they would not have entered into this Agreement but for the releases and waivers set forth in this Section 7.11. For the avoidance of doubt, nothing in this Section 7.11

is intended to, or shall, limit in any party in any way from seeking remedies under any agreements entered into in connection with this Agreement.

ARTICLE VIII MISCELLANEOUS

8.1 **Expenses.** Except as otherwise provided in this Agreement, all costs and expenses incurred in connection with this Agreement and the Purchase and the transactions contemplated hereby will be paid by the Party incurring such costs and expenses. In the event of any litigation, arbitration or similar proceeding, the non-prevailing party shall pay the reasonable fees and expenses of the prevailing party's outside attorneys in connection with such litigation, arbitration or other proceeding.

8.2 **Extension; Waiver.** Any agreement on the part of any Party to any extension of the time for performance or any covenant or agreement or the waiver of any provisions hereof shall be valid only if set forth in an instrument in writing signed by or on behalf of such Party and referencing such extension or waiver. No failure or delay on the part of any Party hereto in the exercise of any right hereunder shall impair such right or be construed as a waiver of, or acquiescence in, any breach of any representation, warranty, covenant or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right.

8.3 **Notices.** Except as otherwise provided herein, all notices, requests, claims, demands, waivers and other communications hereunder shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by email (with return email acknowledgement or read-receipt) to the respective parties as follows (or, in each case, as otherwise notified by any of the Parties hereto) and shall be effective and deemed to have been given (a) immediately upon receipt of email acknowledgement or read-receipt, when sent by email between 9:00 A.M. and 6:00 P.M. (in New York, New York) on any Business Day (and when sent outside of such hours, at 9:00 A.M. (in New York, New York) on the next Business Day), and (b) when received if delivered by hand or overnight courier service or certified or registered mail on any Business Day:

- (i) If to Seller, to: YapStone, Inc.

2121 North California Boulevard, Suite 400 Walnut Creek, CA 94596
Attention: David E. Durant, General Counsel

with a copy (which shall not constitute notice or service of process) to: Fenwick & West LLP

801 California Street, Mountain View, CA 94041
Attention: Michael Brown; David Michaels

(i) If to Parent or Purchaser, to:

Priority Real Estate Technology, LLC 2001 Westside Parkway, Suite 155
Alpharetta, Georgia 30004
Attention: Chris Prince, General Counsel

with a copy (which shall not constitute notice or service of process) to: Maynard Cooper & Gale PC

1901 Sixth Avenue North 2400 Regions Harbert Plaza Birmingham, Alabama 35203 Attention: Michel M. Marcoux

Notices sent by multiple means, each of which is in compliance with the provisions of this Agreement will be deemed to have been received at the earliest time provided for by this Agreement. Any Party from time to time may change its address, facsimile number, email, or other information for the purpose of notices to that Party by giving notice specifying such change to the other Parties hereto in accordance with this Section 8.3.

8.4 Entire Agreement. This Agreement, together with the Exhibits hereto, the other agreements referenced herein, and the Seller Disclosure Schedule, contains the entire understanding of the Parties hereto with respect to the subject matter contained herein and supersedes all prior agreements and understandings, oral and written, with respect thereto.

8.5 Binding Effect; Benefit; Assignment. This Agreement shall inure to the benefit of and be binding upon the Parties hereto. Except with respect to Article VII hereof, which shall inure to the benefit of each Purchaser Indemnatee and Seller Indemnatee, all of whom are intended as express third-party beneficiaries thereof, no other Person not party to this Agreement shall be entitled to the benefits of this Agreement. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the Parties hereto without the prior written consent of the other Parties; provided, that, Purchaser may assign its rights, interests and obligations hereunder collaterally for the purpose of securing any financing for the transactions contemplated hereby. Any attempted assignment in violation of this Section 8.5 will be void.

8.6 Amendment and Modification. This Agreement may not be amended except by a written instrument executed by all Parties to this Agreement.

8.7 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument. Signed counterparts of this Agreement may be delivered by facsimile, Docu-Sign or by scanned .pdf image, and such signed counterparts shall be deemed originals for all purposes.

8.8 Applicable Law; Submission to Jurisdiction; Consent to Service of Process. THIS AGREEMENT AND THE LEGAL RELATIONS BETWEEN THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO THE CONFLICT OF LAWS RULES THEREOF. THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK CITY, NEW YORK SHALL HAVE EXCLUSIVE

JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN THE PARTIES HERETO, WHETHER IN LAW OR EQUITY, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE AGREEMENTS, INSTRUMENTS AND DOCUMENTS CONTEMPLATED HEREBY AND THE PARTIES CONSENT TO AND AGREE TO SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS. EACH OF THE PARTIES HERETO HEREBY WAIVES AND AGREES NOT TO ASSERT IN ANY SUCH DISPUTE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY CLAIM THAT (A) SUCH PARTY IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF SUCH COURTS, (B) SUCH PARTY AND SUCH PARTY'S PROPERTY IS IMMUNE FROM ANY LEGAL PROCESS ISSUED BY SUCH COURTS OR (C) ANY LITIGATION OR OTHER PROCEEDING COMMENCED IN SUCH COURTS IS BROUGHT IN AN INCONVENIENT FORUM. CONSISTENT WITH THE FOREGOING, EACH OF THE PARTIES HERETO AGREES THAT IT WILL NOT BRING OR SUPPORT ANY ACTION AGAINST, OR IN ANY WAY RELATING TO, THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT IN ANY FORUM OTHER THAN EXCLUSIVELY IN THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK CITY, NEW YORK; PROVIDED THAT NOTHING IN THIS SECTION 8.8 SHALL PROHIBIT A PARTY FROM ENFORCING A JUDGMENT OR ORDER IN ANY JURISDICTION IN THE WORLD. AS A METHOD OF SERVICE, EACH PARTY HEREBY IRREVOCABLY CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY ACTION BROUGHT IN ANY STATE OR FEDERAL COURTS IN THE STATE OF NEW YORK BY THE DELIVERIES OF COPIES OF SUCH PROCESS TO SUCH PARTY AT ITS RESPECTIVE ADDRESS SET FORTH IN SECTION 8.3 HEREOF OR BY CERTIFIED MAIL DIRECT TO SUCH ADDRESS.

8.9 Severability. If any term, provision, agreement, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be illegal, invalid, void or unenforceable, the remainder of the terms, provisions, agreements, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party hereto, and, upon such a determination, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties hereto as closely as possible in a reasonably acceptable manner in order that the transactions contemplated hereby may be consummated as originally contemplated to the fullest extent possible.

8.10 Specific Enforcement. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached or threatened to be breached and that an award of money damages would be inadequate in such event. Accordingly, it is acknowledged that the Parties shall be entitled to equitable relief, without proof of actual damages, including an Order for specific performance to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, in addition to any other remedy to which they are entitled at law or in equity as a remedy for any such breach or threatened breach. Each Party further agrees that neither the other Parties nor any other Person shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 8.10, and each Party hereto irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument.

8.11 Waiver of Jury Trial. EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES, AND SHALL CAUSE ITS AFFILIATES TO WAIVE, ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

8.12 Rules of Construction. The Parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and have participated jointly in the drafting of this

Agreement and, therefore, waive the application of any Law, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the Party drafting such agreement or document.

8.13 Non-Recourse. No past, present or future director, officer, employee, incorporator, member, partner, stockholder, Affiliate, agent, attorney or representative of Seller or its Affiliates shall have any liability for any obligations or Liabilities of Seller under this Agreement or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby.

8.14 Time of Essence. With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

[Signature Page Follows]

IN WITNESS WHEREOF, Purchaser and Seller have caused this Asset Purchase and Contribution Agreement to be duly executed by their respective officers thereunto duly authorized, all as of the date first above written.

PURCHASER:

PRIORITY REAL ESTATE TECHNOLOGY, LLC,
a Delaware limited liability company

By:	<u>/s/ Thomas C. Priore</u>
Name:	Thomas C. Priore
Title:	Chairman and CEO

SELLER:

YAPSTONE, INC.,
a Delaware corporation

By:	<u>/s/ David Weiss</u>
Name:	David Weiss
Title:	President

IN WITNESS WHEREOF, the undersigned has executed or caused to be duly executed, as applicable, by its officers thereunto duly authorized and is joining this Asset Purchase and Contribution Agreement solely for the purposes of Section 6.6, Section 8.5, Section 8.8, Section 8.11 and Section 8.12 thereof, all as of the date first written above.

PRIORITY TECHNOLOGY HOLDINGS, INC.,

a Delaware corporation

By:	<u>/s/ Thomas C. Priore</u>
Name:	Thomas C. Priore
Title:	Chairman and CEO

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
EXCHANGE ACT RULE 13a-14(a) AS ADOPTED PURSUANT TO
SECTION 303 OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas C. Priore, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Priority Technology Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 14, 2019

/s/ Thomas C. Priore

Thomas C. Priore

*President, Chief Executive Officer and Chairman
(Principal Executive Officer)*

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
EXCHANGE ACT RULE 13a-14(a) AS ADOPTED PURSUANT TO
SECTION 303 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Vollkommer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Priority Technology Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 14, 2019

/s/ Michael Vollkommer

Michael Vollkommer

Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION 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**

In connection with the Quarterly Report on Form 10-Q of Priority Technology Holdings, Inc. (the "Company") for the quarter ended March 31, 2019 as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned, on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

May 14, 2019

/s/ THOMAS C. PRIORE

Thomas C. Priore

President, Chief Executive Officer and Chairman

(Principal Executive Officer)

May 14, 2019

/s/ MICHAEL VOLLKOMMER

Michael Vollkommer

Chief Financial Officer

(Principal Financial and Accounting Officer)

The foregoing certifications are being furnished solely pursuant to 18 U.S.C. § 1350 and are not being filed as part of the Report on Form 10-Q or as a separate disclosure document.