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

FORM 10-K

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

For the fiscal year ended December 31, 2022

☐ **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, Georgia	**30004**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(404) 952-2107**

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	**PRTH**	Nasdaq Capital Market

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

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

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

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

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

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

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

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

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

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

As of June 30, 2022, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant was approximately $56.8 million (based upon the closing sale price of the Common Stock on that date on The Nasdaq Capital Market).

As of March 17, 2023, the number of the registrant's Common Stock outstanding was 78,890,749.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A relating to the Annual Meeting of shareholders of Priority Technology Holdings, Inc., scheduled to be held on May 24, 2023, will be incorporated by reference in Part III of this Form 10-K. Priority Technology Holdings, Inc. intends to file such proxy statement with the Securities and Exchange Commission no later than 120 days after its fiscal year ended December 31, 2022.

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Cautionary Note Regarding Forward-looking Statements

Some of the statements made in this Annual Report on Form 10-K 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 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 Annual Report on Form 10-K include, but are not limited to, statements about:

- negative economic and political conditions that adversely affect the general economy, consumer confidence and consumer and commercial spending habits, which may, among other things, negatively impact our business, financial condition and results of operations;
- the impact of the COVID-19 pandemic and its continuing effects on the economic and business environment in which we operate;
- 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 processors;
- any proposed acquisitions or dispositions or any risks associated with completed acquisitions or dispositions; and
- other risks and uncertainties set forth in the "Item 1A - Risk Factors" section of this Annual Report on Form 10-K.

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

The forward-looking statements contained in this Annual Report on Form 10-K 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, including the risk factors set forth in the "Item 1A - Risk Factors" section of this Annual Report on Form 10-K, 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 Annual Report on Form 10-K, 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 Annual Report on Form 10-K 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 this Annual Report on Form 10-K

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

Commonly Used or Defined Terms

Term	Definition
2018 Plan	Priority Technology Holdings, Inc. 2018 Equity Incentive Plan
2021 Stock Purchase Plan	Priority Technology Holdings, Inc. 2021 Employee Stock Purchase Plan
2021 Share Repurchase Program	Priority Technology Holdings, Inc. 2021 Share Repurchase Program
2022 Share Repurchase Program	Priority Technology Holdings, Inc. 2022 Share Repurchase Program
ACH	Automated clearing house
AML	Anti-money laundering
AP	Accounts payable
API	Application program interface
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATI	Adjusted taxable income
B2B	Business-to-business
B2C	Business-to-consumer
BSA	Bank Secrecy Act of 1970, as amended by the USA Patriot Act of 2001
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CCPA	California Consumer Protection Act
CEO	The Company's Chairman and Chief Executive Officer
Common Stock	The Company's Common Stock, par value $.001
the Company	Priority Technology Holdings, Inc. and Subsidiaries
Credit Agreement	Credit and Guaranty Agreement dated April 27, 2021, by and between the Company and Truist Bank
CRM	Customer relationship management
Delayed Draw Term Loan	Delayed draw term loan facility under the credit agreement
Dodd-Frank Act	Dodd Frank Wall Street Reform and Consumer Protection Act of 2010
EBITDA	Earnings before interest, taxes, depreciation, and amortization
Electronic Payments	Payments with credit, debit and prepaid cards
EPS	Earnings (loss) per share
ESPP	Employee stock purchase plan
Exchange Act	Securities Exchange Act of 1934
EGC	Emerging Growth Company
FASB	Financial Accounting Standards Board
FBO	For the benefit of
FCA	United Kingdom's Financial Conduct Authority
FCRA	Fair Credit Reporting Act
Federal Reserve Board	Governors of the Federal Reserve System
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
FI	Financial institution
FIFO	First in, first out
FinCEN	Financial Crimes Enforcement Network

Finxera	Finxera Holdings, Inc.
FSOC	Financial Stability Oversight Council
GAAP	United States Generally Accepted Accounting Principles
Initial Term Loan	A senior secured first lien term loan facility in an aggregate principal amount of $300,000,000
IRA	Inflation Reduction Act
ISO	Independent sales organization
ISV	Independent software vendors
IT	Information technology
LIBOR	London Interbank Offered Rate
LIFO	Last in, first out
LLC	Limited Liability Company
Nasdaq	National Association of Securities Dealers Automated Quotations
NCI	Non-controlling interests
OFAC	Office of Foreign Assets Control
PHOT	Priority Hospitality Technology, LLC
PIK	Payment-in-kind
POS	Point-of-sale
PRET	Priority Real Estate Technology, LLC
PRTH	Priority Technology Holding's Nasdaq Capital Market trading symbol
Redeemable NCI's	Redeemable non-controlling preferred equity interests
ROU Asset	Right of use asset
RSU	Restricted stock units
SaaS	Software as a Service
SAR	Stock appreciation rights
SEC	Securities and Exchange Commission
SMB	Small and medium-sized businesses
SMS	Short message service
SEC	Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
SRC	Smaller reporting company
Tax Act	The Housing Assistance Tax Act of 2008
TCPA	Federal Telephone Consumer Protection Act of 1991
Term Facility	$620.0 million senior secured term loan facility issued under the Credit Agreement (including $320 million delayed draw facility).
Total Net Leverage Ratio	The ratio of consolidated total debt to the Consolidated Adjusted EBITDA (as defined in the Credit Agreement).
Total Preferred Equity Interest	up to $4.5 million of profits earned by PHOT, plus a preferred yield (6.0% per year)
Truist	Truist Bank
TSP	Technology service provider
U.S.	United States
VARs	Value-added resellers

PART I.

Item 1. Business

Overview of the Company

Priority is a leading payments technology company that leverages a purpose-built platform to enable clients to collect, store and send money, operating at scale. We help our customers take and make payments while managing business and consumer operating accounts to monetize payment networks. Our tailored, agile technology powers high-value payments products bolstered by our industry leading personalized support.

Priority was established in 2005 and has grown from a founder-financed startup to become the 5th largest non-bank merchant acquirer in the U.S. by volume. Since inception, we have built a native technology platform that provides all forms of payments (card acquiring and issuing, ACH, check and wire) and embedded finance services that serve SMB, ISV and enterprise customers. Collectively, our single platform to collect, store and send money currently processes approximately $113 billion in payment volume on behalf of its approximately 260,000 SMB and ISV customers and has established approximately 75,000 supplier relationships. Priority maintains a global business platform with 870 employees operating from its headquarters in Alpharetta, GA and offices in other locations, including New York, NY; Hicksville, NY; Chattanooga, TN; Raleigh, NC; Houston, TX; and Chandigarh, India.

Priority delivers value to its partners by leveraging its payments and embedded finance technology to deliver solutions that power modern commerce for SMBs and enterprise software and business partners. Our approach is simple, we handle the complexities of payments and embedded finance to free our partners to focus on their core business objectives. Priority's solutions are offered via API or proprietary applications with nationwide money transmission licenses, providing end-to-end operational support including automated risk management and underwriting, full compliance and industry leading customer service.

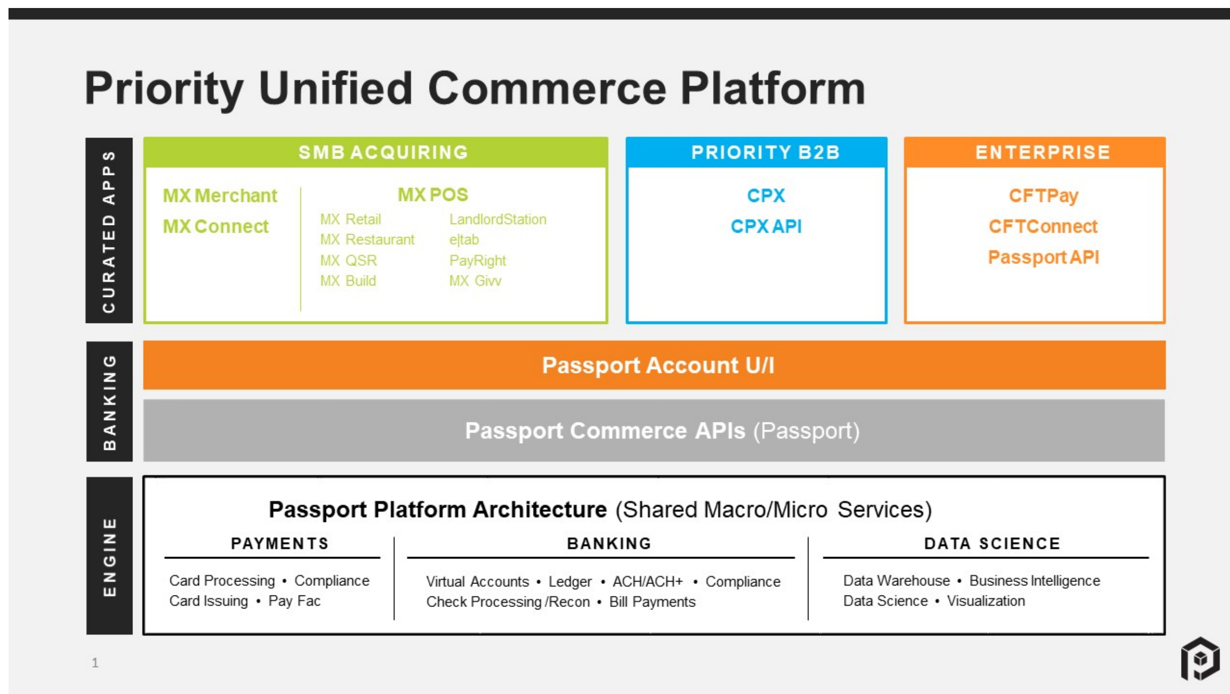
Our growth has been underpinned by three key strengths: 1) market leading proprietary product platforms in SMB, B2B and Enterprise Payments verticals; 2) focused distribution engines dedicated to helping our partners monetize their merchant payment networks; and 3) a cost-efficient, agile payment and business processing infrastructure, purpose-built to support our partners in operating in these distinct market verticals.

Priority's solutions are delivered via internally developed payment applications and services to customers in the following business segments:

- *SMB Payments*: Provides full-service acquiring and payment-enabled solutions for B2C transactions, leveraging Priority's proprietary software platform, distributed through ISO, direct sales and vertically focused ISV channels.

- *B2B Payments*: Provides market-leading AP automation solutions to corporations, software partners and industry leading FIs (including Citibank and Mastercard).

- *Enterprise Payments*: Provides embedded payment and treasury solutions to enterprise customers to modernize legacy platforms and accelerate software partners' strategies to monetize payments.



The MX product line provides technology-enabled payment acceptance and business management capabilities to merchants, enterprises and our distribution partners. The MX product line includes MX Connect and MX Merchant products, which together provide resellers and merchant clients a flexible and customizable set of business applications that help better manage critical business work functions and revenue performance using core payment processing as our leverage point. MX Connect provides our SMB payments reselling partners with automated tools that support low friction merchant on-boarding, underwriting and risk management, client service, and commission processing through a single mobile-enabled, web-based interface. The result is a smooth merchant activation onto our flagship consumer payments offering, MX Merchant, which provides core processing and business solutions to SMB clients. In addition to payment processing, the MX Merchant product line encompasses a variety of proprietary and third-party product applications that merchants can adopt such as MX Insights, MX Storefront, MX Retail, MX Invoice, MX B2B and ACH.com, among others. This comprehensive suite of solutions enables merchants to 1) identify key consumer trends in their businesses; 2) quickly implement e-commerce or retail POS solutions; and 3) handle ACH payments. By empowering resellers to adopt a consultative selling approach and embedding our technology into the critical day-to-day workflows and operations of both merchants and resellers, we believe that we have established and maintained "sticky" relationships. We believe that our strong retention, coupled with consistent merchant onboarding, have resulted in strong processing volume and revenue growth.

In addition to our SMB offering, we have diversified our source of revenues through our growing presence in the B2B market. We provide automated AP offerings to our enterprise clients and financial institutions through our CPX platform. Our CPX platform offers clients a seamless bridge for buyer-to-supplier (payor-to-provider) payments by integrating directly to a buyer's payment instruction file and parsing it for payment to suppliers via virtual card, purchase card, ACH +, dynamic discounting or check. Successful implementation of our AP automation solutions provides: 1) suppliers with the benefits of cash acceleration; 2) buyers with valuable rebate/discount revenue: and 3) the Company with stable sources of payment processing and other revenue. Additionally, we provide curated managed services and a robust suite of integrated AP automation solutions to industry leading FIs and card networks such as Citibank, Mastercard and Visa, among others. Considering that the commercial payments volume in the U.S. is over twice the size of consumer payments and substantially less penetrated for Electronic Payments, we believe that this market represents a high growth opportunity for us.

Our Enterprise Payments segment provides embedded payment and treasury solutions to enterprise customers that modernize legacy platforms and accelerate modern software partners looking to monetize payment components. We provide solutions for

ISVs, third-party integrators, and merchants that allow for the leveraging of our core payments engine, our automated payables platform or our account ledgering capabilities all via API resources.

We generate revenue primarily from payment processing transactions, and to a lesser extent, from monthly subscription services and other solutions provided to customers. Payment processing fees are generated from the ongoing sales of our merchants and are governed by multi-year merchant contracts. As a result, payment processing fees are highly recurring in nature. Due to the nature of our strong reseller-centric distribution model and differentiated technology offering, we can drive efficient scale and operating leverage, generating robust margins and profitability.

For the year ended December 31, 2022, we generated revenue of $663.6 million, net loss attributable to common stockholders of $39.0 million and operating income of $56.2 million, compared to revenue of $514.9 million, net loss attributable to common stockholders of $24.6 million and operating income of $33.1 million for the year ended December 31, 2021.

Industry Overview

The payment processing industry provides merchants with credit, debit, gift, loyalty card and other payment processing services, along with related value-added solutions and information services. The industry continues to grow, driven by wider merchant acceptance, increased use of Electronic Payments and advances in payment technology. The proliferation of bankcards and the use of other payment technologies has made the acceptance of Electronic Payments through multiple channels a virtual necessity for many businesses to remain competitive. The increased use and acceptance of bankcards and the availability of more sophisticated products and services has resulted in a highly competitive, specialized industry.

Services to the SMB merchant market have been historically characterized by basic payment processing without ready access to more sophisticated technology, value-added solutions, or customer service that are typically offered to large merchants. To keep up with the changing demands of how consumers wish to pay for goods and services, we believe that SMB merchants increasingly recognize the need for value-added services wrapped around omni-channel payment solutions that are tailored to their specific business needs.

Key Industry Trends

The following are key trends we believe are impacting the merchant acquiring/payment processing industry:

- Trend Toward Electronic Transactions – We believe the continued shift from cash/paper payments toward electronic/card payments will drive growth for merchant acquirers and processors as volume continues to grow correspondingly. We believe this migration and overall market growth will continue to provide tailwinds to the Electronic Payments industry.

- Convergence of Payments and Embedded Finance Solutions – As consumer behavior shifted during the COVID-19 pandemic, the scale of disruption grew dramatically and we believe the speed of change will continue to rise. The appetite of both merchants and consumers for new alternatives to traditional payment options remains top of mind and big tech companies, fintechs, challenger banks and other non-bank entrants are driving market disruption by offering customers better user experiences at lower prices. The continued displacement of cash and checks over the next several years, helped along by customers' adoption of digital shopping and fueled by their desire to avoid contact with physical infrastructure and objects, continues to create even more opportunities for disruption in payments.

- Mobile Payments – Historically, e-commerce was conducted on a computer via a web browser; however, as mobile technologies continue to proliferate, consumers are making more purchases through mobile browsers and native mobile applications. We believe this shift represents a significant opportunity given the high growth rates of mobile payments volume, higher fees for card-not-present and cross-border processing and potential for the in-app economy to stimulate and/or alter consumer spending behavior.

B2B payments is the largest payment market in the U.S. by volume and presents a significant opportunity for payment providers to capitalize on the conversion of check and paper-based payments to Electronic Payments, including card-based

acceptance. As businesses have increasingly looked to improve efficiency and reduce costs, the electronification of B2B payments has gained momentum.

Competitive Strengths

We possess certain attributes that we believe differentiate us as a leading provider of merchant acquiring, commercial payment and embedded finance solutions in the U.S. Our key competitive strengths include:

- Diverse Reseller Community – We maintain strong reseller relationships with approximately 1,300 partners, including ISOs, FIs, ISVs, VARs and other referral partners. MX Connect enables resellers to efficiently market merchant acquiring solutions to a broad base of merchants through a one-to-many distribution model. We believe that our ability to service our reseller partners through a comprehensive offering provides a competitive advantage that has allowed the Company to build a large, diverse merchant base characterized by high retention. The strengths of our technology offering are manifested in the fact that we maintain ownership of merchant contracts, with most reseller contracts including strong non-solicit and portability restrictions.

- Comprehensive Suite of Payment Solutions – We offer a comprehensive and differentiated suite of traditional and emerging payment products and services that enables SMBs to address their payment needs through one provider. Our purpose-built proprietary technology provides technology-enabled payment acceptance and business management solutions to merchants, enterprises and ISVs. We provide a payment processing platform that allows merchants to accept Electronic Payments (e.g., credit cards, debit cards, and ACH) at the POS, online, and via mobile payment technologies. We deliver innovative business management products and add-on features that meet the needs of SMBs across different vertical markets. Additionally, with our embedded finance offerings, we are uniquely positioned to collect, store and send money on behalf of our customers. As a result, we believe we are well-positioned to capitalize on the trend towards integrated payments solutions, new technology adoption and value-add service utilization that is underway in the SMB market. We believe our solutions facilitate a superior merchant experience that results in increased customer lifetime value.

- Highly Scalable Business Model with Operating Leverage – As a result of thoughtful investments in our technology, we have developed robust and differentiated infrastructure that has enabled us to scale in a cost-efficient manner. Our operating efficiency supports a low capital expenditure environment to develop product enhancements that drive organic growth across our SMB, B2B and Enterprise payment ecosystems, as well as, attract both reselling partners and enterprise clients looking for best-in-class solutions. By creating a cost-efficient environment that facilitates the combination of ongoing product innovation to drive organic growth and stable cash flow to fund acquisitions, we anticipate ongoing economies of scale and increased margins over time.

- Experienced Management Team Led by Industry Veterans – Our executive management team has a record of execution in the merchant acquiring and technology-enabled payments industry. Our team has continued to develop and enhance our proprietary and innovative technology platforms that differentiate us in the payments industry. We invest to attract and retain executive leadership that align with the opportunities in the market and our strategic focus.

Growth Strategies

We intend to continue to execute a multi-pronged growth strategy, with diverse organic initiatives supplemented by acquisitions. Growth strategies include:

Organic Growth in our Reseller and Merchant Base

We expect to grow through our existing reseller network and merchant base by capitalizing on the organic growth of existing merchant volume and reseller merchant portfolios. By providing resellers with agile tools to manage their sales businesses and grow their merchant portfolio, we have established a solid base from which to generate new merchant adoption and retain existing merchants. By engaging in a consultative partnership approach, we maintain strong relationships with our reseller partners and continue to exhibit strong merchant adoption and volume growth trends. Through our resellers, we provide

merchants with full-service acquiring solutions, as well as value-added services and tools to streamline their business processes and enable them to focus on driving same store sales growth.

Deploy our Embedded Finance Solution to Enterprise Customers

Our Enterprise Payments segment, and its flagship product Priority Passport enables software partners and business platform customers to embed our payments and treasury solutions into their core operating and business systems that deliver a fully automated and digital experience to collect, store and send money for their customers. Through Passport, Priority delivers a fully embedded finance solution to customers that manages the inflows and outflows, and reconciliation, of all forms of payments (ACH, wire, check, credit and debit) for an infinite number of clients from a single account. The platform today manages over 460,000 active accounts and, through its money transmission licenses in 46 U.S. states and two U.S. territories, handles over $500 million in deposits across a growing number of banking partners. This segment is quickly growing as marketplaces, gig economy platforms, software partners, and legacy business platforms are incorporating features of payment processing and embedded finance services into their customer experience and enhance their offering.

Expand our Network of Distribution Partners

We have established and maintained a strong position within the reseller community with approximately 1,300 partners. We intend to continue to expand our distribution network to reach new partners, particularly with ISVs and VARs to expand technology and integrated partnerships. We believe that our technology offering enables us to attract and retain, high-quality resellers focused on growth.

Deploy Industry Specific Payment Technology

We intend to continue to enhance and deploy our technology-enabled payment solutions and our capabilities to collect, store and send money into industry-specific verticals. We continue to identify and evaluate new, attractive industries where we can deliver differentiated technology-enabled payment solutions that meet merchants' industry-specific needs.

Expand Electronic Payments Share of B2B Transactions with CPX

We have a growing presence in the commercial payments market where we provide curated managed services and AP automation solutions to industry leading FIs and card networks such as Citibank, Mastercard and Visa. The commercial payments market is the largest and one of the fastest growing payments markets in the U.S. by volume. We are well positioned to capitalize on the shift from check to Electronic Payments, which currently lags the consumer payments market, by eliminating the friction between buyers and suppliers through our industry leading offerings. We believe this will drive strong growth and profitability.

Accretive Acquisitions

With a consistent, long-term goal of maximizing stockholder value, we intend to selectively pursue strategic and tactical acquisitions that meet our established criteria. We actively seek potential acquisition candidates that exhibit certain attractive attributes including predictable and recurring revenue, a scalable operating model, low capital intensity complementary technology offerings and a strong cultural fit. Our operating infrastructure is purpose-built to rapidly and seamlessly consolidate complementary businesses into our ecosystem all while optimizing revenue and cost synergies.

Sales and Distribution

We reach our SMB segment through three primary sales channels: 1) ISOs (Retail and Wholesale) and Agents; 2) FIs; and 3) ISVs and VARs. Our cloud-based solution, MX Connect, allows our partners and resellers to engage merchants for processing services and a host of value-added features designed to enhance their customer relationships. Our merchants utilize our cloud-based MX Merchant product suite to manage their businesses and process transactions. This separate solution increases our ability to retain the merchant if the ISO were to leave the Company.

Our B2B segment obtains its partner clients through: 1) direct sales initiatives; 2) ISVs and business partnerships; 3) the card networks (Mastercard and Visa); and 4) large U.S. banking institutions. We support a direct vendor sales model that provides turn-key merchant development, product sales and supplier enablement programs. By establishing a seamless bridge for buyer-to-supplier (payor-to-provider) payments that is integrated directly to a buyer's payment instruction file to facilitate payments to vendors via all payment types (virtual card, purchase card, ACH +, dynamic discounting), we have established ourselves as one of the top solutions in commercial payments.

Our Enterprise segment goes to market through integrations with software partners and business platform customers by enabling them to embed our payments and treasury solutions into their core operating and business systems. Priority's Passport offering provides those partners with a fully automated, scalable and integrated financial tool to collect, store and send money for their customers.

Our market strategy has resulted in a merchant base that we believe is diversified across both industries and geographies resulting in, what we believe, is more stable average profitability per merchant. Only one single reseller relationship contributes more than 10% of total bankcard processing volume, and that one relationship represents approximately 18% of our total bankcard processing volume.

Security, Disaster Recovery and Back-up Systems

As a result of routine business operations, we store information relating to our merchants and their transactions. Because this information is considered sensitive in nature, we maintain a high level of security to protect it. Our computational systems are continually updated and audited to the latest security standards as defined by 1) payment card industry and data security standards; and 2) the Payment Card Industry Security Standards Council. As such, we have a dedicated team responsible for responding to security incidents. This team develops, maintains, tests and verifies our incident response plan. The primary function of this team is to react and respond to intrusions, denial of service, data leakage, malware, vandalism and other events that could potentially jeopardize data availability, integrity and confidentiality. In addition to handling security incidents, the incident response team continually educates themselves and us on information security matters.

High-availability and disaster recovery are provided through a combination of redundant hardware and software running at two geographically distinct data centers. Each data center deployment is an exact mirror of the other and each can handle all technical, payment and business operations for all product lines independently. If one data center becomes impaired, the traffic is automatically redirected to the other. Business continuity planning drills are run each quarter to test fail-over and recovery as well as staff operations and readiness.

Third-party Processors and Sponsor Banks

We partner with various vendors in the payments value chain, most notably processors and sponsor banks which sit between us (the merchant acquirer) and the card networks, to assist us in providing payment processing services to merchant clients. Processing is a scale-driven business in which many acquirers outsource the processing function to a small number of large processors. In these partnerships, we serve as a merchant acquirer and enter into processing agreements with payment processors, such as First Data or Global Payments, to assist us in providing front-end and back-end transaction processing services for our merchants. These third parties are compensated for their services. These processors in turn have agreements with card networks such as Visa and Mastercard, through which the transaction information is routed in exchange for network fees.

To provide processing services, merchant acquirers like Priority must be registered with the card networks (e.g., Visa and Mastercard). To register with a card network in the U.S., acquirers must maintain relationships with banks willing to sponsor the merchant acquirer's adherence to the rules and standards of the card networks, or a sponsor bank. We maintain sponsor bank relationships with Wells Fargo, Synovus Bank, Pueblo Bank, Sutton Bank, Fifth Third Bank and Axiom Bank. For ACH payments, the Company's ACH network (ACH.com) is sponsored by South State Bank and Fifth Third Bank. Sponsor bank relationships enable us to route transactions under the sponsor bank's control and identification number (referred to as a BIN for Visa and ICA for Mastercard) across the card networks (or ACH network) to authorize and clear transactions.

Risk Management

Our thoughtful merchant and reseller underwriting policies combined with our forward-looking transaction monitoring capabilities have enabled us to maintain low credit loss performance. Our risk management strategies are informed by a team with decades of experience managing merchant acquiring risk operations that are augmented by our rules-based modern systems designed to manage risk at the transaction level.

Initial Underwriting – Central to our risk management process are our front-line underwriting policies that vet all resellers and merchants prior to their contractual arrangements with us. Our automated risk systems pull: 1) credit bureau reports; 2) corporate ownership details; 3) anti-money laundering information; and, 4) OFAC and FinCEN information from a variety of integrated databases. The collected information is delivered to a tenured team of underwriters who conduct any necessary industry checks, financial performance analysis or owner background checks, consistent with our policies. Based upon these results, the underwriting department rejects or approves the merchant or reseller and sets appropriate merchant and reseller reserve requirements which are held by our bank sponsors on our behalf. Resellers are subject to quarterly and/or annual assessments for financial strength in compliance with our policies and adjustments to reserve levels. The results of our initial merchant underwriting process inform the transaction-level risk limits for volume, average ticket, transaction types and authorization codes that are captured by our CYRIS risk module - a proprietary risk system that monitors and reports transaction risk activity to our risk team. This transaction-level risk module, housed within MX Connect, forms the foundational risk management framework that enables the Company to optimize transaction activity and processing scale while preserving a modest aggregate risk profile that has resulted in historically low losses.

Real-Time Risk Monitoring – Merchant transactions are monitored on a transactional basis to proactively enforce risk controls. Our risk systems provide automated evaluation of merchant transaction activity against initial underwriting settings. Transactions that are outside underwriting parameters are queued for further investigation. Also, resellers whose merchant portfolio represents a concentration of investigated merchants are evaluated for risk action (i.e., increased reserves or contract termination).

Risk Audit – Transactions flagged by our risk monitoring systems or that demonstrate suspicious activity traits that have been flagged for review can result in funds being held in addition to other risk mitigation actions. The risk mitigation actions can include: 1) non-authorization of the transaction; 2) debit of reserves; or 3) termination of the processing agreement. Merchants are periodically reviewed to assess any risk adjustments based upon their overall financial health and compliance with network standards. Merchant transaction activity is investigated for instances of business activity changes or credit impairment (and improvement).

Loss Mitigation – In instances where transactions and/or individual merchants are flagged for fraud, or in instances where the transaction activity is resulting in excessive charge-backs, several loss mitigation actions may be taken. These include: 1) charge-back dispute resolution; 2) merchant and reseller funds (reserves or processed batches) withheld; 3) inclusion on Network Match List to notify the industry of a "bad actor"; and/or 4) legal action.

Acquisitions and Dispositions of Businesses

On November 18, 2022, the Company completed our acquisition of certain assets of Ovvi, LLC. Ovvi, LLC operated as a SaaS proprietary platform for the restaurant, hospitality and retail industries. The acquisition will allow the Company to offer point of sale software and hardware systems, comprehensive ancillary services and processing services.

On September 17, 2021, The Company completed our acquisition of Finxera. Finxera is a provider of deposit account management and licensed money transmission services in the U.S. The acquisition of Finxera allows the Company to offer clients turn-key merchant services, payment facilitation, card issuing, automated payables, virtual banking, e-wallet tools, risk management, underwriting and compliance on a single platform.

See Note 2. Acquisitions for additional information related to the Company's acquisitions. For information regarding our business disposal, see Note 3. Disposal of Business.

Competition

The U.S. acquiring industry is highly competitive, with several large processors accounting for the majority of processing volume. When excluding banks, we ranked 5th among U.S. non-bank merchant acquirers, according to the Nilson Report issued in March 2022.

The concentration at the top of the industry is partly a result of consolidation. We believe that consolidation has also resulted in many large processors maintaining multiple, inflexible legacy IT systems that are not well-equipped to adjust to changing market requirements. We believe that the large merchant acquirers whose innovation has been hindered by these redundant, legacy systems risk losing market share to acquirers with more agile and dynamic IT systems, such as Priority.

Pricing has historically been the key factor influencing the selection of a merchant acquirer. Providers with more advanced tech-enabled services (primarily online and integrated offerings), have an advantage over providers who are operating legacy technology and offering undifferentiated services that have come under pricing pressure from higher levels of competition. High quality customer service further differentiates providers as this helps to reduce attrition. Other competitive factors that set acquirers apart include: 1) price; 2) breadth of product offerings; 3) partnerships with FIs; 4) servicing capability; 5) data security; and 6) functionality. Leading acquirers are expected to continue to add additional services to expand cross-selling opportunities, primarily in omni-channel payment solutions, POS software, payments security, customer loyalty and other payments-related offerings.

The largest opportunity for acquirers to expand is within the SMB merchant market. According to the SMB Group, a markets insight firm for SMBs, the majority of SMBs recognize the upside that tech-enabled solutions provide to daily operations and long-term growth potential. As small businesses increasingly demand integrated solutions tailored to specific business functions or industries, merchant processors are adopting payment-enabled software offerings that combine embedded finance products with core business operating software. By subsisting within SMB's critical business software, processors are able to improve economic results through better merchant retention and higher processing margins. Through our MX Merchant platform, we are well-positioned to capitalize on the trend towards integrated solutions, new technology adoption and value added-service utilization in the SMB market.

Government Regulation and Payment Network Rules

We operate in an increasingly complex legal and regulatory environment. We are subject to a variety of federal, state and local laws and regulations and the rules and standards of the payment networks that are utilized to provide our electronic payment services, as more fully described below.

Wall Street Reform and Consumer Protection Act

The Dodd-Frank Act resulted in significant structural and other changes to the regulation of the financial services industry. The Dodd-Frank Act directed the Federal Reserve Board to regulate the debit interchange transaction fees that a card issuer or payment card network receives or charges for an electronic debit transaction. Pursuant to the so-called "Durbin Amendment" to the Dodd-Frank Act, these fees must be "reasonable and proportional" to the cost incurred by the card issuer in authorizing, clearing and settling the transaction. Pursuant to regulations promulgated by the Federal Reserve Board, debit interchange rates for card issuers with assets of $10.0 billion or more are capped at $0.21 per transaction and an ad valorem component of five basis points to reflect a portion of the issuer's fraud losses plus, for qualifying issuers, an additional $0.01 per transaction in debit interchange for fraud prevention costs. The cap on interchange fees has not had a material direct effect on our results of operations.

In addition, the Dodd-Frank Act limits the ability of payment card networks to impose certain restrictions because it allows merchants to: 1) set minimum dollar amounts (not to exceed $10.00) for the acceptance of a credit card (and allows federal governmental entities and institutions of higher education to set maximum amounts for the acceptance of credit cards); and 2) provide discounts or incentives to encourage consumers to pay with cash, checks, debit cards or credit cards.

The rules also contain prohibitions on network exclusivity and merchant routing restrictions. These rules require a card issuer to: 1) enable at least two unaffiliated networks on each debit card; 2) prohibit card networks from entering into exclusivity

arrangements; and 3) restrict the ability of issuers or networks to mandate transaction routing requirements. The prohibition on network exclusivity has not significantly affected our ability to pass on network fees and other costs to our customers, nor do we expect it to in the future.

The Dodd-Frank Act created the CFPB, which has assumed responsibility for enforcing federal consumer protection laws, and the FSOC, which was established to, among other things, identify risks to the stability of the U.S. financial system. The FSOC has the authority to require supervision and regulation of nonbank financial companies that the FSOC determines pose a systemic risk to the U.S. financial system. Accordingly, we may be subject to additional systemic risk-related oversight.

Payment Network Rules and Standards

As a merchant acquirer, we are subject to the rules of Visa, Mastercard, American Express, Discover and other payment networks. In order to provide services, several of our subsidiaries are either registered as service providers for member institutions with Mastercard, Visa and other networks or are direct members of Mastercard, Visa and other networks. Accordingly, we are subject to card association and network rules that could subject us to a variety of fines or penalties that may be levied by the card networks for certain acts or omissions.

Banking Laws and Regulations

The FFIEC is an interagency body comprised of federal bank and credit union regulators such as the Federal Reserve Board, the FDIC, the National Credit Union Administration, the Office of the Comptroller of the Currency and the Bureau of Consumer Financial Protection. The FFIEC examines large data processors to identify and mitigate risks associated with systemically significant service providers, including specifically the risks they may pose to the banking industry.

We are considered by the FFIEC to be a TSP based on the services we provide to FIs. As a TSP, we are subject to audits by an interagency group consisting of the Federal Reserve System, the FDIC, and the Office of the Comptroller of the Currency.

We also hold money transmission licenses in 46 U.S. states and two U.S. territories. Accordingly, we are subject to the applicable laws and regulations and are subject to examinations by state banking regulators.

Privacy and Information Security Laws

We provide services that may be subject to various state, federal and foreign privacy laws and regulations. These laws and regulations include: 1) the federal Gramm-Leach-Bliley Act of 1999, which applies to a broad range of FIs and to companies that provide services to FIs in the U.S.; 2) certain health care technology laws, including HIPAA and the Health Information Technology for Economic and Clinical Act; and 3) the CCPA, which establishes a new privacy framework for covered businesses by: i) creating an expanded definition of personal information; ii) establishing new data privacy rights for consumers in the State of California; iii) imposing special rules on the collection of consumer data from minors; and iv) creating a new and potentially severe statutory damages framework for violations of the CCPA and for businesses that fail to implement reasonable security procedures and practices to prevent data breaches. We are also subject to a variety of foreign data protection and privacy laws, including, without limitation, Directive 95/46/EC, as implemented in each member state of the European Union and its successor, the General Data Protection Regulation. Among other things, these foreign and domestic laws, and their implementing regulations, in certain cases: 1) restrict the collection, processing, storage, use and disclosure of personal information; 2) require notice to individuals of privacy practices, and provide individuals with certain rights to prevent use; and 3) disclosure of protected information. These laws also impose requirements for safeguarding and removal or elimination of personal information.

AML and Counter-terrorism Regulation

The U.S. federal anti-money laundering laws and regulations, including the BSA, and the BSA implementing regulations administered by FinCEN, a bureau of the U.S. Department of the Treasury, require, among other things, each financial institution to: 1) develop and implement a risk-based anti-money laundering program; 2) file reports on large currency transactions; 3) file suspicious activity reports if the financial institution believes a customer may be violating U.S. laws and regulations; and 4) maintain transaction records. Given that a number of our clients are FIs that are directly subject to U.S.

federal anti-money laundering laws and regulations, we have developed an anti-money laundering compliance program to best assist our clients in meeting such legal and regulatory requirements.

We are subject to certain economic and trade sanctions programs that are administered by OFAC of the U.S. Department of Treasury, which place prohibitions and restrictions on all U.S. citizens and entities with respect to transactions by U.S. persons with specified countries and individuals and entities identified on OFAC's Specially Designated Nationals list (for example, individuals and companies owned or controlled by, or acting for or on behalf of, countries subject to certain economic and trade sanctions, as well as terrorists, terrorist organizations and narcotics traffickers identified by OFAC under programs that are not country specific). Similar anti-money laundering, counter-terrorist financing and proceeds of crime laws apply to movements of currency and payments through electronic transactions and to dealings with persons specified on lists maintained by organizations similar to OFAC in several other countries and which may impose specific data retention obligations or prohibitions on intermediaries in the payment process. We have developed and continue to enhance compliance programs and policies to monitor and address such legal and regulatory requirements and developments. We continue to enhance such programs and policies to ensure that our customers do not engage in prohibited transactions with designated countries, individuals or entities.

Telephone Consumer Protection Act

We are subject to the Federal TCPA and various state laws to the extent we place telephone calls and SMS messages to clients and consumers. The TCPA regulates certain telephone calls and SMS messages placed using automatic telephone dialing systems or artificial or prerecorded voices and can alter the way we do business.

Escheat Laws

We are subject to U.S. federal and state unclaimed or abandoned property laws that require us to transfer to certain government authorities the unclaimed property of other that we hold when that property has been unclaimed for a certain period of time. Moreover, we are subject to audit by state and foreign regulatory authorities with regard to our escheatment practices.

Other Regulation

The Housing Assistance Tax Act of 2008 requires certain merchant acquiring entities and third-party settlement organizations to provide information returns for each calendar year with respect to payments made in settlement of electronic payment transactions and third-party payment network transactions occurring in that calendar year. Reportable transactions are also subject to backup withholding requirements.

The foregoing is not an exhaustive list of the laws, rules and regulations to which we are subject to and the regulatory framework governing our business is changing continuously.

Intellectual Property

We have developed a payments platform that includes many instances of proprietary software, code sets, workflows and algorithms. It is our practice to enter confidentiality, non-disclosure and invention assignment agreements with our employees and contractors, and to enter into confidentiality and non-disclosure agreements with other third parties to limit access to, and disclosure and use of, our confidential information and proprietary technology. In addition to these contractual measures, we also rely on a combination of trademarks, copyrights, registered domain names, and patent rights to help protect the Priority brand and our other intellectual property.

Human Capital Management

As of December 31, 2022, we employed 870 employees, of which 863 were employed full-time. We have employees residing throughout the United States and India. None of our employees are represented by a labor union or covered by a collective bargaining agreement.

Growth and Development

Our strategy to develop and retain the best talent includes an emphasis on employee training and development. We promote our core values of ownership, innovation, camaraderie, service, authenticity and trust as an organization and offer awards to colleagues who exemplify these qualities. We require a mandatory online training curriculum for our employees that includes annual anti-harassment and anti-discrimination training.

Well-being and Safety during COVID-19 Pandemic

The success of our business is connected to the well-being of our employees. Accordingly, we are committed to the health, safety and wellness of our employees. In response to the COVID-19 pandemic, we implemented significant changes that we determined were in the best interest of our employees and the communities in which we operate. This included enabling all of our employees to seamlessly shift to work from home. Over the past few years, we have made investments in our operating environments and technology that support day-to-day execution by employees working from home which allowed for the smooth transition. Additional health and safety measures have been implemented for employees who have elected to work within office locations.

Inclusion and Diversity

Our inclusion and diversity program focuses on our employees, workplace and community. We believe that our business is strengthened by a diverse workforce that reflects the communities in which we operate. We believe all of our employees should be treated with respect and equality, regardless of gender, ethnicity, sexual orientation, gender identity, religious beliefs or other characteristics. Inclusion and diversity remain a common thread in all of our human resource practices so that we can attract, develop and retain the best talent for our workforce.

Availability of Filings

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are made available free of charge on our internet website at www.prth.com, as soon as reasonably practicable after we have electronically filed the material with, or furnished it to the SEC. The SEC maintains an internet site that contains our reports, proxy and information statements and our other SEC filings. The address of that website is www.sec.gov. The contents of our websites are not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Item 1A. Risk Factors

An investment in our Common Stock and our financial results are subject to a number of risks. You should carefully consider the risks described below and all other information contained in this Annual Report on Form 10-K and the documents incorporated by reference. Our business, prospects, financial condition or operating results could be harmed by any of these risks, as well as other risks not currently known to us or that we currently consider immaterial. Additional risks and uncertainties, including those generally affecting the industry in which we operate and risks that management currently deems immaterial, may arise or become material in the future and affect our business.

Risk Factors Related to Our Business

Our business has been, and is likely to continue to be, negatively affected by the recent COVID-19 outbreak.

The COVID-19 pandemic and the mitigation efforts by governments and other parties to attempt to control the spread of the virus (including its variants) have adversely impacted the U.S. and global economy, leading to significant changes in consumer and business spending and economic activity and disruptions and volatility in the U.S. and global capital markets. :

- merchant temporary closures and failures;
- third-party disruptions, including potential outages at network providers and other suppliers; and
- increased cyber and payment fraud risk.

Although we have experienced increased demand for some of our service offerings as a result of an accelerated shift to electronic payments, we believe that the COVID-19 pandemic, the mitigation efforts and the resulting economic impact have had, and may continue to have, an overall adverse effect on our business, results of operations and financial condition. The full effects of the COVID-19 pandemic on our business, results of operations, financial condition and cash flows will depend on future developments, which are highly uncertain and difficult to predict at this time, including, but not limited to, the severity of the pandemic, the restrictive/mitigation actions taken to contain the virus or treat its effects, and its effects on our customers. Accordingly, while the COVID-19 pandemic could have an adverse effect on our revenues and financial results for reporting periods after 2022, the ultimate effects on our operations, financial condition and cash flows cannot be determined at this time.

Unauthorized access to our systems or unauthorized disclosure of merchant or cardholder data, whether through breach of our computer systems, computer viruses, or otherwise, could expose us to liability, protracted and costly litigation and damage our reputation.

Our services include the processing, transmission and storing of sensitive business and personal information about our merchants, merchants' customers, vendors, partners and other third parties. This information may include credit and debit card numbers, bank account numbers, personal identification numbers, names and addresses or other sensitive business information. This information may also be stored by third parties to whom we outsource certain functions or other agents ("associated third parties"). We may have responsibility to the card networks, FIs, and in some instances, our merchants, and/or ISOs, for our failure or the failure of our associated third parties to protect this information.

Information security risks for us and our competitors have substantially increased in recent years in part due to the proliferation of new technologies and the increased sophistication, resources and activities of hackers, terrorists, activists, organized crime, and other external parties, including hostile nation-state actors. The techniques used to obtain unauthorized access, disable or degrade service, sabotage systems or utilize payment systems in an effort to perpetrate financial fraud change frequently and are often difficult to detect and all of which we are vulnerable to. We have been the target of brute force attempts to obtain unauthorized access to our systems. Threats may derive from human error, fraud or malice on the part of employees or third parties, or may result from accidental technological failure. Computer viruses can be distributed and spread rapidly over the internet and could infiltrate our systems or those of our associated third parties. Additionally, denial of service or other attacks could be launched against us for a variety of purposes, including interfering with our services or to create a diversion for other malicious activities. Our defensive measures may not prevent down-time, unauthorized access or use of sensitive data. While we maintain insurance coverage that will cover certain aspects of cyber risks, such insurance coverage may be insufficient to

cover all losses. Furthermore, we do not control the actions of our third-party partners and customers in their systems. These third parties may experience security breaches and any future problems experienced by these third parties, including those resulting from cyber attacks or other breakdowns or disruptions in services, could adversely affect our ability to conduct our business or expose us to liability. Further, our agreements with our bank sponsors and our third-party payment processors (as well as payment network requirements) require us to take certain protective measures to ensure the confidentiality of merchant and consumer data. Any such actions, attacks or failure to adequately comply with these protective measures could hurt our reputation, force us to incur significant expenses in remediating the resulting impacts, expose us to uninsured liability, result in the loss of our bank sponsors or our ability to participate in the payment networks, or subject us to fees, penalties, sanctions, litigation or termination of our bank sponsor agreements or our third-party payment processor agreements.

As a result of information security risks, we must continuously develop and enhance our controls, processes and practices designed to protect our computer systems, software, data and networks from attack, damage or unauthorized access. This continuous development and enhancement will require us to expend additional resources, including to investigate and remediate significant information security vulnerabilities detected. Despite our investments in security measures, we are unable to assure that any security measures will not be subject to system or human error.

Our systems or our third-party providers' systems may fail, which could interrupt our service, cause us to lose business, increase our costs and expose us to liability.

We depend on the efficient and uninterrupted operation of our computer systems, software, data centers and telecommunications networks, as well as the systems and services of third parties. A system outage or data loss could have a material adverse effect on our business, financial condition, results of operations and cash flows. Not only could we suffer damage to our reputation in the event of a system outage or data loss, but we may also be liable to third parties. Many of our contractual agreements with FIs and certain other customers require the payment of penalties if we do not meet certain operating standards. Our systems and operations or those of our third-party providers could be exposed to damage or interruption from, among other things, fire, natural disaster, power loss or telecommunications failure.

The payment processing industry is highly competitive and such competition is likely to increase, which may adversely influence the prices we can charge to merchants for our services and the compensation we must pay to our distribution partners, and as a result, our profit margins.

The payment processing industry is highly competitive. We primarily compete in the SMB merchant industry. We compete with FIs and their affiliates, independent payment processing companies and ISOs. We also compete with many of these same entities for production through distribution partners. Many of our distribution partners are not exclusive to us but also have relationships with our competitors, such that we have to continually expend resources to maintain those relationships. Our growth will depend on the continued growth of Electronic Payments, particularly Electronic Payments to SMB merchants, and our ability to increase our market share through successful competitive efforts to gain new merchants and distribution partners.

Additionally, many FIs and their subsidiaries or well-established payment-enabled technology providers with which we compete, have substantially greater capital, technological, management and marketing resources than we have. These factors may allow our competitors to offer better pricing terms to merchants and more attractive compensation to distribution partners, which could result in a loss of our potential or current merchants and distribution partners. Our current and future competitors may also develop or offer services that have price or other advantages over the services we provide.

We also face new, well capitalized, competition from emerging technology and non-traditional payment processing companies as well as traditional companies offering alternative Electronic Payments services and payment-enabled software solutions. If these new entrants gain a greater share of total Electronic Payments transactions, they could impact our ability to retain and grow our relationships with merchants and distribution partners. Acquirers may be susceptible to the adoption by the broader merchant community of payment-enabled software versus terminal based payments.

Increased merchant, referral partner or ISO attrition could cause our financial results to decline.

We experience attrition in merchant credit and debit card processing volume resulting from several factors, including business closures, transfers of merchant accounts to our competitors, unsuccessful contract renewal negotiations and account closures

that we initiate for various reasons such as heightened credit risks or contract breaches by merchants. Our referral partners are a significant source of new business. If a referral partner or an ISO switches to another processor, terminates our services, internalizes payment processing that we perform, merges with or is acquired by one of our competitors, or shuts down or becomes insolvent, we may no longer receive new merchant referrals from such referral partner, and we risk losing existing merchants that were originally enrolled by the referral partner or ISO. We cannot predict the level of attrition in the future and it could increase. Higher than expected attrition could negatively affect our results, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Changes in card association and debit network fees or products could increase costs or otherwise limit our operations.

From time to time, card associations and debit networks increase the organization and/or processing fees (known as interchange fees) that they charge. It is possible that competitive pressures will result in us absorbing a portion of such increases in the future, which would increase our operating costs, reduce our profit margin, and adversely affect our business, operating results, and financial condition. In addition, the various card associations and networks prescribe certain capital requirements. Any increase in the capital level required would further limit our use of capital for other purposes.

Changes in payment network rules or standards could adversely affect our business, financial condition and results of operations.

Payment network rules are established and changed from time to time by each payment network as they may determine in their sole discretion and with or without advance notice to their participants. The timelines imposed by the payment networks or sponsor banks for expected compliance with new rules have historically been, and may continue to be, highly compressed, requiring us to quickly implement changes to our systems which increases the risk of non-compliance with new standards or the reduction of certain types of merchant activity. In addition, the payment networks could make changes to interchange or other elements of the pricing structure of the merchant acquiring industry that would have a negative impact on our results of operations.

To remain competitive and to continue to increase our revenues and earnings, we must continually update our products and services, a process which could result in increased costs and the loss of revenues, earnings, merchants and distribution partners if the new products and services do not perform as intended or are not accepted in the marketplace.

The Electronic Payments industry in which we compete is subject to rapid technological changes and is characterized by new technology, product and service introductions, evolving industry standards, changing merchant needs and the entrance of non-traditional competitors. We are subject to the risk that our existing products and services become obsolete, and that we are unable to develop new products and services in response to industry demands. Our future success will depend in part on our ability to develop or adapt to technological changes and the evolving needs of our resellers, merchants and the industry at large. In addition, new products and offerings may not perform as intended or generate the business or revenue growth expected. Defects in our software and errors or delays in our processing of electronic transactions could result in additional development costs, diversion of technical and other resources from our other development efforts, loss of credibility with current or potential distribution partners and merchants, harm to our reputation, fines imposed by card networks, or exposure to liability claims. Any delay in the delivery of new products or services or the failure to differentiate our products and services could render them less desirable, or possibly even obsolete, to our merchants. Additionally, the market for alternative payment processing products and services is evolving, and we may develop too rapidly or not rapidly enough for us to recover the costs we have incurred in developing new products and services.

Acquisitions create certain risks and may adversely affect our business, financial condition, or results of operations.

We have actively acquired businesses and expect to continue to make acquisitions of businesses and assets in the future. The acquisition and integration of businesses and assets involve a number of risks. These risks include valuation (negotiating a fair price for the business and assets), integration (managing the process of integrating the acquired business' people, products, technology, and other assets to realize the projected value and synergies), regulatory (obtaining any applicable regulatory or other government approvals), and due diligence (identifying risks to the prospects of the business, including undisclosed or unknown liabilities or restrictions). There can be no assurances that we will be able to complete suitable acquisitions for a variety of reasons, including the identification of and competition for acquisition targets, the need for regulatory approvals, the

inability of the parties to agree to the structure or purchase price of the transaction and our inability to finance the transaction on commercially acceptable terms. In addition, any potential acquisition can subject us to a variety of other risks:

- If we are unable to successfully integrate the benefits plans, duties and responsibilities and other factors of interest to management of employees of the acquired business, we could lose employees to our competitors in the region, which could significantly affect our ability to operate the business and complete the integration;
- If the integration process causes any delays with the delivery of our services, or the quality of those services, we could lose customers to our competitors;
- Any acquisition may otherwise cause disruption to the acquired company's business and operations and relationships with financial institution sponsors, customers, merchants, employees and other partners;
- Any acquisition and the related integration could divert the attention of our management from other strategic matters including possible acquisitions and alliances and planning for new product development or expansion into new markets for payments technology and software solutions; and
- The costs related to the integration of an acquired company's business and operations into ours may be greater than anticipated.

We are subject to economic and political risk, the business cycles of our merchants and distribution partners and the overall level of consumer and commercial spending, which could negatively impact our business, financial condition and results of operations.

The Electronic Payments industry depends heavily on the overall level of consumer, commercial and government spending. We are exposed to general economic conditions that affect consumer confidence, consumer spending, consumer discretionary income and changes in consumer purchasing habits. A sustained deterioration in general economic conditions or increases in interest rates could adversely affect our financial performance by reducing the number or aggregate dollar volume of transactions made using Electronic Payments. If our merchants make fewer sales of their products and services using Electronic Payments, or consumers spend less money through Electronic Payments, we will have fewer transactions to process at lower dollar amounts, resulting in lower revenue. In addition, a weakening in the economy could force merchants to close at higher than historical rates, resulting in exposure to potential losses and a decline in the number of transactions that we process. We also have material fixed and semi-fixed costs, including rent, debt service, contractual minimums and salaries, which could limit our ability to quickly adjust costs and respond to changes in our business and the economy.

Global economic, political and market conditions affecting the U.S. markets may adversely affect our business, results of operations and financial condition, including our revenue growth and profitability.

Worldwide financial market conditions, as well as various social and political tensions in the U.S. and around the world, may contribute to increased market volatility, may have long-term effects and may cause economic uncertainties or deterioration in the U.S. The U.S. markets experienced extreme volatility and disruption during the economic downturn that began in mid-2007, and the U.S. economy was in a recession for several consecutive calendar quarters during the same period. In addition, the fiscal and monetary policies of foreign nations, such as Russia and China, may have a severe impact on U.S. financial markets. We are monitoring the conflict between Russia and Ukraine. While we do not expect that such conflict will itself be material to our business, geopolitical instability and adversity arising from such conflict (including additional conflicts that could arise from such conflict), the imposition of sanctions, taxes and/or tariffs against Russia and Russia's response to such sanctions (including retaliatory acts, such as cyber attacks and sanctions against other countries) could adversely affect the global economy or specific international, regional and domestic markets, which could have a material adverse effect on our business, results of operations or financial condition.

Any new legislation that may be adopted in the U.S. could significantly affect the regulation of U.S. financial markets. Areas subject to potential change, amendment or repeal include the Dodd-Frank Act and the authority of the Federal Reserve Board and the FSOC. The U.S. may also potentially withdraw from or renegotiate various trade agreements and take other actions that would change current trade policies of the U.S. We cannot predict which, if any, of these actions will be taken or, if taken, their

effect on the financial stability of the U.S. Such actions could have a significant adverse effect on our business, financial condition and results of operations, particularly in view of the regulatory oversight we presently face. We cannot predict the effects of these or similar events in the future on the U.S. economy in general, or specifically on our business model or growth strategy, which typically involves the use of debt financing. To the extent a downturn in the U.S. economy impacts our merchant accounts, regulatory changes increase the burden we face in operating our business, or disruptions in the credit markets prevent us from using debt to finance future acquisitions, our financial condition and results of operations may be materially and adversely impacted.

We rely on FIs and other service and technology providers. If they fail or discontinue providing their services or technology generally or to us specifically, our ability to provide services to merchants may be interrupted, and, as a result, our business, financial condition and results of operations could be adversely impacted.

We rely on various FIs to provide clearing services in connection with our settlement activities. If such FIs should stop providing clearing services, we must find other FIs to provide those services. If we are unable to find a replacement financial institution, we may no longer be able to provide processing services to certain customers, which could negatively affect our revenues, earnings and cash flows.

We also rely on third parties to provide or supplement bankcard processing services and for infrastructure hosting services. We also rely on third parties for specific software and hardware used in providing our products and services. The termination by our service or technology providers of their arrangements with us or their failure to perform their services efficiently and effectively may adversely affect our relationships with our merchants and, if we cannot find alternate providers quickly, may cause those merchants to terminate their relationship with us.

We also rely in part on third parties for the development and access to new technologies, or updates to existing products and services for which third parties provide ongoing support, which increases the cost associated with new and existing product and service offerings. Failure by these third-party providers to devote an appropriate level of attention to our products and services could result in delays in introducing new products or services, or delays in resolving any issues with existing products or services for which third-party providers provide ongoing support.

Fraud by merchants or others could cause us to incur losses.

We have potential liability for fraudulent electronic payment transactions or credits initiated by merchants or others. Examples of merchant fraud include when a merchant or other party knowingly uses a stolen or counterfeit credit or debit card, card number, or other credentials to record a false sales or credit transaction, processes an invalid card, or intentionally fails to deliver the merchandise or services sold in an otherwise valid transaction. Criminals are using increasingly sophisticated methods to engage in illegal activities such as counterfeiting and fraud. Failure to effectively manage risk and prevent fraud could increase in the future. Increases in chargebacks or other liabilities could have a material adverse effect on our financial condition, results of operations and cash flows.

We incur liability when our merchants refuse or cannot reimburse us for chargebacks resolved in favor of their customers.

We have potential liability for chargebacks associated with the transactions we process. If a billing dispute between a merchant and a cardholder is not ultimately resolved in favor of the merchant, the disputed transaction is "charged back" to the merchant's bank and credited or otherwise refunded to the cardholder. The risk of chargebacks is typically greater with those merchants that promise future delivery of goods and services rather than delivering goods or rendering services at the time of payment. If we or our bank sponsors are unable to collect the chargeback from the merchant's account or reserve account (if applicable), or if the merchant refuses or is financially unable (due to bankruptcy or other reasons) to reimburse the merchant's bank for the chargeback, we may bear the loss for the amount of the refund paid to the cardholder. Any increase in chargebacks not paid by our merchants could increase our costs and decrease our revenues. We have policies to manage merchant-related credit risk and often mitigate such risk by requiring collateral and monitoring transaction activity. Notwithstanding our programs and policies for managing credit risk, it is possible that a default on such obligations by one or more of our merchants could have a material adverse effect on our business.

If we fail to comply with the applicable requirements of the card networks, they could seek to fine us, suspend us or terminate our registrations for membership. If we incur fines or penalties for which our merchants or ISOs are responsible that we cannot collect, we may have to bear the cost of such fines or penalties.

We are subject to card association and network rules that could subject us to a variety of fines or penalties that may be levied by the card networks for certain acts or omissions. The rules of the card networks are set by the card networks themselves and may be influenced by card issuers, some of which are our competitors with respect to processing services. Many banks directly or indirectly sell processing services to merchants in direct competition with us. These banks could attempt, by virtue of their influence on the networks, to alter the networks' rules or policies to the detriment of non-members, including us. The termination of our registrations or our membership status as a service provider or merchant processor, or any changes in a card association or other network rules or standards, including interpretation and implementation of the rules or standards, that increase the cost of doing business or limit our ability to provide transaction processing services to our customers, could have a material adverse effect on our business, financial condition, results of operations and cash flows. If a merchant or an ISO fails to comply with the applicable requirements of the card associations and networks, we or the merchant or ISO could be subject to a variety of fines or penalties that may be levied by the card associations or networks. If we cannot collect or pursue collection of such amounts from the applicable merchant or ISO, we may have to bear the cost of such fines or penalties, resulting in lower earnings for us. The termination of our registration, or any changes in the Visa or Mastercard rules that would impair our registration, could require us to stop providing Visa and Mastercard payment processing services, which would make it impossible for us to conduct our business on its current scale.

The loss of, for example, key personnel or of our ability to attract, recruit, retain and develop qualified employees could adversely affect our business, financial condition and results of operations.

Our success depends upon the continued services of our senior management and other key personnel who have substantial experience in the Electronic Payments industry and the markets in which we offer our services. In addition, our success depends in large part upon the reputation within the industry of our senior managers who have developed relationships with our distribution partners, payment networks and other payment processing and service providers. Further, in order for us to continue to successfully compete and grow, we must attract, recruit, develop and retain personnel who will provide us with expertise across the entire spectrum of our intellectual capital needs. Our success is also dependent on the skill and experience of our sales force, which we must continuously work to maintain. While we have many key personnel who have substantial experience with our operations, we must also develop our personnel to provide succession plans capable of maintaining the continuity of our operations. The market for qualified personnel is competitive, and we may not succeed in recruiting additional personnel or may fail to effectively replace current personnel who depart with qualified or effective successors.

Legal, Regulatory Compliance and Tax Risks

Legal proceedings could have a material adverse effect on our business, financial condition or results of operations.

In the ordinary course of business, we may become involved in various litigation matters, including but not limited to commercial disputes and employee claims, and from time to time may be involved in governmental or regulatory investigations or similar matters arising out of our current or future business. Any claims asserted against us, regardless of merit or eventual outcome, could harm our reputation and have an adverse impact on our relationship with our merchants, distribution partners and other third parties and could lead to additional related claims. Certain claims may seek injunctive relief, which could disrupt the ordinary conduct of our business and operations or increase our cost of doing business. Our insurance or indemnities may not cover all claims that may be asserted against us, and any claims asserted against it, regardless of merit or eventual outcome, may harm our reputation and cause us to expend resources in our defense. Furthermore, there is no guarantee that we will be successful in defending ourselves in future litigation. Should the ultimate judgments or settlements in any pending litigation or future litigation or investigation significantly exceed our insurance coverage, they could have a material adverse effect on our business, financial condition and results of operations.

We are subject to extensive government regulation, and any new laws and regulations, industry standards or revisions made to existing laws, regulations or industry standards affecting the Electronic Payments industry may have an unfavorable impact on our business, financial condition and results of operations.

Our business is affected by laws and regulations and examinations that affect us and our industries. Regulation and proposed regulation of the payments industry has increased significantly in recent years. Failure to comply with regulations or guidelines may result in the suspension or revocation of a license or registration, the limitation, suspension or termination of service, including money transmission services, and the imposition of civil and criminal penalties, including fines, or may cause customers or potential customers to be reluctant to do business with us, any of which could have an adverse effect on our financial condition.

Interchange fees are subject to intense legal, regulatory and legislative scrutiny. In particular, the Dodd-Frank Act limits the amount of debit card fees charged by certain issuers, allowing merchants to set minimum dollar amounts for the acceptance of credit cards and allowing merchants to offer discounts or other incentives for different payment methods. These types of restrictions could negatively affect the number of debit transactions, which would adversely affect our business. The Dodd-Frank Act also created the CFPB, which has assumed responsibility for enforcing federal consumer protection laws, and the FSOC, which has the authority to determine whether any non-bank financial company, which may include us within the definitional scope, should be supervised by the Federal Reserve because it is systemically important to the U.S. financial system. Any such designation would result in increased regulatory burdens on our business, which increases our risk profile and may have an adverse impact on our business, financial condition and results of operations.

We and many of our merchants may be subject to Section 5 of the Federal Trade Commission Act prohibiting unfair or deceptive acts or practices. That statement and other laws, rules and or regulations, including the Telemarketing Sales Act, may directly impact the activities of certain of our merchants and, in some cases, may subject us, as the merchant's electronic processor or provider of certain services, to investigations, fees, fines and disgorgement of funds if we were deemed to have improperly aided and abetted or otherwise provided the means and instrumentalities to facilitate the illegal or improper activities of the merchant through our services. Various federal and state regulatory enforcement agencies, including the Federal Trade Commission and state attorneys general, have authority to take action against non-banks that engage in unfair or deceptive practices or violate other laws, rules and regulations and to the extent we are processing payments or providing services for a merchant that may be in violation of laws, rules and regulations, we may be subject to enforcement actions and as a result may incur losses and liabilities that may impact our business.

Our business may also be subject to the FCRA, which regulates the use and reporting of consumer credit information and also imposes disclosure requirements on entities that take adverse action based on information obtained from credit reporting agencies. We could be liable if our practices under the FCRA are not in compliance with the FCRA or regulations under it.

Separately, the Housing Assistance Tax Act of 2008 included an amendment to the Internal Revenue Code that requires the filing of yearly information returns by payment processing entities and third-party settlement organizations with respect to payments made in settlement of electronic payment transactions and third-party payment network transactions occurring in that calendar year. Transactions that are reportable pursuant to these rules are subject to backup withholding requirements. We could be liable for penalties if our information returns do not comply with these regulations.

These and other laws and regulations, even if not directed at us, may require us to make significant efforts to change our products and services and may require that we incur additional compliance costs and change how we price our services to merchants. Implementing new compliance efforts may be difficult because of the complexity of new regulatory requirements and may cause us to devote significant resources to ensure compliance. Furthermore, regulatory actions may cause changes in business practices by us and other industry participants which could affect how we market, price and distribute our products and services, which could limit our ability to grow, reduce our revenues or increase our costs. In addition, even an inadvertent failure to comply with laws and regulations, as well as rapidly evolving social expectations of corporate fairness, could damage our business or our reputation.

We may not be able to successfully manage our intellectual property and may be subject to infringement claims.

We rely on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect our proprietary technology. Third parties may challenge, circumvent, infringe or misappropriate our intellectual property, or such intellectual property may not be sufficient to permit us to take advantage of current market trends or otherwise to provide competitive advantages, which could result in costly redesign efforts, discontinuance of service offerings or other competitive harm. Others, including our competitors, may independently develop similar technology, duplicate our services or design around our intellectual property and, in such cases, we could not assert our intellectual property rights against such parties. Further, our contractual arrangements may not effectively prevent disclosure of our confidential information or provide an adequate remedy in the event of unauthorized disclosure of our confidential information. We may have to litigate to enforce or determine the scope and enforceability of our intellectual property rights and know-how, which is expensive, could cause a diversion of resources and may not prove successful. Also, because of the rapid pace of technological change in our industry, aspects of our business and our services rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms or at all. The loss of intellectual property protection or the inability to license or otherwise use third-party intellectual property could harm our business and ability to compete.

We may also be subject to costly litigation if our services and technology are alleged to infringe upon or otherwise violate a third party's proprietary rights. Third parties may have, or may eventually be issued, patents that could be infringed by our products, services or technology. Any of these third parties could make a claim of infringement against us with respect to our products, services or technology. We may also be subject to claims by third parties for patent, copyright or trademark infringement, breach of license or violation of other third-party intellectual property rights. Any claim from third parties may result in a limitation on our ability to use the intellectual property subject to these claims. Additionally, in recent years, individuals and groups have been purchasing intellectual property assets for the sole purpose of making claims of infringement or other violations and attempting to extract settlements from companies like ours. Even if we believe that intellectual property related claims are without merit, defending against such claims is time consuming and expensive and could result in the diversion of the time and attention of our management and employees. Claims of intellectual property infringement or violation also might require us to redesign affected products or services, enter into costly settlement or license agreements, pay costly damage awards or face a temporary or permanent injunction prohibiting us from marketing or selling certain of our products or services. Even if we have an agreement for indemnification against such costs, the indemnifying party, if any in such circumstances, may be unable to uphold our contractual obligations. If we cannot or do not license the infringed technology on reasonable terms or substitute similar technology from another source, our revenue and earnings could be adversely impacted.

Changes in tax laws and regulations could adversely affect our results of operations and cash flows from operations.

Changes in tax laws in our significant tax jurisdictions could materially increase the amount of taxes we owe, thereby negatively impacting our results of operations as well as our cash flows from operations. For example, restrictions on the deductibility of interest expense in a U.S. jurisdiction without a corresponding reduction in statutory tax rates could negatively impact our effective tax rate, financial position, results of operations and cash flows in the period that such a change occurs and future periods.

Our risk management policies and procedures may not be fully effective in mitigating our risk exposure in all market environments or against all types of risks.

We operate in a rapidly changing industry. Accordingly, our risk management policies and procedures may not be fully effective to identify, monitor, manage and remediate our risks. Some of our risk evaluation methods depend upon information provided by others and public information regarding markets, merchants or other matters that are otherwise inaccessible by us. In some cases, that information may not be accurate, complete or up-to-date. Additionally, our risk detection system is subject to a high degree of "false positive" risks being detected, which makes it difficult for us to identify real risks in a timely manner. If our policies and procedures are not fully effective or we are not always successful in capturing all risks to which we are or may be exposed, we may suffer harm to our reputation or be subject to litigation or regulatory actions that materially increase

our costs and subject us to reputational damage that could limit our ability to grow and cause us to lose existing merchant clients.

Risk Related to Our Capital Structure

We face risks related to our substantial indebtedness.

We have a substantial amount of indebtedness and may incur other debt in the future. Our level of debt and the covenant to which we agreed could have negative consequences on us, including, among other things, (i) requiring us to dedicate a large portion of our cash flow from operations to servicing and repayment of the debt; (ii) limiting funds available for strategic initiatives and opportunities, working capital and other general corporate needs and (iii) limiting our ability to incur certain kinds or amounts of additional indebtedness, which could restrict our ability to react to changes in our business, our industry and economic conditions.

Substantially all of our indebtedness is variable rate debt, primarily based on LIBOR. LIBOR has been the subject of recent national, international, and other regulatory guidance and proposals for reform, which will cause LIBOR to disappear entirely in 2023 and largely be replaced by SOFR. As a result of this variable rate debt, an increase in interest rates generally, such as those we have recently experienced, would adversely affect our profitability. We may enter into pay-fixed interest rate swaps or other derivative transactions to limit our exposure to changes in floating interest rates. Such instruments may result in economic losses should interest rates decline to a point lower than our fixed rate commitments. We would be exposed to credit-related losses, which could impact the results of operations in the event of fluctuations in the fair value of the interest rate swaps due to a change in the credit worthiness or non-performance by the counterparties to the interest rate swaps.

The credit agreements governing our existing credit facilities and any other debt instruments we may issue in the future will contain restrictive covenants that may impair our ability to conduct business.

The credit agreements governing our existing credit facilities contain operating covenants and financial covenants that may limit management's discretion with respect to certain business matters. In addition, any debt instruments we may issue in the future will likely contain similar operating and financial covenants restricting our business. Among other things, these covenants will restrict our ability to:

- pay dividends, or redeem or purchase equity interests;
- incur additional debt;
- incur liens;
- change the nature of our business;
- engage in transactions with affiliates;
- sell or otherwise dispose of assets;
- make acquisitions or other investments; and
- merge or consolidate with other entities.

In addition, the credit agreements governing our senior credit facilities contain a total net leverage ratio financial covenant. A breach of any of these covenants (or any other covenant in the documents governing our Credit and Guaranty Agreement) could result in a default or event of default under our Credit and Guaranty Agreement. If an event of default occurred, the applicable lenders or agents could elect to terminate borrowing commitments and declare all borrowings and loans outstanding thereunder, together with accrued and unpaid interest and any fees and other obligations, to be immediately due and payable. In addition, or in the alternative, the applicable lenders or agents could exercise their rights under the security documents entered into in

connection with our Credit and Guaranty Agreement. Any acceleration of amounts due under the Credit and Guaranty Agreement would likely have a material adverse effect on us.

Because we have no current plans to pay cash dividends on our Common Stock for the foreseeable future, you may not receive any return on investment unless you sell your Common Stock for a price greater than that which you paid for it.

We intend to retain future earnings, if any, for future operations, expansion, and debt repayment and have no current plans to pay any cash dividends for the foreseeable future. The declaration, amount, and payment of any future dividends on shares of Common Stock will be at the sole discretion of our Board of Directors. Our Board of Directors may take into account general and economic conditions, our financial condition, and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax, and regulatory restrictions, implications on the payment of dividends by us to our stockholders or by our subsidiaries to us, and such other factors as our Board of Directors may deem relevant. In addition, our ability to pay dividends is limited by covenants of our existing and outstanding indebtedness and may be limited by covenants of any future indebtedness we or our subsidiaries incur. As a result, you may not receive any return on an investment in our Common Stock unless you sell our Common Stock for a price greater than that which you paid for it.

Mr. Thomas Priore, our President, Chief Executive Officer and Chairman, controls the Company, and his interests may conflict with ours or yours in the future.

Thomas Priore and his affiliates have the ability to elect all of the members of our Board of Directors and thereby control our policies and operations, including the appointment of management, future issuances of our Common Stock or other securities, the payment of dividends, if any, on our Common Stock, the incurrence or modification of debt by us, amendments to our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws, and the entering into of extraordinary transactions, and their interests may not in all cases be aligned with your interests. In addition, Thomas Priore may have an interest in pursuing acquisitions, divestitures, and other transactions that, in his judgment, could enhance his investment, even though such transactions might involve risks to you. For example, he could cause us to make acquisitions that increase our indebtedness or cause us to sell revenue-generating assets. Additionally, in certain circumstances, acquisitions of debt at a discount by purchasers that are related to a debtor can give rise to cancellation of indebtedness income to such debtor for U.S. federal income tax purposes.

Our Amended and Restated Certificate of Incorporation provides that neither he nor any of his affiliates, or any director who is not employed by us (including any non-employee director who serves as one of our officers in both his director and officer capacities) will have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. So long as Thomas Priore continues to own a significant amount of our combined voting power, even if such amount is less than 50%, he will continue to be able to strongly influence or effectively control our decisions. Furthermore, so long as Thomas Priore and his respective affiliates collectively own at least 50% of all outstanding shares of our Common Stock entitled to vote generally in the election of directors, they will be able to appoint individuals to our Board of Directors. In addition, given his level of control, Thomas Priore will be able to determine the outcome of all matters requiring stockholder approval and will be able to cause or prevent a change of control of the Company or a change in the composition of our Board of Directors and could preclude any unsolicited acquisition of the Company. The concentration of ownership could deprive you of an opportunity to receive a premium for your shares of Common Stock as part of a sale of the Company and ultimately might affect the market price of our Common Stock.

We may redeem your unexpired warrants prior to their exercise at a time that is disadvantageous to you, thereby making your warrants worthless.

We have the ability to redeem outstanding warrants (the "Warrants") at any time after they become exercisable and prior to their expiration, at $0.01 per warrant, if the last reported sales price (or the closing bid price of our Common Stock in the event the Common Stock is not traded on any specific trading day) of the Common Stock equals or exceeds $16.00 per share for any 20 trading days within a 30-trading day period ending on the third business day prior to the date we send proper notice of such redemption, provided that on the date we give notice of redemption and during the entire period thereafter until the time we redeem the Warrants, we have an effective registration statement under the Securities Act covering the Common Stock issuable upon exercise of the Warrants and a current prospectus relating to them is available or cashless exercise is exempt from the registration requirements under the Securities Act. If and when the Warrants become redeemable by us, we may exercise our

redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding Warrants could force a warrant holder: (i) to exercise Warrants and pay the exercise price therefore at a time when it may be disadvantageous for you to do so; (ii) to sell Warrants at the then-current market price when you might otherwise wish to hold your Warrants; or (iii) to accept the nominal redemption price which, at the time the outstanding Warrants are called for redemption, may be substantially less than the market value of your Warrants.

The liquidity of the Warrants may be limited.

There is a limited trading market for our Warrants, which might adversely affect the liquidity, market price and price volatility of the Warrants. In addition, our publicly traded Warrants have been removed from quotation on The Nasdaq Capital Market. As a result, investors in our Warrants may find it more difficult to dispose of or obtain accurate quotations as to the market value of our Warrants, and the ability of our stockholders to sell our Warrants in the secondary market has been materially limited.

Financial Risks

Changes in the method for determining the LIBOR and the potential replacement of the LIBOR benchmark interest rate could adversely affect our business, financial condition, results of operations and cash flows.

The majority of our current indebtedness bears interest at a variable rate based on LIBOR, and we may incur additional indebtedness based on LIBOR. In July 2017, the FCA, a regulator of financial services firms and financial markets in the United Kingdom, stated that they will plan for a phase out of regulatory oversight of LIBOR interest rates indices. The FCA has indicated they will support the LIBOR indices through 2021, to allow for an orderly transition to an alternative reference rate. The ICE Benchmark Administration Limited recently announced that LIBOR settings will cease at the end of June 2023. The Alternative Reference Rates Committee has proposed the SOFR as its recommended alternative to LIBOR, and the Federal Reserve Bank of New York began publishing SOFR rates in April 2018. SOFR is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. At this time, it is not possible to predict when LIBOR will be replaced as the reference rate in the agreements governing the Company's indebtedness or the effect any discontinuance, modification or other reforms to LIBOR, or the establishment of alternative reference rates such as SOFR, or any other reference rate, will have on the Company. When LIBOR ceases to exist or if the methods of calculating LIBOR change from their current form prior to LIBOR’s cessation, however, the Company's borrowing costs may be adversely affected.

Item 1B. Unresolved Staff Comments

N/A

Item 2. Properties

We operate from several offices throughout the U.S. and one office in India, all of which we lease.

Our key office locations include:

- corporate headquarters in Alpharetta, GA;
- administrative office in Hicksville, NY;
- administrative office in New York, NY;
- administrative office in Raleigh, NC; and
- administrative office in Chandigarh, India.

We lease several small facilities for sales and operations. Our current facilities meet the needs of our employee base and can accommodate our currently contemplated growth.

Item 3. Legal Proceedings

We are involved in certain other 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 our results of operations, financial condition, or cash flows. As more information becomes available and we determine that an unfavorable outcome is probable on a claim and that the amount of probable loss that we will incur on that claim is reasonably estimable, we will record an accrued expense for the claim in question. If and when we record such an accrual, it could be material and could adversely impact our results of operations, financial condition and cash flows.

Item 4. Mine Safety Disclosures

N/A

PART II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

On July 25, 2018, our Common Stock began trading on The Nasdaq Capital Market under the symbol "PRTH". As of March 17, 2023, we had 85 holders of record of our Common Stock. This figure does not include the number of persons whose securities are held in nominee or "street" name accounts through brokers. We have never declared or paid, and do not anticipate declaring or paying in the foreseeable future, any cash dividends on our Common Stock.

Equity Compensation Plan Information

Period	Number of securities to be issued upon exercise of outstanding options, warrants and rights[1]	Weighted-average exercise price of outstanding options, warrants and rights[2]	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity Compensation Plans approved by security holders	2,689,353	$ 6.88	3,505,286
Equity Compensation Plans not approved by security holders	—	$ —	—

(1) Represents stock options and RSU outstanding under the Company's 2018 Plan.
(2) The weighted-average exercise price set forth in this column is calculated for stock options outstanding and excludes outstanding RSU awards, since recipients are not required to pay an exercise price to receive the shares related to these awards.

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Issuer Purchases of Equity Securities

The following table presents information with respect to purchases made by the Company of its Common Stock during the three months ended December 31, 2022 (shares are in whole units):

Period	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1-31, 2022	154,356	$ 4.62	121,593	872,489
November 1-30, 2022	177,508	$ 5.40	165,586	706,903
December 1-31, 2022	201,087	$ 5.43	16,277	690,626
Total	532,951		303,456	

(1) Includes shares withheld to satisfy employees' tax withholding obligations in connection with the vesting of restricted stock awards. The number of shares withheld was determined based on the fair market value on the vesting date.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management's discussion and analysis of financial condition and results of operations should be read together with our audited financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. This section of this Form 10-K generally discusses 2022 and 2021 items and year-over-year comparisons between 2022 and 2021. Discussions of 2020 items and year-over-year comparisons between 2021 and 2020 are not included in this Form 10-K, and can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2021.
Certain amounts in this section may not add mathematically due to rounding.

For a description and additional information about our three reportable segments, see Note 20. Segment Information, contained in "Item 8 - Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Results of Operations

This section includes certain components of our results of operations for the years ended December 31, 2022 (or "2022"), December 31, 2021 (or "2021") and December 31, 2020 (or "2020"). We have derived this data, except key indicators for merchant bankcard processing dollar values and transaction volumes, from our audited Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

Revenue

For the year ended December 31, 2022, our consolidated revenue of $663.6 million increased by $148.7 million, or 28.9%, from $514.9 million for the year ended December 31, 2021. This overall increase was driven by an increase in payment volumes fueled by: 1) increased consumer spending and 2) the full-year impact of businesses acquired during the prior year.

Revenues by type for 2022 and 2021 were as follows:

(in thousands)	Years Ended December 31,		2022 vs 2021
	2022	2021	$ Change
Revenue Type:			
Merchant card fees	$ 553,037	$ 468,764	$ 84,273
Money transmission services	71,536	19,415	52,121
Outsourced services and other services	29,627	21,033	8,594
Equipment	9,441	5,689	3,752
Total revenues	$ 663,641	$ 514,901	$ 148,740

Merchant Card Fees

For the year ended December 31, 2022, our merchant card fees revenue of $553.0 million increased by $84.2 million, or 18.0%, from $468.8 million for the year ended December 31, 2021. This increase was driven by an increase in the merchant bankcard volume processed by the Company.

Money Transmission Services

Money transmission services revenue of $71.5 million for the year ended December 31, 2022 increased by $52.1 million or 268.6%, from $19.4 million for the year ended December 31, 2021 and is primarily related to the full-year impact of the Finxera acquisition in September 2021 and continued growth in the customers and markets it serves.

Outsourced Services and Other Services

Outsourced services and other services revenue of $29.6 million for the year ended December 31, 2022 increased by $8.6 million, or 41.0%, from $21.0 million for the year ended December 31, 2021. This increase was primarily driven by growth in revenue from AP automation solutions and increased volumes in the card issuing business. The increase was offset by a decrease of $1.7 million driven by the wind down of certain customer programs in the managed services business.

Equipment

Equipment revenue of $9.4 million for the year ended December 31, 2022, increased by $3.7 million, or 64.9%, from $5.7 million for the year ended December 31, 2021. The increase was primarily due to increased sales of mobile card reader equipment and other equipment from our MX product line.

Operating Expenses

Operating expenses for 2022 and 2021 were as follows:

(in thousands)	Years Ended December 31,		2022 vs 2021
	2022	2021	$ Change
Operating expenses			
Cost of services (excludes depreciation and amortization)	$ 436,753	$ 359,885	$ 76,868
Salary and employee benefits	65,077	43,818	21,259
Depreciation and amortization	70,681	49,697	20,984
Selling, general and administrative	34,965	28,408	6,557
Total operating expenses	$ 607,476	$ 481,808	$ 125,668

Costs of Services (excludes depreciation and amortization)

Costs of services (excludes depreciation and amortization) of $436.8 million for the year ended December 31, 2022 increased by $76.9 million, or 21.4%, from $359.9 million for the year ended December 31, 2021, primarily due to the corresponding increase in revenues. For the year ended December 31, 2022, costs of services (excluding depreciation and amortization) as a percentage of total revenues decreased to 65.8% as compared to 69.9% for the year ended December 31, 2021. This decrease was primarily due the full-year impact of the Finxera acquisition in September 2021, partially offset by a mix of bankcard volume growth from larger reseller partners with higher commissions.

Salary and employee benefits

Salary and employee benefits expense of $65.1 million for the year ended December 31, 2022 increased by $21.3 million, or 48.6%, from $43.8 million for the year ended December 31, 2021, primarily due to pay raises, full-year impact of the Finxera business acquired in September 2021, an increase in stock-based compensation and overall growth of the Company. The Company's employee headcount increased to 870 in 2022 from 790 in 2021.

Depreciation and amortization expense

Depreciation and amortization expense of $70.7 million for the year ended December 31, 2022 increased by $21.0 million, or 42.3%, from $49.7 million for the year ended December 31, 2021, primarily due to the full-year amortization of finite-lived intangible assets from acquired businesses.

Selling, general and administrative

Selling, general and administrative expenses of $35.0 million for the year ended December 31, 2022 increased by $6.6 million, or 23.2%, from $28.4 million for the year ended December 31, 2021, primarily due to full-year impact of acquired businesses and certain non-recurring projects.

Other (Expenses) Income, net

(in thousands)	Years Ended December 31,		2022 vs 2021
	2022	2021	$ Change
Other (expense) income			
Interest expense	$ (53,554)	$ (36,485)	$ (17,069)
Debt extinguishment and modification costs	—	(8,322)	8,322
Gain on sale of business and investment	—	7,643	(7,643)
Other income, net	589	202	387
Total other expenses, net	$ (52,965)	$ (36,962)	$ (16,003)

Interest expense

Interest expense of $53.6 million for the year ended December 31, 2022 increased by $17.1 million, or 46.8%, from $36.5 million for the year ended December 31, 2021, primarily due to full-year impact of additional borrowings to fund acquisitions in 2021 and an increase in variable interest rates in 2022.

Debt extinguishment and modification Costs

The Company refinanced its credit facilities in April 2021 and expensed unamortized deferred costs and discounts of $3.0 million associated with the retirement of its subordinated debt facility and expensed $5.3 million of third-party costs incurred in connection with the refinancing.

Gain on sale of business and investment

Gain on sale of business and investment for the year ended December 31, 2021 was $7.6 million, which resulted from consideration received by the Company in connection with the termination of certain warrants held in the Common Stock of an entity that was sold during the prior year.

Income tax expense

(in thousands)	Years Ended December 31,		2022 vs 2021
	2022	2021	$ Change
Income (loss) before income taxes	$ 3,200	$ (3,869)	$ 7,069
Income tax expense	$ 5,350	$ (5,258)	$ 10,608
Effective tax rate	167.2 %	135.9 %	

The effective tax rate for 2022 increased primarily due to an increase in the valuation allowance against certain business interest carryover deferred tax assets.

Our consolidated effective income tax rates differ from the statutory rate due to timing and permanent differences between amounts calculated under GAAP and the U.S. tax code. The consolidated effective income tax rate for 2022 may not be indicative of our effective tax rate for future periods.

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act into law. The IRA, among other provisions, implements a 15% corporate alternative minimum tax based on global adjusted financial statement income and a 1% excise tax on share repurchases, which shall take effect in tax years beginning after December 31, 2022. We are in the process of evaluating the provisions of the IRA, but we do not currently believe the IRA will have a material effect on our reported results, cash flows, or financial position when it becomes effective. If applicable, we expect to reflect the excise tax within equity as part of the repurchase price of Common Stock.

Earnings Attributable to Common Shareholders

(in thousands)	Years Ended December 31,		2022 vs 2021
	2022	**2021**	**$ Change**
Net income (loss)	$ (2,150)	$ 1,389	$ (3,539)
Less: Dividends and accretion attributable to redeemable senior preferred stockholders	(36,880)	(18,009)	(18,871)
Less: NCI preferred unit redemptions, net of deferred tax benefit	—	(8,021)	8,021
Net loss attributable to common stockholders	$ (39,030)	$ (24,641)	$ (14,389)

Dividends and accretion attributable to redeemable senior preferred stockholders was $36.9 million for the year ended December 31, 2022, and was comprised of $22.1 million of accumulated dividends accrued as part of the carrying value of the redeemable senior preferred stock and the cash dividend payable at year end, $11.5 million of dividends that were paid in cash, and $3.3 million related to accretion of discounts and issuance costs for the redeemable senior preferred stock. The increase in dividends and accretion attributable to redeemable senior preferred stockholders from 2021 to 2022 is due to a full-year impact of dividends and accretion, as well as an increase in the dividend rate for 2022 resulting from an increase in variable interest rates during the year.

Segment Results

SMB Payments

(in thousands)	Years Ended December 31,		2022 vs 2021
	2022	**2021**	**$ Change**
Revenue	$ 562,237	$ 475,630	$ 86,607
Operating expenses	507,371	422,746	84,625
Operating income	$ 54,866	$ 52,884	$ 1,982
Operating margin	9.8 %	11.1 %	
Depreciation and amortization	$ 43,925	$ 41,144	$ 2,781
Key Indicators:			
Merchant bankcard processing dollar value	$ 59,440,491	$ 53,411,622	$ 6,028,869
Merchant bankcard transaction volume	636,576	578,102	58,474

Revenue

Revenue from our SMB Payments segment was $562.2 million for the year ended December 31, 2022, compared to $475.6 million for the year ended December 31, 2021. The increase of $86.6 million, or 18.2%, was primarily driven by increased merchant bankcard volume and certain fee revenues. The Company's revenue from the SMB Payments segment as a percentage of merchant bankcard processing dollar value during 2022 increased to 0.95% from 0.89% during 2021. The increase was primarily driven by increased volume (transaction count) related fee revenues and changes in the merchant mix.

Operating Income

Operating income from our SMB Payments segment was $54.9 million for the year ended December 31, 2022, compared to $52.9 million for the year ended December 31, 2021. The increase of $2.0 million, or 3.8%, is due to increased revenue and was offset by a mix of volume growth from larger reseller partners with higher commissions and an increase in other operating expenses. Increase in other operating expenses include a $6.3 million increase in salary and employee benefits due to higher headcount, a $2.2 million increase in selling, general and administrative expenses driven by higher travel and other operating costs, a $2.8 million increase in depreciation and amortization, and higher stock-based compensation and pay raises. The increase in headcount and selling, general and administrative expenses are mainly attributable to growth initiatives. Increase in other operating expenses were offset by an increase in operating income from higher revenue.

B2B Payments

(in thousands)	Years Ended December 31,		2022 vs 2021
	2022	2021	$ Change
Revenue	$ 18,890	$ 17,138	$ 1,752
Operating expenses	18,682	17,003	1,679
Operating income	$ 208	$ 135	$ 73
Operating margin	1.1 %	0.8 %	
Depreciation and amortization	$ 744	$ 294	$ 450
Key Indicators:			
Merchant bankcard processing dollar value	$ 526,812	$ 323,502	$ 203,310
Merchant bankcard transaction volume	304	220	84

Revenue

Revenue from our B2B Payments segment was $18.9 million for the year ended December 31, 2022, compared to $17.1 million for the year ended December 31, 2021. The increase of $1.8 million, or 10.5%, was primarily driven by an increase of $3.5 million in the CPX business, of which $2.5 million is related to volume growth, and the remaining increase of $1.0 million is from the recognition of certain revenues for which recovery became probable during the current year. This increase was offset by a decrease of $1.7 million driven by the wind down of certain customer programs in the managed services business.

Operating Income

Operating income from our B2B Payments segment was $0.2 million for the year ended December 31, 2022, compared to $0.1 million for the year ended December 31, 2021. This is due to the increase in revenue from the CPX business was offset by a decrease in revenue from the managed services business due to the wind down of certain customer programs.

Enterprise Payments

(in thousands)	Years Ended December 31,		2022 vs 2021
	2022	2021	$ Change
Revenue	$ 82,514	$ 22,133	$ 60,381
Operating expenses	51,577	15,370	36,207
Operating income	$ 30,937	$ 6,763	$ 24,174
Operating margin	37.5 %	30.6 %	
Depreciation and amortization	$ 24,892	$ 7,158	$ 17,734
Key Indicators:			
Merchant bankcard processing dollar value	$ 1,760,518	$ 52,376	$ 1,708,142
Merchant bankcard transaction volume	2,779	549	2,230
Average number of billed clients	380,233	345,828	34,405

Revenue

Revenue from our Enterprise Payments segment was $82.5 million for the year ended December 31, 2022, compared to $22.1 million for the year ended December 31, 2021. The increase of $60.4 million, or 273.3%, was primarily driven by full-year impact of Finxera business acquired in September 2021 and continued growth in the customers and markets it serves.

Operating Income

Operating income from our Enterprise Payments segment was $30.9 million for the year ended December 31, 2022, compared to $6.8 million for the year ended December 31, 2021. The increase of $24.1 million, or 354.4%, was primarily driven by full-year impact of Finxera business acquired in September 2021 and continued growth in the customers and markets it serves.

Depreciation and Amortization

Depreciation and amortization expense from our Enterprise Payments segment was $24.9 million for the year ended December 31, 2022, compared to $7.2 million for the year ended December 31, 2021. The increase of $17.7 million, or 245.8%, was primarily driven by the amortization of intangibles resulting from the Finxera acquisition in September 2021.

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, for 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. This is based upon management's estimates and assumptions, including utilizing the most currently available information regarding the effects of the COVID-19 pandemic on our financial results. Actual future results could differ materially, as the magnitude, duration and effects of changes in economic, political and market conditions are difficult to predict, and ultimately could negatively impact our liquidity and capital resources.

Our principal uses of cash are to fund business operations (including capital expenditures and strategic investments) and administrative costs, and to service our debt.

Our working capital, defined as current assets less current liabilities, was $22.5 million at December 31, 2022 and $19.6 million at December 31, 2021. As of December 31, 2022, we had cash and cash equivalents with a balance of $18.5 million compared to $20.3 million at December 31, 2021. These cash and cash equivalent balances do not include restricted cash of $10.6 million and $28.9 million at December 31, 2022 and December 31, 2021, respectively, which reflects cash accounts holding customer settlement funds and cash reserves for potential losses. The current portion of long-term debt included in current liabilities was $6.2 million at December 31, 2022 and 2021.

At December 31, 2022, we had availability of approximately $27.5 million under our revolving credit arrangement.

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

	Years Ended December 31,	
(in thousands)	**2022**	**2021**
Net cash provided by (used in):		
Operating activities	$ 70,518	$ 9,377
Investing activities	(36,503)	(451,033)
Financing activities	8,502	871,629
Net increase in cash and restricted cash	$ 42,517	$ 429,973

Cash Provided by Operating Activities

Net cash provided by operating activities was $70.5 million and $9.4 million for the years ended December 31, 2022 and December 31, 2021, respectively. The $61.1 million, or 650.0% increase in 2022 was driven by cash generated from the operations of the Company. Additionally, 2021 included the non-recurring payment of PIK interest of $23.7 million upon the refinancing of our credit facilities in April 2021 which decreased operating cash flows for the year ended December 31, 2021.

Cash Used in Investing Activities

Net cash used in investing activities was $36.5 million compared to cash used investing activities of $451.0 million for the years ended December 31, 2022 and 2021, respectively. Net cash used to acquire businesses in 2022 was $5.0 million compared to net cash used of $407.1 million in 2021. Additions to property, equipment and software was $18.9 million for 2022 compared to $9.7 million in 2021 and acquisitions of intangible assets was $8.0 million compared to $49.5 million in 2021. Additionally, grants of certain loans to our partners was $4.7 million for the year ended December 31, 2022. For the year ended December 31, 2021, the Company received proceeds from the sale of an investment of $15.3 million.

Cash (Used in) Provided by Financing Activities

Net cash provided by financing activities was $8.5 million for the year ended December 31, 2022, compared to $871.6 million of cash used in financing activities in the year ended December 31, 2021. The net cash provided by financing activities for 2022 included changes in the net obligations for funds held on the behalf of customers of $43.1 million and $29.5 million related to additional borrowings under the revolving credit facility. This was offset by $38.2 million of cash used for the repayment of debt including borrowings under the revolving credit facility, $11.5 million of cash dividends paid to redeemable senior preferred stockholders, $7.5 million of cash used for stock repurchases, including a portion related to shares withheld for taxes, and $7.0 million of payments of contingent consideration for business combinations. The net cash provided by financing activities for 2021 included proceeds from the issuance of new debt of $598.2 million, net borrowings from the revolving credit facility of $15.0 million, proceeds from the issuance of the redeemable senior preferred stock of $211.0 million, proceeds from the exercise of stock options of $1.2 million and changes in the net obligations for funds held on the behalf of customers of $417.6 million. These cash inflows were offset by cash used for the repayment of debt of $361.4 million, cash used for the repurchase of Common Stock of $1.7 million, dividends paid to redeemable senior preferred stockholders of $7.5 million and distribution to NCIs in subsidiaries of $0.8 million.

Long-Term Debt

On April 27, 2021, the Company entered into a Credit Agreement with Truist which provides for: 1) a $300.0 million Initial Term Loan; 2) a $290.0 million Delayed Draw Term Loan; and 3) a $40.0 million senior secured revolving credit facility. The Credit Agreement was amended on September 17, 2021 to increase the amount of the Delayed Draw Term Loan facility by $30.0 million to $320.0 million. The additional Delayed Draw Term Loan is part of the same class of term loans made pursuant to the original commitments under the Credit Agreement.

Outstanding borrowings under the Credit Agreement accrue interest using either a base rate or a LIBOR rate plus an applicable margin per year, subject to a LIBOR rate floor of 1.00% per year. Accrued interest is payable on each interest payment date (as defined in the Credit Agreement). The revolving credit facility incurs an unused commitment fee on any undrawn amount in an amount equal to 0.50% per year of the unused portion. The future applicable interest rate margins may vary based on the Company's Total Net Leverage Ratio in addition to future changes in the underlying market rates for LIBOR and the rate used for base-rate borrowings.

As of December 31, 2022, the Company had outstanding debt obligations, including the current portion and net of unamortized debt discount of $605.1 million, compared to $610.3 million at December 31, 2021, resulting in a decrease of $5.2 million. The debt balance at December 31, 2022 consisted of $610.7 million outstanding under the term facility and $12.5 million outstanding under the revolving credit facility, offset by $18.1 million of unamortized debt discounts and issuance costs. Minimum amortization of the Initial Term Loan are equal quarterly installments in aggregate annual amounts equal to 1.0% of original principal, with the balance paid upon maturity. The term facility matures in April 2027 and the revolving credit facility expires in April 2026.

The Credit Agreement contains 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 loan parties to the Company, 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.

If the aggregate principal amount of outstanding revolving loans and letters of credit under the Credit Agreement exceeds 35% of the total revolving facility thereunder, the loan parties are required to comply with certain restrictions on its Total Net Leverage Ratio, which is defined in the Credit Agreement as the ratio of consolidated total debt less unrestricted cash to consolidated adjusted EBITDA (as defined in the Credit Agreement). If applicable, the maximum permitted Total Net Leverage Ratio is: 1) 6.50:1.00 at each fiscal quarter ended September 30, 2021 through June 30, 2022; 2) 6.00:1.00 at each fiscal quarter ended September 30, 2022 through June 30, 2023; and 3) 5.50:1.00 at each fiscal quarter ended September 30, 2023 and thereafter. As of December 31, 2022, the Company was in compliance with the covenants in the Credit Agreement and the Total Net Leverage Ratio was not applicable.

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ significantly from those estimates. We believe that the following discussion addresses our most critical accounting estimates, which are those that are most important to the portrayal of our financial condition and results of operations and require management's most difficult, subjective, and complex judgments.

Income Taxes

We account for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered or settled. Realization of deferred tax assets is dependent upon future taxable income. A valuation allowance is recognized if it is more likely than not that some portion or all of a deferred tax asset will not be realized based on the weight of available evidence, including expected future earnings.

We recognize an uncertain tax position in our financial statements when we conclude that a tax position is more likely than not to be sustained upon examination based solely on its technical merits. Only after a tax position passes the first step of recognition will measurement be required. Under the measurement step, the tax benefit is measured as the largest amount of benefit that is more likely than not to be realized upon effective settlement. This is determined on a cumulative probability basis. The full impact of any change in recognition or measurement is reflected in the period in which such change occurs. Interest and penalties related to income taxes are recognized in the provision for income taxes.

Goodwill and Long-lived Assets

We test goodwill for impairment for each of our reporting units on an annual basis on October 1 or when events occur, or circumstances indicate the fair value of a reporting unit may be below its carrying value. We perform the annual assessment using the qualitative method. Where deemed appropriate, we may perform a quantitative assessment that uses market data and discounted cash flow analysis, which involve estimates of future revenues and operating cash flows. Changes in these estimates and assumptions or a significant decrease in earnings, could materially affect the fair value of goodwill and could result in a goodwill impairment charge.

The annual impairment assessment for goodwill does not change our requirements to assess goodwill on an interim date between scheduled annual testing dates if triggering events are present.

We review our long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. For long-lived assets, except goodwill, an impairment loss is indicated when the undiscounted future cash flows estimated to be generated by the asset group are not sufficient to recover the unamortized balance of the asset group.

We amortize the cost of our acquired intangible assets over their estimated useful lives using either a straight-line or an accelerated method that most accurately reflects the estimated pattern in which the economic benefit of the respective asset is consumed.

Business Combinations

We allocate the purchase price of an acquired business to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price over the fair value of the net assets acquired is recorded as goodwill. For acquisitions that include contingent consideration, we estimate the fair value of contingent consideration at the acquisition date. The estimated fair value of contingent consideration is updated in future periods based on information available at that time. Management uses all available information when estimating the fair values of the assets acquired, liabilities assumed and contingent consideration, and must apply judgement and make certain assumptions when making these estimates. The assumptions management uses when determining fair values include estimated future cash flows or income, market rate assumptions, actuarial assumptions and discount rate assumptions. We typically engage third-party valuation advisors to assist in estimating the fair values of acquired assets and assumed liabilities. Our estimates of fair value are based upon assumptions the Company believes to be reasonable, but that are inherently uncertain, and therefore, may not be realized. Accordingly, there can be no assurance that the estimates, assumptions and values reflected in the valuations will be realized, and actual results could differ materially.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest rate risk

Our debt facilities under our Credit Agreement bear interest at either a base rate or a LIBOR rate plus an applicable margin per year, subject to a LIBOR rate floor of 1.00% per year. As of December 31, 2022, we had $623.2 million in outstanding borrowings under our Credit Agreement. Ignoring the 1.00% LIBOR floor, a hypothetical 1.00% increase or decrease in the applicable LIBOR rate on our outstanding indebtedness under the Credit Agreement would increase or decrease cash interest expense on our indebtedness by approximately $6.3 million per year. We do not currently hedge against interest rate risk.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Priority Technology Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Priority Technology Holdings, Inc. (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, changes in stockholders' deficit and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

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

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

Critical Audit Matter

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

Accrued Residual Commissions and Residual Commission Expenses

Description of the Matter	Accrued residual commissions recorded by the Company and included on the Consolidated Balance Sheet were $35.9 million at December 31, 2022, and residual commission expenses included within costs of services on the Consolidated Statement of Operations were $383.5 million for the year ended December 31, 2022. As discussed in Note 1 of the consolidated financial statements, the Company accrues and pays commission expense for certain customer services and other services provided by its independent sales organizations (ISOs). Commissions are based on a percentage of the net revenues generated from the Company's merchant customers, and these percentages vary based on the program type and transaction volume of each merchant. Auditing residual commissions was complex due to the non-standard nature of the pricing terms within the ISO contracts, the volume of contracts, the volume of transactions processed each month, and the degree of auditor judgment needed to design the nature and extent of audit procedures to obtain sufficient audit evidence.
How We Addressed the Matter in Our Audit	To test accrued residual commissions and residual commission expenses, our audit procedures included, among others, testing the completeness and accuracy of the underlying data supporting the commission calculations and the accuracy of the calculations. We selected a sample of monthly ISO payments and, for each sample item, we compared the pricing terms included in the calculation to the respective ISO contract or other source documents, recalculated the related expense and accrual, and agreed the commission payment to evidence of cash disbursement. Additionally, for these monthly ISO payments, we selected a sample of merchant customers, obtained their monthly processing statements, which were generated by the Company's third-party processors, and agreed the monthly payment volumes to the commission calculations.

/s/ Ernst & Young LLP

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

Atlanta, Georgia

March 23, 2023

Priority Technology Holdings, Inc.
Consolidated Balance Sheets
(in thousands, except share data)

	December 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 18,454	$ 20,300
Restricted cash	10,582	28,859
Accounts receivable, net of allowances of $1,143 and $555, respectively	78,113	58,423
Prepaid expenses and other current assets	11,832	15,807
Current portion of notes receivable, net of allowances of $0 and $0, respectively	1,471	272
Settlement assets and customer/subscriber account balances	532,018	479,471
Total current assets	652,470	603,132
Notes receivable, less current portion	3,191	105
Property, equipment and software, net	34,687	25,233
Goodwill	369,337	365,740
Intangible assets, net	288,794	340,211
Deferred income taxes, net	16,447	8,265
Other noncurrent assets	8,437	9,256
Total assets	**$ 1,373,363**	**$ 1,351,942**
Liabilities, Redeemable Senior Preferred Stock and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expenses	$ 51,864	$ 42,523
Accrued residual commissions	35,979	29,532
Customer deposits and advance payments	2,618	5,021
Current portion of long-term debt	6,200	6,200
Settlement and customer/subscriber account obligations	533,340	500,291
Total current liabilities	630,001	583,567
Long-term debt, net of current portion, discounts and debt issuance costs	598,926	604,105
Other noncurrent liabilities	11,643	18,349
Total liabilities	1,240,570	1,206,021
Commitments and contingencies (Note 18)		
Redeemable senior preferred stock, net of discounts and issuance costs:		
Redeemable senior preferred stock, $0.001 par value per share; 250,000 shares authorized; 225,000 issued and outstanding at December 31, 2022 and December 31, 2021	235,579	210,158
Stockholders' deficit:		
Preferred stock, $0.001 par value per share; 100,000,000 shares authorized; none issued or outstanding at December 31, 2022 and December 31, 2021	—	—
Common Stock, $0.001 par value per share; 1,000,000,000 shares authorized; 78,385,685 and 77,460,312 shares issued at December 31, 2022 and December 31, 2021, respectively; and 76,044,629 and 76,739,896 shares outstanding at December 31, 2022 and December 31, 2021, respectively.	76	77
Treasury stock at cost, 2,341,056 and 720,416 shares at December 31, 2022 and December 31, 2021, respectively	(11,559)	(4,091)
Additional paid-in capital	9,650	39,835
Accumulated deficit	(102,208)	(100,058)
Total stockholders' deficit attributable to stockholders of PRTH	(104,041)	(64,237)
Non-controlling interest	1,255	—
Total stockholders' deficit	(102,786)	(64,237)
Total liabilities, redeemable senior preferred stock and stockholders' deficit	**$ 1,373,363**	**$ 1,351,942**

See Notes to Consolidated Financial Statements

Priority Technology Holdings, Inc.
Consolidated Statements of Operations
(in thousands, except per share amounts)

	Years Ended December 31,		
	2022	2021	2020
Revenues	$ 663,641	$ 514,901	$ 404,342
Operating expenses			
Costs of services (excludes depreciation and amortization)	436,753	359,885	277,374
Salary and employee benefits	65,077	43,818	39,507
Depreciation and amortization	70,681	49,697	40,775
Selling, general and administrative	34,965	28,408	25,825
Total operating expenses	607,476	481,808	383,481
Operating income	56,165	33,093	20,861
Other (expense) income			
Interest expense	(53,554)	(36,485)	(44,839)
Debt extinguishment and modification costs	—	(8,322)	(1,899)
Gain on sale of business and investment	—	7,643	107,239
Other income, net	589	202	596
Total other (expense) income, net	(52,965)	(36,962)	61,097
Income (loss) before income taxes	3,200	(3,869)	81,958
Income tax expense (benefit)	5,350	(5,258)	10,899
Net (loss) income	(2,150)	1,389	71,059
Less: Dividends and accretion attributable to redeemable senior preferred stockholders	(36,880)	(18,009)	—
Less: NCI preferred unit redemptions, net of deferred tax benefit	—	(8,021)	—
Less: Net income attributable to NCIs	—	—	(45,398)
Net (loss) income attributable to common stockholders	**$ (39,030)**	**$ (24,641)**	**$ 25,661**
(Loss) earnings per common share:			
Basic	$ (0.50)	$ (0.34)	$ 0.38
Diluted	$ (0.50)	$ (0.34)	$ 0.38
Weighted-average common shares outstanding:			
Basic	78,233	71,902	67,158
Diluted	78,233	71,902	67,263

See Notes to Consolidated Financial Statements

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Priority Technology Holdings, Inc.
Consolidated Statements of Changes in Stockholders' Deficit and Non-Controlling Interests
(in thousands)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Deficit Attributable to Stockholders	NCIs	Total
	Shares	$	Shares	$					
January 1, 2020	67,061	$ 68	451	$ (2,388)	$ 3,651	$ (127,674)	$ (126,343)	$ 5,654	$ (120,689)
Equity-classified stock-based compensation	—	—	—	—	2,118	—	2,118	—	2,118
Vesting of stock-based compensation	330	—	—	—	—	—	—	—	—
Redemption of NCI in subsidiary	—	—	—	—	—	—	—	(5,654)	(5,654)
Earnings attributable to redeemable and redeemed NCIs	—	—	—	—	—	—	—	45,398	45,398
Earnings distributed to redeemable and redeemed NCIs	—	—	—	—	—	—	—	(45,398)	(45,398)
Net income	—	—	—	—	—	25,661	25,661	—	25,661
December 31, 2020	67,391	$ 68	451	$ (2,388)	$ 5,769	$ (102,013)	$ (98,564)	$ —	$ (98,564)
Equity-classified stock-based compensation	—	—	—	—	2,888	—	2,888	—	2,888
Vesting of stock-based compensation	465	—	—	—	—	—	—	—	—
Liability-classified stock-based compensation converted to equity-classified	—	—	—	—	313	—	313	—	313
Issuance of Common Stock	7,551	7	—	—	34,381	—	34,388	—	34,388
Exercise of stock options	174	—	—	—	1,195	—	1,195	—	1,195
Fair value of NCI preferred units redemption, net of deferred tax benefit	—	—	—	—	(8,021)	—	(8,021)	—	(8,021)
Fair value of common shares issued for NCI redemption	1,428	2	—	—	9,962	—	9,964	—	9,964
Share repurchases and shares withheld of taxes	(269)		269	(1,703)		—	(1,703)	—	(1,703)
Warrants issued	—	—	—	—	11,357	—	11,357	—	11,357
Dividends on redeemable senior preferred stock	—	—	—	—	(16,164)	—	(16,164)	—	(16,164)
Accretion of unamortized issuance costs for redeemable senior preferred stock	—	—	—	—	(1,845)	—	(1,845)	—	(1,845)
Change in estimate of tax basis differences	—	—	—	—	—	566	566	—	566
Net income	—	—	—	—	—	1,389	1,389	—	1,389
December 31, 2021	76,740	$ 77	720	$ (4,091)	$ 39,835	$ (100,058)	$ (64,237)	$ —	$ (64,237)

Priority Technology Holdings, Inc.
Consolidated Statements of Changes in Stockholders' Deficit and Non-Controlling Interests
(in thousands)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Deficit Attributable to Stockholders	NCIs	Total
	Shares	$	Shares	$					
Equity-classified stock-based compensation	—	—	—	—	6,695	—	6,695	—	6,695
Vesting of stock-based compensation	925	1	—	—	—	—	1	—	1
Issuance of profit interests in wholly-owned subsidiaries	—	—	—	—	—	—	—	1,255	1,255
Exercise of stock options	—	—	—	—	—	—	—	—	—
Share repurchases	(1,621)	(2)	1,621	(7,468)	—	—	(7,470)	—	(7,470)
Dividends on redeemable senior preferred stock	—	—	—	—	(33,594)	—	(33,594)	—	(33,594)
Accretion of unamortized issuance costs for redeemable senior preferred stock	—	—	—	—	(3,286)	—	(3,286)	—	(3,286)
Net loss	—	—	—	—	—	(2,150)	(2,150)	—	(2,150)
December 31, 2022	76,044	$ 76	2,341	$ (11,559)	$ 9,650	$ (102,208)	$ (104,041)	$ 1,255	$ (102,786)

See Notes to Consolidated Financial Statements

Priority Technology Holdings, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net (loss) income	$ (2,150)	$ 1,389	$ 71,059
Adjustments to reconcile net loss to net cash provided by operating activities:			
Gain and transaction costs recognized on sale of business and investment	—	(7,643)	(112,622)
Depreciation and amortization of assets	70,681	49,697	40,775
Stock-based compensation	6,228	3,213	2,430
Amortization of debt issuance costs and discounts	3,521	2,305	2,396
Write-off of deferred loan costs and discount	—	2,580	1,523
Deferred income tax	(8,183)	(2,559)	2,960
Change in contingent consideration	2,059	—	(360)
PIK interest (paid)	—	(23,715)	8,573
Impairment charges for intangible asset	—	—	1,753
Other non-cash items, net	74	462	444
Change in operating assets and liabilities:			
Accounts receivable	(19,580)	(16,694)	(5,160)
Prepaid expenses and other current assets	(160)	(1,597)	303
Income taxes (receivable) payable	6,260	(5,107)	(238)
Notes receivable	377	333	(2,230)
Accounts payable and other accrued liabilities	19,794	7,018	1,343
Customer deposits and advance payments	(2,403)	2,138	(2,045)
Other assets and liabilities, net	(6,000)	(2,443)	1,298
Net cash provided by operating activities	**70,518**	**9,377**	**12,202**
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	(4,976)	(407,129)	—
Proceeds from sale of business and investment	—	15,278	179,416
Additions to property, equipment and software	(18,882)	(9,719)	(7,461)
Notes receivable loan funding	(4,662)	—	—
Acquisitions of assets and other investing activities	(7,983)	(49,463)	(5,559)
Net cash (used in) provided by investing activities	**(36,503)**	**(451,033)**	**166,396**
Cash flows from financing activities:			
Proceeds from issuance of long-term debt, net of issue discount	—	607,318	—
Debt issuance and modification costs paid	—	(9,073)	(2,749)
Repayments of long-term debt	(6,200)	(361,425)	(110,507)
Borrowings under revolving credit facility	29,500	30,000	7,000
Repayments of borrowings under revolving credit facility	(32,000)	(15,000)	(18,505)
Proceeds from the issuance of redeemable senior preferred stock, net of discount	—	219,062	—
Redeemable senior preferred stock issuance fees and costs	—	(8,098)	—
Redemption of redeemable NCI in subsidiary	—	—	(5,654)
Repurchases of Common Stock and shares withheld for taxes	(7,468)	(1,703)	—
Dividends paid to redeemable senior preferred stockholders	(11,459)	(7,460)	—
Profit distributions to redeemable NCIs of subsidiaries	—	(815)	(45,398)
Proceeds from exercise of stock options	—	1,196	—

Priority Technology Holdings, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31,		
	2022	2021	2020
Settlement and customer/subscriber accounts obligations, net	43,143	417,627	34,870
Payment of contingent consideration	(7,014)	—	—
Net cash (used in) provided by financing activities	**8,502**	**871,629**	**(140,943)**
Net change in cash and cash equivalents, and restricted cash:			
Net increase in cash and cash equivalents, and restricted cash	42,517	429,973	37,655
Cash and cash equivalents, and restricted cash at beginning of period	518,093	88,120	50,465
Cash and cash equivalents, and restricted cash equivalents at end of period	**$ 560,610**	**$ 518,093**	**$ 88,120**
Reconciliation of cash and cash equivalents, and restricted cash:			
Cash and cash equivalents	$ 18,454	$ 20,300	$ 9,241
Restricted cash	10,582	28,859	78,879
Cash and cash equivalents included in settlement assets and customer/subscriber account balances (see Note 5)	531,574	468,934	—
Total cash and cash equivalents, and restricted cash	**$ 560,610**	**$ 518,093**	**$ 88,120**
Supplemental cash flow information:			
Cash paid for interest	$ 46,907	$ 26,056	$ 33,433
Cash paid for income taxes, net of refunds	$ 6,744	$ 2,212	$ 8,370
Non-cash investing and financing activities:			
PIK added to principal of debt obligation	$ —	$ —	$ 8,573
Payment of accrued contingent consideration for asset acquisition from offset of account receivable	$ —	$ —	$ 1,686
Cash portion of dividend payable and ticking fee for redeemable senior preferred stock	$ (5,341)	$ —	$ —
Accruals for future contingent payments	$ 6,079	$ 3,000	$ 8,332
Issuance of NCI	$ 1,255	$ —	$ —
Notes receivable from sellers used as partial consideration for acquisitions	$ —	$ 3,499	$ —
Forfeiture of liability-classified award	$ 325	$ —	$ —
Change in ESPP liability	$ 143	$ —	$ —
Non-cash additions to other noncurrent assets for right-of-use operating leases	$ 1,722	$ 234	$ —

See Notes to Consolidated Financial Statements

Priority Technology Holdings, Inc.
Notes to Consolidated Financial Statements

1. Nature of Business and Significant Accounting Policies

The Business

Headquartered in Alpharetta, GA, the Company began operations in 2005 with a mission to build a merchant-inspired payments platform that would advance the goals of its customers and partners. Our approach leverages a single platform to collect, store and send money that operates at scale. Our technology supports high-value payments products complimented by our personalized support. We are a leading provider to businesses, enterprises and distribution partners such as retail ISOs, FIs, wholesale ISOs and ISVs.

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:

- SMB payments processing solutions for B2C transactions through ISOs, FIs, ISVs and other referral partners. Our proprietary MX platform for B2C payments provides merchants a fully customizable suite of business management solutions.

- B2B payments solutions such as automated vendor payments and professionally curated managed services to industry leading FIs and networks. Our proprietary B2B 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.

- Enterprise payments solutions for ISVs and other third parties that allow them to leverage the Company's core payments engine via robust API resources and high-utility embeddable code and 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 three reportable segments: 1) SMB Payments; 2) B2B Payments; and 3) Enterprise Payments. For additional information about our reportable segments, see Note 20. 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 FIs ("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 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. The Company offers money transmission services in 46 U.S. states and two U.S. territories.

Basis of Presentation and Consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and its majority-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. Investments in unconsolidated affiliated companies are accounted for under the equity method and are included in other noncurrent assets in the accompanying Consolidated Balance Sheets. The Company generally utilizes the equity method of accounting when it has an ownership interest of between 20% and 50% in an entity, provided the Company is able to exercise significant influence over the investee's operations.

NCI represents the equity interest not owned by the Company and are recorded for consolidated entities in which the Company owns less than 100% of the interests. Changes in the Company's ownership interest while the Company retains its controlling interest are accounted for as equity transactions, and upon loss of control, retained ownership interests are remeasured at fair value, with any gain or loss recognized in earnings. For 2022, there was no income or loss attributable to NCI in accordance with the applicable operating agreements.

Use of Estimates

The preparation of Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 materially differ from those estimates.

Significant Accounting Policies

Revenue Recognition

The Company applies the five-step model to assess its contracts with customers. At contract inception, the Company assesses the services and goods promised in its contracts with customers and identifies the performance obligation for each promise to transfer a distinct good or service to the customer. The Company recognizes revenue when it satisfies a performance obligation by transferring a service or good to the customer in an amount to which the Company expects to be entitled (i.e., transaction price) allocated to the distinct services or goods. The Company has elected the permitted practical expedient that allows it to use the portfolio approach for many of its contracts since this approach's impact on the financial statements, when applied to a group of contracts (or performance obligations) with similar characteristics, is not materially different from the impact of applying the revenue standard on an individual contract basis. Under the portfolio practical expedient, collectability is still assessed at the individual contract level when determining if a contract exists. The Company has elected to exclude any contracts with an original duration of one year or less and any variable consideration that meets specified criteria from its disclosure of the aggregate amount of the transaction price allocated to unsatisfied performance.

In delivering payment services to the customer, the Company may also provide a limited license agreement to the customer for the use of one or more of the Company's proprietary cloud-based software applications. The Company grants a right to use its software applications only when the customer has contracted with the Company to receive related payment services. When combined with the underlying payment services, the license and the payment services provided to the customer are a single stand-ready obligation and the Company's performance obligation is defined by each time increment, rather than by the underlying activities, (quantity and timing of which is not determinable), satisfied over time based on days elapsed.

In order to provide our payment services, we obtain authorization for the transaction and request funds settlement from the card issuing financial institution through the payment network. When third parties are involved in the transfer of services or goods to the customer, the Company considers the nature of each specific promised service or good and applies judgment to determine whether the Company controls the service or good before it is transferred to the customer or whether the Company is acting as an agent of the third party. To determine whether the Company controls the service or good, it assesses indicators including: 1) which party is primarily responsible for fulfillment; 2) which party has discretion in determining pricing for the service or good; and 3) other considerations deemed to be applicable to the specific situation. Based on our assessment of these indicators, we have concluded that the promise to our customers to provide payment services is distinct from the services provided by the card issuing FIs and payment networks in connection with payment transactions. We do not have the ability to direct the use of and obtain substantially all of the benefits of the services provided by the card issuing FIs and payment networks before those services are transferred to our customer, and on that basis, we do not control those services prior to being transferred to our customer. As a result, we present our revenues net of the interchange fees retained by the card issuing FIs and the fees charged by the payment networks.

SMB Payments – The Company's SMB Payments segment enables the Company's customers to accept card, electronic and digital-based payments at the point of sale by providing a suite of services including authorization, settlement and funding, customer support and help-desk functions, chargeback resolution, payment security, consolidated billing and statements, and online reporting.

Typically, revenues generated from these transactions are based on a variable percentage of the dollar amount of each transaction, and in some instances, additional fees (e.g., statement fees, annual fees and monthly minimum fees, fees for handling chargebacks, gateway fees and fees for other miscellaneous services) are charged for each transaction. The Company's sponsoring banks collect the gross merchant discount from the card holder's issuing bank, pay the interchange fees and assessments to the payment networks and credit card associations, retain their fees, and pay to the Company the net amount which represents the Company's revenue.

The Company also earns revenue and commissions from resale of electronic POS equipment.

B2B Payments – The Company's B2B Payments segment enables the Company's customers to automate their accounts payable and other commercial payments functions with the Company's payment services that utilize physical and virtual payment cards as well as ACH transactions. In addition, the Company provides cost-plus-fee turn-key business process outsourcing and assists commercial customers with programs that are designed to increase acceptance of Electronic Payments.

Revenues are generally earned on a per-transaction basis and are recognized by the Company net of certain third-party costs for interchange fees, assessments to the payment networks, credit card associations fees, sponsor bank fees and rebates to customers. For outsourced services, revenue is recognized to the extent of billable rates multiplied times hours worked and other reimbursable costs incurred. For performance obligations associated with outsourced services that are satisfied over time, the Company applies the permitted practical expedient known as the "right to invoice practical expedient" that allows the Company to recognize revenue in the amount of consideration to which the Company has the right to invoice when that amount corresponds directly to the value transferred to the customer.

Enterprise Payments – The Company's Enterprise Payments segment uses payment-adjacent technologies to facilitate the acceptance of Electronic Payments from customers.

Revenue from the Enterprise Payments segment consists of the following:

- *Enrollment fees*: The revenue associated with enrollment fees is recognized upon the receipt of a fully executed enrollment application, completion of the customer account setup, data verification and the constructive receipt of the applicable non-refundable fee.

- *Subscription fees*: The Company recognizes monthly subscription fees as recurring maintenance fees each month during the term of the client's enrollment. Revenue from transaction-based fees is recognized upon constructive receipt of transaction fees for payments to creditors issued via ACH payments, paper checks or wire transfers. These fees are transferred to the Company from the customer account balances, which may be maintained by the Company in money transmission license trust accounts or by partner banks.

- *Interest revenue*: Interest revenue is derived from certain customer balances maintained in interest bearing accounts with select partner banks.

- *CRM and consulting fees*: CRM license fees are recognized on a monthly basis and consulting fees are recognized when services are performed.

A substantial portion of this segment's revenues are earned as an agent of a third party, and therefore this earned revenue is reported as a net amount within revenue.

See Note 4. Revenues.

Transaction Price Allocated to Future Performance Obligations

ASC 606 requires disclosure of the aggregate amount of the transaction price allocated to unsatisfied performance obligations. However, as allowed by ASC 606, the Company has elected to exclude from this disclosure any contracts with an original duration of one year or less and any variable consideration that meets specified criteria. As described above, the Company's most significant performance obligations consist of variable consideration under a stand-ready series of distinct days of service.

Such variable consideration meets the specified criteria for the disclosure exclusion. Therefore, the majority of the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied is variable consideration that is not required for this disclosure. The aggregate fixed consideration portion of customer contracts with an initial contract duration greater than one year is not material.

Cost of Services

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 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.

Contracts with Customers and Contract Costs

The Company accrues and pays commission expense based on variable merchant payment volumes and for certain customer service and other services provided by its ISOs. Since commission expenses are accrued and paid to ISOs on a monthly basis after the merchant enters into a new or renewed contract, these are not deemed to be a cost to acquire a new contract but they are reported within costs of services on our Consolidated Statements of Operations. The ISO is typically an independent contractor or agent of the Company.

The Company may occasionally elect to buy out all or a portion of an ISO's rights to receive future commission payments related to certain merchants. Amounts paid to the ISO for these residual buyouts are capitalized by the Company under the accounting guidance for intangible assets and included in intangible assets, net on our Consolidated Balance Sheets.

A contract with a customer creates a legal right and obligation. As the Company performs under customer contracts, its right to consideration that is unconditional is considered to be accounts receivable. If the Company's right to consideration for such performance is contingent upon a future event or satisfaction of additional performance obligations, the amount of revenues recognized in excess of the amount billed to the customer is recognized as a contract asset. Contract liabilities represent consideration received from customers in excess of revenues recognized. Material contract assets and liabilities are presented net at the individual contract level in the Consolidated Balance Sheets and are classified as current or noncurrent based on the nature of the underlying contractual rights and obligations.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents includes highly liquid instruments with an original maturity of three months or less, and cash owned by the Company that is held in financial institutions. Restricted cash is held by the Company in financial institutions for the purpose of in-process customer settlements or reserves held per contact terms.

Accounts Receivable

Accounts receivable is stated net of allowance for doubtful accounts and are amounts primarily due from the Company's sponsor banks for revenues earned, net of related interchange and processing fees, and do not bear interest. Other types of accounts receivable are from agents, merchants and other customers. Amounts due from sponsor banks are typically paid within 30 days following the end of each month.

Notes Receivable

Notes receivable are primarily comprised of notes receivable from ISOs and related parties, and under the terms of the agreements the Company preserves the right to hold back residual payments due to the ISOs and to apply such residuals against future payments due to the Company. See Note 6. Notes Receivable and Note 17. Related Parties

Allowance for Doubtful Accounts Receivable and Notes Receivable

The Company records an allowance for doubtful accounts and/or notes receivable when it is probable that the account receivable balance or the note receivable balance will not be collected, based upon loss trends and an analysis of individual accounts. Accounts receivable and notes receivable are written off when deemed uncollectible. Recoveries of accounts receivable and notes receivable previously written off, if any, are recognized when received. The allowance for doubtful accounts was $1.1 million and $0.6 million at December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, there was no allowance for doubtful notes receivable. See Note 6. Notes Receivable.

Customer Deposits and Advance Payments

The Company may receive cash payments from certain customers and vendors that require future performance obligations by the Company. Amounts associated with obligations expected to be satisfied within one year are reported in customer deposits and advance payments on the Company's Consolidated Balance Sheets and amounts associated with obligations expected to be satisfied after one year are reported as a component of other noncurrent liabilities on the Company's Consolidated Balance Sheets. These payments are subsequently recognized in the Company's Consolidated Statements of Operations when the Company satisfies the performance obligations required to retain and earn these deposits and advance payments.

A vendor may make an upfront payment to the Company to offset costs that the Company incurs to integrate the vendor into the Company's operations. These upfront payments are deferred by the Company and are subsequently amortized against expense in its Consolidated Statements of Operations as the related costs are incurred by the Company in accordance with the agreement with the vendor.

Property and Equipment

Property and equipment are stated at cost, except for property and equipment acquired in a business combination, which is recorded at fair value at the time of the transaction. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Expenditures for repairs and maintenance which do not extend the useful life of the respective assets are charged to expense as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. At the time of retirements, sales or other dispositions of property and equipment, the original cost and related accumulated depreciation are removed from the respective accounts and the gains or losses are presented as a component of income or loss from operations.

Property, equipment and software	**Estimated Useful Life**
Furniture and fixtures	5 - 10 years
Equipment	3 - 8 years
Computer software	2 - 5 years
Leasehold improvements	3 - 10 years

See Note 7. Property, Equipment and Software.

Costs Incurred to Develop Software for Internal Use

Costs incurred to develop or obtain internal-use software and implementation costs are accounted for in accordance with ASC 350-40, *Internal-Use Software*. The Company uses an agile development methodology in which feature-by-feature updates are made to its software. The costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs incurred to develop internal-use software are capitalized and amortized using the straight-line method over the estimated useful life of the software, which generally range from two to five years. Maintenance costs including those in the post-implementation stages, are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the software that result in added functionality, in which case such costs are capitalized and amortized using the straight-line method over the estimated useful life of the software.

Software development costs may become impaired in situations where development efforts are abandoned due to the viability of the planned project becoming doubtful or due to technological obsolescence of the planned software product. For the years ended December 31, 2022, 2021 and 2020, there was no impairment associated with internal-use software.

For the years ended December 31, 2022, 2021 and 2020, the Company capitalized software development costs of $16.8 million, $7.8 million and $7.1 million, respectively. As of December 31, 2022 and 2021, capitalized software development costs, net of cumulated amortization, totaled $28.1 million and $18.3 million, respectively, and are included in property, equipment and software, net on the Consolidated Balance Sheets.

Amortization expense for capitalized software development costs for the years ended December 31, 2022, 2021 and 2020 was $6.9 million, $5.9 million and $5.3 million, respectively, and are included in depreciation and amortization on the Consolidated Statements of Operations.

Other Intangible Assets

Other intangible assets are initially recorded at cost or fair value when acquired in connection with a business combination. The carrying value of an intangible asset acquired in an asset acquisition may subsequently be increased for contingent consideration when due to the seller and such amounts can be estimated. The portion of any unpaid purchase price that is contingent on future activities is not initially recorded by the Company on the date of acquisition. Rather, the Company recognizes contingent consideration when it becomes probable and estimable. All of the Company's intangible assets, except goodwill and money transmission licenses, have finite lives and are subject to amortization. Intangible assets consist of acquired merchant portfolios, customer relationships, ISO and referral partner relationships, residual buyouts, trade names, technology, non-compete agreements and money transmission licenses.

Intangible Asset	**Nature**	**Estimated Useful Life**
ISO and Referral Partner Relationships	Acquired relationships with ISOs and referral partners	11 – 25 years
Residual Buyouts	Surrender of rights to receive commissions by ISOs	3 – 9 years
Customer Relationships	Acquired customer relationships	2 – 15 years
Merchant Portfolios	Acquired rights to a portfolio of merchants	5 – 10 years
Technology	Acquired proprietary software and website domains	7 – 10 years
Trade Names and Non-compete Agreements	Acquired trade names and non-compete agreements	5 – 12 years
Money Transmission Licenses	Acquired licenses to collect, store and send money in 46 U.S. states and two U.S. territories.	indefinite

Impairment of Long-lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. For long-lived assets, except goodwill, an impairment loss is indicated when the undiscounted future cash flows estimated to be generated by the asset group are not sufficient to recover the carrying value of the asset group. If indicated, the loss is measured as the excess of carrying value over the asset groups' fair value, as determined based on discounted future cash flows. The Company concluded there were no indications of impairment for the years ended December 31, 2022 and 2021. For the year ended December 31, 2020, the Company recognized an impairment charge of $1.8 million for a residual buyout intangible asset. See Note 8. Goodwill and Other Intangible Assets.

Goodwill

The Company tests goodwill for impairment on an annual basis, or when events occur or circumstances indicate the fair value of a reporting unit is below its carrying value. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded to the extent that implied fair value of the goodwill within the reporting unit is less than its carrying value. See Note 8. Goodwill and Other Intangible Assets.

Leases

The Company adopted ASU 2016-02, *Leases* and its related interpretations, codified as ASC 842, as of January 1, 2021, applying the optional transition approach available whereby the new lease standard is applied at the adoption date recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, if applicable, and prior periods are not restated. Upon adoption the Company recorded ROU Assets of approximately $7.4 million and related operating lease obligations of approximately $8.4 million. There was no impact to the opening balance of retained earnings.

Under ASC 842

The Company evaluates lease and service arrangements at lease inception to determine if the arrangement is a lease or contains a lease. Lease arrangements are evaluated at their commencement date to determine classification as operating or finance. Operating leases are reported as part of other noncurrent assets, accounts payable and accrued expenses and other noncurrent liabilities on the Company's Consolidated Balance Sheets. Finance leases, if applicable, are reported as part of property, equipment and software, net, and debt on the Company's Consolidated Balance Sheets. Leases with a term of twelve months or less are not included on the Company's Balance Sheets. The Company does not separate lease and non-lease components. Certain estimates and assumptions are made when determining the value of ROU Assets and the related liabilities, including when establishing the lease term and discount rates and variable lease payments (e.g., rent escalations tied to changes in the Producer Price Index). The lease term for all of the Company's leases includes the non-cancelable period of the lease adjusted for any renewal or termination options the Company is reasonably certain to exercise. The lease payment stream includes any rent escalation that is required under certain lease agreements. The Company's leases generally do not provide an implicit rate of interest, nor is it readily determinable by the Company, and as such the Company uses its incremental borrowing rate in determining the discounted value of the lease payments. Lease expense and depreciation expense, if applicable, are recognized on a straight-line basis over the term of the lease.

Prior to the Adoption of ASC 842

The Company has multiple operating leases related to office space. Operating leases do not involve transfer of risks and rewards of ownership of the leased asset to the lessee, therefore the Company expenses the costs of its operating leases. The Company may make various alterations (leasehold improvements) to the office space and capitalize these costs as part of property and equipment. Leasehold improvements are generally amortized on a straight-line basis over the useful life of the improvement or the term of the lease, whichever is shorter. See Note 9. Leases.

Settlement Assets and Customer/Subscriber Account Balances and Related Obligations

Settlement assets and customer/subscriber account balances and the related obligations recognized on the Company's Consolidated Balance Sheets represent intermediary balances arising in the Company's settlement process for merchants and other customers. See Note 5. Settlement Assets and Customer/Subscriber Account Balances and Related Obligations.

Debt Issuance and Modification Costs

Eligible debt issuance costs associated with the Company's credit facilities are deferred and amortized to interest expense over the term of the related debt using the effective interest method. Debt issuance costs associated with Company's term debt are presented on the Company's Consolidated Balance Sheets as a direct reduction in the carrying value of the associated debt liability. Debt modification costs represents amounts paid to third parties to modify existing debt agreements when those amounts are not eligible for capitalization.

Acquisitions

Business Combinations

The Company uses the acquisition method of accounting for business combinations which requires assets acquired and liabilities assumed to be recognized at their fair values on the acquisition date. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired. The fair values of the assets acquired and liabilities assumed are determined

based upon the valuation of the acquired business and involves making significant estimates and assumptions based on facts and circumstances that existed as of the acquisition date. The Company uses a measurement period following the acquisition date to gather information that existed as of the acquisition date that is needed to determine the fair value of the assets acquired and liabilities assumed. The measurement period ends once all information is obtained, but no later than one year from the acquisition date.

Contingent Consideration

Contingent consideration related to the Company's business combinations are estimated based on the present value of a weighted payout probability at the measurement date using a Monte Carlo simulation model. This valuation falls within Level 3 on the fair value hierarchy. The current portion of contingent consideration is included in accounts payable and accrued expenses on the Company's Consolidated Balance Sheets and the noncurrent portion of contingent consideration is included in other noncurrent liabilities on the Company's Consolidated Balance Sheets.

For asset acquisitions that do not meet the definition of a business, the portion of the unpaid purchase price that is contingent on future activities is not recorded by the Company on the date of acquisition, but when it becomes probable and can be estimated.

Non-controlling Interests

The Company issued non-voting incentive units in three of its subsidiaries during 2022 to acquire the operating assets of certain businesses (see Note 2. Acquisitions). The Company is the majority owner of these subsidiaries and therefore the incentive units are deemed to be NCI.

To estimate the initial fair value of the incentive units, the Company utilizes future cash flow scenarios with focus on those cash flow scenarios which could result in future distributions to the NCIs. In subsequent periods, income or loss will be attributed to an NCI based on the hypothetical liquidation at book value method utilizing the terms of the operating agreement between the Company and the NCI.

As the majority owner, the Company has call rights on the incentive units issued to the NCIs. These call rights can only be executed under certain circumstances and execution is always optional at the Company's discretion. The call rights do not meet the definition of a free-standing financial instrument or derivative, thus no separate accounting is required for these call rights.

Accrued Residual Commissions

Accrued residual commissions consist of amounts due to ISOs and independent sales agents based on a percentage of the net revenues generated from the Company's merchant customers. Percentages vary based on the program type and transaction volume of each merchant. Residual commission expenses were $383.5 million, $318.9 million and $240.2 million, respectively, for the years ended December 31, 2022, 2021 and 2020, and are included in costs of services in the accompanying Consolidated Statements of Operations.

ISO Deposit and Loss Reserve

ISOs may partner with the Company in an exclusive partner program in which ISOs are given negotiated pricing in exchange for bearing risk of loss. Through the arrangement, the Company accepts deposits on behalf of the ISO and a reserve account is established by the Company. All amounts maintained by the Company are included in the accompanying Consolidated Balance Sheets as other liabilities, which are directly offset by restricted cash accounts owned by the Company.

Stock-based Compensation

The Company recognizes the cost resulting from all stock-based payment transactions in the financial statements at grant date fair value. Stock-based compensation expense is recognized over the requisite service period and is reflected in salary and employee benefits expense on the Company's Consolidated Statements of Operations. Awards generally vest over three or four years and may not vest evenly over the vesting period. The effects of forfeitures are recognized as they occur. All shares issued

from option exercises or vesting of RSU awards are original issuance shares and any shares withheld for taxes are repurchased by the Company.

The Company measures a liability award under a stock-based compensation payment arrangement based on the award's fair value remeasured at each reporting date until the date of settlement. Compensation cost for each period until settlement is based on the change (or a portion of the change, depending on the percentage of the requisite service that has been rendered at the reporting date) in the fair value of the instrument for each reporting period.

Stock options

Under the Company's 2018 Plan, the Company determines the fair value of stock options using the Black-Scholes option pricing model, which requires the use of the following subjective assumptions:

Expected volatility – Measure of the amount by which a stock price has fluctuated or is expected to fluctuate. Due to the relatively short amount of time that the Company's Common Stock (Nasdaq: PRTH) has traded on a public market, the Company uses volatility data for the Common Stock of a peer group of comparable public companies. An increase in the expected volatility will increase the fair value of the stock option and related compensation expense.

Risk-free interest rate – U.S. Treasury rate for a stripped-principal treasury note as of the grant date having a term equal to the expected term of the stock option. An increase in the risk-free interest rate will increase the fair value of the stock option and related compensation expense.

Expected term – Period of time over which the stock options granted are expected to remain outstanding. In 2018, when the Company's outstanding stock options were granted, the Company lacked sufficient exercise information for its stock option plan since it was a newly public company. Accordingly, the Company used a method permitted by the SEC whereby the expected term was estimated to be the mid-point between the vesting dates and the expiration dates of the stock option grants. An increase in the expected term will increase the fair value of the stock option and the related compensation expense.

Dividend yield – The Company uses an amount of zero as the Company has paid no cash or stock dividends and does not anticipate doing so in the foreseeable future. An increase in the dividend yield will decrease the fair value of the stock option and the related compensation expenses.

If a participant terminates employment with the Company, vested options may be exercised for a short period of time while unvested options are forfeited. However, in any event, a stock option will expire ten years from the date of grant.

Time-based restricted stock awards

The fair value of time-based restricted stock awards is determined based on the quoted closing price of the Company's Common Stock on the business day prior to the grant date and is recognized as compensation expense over the vesting term of the awards.

Performance-based restricted stock awards

The Company accounts for its performance-based restricted stock awards based on the quoted closing price of the Company's Common Stock on the business day prior to the grant date, adjusted for any market-based vesting criteria, and records stock-based compensation expense over the vesting term of the awards based on the probability that the performance criteria will be achieved. The performance goals may be work-related goals for the individual recipient and/or based on certain corporate performance goals. The Company reassesses the probability of vesting at each reporting period and prospectively adjusts stock-based compensation expense based on its probability assessment. Additionally, if performance goals are set or reset on an annual basis, compensation cost is recognized in any reporting period only for performance-based restricted stock awards in which the performance goals have been established and communicated to the award recipient.

Employee Stock Purchase Program

The 2021 Employee Stock Purchase plan authorizes the issuance of shares of the Company's Common Stock pursuant to purchase rights granted to employees. The fair value of purchase rights issued under the Employee Stock purchase Plan is estimated using the Black-Scholes option pricing model. The model requires management to make a number of assumptions, including the fair value of the Company's Common Stock, expected volatility, expected term, risk-free interest rate, and expected dividends. The Company records the resulting compensation expense in the Consolidated Statements of Operations over each three-month offering period. See Note 15. Stock-based Compensation.

Repurchased Stock

Pursuant to the provisions of ASC 505-30, *Treasury Stock*, the Company has elected to apply the cost method when accounting for treasury stock resulting from the repurchase of its Common Stock. Under the cost method, the gross cost of the shares reacquired is charged to a contra equity account, treasury stock. The equity accounts that were originally credited for the original share issuance, Common Stock and additional paid-in capital, remain intact. See Note 14. Stockholders' Deficit.

If the treasury shares are ever reissued in the future, proceeds in excess of repurchased cost will be credited to additional paid-in capital. Any deficiency will be charged to retained earnings (accumulated deficit), unless additional paid-in capital from previous treasury stock transactions exists, in which case the deficiency will be charged to that account, with any excess charged to retained earnings (accumulated deficit). If treasury stock is reissued in the future, a cost flow assumption (e.g., FIFO, LIFO or specific identification) will be adopted to compute excesses and deficiencies upon subsequent share reissuance.

Earnings (Loss) per Share

Basic EPS is computed by dividing net income (loss) available to Common Stockholders by the weighted-average number of shares of Common Stock outstanding during the period, excluding the effects of any potentially dilutive securities. Diluted EPS gives effect to the potential dilution, if any, that could occur if securities or other contracts to issue Common Stock were exercised or converted into Common Stock, using the more dilutive of the two-class method or if-converted method. Diluted EPS excludes potential shares of Common Stock if their effect is anti-dilutive. If there is a net loss in any period, basic and diluted EPS are computed in the same manner. See Note 14. Stockholders' Deficit.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered or settled. Realization of deferred tax assets is dependent upon future taxable income. A valuation allowance is recognized if it is more likely than not that some portion or all of a deferred tax asset will not be realized based on the weight of available evidence, including expected future earnings.

The Financial Accounting Standards Board, or FASB, Staff has provided additional guidance to address the accounting for the effects of the provisions related to the taxation of Global Intangible Low-Tax Income noting that companies should make an accounting policy election to recognize deferred taxes for temporary basis differences expected to reverse in future years or to include the tax expense in the year it is incurred. The Company has made a policy election to recognize such taxes as current period expenses when incurred.

The Company recognizes an uncertain tax position in its financial statements when it concludes that a tax position is more likely than not to be sustained upon examination based solely on its technical merits. Only after a tax position passes the first step of recognition will measurement be required. Under the measurement step, the tax benefit is measured as the largest amount of benefit that is more likely than not to be realized upon effective settlement. This is determined on a cumulative probability basis. The full impact of any change in recognition or measurement is reflected in the period in which such change occurs. The Company recognized interest and penalties associated with uncertain tax positions as a component of income tax expense. See Note 13. Income Taxes.

Fair Value Measurements

The Company measures certain assets and liabilities at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The Company uses a three-level fair value hierarchy to prioritize the inputs used to measure fair value and maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

The fair values of the Company's merchant portfolios, assets and liabilities acquired in mergers and business combinations, and contingent consideration are primarily based on Level 3 inputs and are generally estimated based upon valuation techniques that include discounted cash flow analysis based on cash flow projections and, for years beyond the projection period, estimates based on assumed growth rates. Assumptions are also made regarding appropriate discount rates, perpetual growth rates, and capital expenditures, among others. In certain circumstances, the discounted cash flow analysis is corroborated by a market-based approach that utilizes comparable company public trading values and, where available, values observed in public market transactions.

The carrying values of accounts and notes receivable, accounts payable and accrued expenses, long-term debt and cash, including settlement assets and the associated deposit liabilities, approximate their fair values due to either the short-term nature of such instruments or the fact that the interest rate of the debt is based upon current market rates. The Company does not currently have any fair value estimates that are required to be remeasured at the end of each reporting period on a recurring basis. See Note 19. Fair Value.

Foreign Currency

The Company's reporting currency is the U.S. dollar. Assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the current exchange rate on the last day of the reporting period. Revenues and expenses are translated using the average exchange rate in effect during the reporting period. Foreign exchange translation and transaction gains and losses were not material for the periods presented and are included in the Consolidated Statements of Operations.

Concentration of Risk

A substantial portion of the Company's revenues and receivables are attributable to merchants. For the years ended December 31, 2022, 2021 and 2020, no individual merchant customer accounted for 10% or more of the Company's consolidated revenues. Most of the Company's merchant customers were referred to the Company by an ISO or other reseller partners. If the Company's agreement with an ISO allows the ISO to have merchant portability rights, the ISO can move the underlying merchant relationships to another merchant acquirer upon notice to the Company and completion of a "wind down" period. For the years ended December 31, 2022, 2021 and 2020, merchants referred by one ISO organization with merchant portability rights generated revenue within the Company's SMB Payments reportable segment that represented approximately 21%, 22% and 21%, respectively, of the Company's consolidated revenues.

The Company's settlement assets and customer /subscriber account balances of $532.0 million includes cash and cash equivalents of $516.1 million related to customer account balances which are maintained in FDIC insured accounts with certain FIs.

A majority of the Company's cash and restricted cash (including subscriber account balances) is held in certain FIs, substantially all of which is in excess of FDIC limits.

The Company does not believe it is exposed to any significant credit risk from these transactions.

Recently Adopted Accounting Standards

Business Combinations

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires entities to recognize and measure contract assets and liabilities acquired in a business combination in accordance with ASC 606, as if the acquirer had originated the contracts. Generally this will result in the acquirer recognizing and measuring the acquired contract assets and liabilities consistent with the manner by which they were recognized and measured by the acquiree. This update is effective for public companies for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, and early adoption is permitted, including in an interim period. If this update is adopted early in an interim period, it must be applied retrospectively to all business combinations that occurred since the beginning of the fiscal year. The Company elected to early adopt ASU 2021-08 in the second quarter of 2022. The adoption of this ASU did not have a material impact on the 2022 acquisitions.

Recently Issued Accounting Standards Pending Adoption

The following standards are pending adoption and will likely apply to the Company in future periods based on the Company's current business activities.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). This new guidance changes how entities account for credit impairment for trade and other receivables, as well as for certain financial assets and other instruments. ASU 2016-13 replaces 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. The standard requires 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. Since the Company is an SRC, the Company will adopt ASU 2016-13 effective January 1, 2023 and does not expect to have a material impact on its Consolidated Financial Statements

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides temporary optional expedients and exceptions to the GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from the LIBOR and other interbank offered rates to alternative reference rates, such as the SOFR. If certain criteria are met, entities can elect not to apply certain modification accounting requirements to contracts affected by what the guidance calls reference rate reform. An entity that makes this election would not have to remeasure the contract at the modification date or reassess a previous accounting determination. In January 2021, the FASB issued *ASU 2021-01, Reference Rate Reform (Topic 848), Scope* ASU 2021-01, which clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848,* amended ASU 2020-04, deferring the sunset date of Topic 848 to December 31, 2024. The Company will adopt Topic 848 when relevant contracts are modified upon transition to alternative reference rates. The Company does not expect the adoption of Topic 848 to have a material impact on the Company's Consolidated Financial Statements.

2. Acquisitions

Ovvi Acquisition

On November 18, 2022, the Company completed its acquisition of certain assets and assumption of a certain liability of Ovvi, LLC, under an asset purchase agreement through its wholly-owned subsidiary, Priority Ovvi, LLC ("Ovvi"). The acquisition was accounted for as a business combination using the acquisition method of accounting. Prior to this acquisition, the business operated as a SaaS proprietary platform for the restaurant, hospitality and retail industries by providing complete all-in-one point of sale software and hardware systems, comprehensive ancillary services including fraud detection and mitigation, and processing services for various types of cards including credit cards, debit cards, private label cards and prepaid cards. This business is reported within the Company's SMB Payments reportable segment. The acquired business was valued for $6.3 million and the Company acquired a controlling interest for $5.0 million, the remaining $1.3 million was contributed by sellers for non-voting profit-sharing interest in Ovvi, creating NCI. Ovvi also issued non-voting incentive units to the seller. Transaction costs were not material and were expensed. The non-voting incentive shares issued to the seller will be evaluated at each reporting period to determine whether or not profit or loss should be allocated based on the subsidiary's operating agreement. The preliminary purchase price allocation is set forth in the table below and is expected to be finalized as soon as practicable, but no later than one year from the acquisition date.

(in thousands)

Consideration:		
Cash	$	4,976
Amount withheld for inventory[1]		50
Total purchase consideration, inclusive of amount withheld for inventory		**5,026**
Fair value of class B shares issued in Ovvi[3]		1,255
Total enterprise value of business acquired[3]	**$**	**6,281**
Recognized amounts of assets acquired and liabilities assumed:		
Accounts receivable	$	110
Inventory		142
Property, equipment and software, net		20
Goodwill[3]		3,989
Intangible assets[2]		2,021
Other non-current asset		152
Other non-current liability		(153)
Total enterprise value of business acquired[3]	**$**	**6,281**

(1) The inventory acquired is subject to a reduction for any portion up to the total amount withheld pending final determination of the inventory acquired.

(2) The intangible assets consist of $1.3 million for technology, $0.4 million for customer relationships and $0.3 million for trade name.

(3) The fair value determination for the Class B shares is subject to adjustment due to final determination as soon as practicable but no later than one year from the closing date. This will affect the enterprise value of the business acquired.

Other Acquisition

The Company also completed another acquisition during 2022 for approximately $1.0 million, which was not material. The acquisition did not meet the definition of a business, therefore it was accounted for as an asset acquisition under which the cost of acquisition was allocated to the technology asset acquired.

Finxera Acquisition

On September 17, 2021, the Company completed its acquisition of 100% of the equity interests of Finxera. Finxera is a provider of deposit account management and licensed money transmission services in the U.S. The acquisition allows the Company to offer clients turn-key merchant services, payment facilitation, card issuing, automated payables, virtual banking, e-wallet tools, risk management, underwriting and compliance on a single platform.

The transaction was funded with the Company's cash on hand, proceeds from the issuance of the redeemable senior preferred stock and debt, and the issuance of common equity shares to the sellers.

The acquisition was accounted for as a business combination using the acquisition method of accounting, under which the assets acquired and liabilities assumed were recognized at their fair values as of the September 17, 2021, with the excess of the fair value of consideration transferred over the fair value of the net assets acquired recognized as goodwill. The fair values of the assets acquired and liabilities assumed as of the September 17, 2021 were estimated by management based on the valuation of the Finxera business using the discounted cash flow method and other factors specific to certain assets and liabilities. The final purchase price allocation is set forth in the table below.

(in thousands)		
Consideration:		
Cash	$	379,220
Equity instruments[1]		34,388
Less: cash and restricted cash acquired		(6,598)
Total purchase consideration, net of cash and restricted cash acquired	**$**	**407,010**
Recognized amounts of assets acquired and liabilities assumed:		
Accounts receivable	$	385
Prepaid expenses and other current assets[2]		5,198
Current portion of notes receivable		784
Settlement assets and customer/subscriber account balances		498,811
Property, equipment and software, net		712
Goodwill[2]		245,104
Intangible assets, net[3]		211,400
Other noncurrent assets		955
Accounts payable and accrued expenses		(7,837)
Settlement and customer/subscriber account obligations		(498,811)
Deferred income taxes, net[2]		(44,311)
Other noncurrent liabilities		(5,380)
Total purchase consideration	**$**	**407,010**

(1) The fair value of the 7,551,354 shares of PRTH Common Stock that were issued was determined based on their market price at the time of closing adjusted for an appropriate liquidity discount due to trading restrictions under Securities Rule 144.

(2) During the year ended December 31, 2022, the Company recorded measurement period adjustments due to additional information received related to income taxes and deferred income taxes, net. These measurement period adjustments resulted in an increase of $0.1 million in prepaid expenses and an increase of $0.3 million in other current assets and deferred income taxes, offset by a decrease in goodwill of $0.4 million.

(3) The intangible assets acquired consist of $154.9 million for referral partner relationships, $34.3 million for technology, $20.1 million for customer relationships and $2.1 million for money transmission licenses.

Goodwill of $245.1 million arising from the acquisition primarily consists of the expected synergies and other benefits from combining operations. Goodwill attributable to the acquisition of $8.7 million was deductible for income tax purposes. The goodwill was allocated 100% to the Company's Enterprise Payments reportable segment.

In 2020, Finxera acquired two businesses for which the purchase price included contingent consideration valued at $6.1 million. The contingent consideration payable is comprised of earnout opportunities equal to 25% to 50% of certain revenues earned from the customers assumed in these acquisitions. The associated earnout opportunities are to be measured and paid every six months and expire at various dates through December 31, 2023. As of the year ended December 31, 2022, an adjustment of $1.2 million was recorded due to changes in the fair value of the contingent consideration (as selling, general and administrative expenses in the Company's Consolidated Statements of Operations) resulting in total contingent consideration of $7.3 million. The accretion of contingent consideration was $0.6 million for the year ended December 31, 2022, which is included in interest expense on the Company's Consolidated Statement of Operations, increasing total liability to $7.9 million of which $1.8 million has been paid. The remaining $6.1 million was accrued and was included in accounts payable on the Company's Consolidated Balance Sheet.

The Company's Consolidated Financial Statements for the year ended December 31, 2021 included the operating results of Finxera from the Closing Date through December 31, 2021, which were reported as part of the Enterprise Payments reportable segment. Revenues and operating income from Finxera during this period were $19.4 million and $4.3 million, respectively.

For the year ended December 31, 2021 we incurred $9.3 million, in acquisition related costs, which primarily consisted of consulting, legal, accounting and valuation expenses. These expenses were recorded in selling, general and administrative expenses in the Company's Consolidated Statements of Operations.

The following unaudited pro forma financial information presents results as if the acquisition occurred on January 1, 2020. The historical consolidated financial information of the Company and Finxera has been adjusted in the pro forma information to give effect to pro forma events that are directly attributable to the transaction and are factually supportable. The unaudited pro forma results do not reflect events that have occurred or may occur after the transaction, including the impact of any synergies expected to result from the acquisition. Accordingly, the unaudited pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transaction occurred on January 1, 2020, nor is it necessarily an indication of future operating results.

(in thousands, except per share amounts)	**Years Ended December 31,**	
	2021	**2020**
Revenues	$ 561,585	$ 463,823
Operating income	$ 21,619	$ 32,548

Wholesale Payments, Inc.

On April 28, 2021, a subsidiary of the Company completed its acquisition of certain residual portfolio rights for a purchase price of $42.4 million and $24.8 million of post-closing payments and earn-out payments based on meeting certain attrition thresholds over a three-year period from the date of acquisition. The transaction did not meet the definition of a business, therefore it was accounted for as an asset acquisition under which the cost of the acquisition was allocated to the acquired assets based on relative fair values. As an asset acquisition, additional purchase price is accounted for when payment to the seller becomes probable and is added to the carrying value of the asset. The seller's note payable to the Company of $3.0 million and an advance of $2.0 million outstanding at the time of the purchase were netted against the initial purchase price, resulting in cash of $41.2 million being paid by the Company to the seller, which was funded from cash proceeds from the issuance of the redeemable senior preferred stock and cash on hand.

As of December 31, 2022, the sellers earned $8.9 million of the $24.8 million, increasing the total purchase price recorded at December 31, 2022 to $51.9 million, which was recorded to residual buyout intangible assets with a seven-year useful life

amortized on a straight-line basis. The $8.9 million includes a fair value adjustment of $0.5 million in the third quarter of 2022, which reduced the total amount earned from $9.4 million to $8.9 million.

C&H Financial Services, Inc.

On June 25, 2021, a subsidiary of the Company acquired certain assets and assumed certain related liabilities under an asset purchase agreement. The acquisition was accounted for as a business combination using the acquisition method of accounting. Prior to this acquisition, the business was an ISO partner of the Company where it developed expertise in software-integrated payment services, as well as marketing programs for specific verticals such as automotive and youth sports. This business is reported within the Company's SMB Payments reportable segment. The initial purchase price for the net assets was $35.0 million in cash and a total purchase price of not more than $60.0 million including post-closing payments and earn-out payments based on certain gross profit and revenue achievements over a three-year period from the date of acquisition. The acquisition date fair value of the contingent consideration was $4.7 million, which increased the total purchase price to $39.7 million. The seller's note payable to the Company of $0.5 million at the time of purchase was netted against the initial purchase price, resulting in cash of $34.5 million being paid by the Company to the seller, which was funded from a $30.0 million draw down of the revolving credit facility under the Credit Agreement and $4.5 million cash on hand. Transaction costs were not material and were expensed. The purchase price allocation is set forth in the table below.

(in thousands)		
Accounts receivable	$	214
Prepaid expenses and other current assets		209
Property, equipment and software, net and other current assets		287
Goodwill		13,804
Intangible assets, net[(1)]		25,400
Other noncurrent liabilities		(214)
Total purchase price	**$**	**39,700**

(1) The intangible assets acquired consist of $20.2 million for merchant portfolio intangible assets with a ten-year useful life and $5.2 million for ISO partner relationships with a twelve-year useful life.

As of December 31, 2022, the fair value of the C&H contingent consideration was $2.0 million, of which was included in other noncurrent liabilities on the Consolidated Balance Sheets as of December 31, 2022. The accretion of contingent consideration was $0.3 million for the year ended December 31, 2022, which is included in interest expense on the Company's Consolidated Statement of Operations.

3. Disposal of Business

On September 1, 2020, PRET entered into an agreement to sell certain assets from PRET's real estate services business. The buyer also agreed to assume certain obligations associated with the assets. The assets covered by the agreement were PRET's RentPayment component. The transaction was completed on September 22, 2020 after receiving regulatory approval. Prior to execution of the agreement, the buyer was not a related party of PRET or the Company.

Proceeds received by PRET were $179.4 million, net of $0.6 million for a working capital adjustment. The gain amounted to $107.2 million as follows:

(in thousands)		
Gross cash consideration from buyer	$	180,000
Less working capital adjustment paid in cash		(584)
Net proceeds from buyer		179,416
Transaction costs incurred		(5,383)
Assets sold:		
Intangible assets		(62,158)
Other assets sold, net of obligations assumed		(716)
Goodwill assigned to business sale		(2,683)
Other intangible assets		(1,237)
Pre-tax gain on sale of business	**$**	**107,239**

PRET is a limited liability company and is a pass-through entity for income tax purposes. Income tax expenses associated with the gain attributable to the stockholders of the Company were estimated to be approximately $12.3 million.

Allocation of net proceeds, after transaction costs, to the PRET members included return of each member's invested capital in PRET and excess proceeds were distributed in accordance with the distribution provisions of the PRET LLC governing agreement. The Company's invested capital amounted to $71.8 million, which included the assets sold, goodwill and other intangible assets. The NCI's invested capital was $5.7 million. Approximately $51.4 million and $45.1 million of the excess proceeds were distributed to the Company and the NCI, respectively. The initial allocation of net proceeds remained subject to final adjustment by the PRET members at December 31, 2020. During the first quarter of 2021, it was determined that an additional $0.5 million of the excess proceeds was due to the NCI, which was included in other expenses, net on the Company's Consolidated Statement of Operations for the year ended December 31, 2021.

Continuing Operations

Based on historical financial results, the Company does not believe the sale of the RentPayment component represents a strategic shift. The sale of the business was not reported as discontinued operations in its Consolidated Financial Statements for any reporting period. The Company will continue to serve the rental property market through its ongoing PRET operations.

4. Revenues

Disaggregation of Revenues

The following table presents a disaggregation of our consolidated revenues by type:

	Years Ended December 31,					
(in thousands)	2022		2021		2020	
Revenue Type:						
Merchant card fees	$	553,037	$	468,764	$	377,346
Money transmission services		71,536		19,415		—
Outsourced services and other services		29,627		21,033		23,103
Equipment		9,441		5,689		3,893
Total revenues[1][2]	**$**	**663,641**	**$**	**514,901**	**$**	**404,342**

(1) Includes contracts with an original duration of one year or less and variable consideration under a stand-ready series of distinct days of service. The aggregate fixed consideration portion of customer contracts with an initial contract duration greater than one year is not material.
(2) Approximately $7.5 million and $0.7 million, of interest income for the years ended December 31, 2022 and 2021, respectively, is included in outsourced services and other services revenue in the table above.

The following table presents a disaggregation of our consolidated revenues by segment:

	Year Ended December 31, 2022				
(in thousands)	**Merchant Card Fees**	**Money Transmission Services**	**Outsourced and Other Services**	**Equipment**	**Total**
Segment					
SMB	$ 549,646	$ —	$ 3,150	$ 9,441	$ 562,237
B2B	3,391	—	15,499	—	18,890
Enterprise	—	71,536	10,978	—	82,514
Total revenues	**$ 553,037**	**$ 71,536**	**$ 29,627**	**$ 9,441**	**$ 663,641**

	Year Ended December 31, 2021				
(in thousands)	**Merchant Card Fees**	**Money Transmission Services**	**Outsourced and Other Services**	**Equipment**	**Total**
Segment					
SMB	$ 466,819	$ —	$ 3,122	$ 5,689	$ 475,630
B2B	1,945	—	15,193	—	17,138
Enterprise	—	19,415	2,718	—	22,133
Total revenues	**$ 468,764**	**$ 19,415**	**$ 21,033**	**$ 5,689**	**$ 514,901**

	Year Ended December 31, 2020				
(in thousands)	**Merchant Card Fees**	**Money Transmission Services**	**Outsourced and Other Services**	**Equipment**	**Total**
Segment					
SMB	$ 364,163	$ —	$ 2,465	$ 3,893	$ 370,521
B2B	1,795	—	19,127	—	20,922
Enterprise	11,388	—	1,511	—	12,899
Total revenues	**$ 377,346**	**$ —**	**$ 23,103**	**$ 3,893**	**$ 404,342**

Deferred revenues were not material for the years ended December 31, 2022, 2021 and 2020.

Contract Assets and Contract Liabilities

Material contract assets and liabilities are presented net at the individual contract level in the Consolidated Balance Sheets and are classified as current or noncurrent based on the nature of the underlying contractual rights and obligations.

Supplemental balance sheet information related to contracts from customers was as follows:

(in thousands)	Consolidated Balance Sheet Location	December 31, 2022	December 31, 2021
Liabilities:			
Contract liabilities, net (current)	Customer deposits and advance payments	$ —	$ 1,280

Substantially all of these balances are recognized as revenue within 12 months. Net contract liabilities were not material at December 31, 2022. Net contract assets were not material for any period presented.

Impairment losses recognized on receivables or contract assets arising from the Company's contracts with customers were not material for the years ended December 31, 2022, 2021 or 2020.

5. Settlement Assets and Customer/Subscriber Account Balances and Related Obligations

SMB Payments Segment

In the Company's SMB Payments reportable segment, funds settlement refers to the process of transferring funds for sales and credits between card issuers and merchants. The standards of the card networks require possession of funds during the settlement process by a member bank which controls the clearing transactions. Since settlement funds are required to be in the possession of a member bank until the merchant is funded, these funds are not assets of the Company and the associated obligations related to these funds are not liabilities of the Company. Therefore, neither is recognized in the Company's Consolidated Balance Sheets. Member banks held merchant funds of $110.3 million and $102.1 million at December 31, 2022 and 2021, respectively.

Exception items include items such as customer chargeback amounts received from merchants and other losses. Under agreements between the Company and its merchant customers, the merchants assume liability for such chargebacks and losses. If the Company is ultimately unable to collect amounts from the merchants for any charges or losses due to merchant fraud, insolvency, bankruptcy or any other reason, it may be liable for these charges. In order to mitigate the risk of such liability, the Company may: 1) require certain merchants to establish and maintain reserves designed to protect the Company from such charges or losses under its risk-based underwriting policy; and 2) engage with certain ISOs in partner programs in which the ISOs assume liability for these charges or losses. A merchant reserve account is funded by the merchant and held by the member 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.

Exception items that become the liability of the Company are recorded as merchant losses, a component of costs of services in the Consolidated Statements of Operations. Exception items that the Company is still attempting to collect from the merchants through the funds settlement process or merchant reserves are recognized as settlement assets and customer/subscriber account balances in the Company's Consolidated Balance Sheets, with an offsetting reserve for those amounts the Company estimates it will not be able to recover. Expenses for merchant losses for the years ended December 31, 2022, 2021 and 2020 were $4.4 million, $2.8 million and $4.1 million, respectively.

B2B Payments Segment

In the Company's B2B Payments segment, the Company earns revenues from certain of its services by processing transactions for FIs and other business customers. Customers transfer funds to the Company, which are held in either Company-owned bank accounts controlled by the Company or bank-owned FBO accounts controlled by the banks, until such time as the transactions are settled with the customer payees. Amounts due to customer payees that are held by the Company in Company-owned bank accounts are included in restricted cash. Amounts due to customer payees that are held in bank-owned FBO accounts are not assets of the Company. As such, the associated obligations related to these funds are not liabilities of the Company; therefore, neither is recognized in the Company's Consolidated Balance Sheets. Bank-owned FBO accounts held funds of $42.7 million and $45.5 million at December 31, 2022 and 2021, respectively. Company-owned bank accounts held $4.1 million and $21.4 million at December 31, 2022 and 2021, respectively, which are included in restricted cash and settlement obligations in the Company's Consolidated Balance Sheets.

Enterprise Payments Segment

In the Company's Enterprise Payments segment, revenue is derived primarily from enrollment fees, monthly subscription fees, transaction-based fees and money transmission services fees. As part of its licensed money transmission services, the Company accepts deposits from customers and subscribers which are held in bank accounts maintained by the Company on behalf of customers and subscribers. After accepting deposits, the Company is allowed to invest available balances in these accounts in certain permitted investments, and the return on such investments contributes to the Company's net cash inflows. These balances are payable on demand. As such, the Company recorded these balances and related obligations as current assets and current liabilities. The nature of these balances are cash and cash equivalents but they are not available for day-to-day operations of the Company. Therefore, the Company has classified these balances as settlement assets and customer/subscriber account balances and the related obligations as settlement and customer/subscriber account obligations in the Company's Consolidated Balance Sheets.

In certain states, the Company accepts deposits under agency arrangement with member banks wherein accepted deposits remain under the control of the member banks. Therefore, the Company does not record assets for the deposits accepted and liabilities for the associated obligation. Agency owned accounts held $6.1 million and $3.2 million and at December 31, 2022 and 2021, respectively.

The Company's consolidated settlement assets and customer/subscriber account balances and settlement and customer/subscriber account obligations were as follows:

(in thousands)	December 31, 2022	December 31, 2021
Settlement Assets:		
Card settlements due from merchants, net of estimated losses	$ 444	$ 537
Customer/Subscriber Account Balances:		
Cash and cash equivalents	531,574	468,934
Time deposits	—	10,000
Total settlement assets and customer/subscriber account balances	**$ 532,018**	**$ 479,471**
Settlement and Customer/Subscriber Account Obligations:		
Customer account obligations	$ 516,086	$ 470,476
Subscriber account obligations	15,488	8,459
Due to customer payees[1]	1,766	21,356
Total settlement and customer/subscriber account obligations	**$ 533,340**	**$ 500,291**

(1) The related assets are included in restricted cash on our Consolidated Balance Sheets.

6. Notes Receivable

The Company has notes receivable of $4.7 million and $0.4 million as of December 31, 2022 and 2021, respectively, which are reported as current portion of notes receivable and notes receivable less current portion on the Company's Consolidated Balance Sheets. The notes bear a weighted-average interest rate of 15.4% and 13.8% as of December 31, 2022 and 2021, respectively. The notes receivable are comprised of notes receivable from ISOs, and under the terms of the agreements the Company preserves the right to hold back residual payments due to the ISOs and to apply such residuals against future payments due to the Company. Notes receivable from three other entities were fully repaid during 2021.

As of December 31, 2022, the principal payments for the Company's notes receivables are due as follows:

(in thousands) **Year Ending December 31,**		
2023	$	1,471
2024		1,046
2025		907
2026		845
2027		393
Thereafter		—
Total	$	4,662

As of December 31, 2022 and 2021, the Company had no allowance for doubtful notes receivable.

7. Property, Equipment and Software

A summary of property, equipment and software, net was as follows:

(in thousands)		**December 31, 2022**		**December 31, 2021**
Computer software	$	64,197	$	50,799
Equipment		13,302		12,255
Leasehold improvements		6,990		6,467
Furniture and fixtures		2,909		2,819
Property, equipment and software		87,398		72,340
Less: Accumulated depreciation		(58,409)		(49,023)
Capital work in-progress		5,698		1,916
Property, equipment and software, net	**$**	**34,687**	**$**	**25,233**

	Years Ended December 31,					
(in thousands)		**2022**		**2021**		**2020**
Depreciation expense	$	9,511	$	8,460	$	7,710

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.

8. Goodwill and Other Intangible Assets

Goodwill

The Company records goodwill upon acquisition of a business when the purchase price is greater than the fair value assigned to the underlying separately identifiable tangible and intangible assets acquired and the liabilities assumed. The Company's goodwill relates to the following reporting units:

(in thousands)	December 31, 2022	December 31, 2021
SMB Payments	$ 124,625	$ 120,636
Enterprise Payments	244,712	245,104
Total	**$ 369,337**	**$ 365,740**

The following table summarizes the changes in the carrying value of goodwill for the years ended December 31, 2022 and 2021:

(in thousands)	Amount
Balance at January 1, 2021	106,832
C&H Financial Services, Inc. acquisition	13,804
Finxera acquisition	245,104
Balance at December 31, 2021	365,740
Final purchase price adjustment for Finxera	(392)
Ovvi acquisition	3,989
Balance at December 31, 2022	**$ 369,337**

In connection with the acquisition of Finxera, $8.7 million of goodwill recorded was deductible for income tax purposes. For all other business combinations consummated during the years ended December 31, 2022 and 2021, goodwill was fully deductible for income tax purposes.

There were no impairment losses for the years ended December 31, 2022, 2021 or 2020. The Company performed its most recent annual goodwill impairment test as of October 1, 2022, using the optional qualitative method. Under the qualitative method, we examined the factors most likely to affect our valuations. As a result, we have concluded that it remains more likely than not that the fair value of each of our reporting units exceeds their carrying amounts. As of December 31, 2022, the Company is not aware of any triggering events that have occurred since October 1, 2022.

Other Intangible Assets

At December 31, 2022 and 2021, other intangible assets consisted of the following:

(in thousands, except weighted-average data)	December 31, 2022			
	Gross Carrying Value	**Accumulated Amortization**	**Net Carrying Value**	**Weighted-average Useful Life**
Other intangible assets:				
ISO and referral partner relationships	$ 175,300	$ (24,021)	$ 151,279	14.8
Residual buyouts	132,325	(76,316)	56,009	6.6
Customer relationships	96,000	(83,298)	12,702	8.2
Merchant portfolios	76,423	(43,170)	33,253	6.7
Technology	50,963	(18,566)	32,397	8.4
Non-compete agreements	3,390	(3,390)	—	0.0
Trade names	3,183	(2,129)	1,054	11.6
Money transmission licenses[1]	2,100	—	2,100	
Total gross carrying value	**$ 539,684**	**$ (250,890)**	**$ 288,794**	**9.7**

(1) These assets have an indefinite useful life.

(in thousands, except weighted-average data)	December 31, 2021			
	Gross Carrying Value	**Accumulated Amortization**	**Net Carrying Value**	**Weighted-average Useful Life**
Other intangible assets:				
ISO relationships	$ 175,300	$ (11,679)	$ 163,621	14.8
Residual buyouts[1]	126,225	(56,186)	70,039	6.4
Customer relationships	95,566	(70,883)	24,683	8.1
Merchant portfolios	76,016	(30,879)	45,137	6.7
Trade names	2,870	(1,890)	980	11.6
Non-compete agreements	3,390	(3,390)	—	0.0
Technology[2]	48,690	(15,039)	33,651	9.9
Money transmission licenses[3]	2,100	—	2,100	
Total gross carrying value	**$ 530,157**	**$ (189,946)**	**$ 340,211**	**9.7**

(1) Additions to residual buyouts were offset by certain assets that became fully amortized in 2021 but are still in service.
(2) Certain assets in the group became fully amortized in 2021 but are still in service.
(3) These assets have an indefinite useful life

	Years Ended December 31,		
(in thousands)	**2022**	**2021**	**2020**
Amortization expense	$ 61,170	$ 41,237	$ 33,065

The estimated amortization expense of intangible assets as of December 31, 2022 for the next five years and thereafter is:

(in thousands) **Year Ending December 31,**	**Estimated Amortization Expense**
2023	$ 53,648
2024	35,872
2025	29,754
2026	28,939
2027	26,675
Thereafter	111,806
Total[(1)]	**$ 286,694**

(1) Total will not agree to the intangible asset net book value due to intangible asset with indefinite useful life.

Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible asset acquisitions, changes in useful lives and other relevant events or circumstances.

The Company tests intangible assets for impairment when events occur or circumstances indicate that the fair value of an intangible asset or group of intangible assets may be impaired. In the Company's SMB Payments segment, a residual buyout intangible asset with a net carrying value of $2.2 million was deemed to be impaired at December 31, 2020. The fair value of this intangible asset was estimated to be approximately $0.5 million, resulting in the recognition of an impairment charge of $1.8 million, which is included in selling, general and administrative expenses on the Company's Consolidated Statement of Operations for the year ended December 31, 2020. This impairment was the result of diminished cash flows generated by the merchant portfolio.

The Company also considered the market conditions and other factors and concluded that there were no additional impairment indicators present at December 31, 2022.

9. Leases

The Company's leases consist primarily of real estate leases for office space, which are classified as operating leases. Lease expense for the Company's operating leases is recognized on a straight-line basis over the term of the lease. The Company did not have any finance leases at December 31, 2022 and 2021.

As of December 31, 2022 and 2021, ROU Assets and lease liabilities consisted of the following:

(in thousands, except weighted-average data)	**Financial Statement Classification**	**December 31, 2022**	**December 31, 2021**
Operating Lease ROU Assets:			
Operating lease ROU Assets	Other noncurrent assets	**$ 4,593**	**$ 6,262**
Operating Lease Obligations:			
Operating lease obligations - current	Accounts payable and accrued expenses	$ 1,336	$ 1,723
Operating lease obligations - noncurrent	Other noncurrent liabilities	4,110	5,596
Total operating lease obligations		**$ 5,446**	**$ 7,319**
Weighted-average remaining lease term in years		4.4	4.9
Weighted-average discount rate		6.9 %	6.9 %

The Components of lease expense for the years ended December 31, 2022 and 2021 were as follows:

		Years Ended December 31,	
(in thousands)	**Financial Statement Classification**	**2022**	**2021**
Operating lease expense [(1)]	Selling, general and administrative	$ 1,984	$ 1,841

[(1)] Excludes short-term lease expense and sublease income, which was immaterial for the years ended December 31, 2022 and 2021.

Total rent expense for the year ended December 31, 2020 was $2.5 million, which is included in selling, general and administrative expenses in the Company's Consolidated Statements of Operations..

Cash paid for amounts included in the measurement of lease liabilities was as follows:

		Years Ended December 31,	
(in thousands)	**Financial Statement Classification**	**2022**	**2021**
Operating cash flows from operating leases	Operating activities	$ 2,131	$ 1,803

Lease Commitments

Future minimum lease payments for the Company's real estate operating leases at December 31, 2022 were as follows:

(in thousands) **Year Ending December 31,**	**Amount Due**
2023	$ 1,704
2024	1,308
2025	1,188
2026	1,302
2027	958
Thereafter	—
Total future minimum lease payments	6,460
Amount representing interest	(1,014)
Total future minimum lease payments, net of interest	$ 5,446

As of December 31, 2022, the Company had one lease that has not yet commenced. The future obligation for this lease is not material.

10. Accounts Payable and Accrued Expenses

The components of accounts payable and accrued expenses as of December 31, 2022 and 2021 consisted of the following:

(in thousands)	December 31, 2022	December 31, 2021
Accrued expenses	$ 17,742	$ 18,215
Accrued card network fees	14,243	10,239
Accrued compensation	7,287	5,861
Contingent consideration	6,079	3,000
Accounts payable	6,513	5,208
Total accounts payable and accrued expenses	**$ 51,864**	**$ 42,523**

11. Debt Obligations

Outstanding debt obligations as of December 31, 2022 and 2021 consisted of the following:

(in thousands)	December 31, 2022	December 31, 2021
Credit Agreement:		
Term facility - matures April 27, 2027, interest rate of 9.82% and 6.75% at December 31, 2022 and 2021, respectively	$ 610,700	$ 616,900
Revolving credit facility - $40.0 million line, matures April 27, 2026, interest rate of 8.82% and 5.75% at December 31, 2022 and 2021, respectively	12,500	15,000
Total debt obligations	**623,200**	**631,900**
Less: current portion of long-term debt	(6,200)	(6,200)
Less: unamortized debt discounts and deferred financing costs	(18,074)	(21,595)
Long-term debt, net	**$ 598,926**	**$ 604,105**

Contractual Maturities

Based on terms and conditions existing at December 31, 2022, future minimum principal payments for long-term debt are as follows:

(in thousands) **December 31,**	Term Facility	Revolving Credit Facility	Total Principal Due
2023	$ 6,200	$ —	$ 6,200
2024	6,200	—	6,200
2025	6,200	—	6,200
2026	6,200	12,500	18,700
2027	585,900	—	585,900
Total	$ 610,700	$ 12,500	$ 623,200

Additionally, the Company may be obligated to make certain additional mandatory prepayments after the end of each year based on excess cash flow, as defined in the Credit Agreement.

Credit Agreement

On April 27, 2021, the Company entered into a Credit Agreement with Truist which provides for: 1) a $300.0 million Initial Term Loan; 2) a $290.0 million Delayed Draw Term Loan (together, the "term facility"); and 3) a $40.0 million senior secured

revolving credit facility. The Credit Agreement was amended on September 17, 2021 to increase the amount of the Delayed Draw Term Loan facility by $30.0 million to $320.0 million. The additional Delayed Draw Term Loan is part of the same class of term loans made pursuant to the original commitments under the Credit Agreement.

Outstanding borrowings under the Credit Agreement accrue interest using either a base rate or a LIBOR rate plus an applicable margin per year, subject to a LIBOR rate floor of 1.00% per year. Accrued interest is payable on each interest payment date (as defined in the Credit Agreement). The revolving credit facility incurs an unused commitment fee on any undrawn amount in an amount equal to 0.50% per year of the unused portion. The future applicable interest rate margins may vary based on the Company's Total Net Leverage Ratio in addition to future changes in the underlying market rates for LIBOR and the rate used for base-rate borrowings.

Prepayments of outstanding principal may be made in permitted increments subject to a 1.00% penalty for certain prepayments made in connection with repricing transactions.

The Credit Agreement contains representations and warranties, financial and collateral requirements, mandatory payment events, events of default and affirmative and negative covenants, including covenants that restrict the ability to create liens, pay dividends or distribute assets from the Company's subsidiaries to the Company, 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. The outstanding amount of any loans and any other amounts owed under the Credit Agreement may, after the occurrence of an event of default, at the option of Truist on behalf of lenders representing a majority of the commitments, be declared immediately due and payable. Events of default include the failure of the Company to make principal, premium or interest payment when due, or the failure by the Company to perform or comply with any term or covenant in the Credit Agreement, after any applicable cure period.

If the aggregate principal amount of outstanding revolving loans and letters of credit under the Credit Agreement exceeds 35% of the total revolving facility thereunder, the Company is required to comply with certain restrictions on its Total Net Leverage Ratio, which is defined as the ratio of consolidated total debt less unrestricted cash to consolidated adjusted EBITDA (as defined in the Credit Agreement). If applicable, the maximum permitted Total Net Leverage Ratio is: 1) 6.50:1.00 at each quarter ended September 30, 2021 through June 30, 2022; 2) 6.00:1.00 at each quarter ended September 30, 2022 through June 30, 2023; and 3) 5.50:1.00 at each quarter ended September 30, 2023 and thereafter. As of December 31, 2022, the Company is in compliance with the covenants in the Credit Agreement and the Total Net Leverage Ratio was not applicable.

Proceeds from the Initial Term Loan were used to partially fund the refinancing of the Company's existing credit facilities as of April 27, 2021. Proceeds from the Delayed Draw Term Loan were used to fund the Company's acquisition of Finxera. See Note 2. Acquisitions for additional information related to the acquisition of Finxera.

Interest Expense and Amortization of Deferred Loan Costs and Discounts

Deferred financing costs and debt discounts are amortized using the effective interest method over the remaining term of the respective debt and are recorded as a component of interest expense. Unamortized deferred financing costs and debt discount are included in long-term debt on the Company's Consolidated Balance Sheets.

	Twelve Months Ended December 31,		
(in thousands)	**2022**	**2021**	**2020**
Interest expense[1]	$ 53,554	$ 36,485	$ 44,839

[1] Included in this amount is $0.9 million of interest expense related to the accretion of contingent considerations from acquisitions.

Interest expense included amortization of deferred financing costs and debt discounts of $3.5 million, $4.0 million and $2.4 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Deferred Loan Costs and Discounts, and Debt Extinguishment and Modification Expenses

In April 2021, the Initial Term Loan under the Credit Agreement was issued at a discount of $6.4 million. The Company incurred $6.4 million of costs including $3.5 million of ticking fees (debt commitment fees) prior to the drawdown of the funds in September 2021.

In September 2021, the Delayed Draw Term Loan was issued at a discount of $6.3 million. Additionally, the Company incurred $9.9 million of costs for the Delayed Draw Term Loan. Approximately $6.1 million of the remaining fees incurred for the Delayed Draw Term Loan were paid in connection with the Initial Term Loan and were deferred in other noncurrent assets on the Company's Consolidated Balance Sheet at June 30, 2021. The costs for the Delayed Draw Term Loan were amortized over the delayed commitment access period until September 2021, at which time the unamortized balance of the deferred costs was removed from other noncurrent assets and recorded as a reduction of the carrying amount of the debt obligation and are being amortized over the remaining term of the debt.

The Company determined that the issuance of the Initial Term Loan as part of the April 2021 refinancing of an existing facility was partially an extinguishment and a modification, and therefore, recognized debt extinguishment and modification costs of $8.3 million in April 2021, which included a portion of the refinancing fees and the write off of previously deferred fees under the prior credit agreements. These costs are reported within other expenses, net on the Company's Consolidated Statements of Operations.

12. Redeemable Senior Preferred Stock and Warrants

On April 27, 2021, the Company entered into an agreement pursuant to which it issued 150,000 shares of redeemable senior preferred stock, par value $0.001 per share, and a detachable warrant to purchase 1,803,841 shares of the Company's Common Stock, for gross proceeds of $150.0 million, less a $5.0 million discount and $5.5 million of issuance costs.

The agreement also provided the Company the option to issue an additional 50,000 shares of redeemable senior preferred stock upon the closing of the Finxera acquisition for $50.0 million, less a $0.6 million discount and within 18 months after the issuance of those additional shares, subject to the satisfaction of certain customary closing conditions.

Of the total net proceeds of $139.5 million, $131.4 million was allocated to the redeemable senior preferred stock, $11.4 million was allocated to additional paid-in capital for the warrants and $3.3 million was allocated to noncurrent assets for the committed financing put right.

On September 17, 2021 the Company issued an additional 75,000 shares of redeemable senior preferred stock for $75.0 million, less a $0.9 million discount, $0.7 million of ticking fees and $1.9 million of issuance costs. Upon issuance of these additional shares, the $3.3 million that was previously allocated to noncurrent assets for the committed financing put right was reclassified to the redeemable senior preferred stock.

The redeemable senior preferred stock ranks senior to the Company's Common Stock, equal with any other class of the Company's stock designated as being ranked on a parity basis with the redeemable senior preferred stock and junior to any other class of the Company's stock, including preferred stock, that is designated as being ranked senior to the redeemable senior preferred stock, with respect to the payment and distribution of dividends, the purchase or redemption of the Company's stock and the liquidation, winding up of and distribution of assets of the Company.

The redeemable senior preferred stock does not meet the definition of a liability pursuant to ASC 480, *Distinguishing Liabilities from Equity*, as it is redeemable upon the occurrence of events that are not solely within the Company's control. Therefore, the Company classified the redeemable senior preferred stock as temporary equity and is accreting the carrying amount to its full redemption amount from the date of issuance to the earliest redemption date using the effective interest method.

The following table provides a reconciliation of the beginning and ending carrying amounts of the redeemable senior preferred stock for the periods presented:

(in thousands)	Shares	Amount
January 1, 2021	—	$ —
Proceeds from issuance of redeemable senior preferred stock, net of discount and issuance costs	225	199,609
Unpaid dividend on redeemable senior preferred stock	—	8,704
Accretion of discounts and issuance cost	—	1,845
December 31, 2021	225	$ 210,158
Proceeds from issuance of redeemable senior preferred stock, net of discount and issuance costs	—	—
Unpaid dividend on redeemable senior preferred stock	—	16,794
Accretion of discounts and issuance cost	—	3,286
Cash portion of dividend and ticking fee outstanding at the end of the year	—	5,341
December 31, 2022	**225**	**$ 235,579**

The dividend rate for the redeemable senior preferred stock is equal to the three-month LIBOR rate (minimum of 1.00%) plus an applicable margin of 12.00% (capped at 22.50%) per year, with a required quarterly cash dividend payment of 5.00% plus the three-month LIBOR rate per year. The dividend rate is subject to future increases if the Company doesn't comply with the cash payment requirements outlined in the agreement, which includes required payments of dividends, required payments related to redemption or required prepayments. The dividend rate may also increase if the Company fails to obtain the required stockholder approval for a forced sale transaction triggered by investors or if an event of default as outlined in the agreement occurs. The dividend rate as of December 31, 2022, and 2021 was 15.7% and 13.0% respectively.

The following table provides a summary of the dividends for the period presented:

(in thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
Dividends paid in cash[(1)]	$ 16,800	$ 7,460
Accumulated dividends accrued as part of the carrying value of redeemable senior preferred stock	16,794	8,704
Dividends declared	**$ 33,594**	**$ 16,164**

(1) Included in this amount is $5.3 million of dividends outstanding as of December 31, 2022

The following table presents cumulative dividends in arrears in aggregate and per-share:

(in thousands, except per share amounts)	Year Ended December 31, 2022	Year Ended December 31, 2021
Cumulative preferred dividends in arrears	$ 25,497	$ 8,704
Redeemable senior preferred stock, outstanding	225	225
Cumulative preferred dividends in arrears, per share	$ 113.3	$ 38.7

The redeemable senior preferred shares have no stated maturity and will remain outstanding indefinitely until redeemed or otherwise repurchased by the Company. Outstanding shares of redeemable senior preferred stock can be redeemed at the option of the Company for cash in whole or in part at the following redemption price:

Redemption Date	Redemption Price
Prior to April 27, 2023	100% of liquidation preference (i.e., $1,000 per share) plus any accrued and unpaid dividends and the make-whole amount (i.e., present value of additional 2% of the liquidation preference plus any accrued and unpaid dividends thereon through the redemption date plus 102% of the amount of dividends that will accrue from the redemption date through April 27, 2023)
April 27, 2023 - April 26, 2024	102% of the sum of the (a) outstanding liquidation preference plus (b) any accrued and unpaid dividends through and including the applicable redemption date
April 27, 2024 and thereafter	100% of the sum of the (a) outstanding liquidation preference plus (b) any accrued and unpaid dividends through and including the applicable redemption date

Upon the occurrence of a change in control or a liquidation event, the Company will redeem all of the outstanding redeemable senior preferred shares for cash at the applicable redemption price described above.

The holders of the redeemable senior preferred stock may request the Company to pursue a sale transaction for the purpose of redeeming the redeemable senior preferred stock from and after the earliest of: 1) October 27, 2028; 2) 30 days after the redeemable senior preferred stockholders provide written notice to the Company of a failure by the Company to take steps within its control to prevent the Company's Common Stock from no longer being listed; and 3) the date that is 90 days following the Company's failure to consummate a mandatory redemption of the redeemable senior preferred stock upon the occurrence of a change in control or liquidation event.

The Company used the proceeds from the April 2021 sale of the redeemable senior preferred stock to partially fund the Refinancing (see Note 11. Debt Obligations), to partially fund the Wholesale Payments, Inc. and C&H Financial Services, Inc. acquisitions in the second quarter of 2021 (see Note 2. Acquisitions) and to pay certain fees and expenses relating to the Refinancing and the offering of the redeemable senior preferred stock and warrants. The Company used the proceeds from the September 2021 sale of additional shares of redeemable senior preferred stock to fund the Finxera acquisition (see Note 2. Acquisitions).

Warrants

On April 27, 2021 the Company issued warrants to purchase up to 1,803,841 shares of the Company's Common Stock, par value $0.001 per share, at an exercise price of $0.001. The exercise price and the number of shares issuable upon exercise of the warrants are subject to certain adjustments from time to time on the terms outlined in the warrants. In connection with the issuance of the warrants, the Company entered into an agreement pursuant to which it agreed to provide certain registration rights with respect to the common shares issuable upon exercise of the warrants. Under this agreement the holders of the related shares of Common Stock were granted piggyback rights to be included in certain underwritten offerings of Common Stock and the right to demand a shelf registration of the shares of Common Stock issued upon exercise of the warrants. As of December 31, 2022, none of the warrants have been exercised. The warrants are considered to be equity contracts indexed in the Company's own shares and therefore were recorded at their inception date relative fair value and are included in additional paid-in capital on the Company's Consolidated Balance Sheet.

13. Income Taxes

Components of consolidated income tax (benefit) expense for the years ended December 31, 2022, 2021, and 2020 were as follows:

(in thousands)	For the Years Ended December 31,		
	2022	2021	2020
U.S. current income tax expense (benefit)			
Federal	$ 10,411	$ (2,321)	$ 4,766
State and local	2,546	(379)	3,173
Foreign	349	1	—
Total current income tax (benefit) expense	$ 13,306	$ (2,699)	$ 7,939
U.S. deferred income tax expense (benefit)			
Federal	$ (5,001)	$ (1,343)	$ 3,875
State and local	(2,970)	(1,213)	(915)
Foreign	15	(3)	—
Total deferred income tax (benefit) expense	$ (7,956)	$ (2,559)	$ 2,960
Total income tax expense (benefit)	$ 5,350	$ (5,258)	$ 10,899

The Company's consolidated effective income tax rate was 167.2% for the year ended December 31, 2022, compared to a consolidated effective income tax rate of 135.9% for the year ended December 31, 2021. For the year ended December 31, 2020, the Company's consolidated effective income tax benefit rate was 13.3%. The effective rate for 2022 differed from the statutory rate of 21% primarily due to: 1) an increase in the valuation allowance against certain business interest carryover deferred tax assets; and 2) the finalization of prior estimates of certain intangible deferred tax liabilities resulting from the Finxera acquisition. The effective rate for December 31, 2021 differed from the statutory federal rate of 21% primarily due to: 1) an increase in the valuation allowance against certain business interest carryover deferred tax assets; 2) non-deductible transaction costs incurred in the acquisition of Finxera; 3) the finalization of prior estimates on the sale of the assets of PRET's real estate services business impacting amounts attributable to noncontrolling partners; and 4) an increase in the tax basis of certain intangible assets resulting from a change in a subsidiary's entity status. The effective rate for December 31, 2020 differed from the statutory federal rate of 21% primarily due to earnings attributable to noncontrolling interests and valuation allowance changes against certain business interest carryover deferred tax assets.

The following table provides a reconciliation of the consolidated income tax (benefit) expense at the statutory U.S. federal tax rate to actual consolidated income tax (benefit) expense for the years ended December 31, 2022, 2021 and 2020:

(in thousands)	For the Years Ended December 31,		
	2022	2021	2020
U.S. federal statutory (benefit) expense	$ 672	$ (813)	$ 17,211
Non-controlling interests	—	(3,024)	(5,626)
State and local income taxes, net	421	(372)	1,140
Foreign rate differential	142	—	—
Excess tax benefits pursuant to ASU 2016-09	4	(339)	(37)
Valuation allowance changes	4,957	1,120	(2,945)
Nondeductible items	576	703	233
Transaction Costs	—	2,338	—
Intangible assets	(1,226)	(4,110)	1,056
Tax credits	(100)	(223)	(283)
Other, net	(96)	(538)	150
Income tax expense (benefit)	$ 5,350	$ (5,258)	$ 10,899

Deferred income taxes reflect the expected future tax consequences of temporary differences between the financial statement carrying amount of the Company's assets and liabilities, tax credits and their respective tax bases, and loss carry forwards. The significant components of consolidated deferred income taxes were as follows:

	As of December 31,	
(in thousands)	2022	2021
Deferred Tax Assets:		
Accruals and reserves	$ 1,510	$ 1,751
Intangible assets	15,600	9,673
Net operating loss carryforwards	749	820
Interest limitation carryforwards	15,142	10,786
Other	4,107	3,332
Gross deferred tax assets	37,108	26,362
Valuation allowance	(15,462)	(10,781)
Total deferred tax assets	21,646	15,581
Deferred Tax Liabilities:		
Prepaid assets	(1,101)	(1,191)
Investments in partnership	(41)	—
Property and equipment	(4,057)	(6,125)
Total deferred tax liabilities	(5,199)	(7,316)
Net deferred tax assets	**$ 16,447**	**$ 8,265**

In accordance with the provisions of ASC 740, *Income Taxes*, the Company provides a valuation allowance against deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The assessment considers all available positive and negative evidence and is measured quarterly. As of December 31, 2022 and 2021, the Company had a consolidated valuation allowance of approximately $15.5 million and $10.8 million, respectively, against certain deferred income tax assets related to business interest deduction carryovers and business combination costs that the Company believes are not more likely than not to be realized.

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." A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in thousands)		
Balance as of January 1, 2022	$	537
Additions based on tax positions related to the current year		—
Additions based on positions of prior years		—
Reductions for tax positions of prior years		(66)
Reductions related to lapse of the applicable statutes of limitations		(169)
Settlements		—
Balance as of December 31, 2022	**$**	**302**

As of December 31, 2022 and 2021, the balance of unrecognized tax benefits that, if recognized, affect our effective tax rate was $0.1 million and $0.1 million, respectively. The Company continually evaluates the uncertain tax benefit associated with its uncertain tax positions. It is reasonably possible that the liability for uncertain tax benefits could decrease during the next 12 months by up to $0.1 million due to the expiration of statutes of limitations.

The Company is subject to U.S. federal income tax and income tax in multiple state jurisdictions. Tax periods for December 31, 2019 and all years thereafter remain open to examination by the federal and state taxing jurisdictions and tax periods for December 31, 2018 and all years thereafter remain open for certain state taxing jurisdictions to which the Company is subject.

At December 31, 2022 and December 31, 2021, the Company had state NOL carryforwards of approximately $13.4 million and $13.6 million, respectively, with expirations dates ranging from 2023 to 2041.

The Company has historically been impacted by the new interest deductibility rule under the Tax Act. This rule disallows interest expense to the extent it exceeds 30% of ATI, as defined. In March 2020, the CARES Act was enacted, which among other provisions, provides for the increase of the 163(j) ATI limitation from 30% to 50% for tax years 2019 and 2020. As of December 31, 2022, the Company had interest deduction limitation carryforwards of $61.5 million.

14. Stockholders' Deficit

Except as otherwise required by law or as otherwise provided in any certificate of designation for any series of preferred stock, the holders of the Company's Common Stock possess all voting power for the election of members of the Company's Board of Directors and all other matters requiring stockholder action and will at all times vote together as one class on all matters submitted to a vote of the Company's stockholders. Holders of the Company's Common Stock are entitled to one vote per share on matters to be voted on by stockholders. Holders of the Company's Common Stock will be entitled to receive such dividends and other distributions, if any, as may be declared from time to time by the Company's Board of Directors in its discretion. Historically, the Company has neither declared nor paid dividends. The holders of the Company's Common Stock have no conversion, preemptive or other subscription rights and there is no sinking fund or redemption provisions applicable to the Common Stock.

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 December 31, 2022, the Company has not issued any shares of preferred stock.

Share Repurchase Program

During the second quarter of 2022, PRTH's Board of Directors authorized a general share repurchase program under which the Company may purchase up to 2.0 million shares of its outstanding Common Stock for a total of up to $10.0 million. Under the

terms of this plan, the Company may purchase shares through open market purchases, unsolicited or solicited privately negotiated transactions, or in another manner so long as it complies with applicable rules and regulations.

In August 2021, PRTH's Board of Directors authorized a $10.0 million 2021 share repurchase program. Under the 2021 Share Repurchase Program. the Company was authorized to purchase up to 1.0 million shares of its Common Stock through open market transactions, unsolicited or solicited privately negotiated transactions, or otherwise in accordance with all applicable securities laws and regulations. The Company terminated the 2021 Share Repurchase Program effective as of the close of business on September 23, 2021.

For the years ended December 31, 2022 and 2021, share re-purchase activity under these programs was as follows:

	Years Ended December 31,	
in thousands, except share data, which is in whole units	**2022**	**2021**
Number of shares purchased[(1)]	1,309,374	162,715
Average price paid per share	$ 4.42	$ 5.87
Total Investment[(1)]	$ 5,791	$ 1,023

(1) These amounts may differ from the repurchases of Common Stock amounts in the Consolidated Statements of Cash Flows due to shares withheld for taxes and unsettled share repurchases at the end of the quarter.

Warrants and Purchase Options

As of December 31, 2022, 3,556,470 warrants from the original business combination in July 2018, remain outstanding. These warrants allow the holders to purchase shares of the Company's Common Stock at an exercise price of $11.50 per share. These warrants expire on August 24, 2023.

Prior to July 25, 2018, a purchase option was sold to an underwriter for consideration of $100. The purchase option, which survived the business combination, allow the holders to purchase up to a total of 300,000 units (each consisting of a share of Common Stock and a public warrant) exercisable at $12.00 per unit. The purchase option expires on August 24, 2023. The purchase option is classified as equity for accounting purposes and remain outstanding as of December 31, 2022.

15. Stock-based Compensation

2018 Equity Incentive Plan

The 2018 Plan was approved by the Company's Board of Directors and shareholders in July 2018. The 2018 Plan provided for the issuance of up to 6,685,696 of the Company's Common Stock, and these shares were registered on a Form S-8 during 2018. Under the 2018 Plan, the Company's compensation committee may grant awards of non-qualified stock options, incentive stock options, SARs, restricted stock awards, RSUs, other stock-based awards (including cash bonus awards) or any combination of the foregoing. Any current or prospective employees, officers, consultants or advisors that the Company's compensation committee (or, in the case of non-employee directors, the Company's Board of Directors) selects, from time to time, are eligible to receive awards under the 2018 Plan. If any award granted under the 2018 Plan expires, terminates, or is canceled or forfeited without being settled or exercised, or if a SAR is settled in cash or otherwise without the issuance of shares, shares of the Company's Common Stock subject to such award will again be made available for future grants. In addition, if any shares are surrendered or tendered to pay the exercise price of an award or to satisfy withholding taxes owed, such shares will again be available for grants under the 2018 Plan. On March 17, 2022, the Company's Board of Directors unanimously approved an amendment to the 2018 Plan which was subsequently approved by our shareholders, to increase the number of shares authorized for issuance under the plan by 2,500,000 shares, resulting in 9,185,696 shares of the Company's Common Stock authorized for issuance under the plan. These additional shares were registered on a Form S-8 in December 2022.

Stock-based compensation was as follows:

(in thousands)	Years Ended December 31, 2022	2021	2020
2018 Equity Incentive Plan			
Restricted stock units compensation expense	6,182	2,561	1,364
Stock options compensation expense	$ 7	$ 327	$ 753
Liability-classified compensation expense	—	325	313
ESPP compensation expense	39	—	—
Total	**$ 6,228**	**$ 3,213**	**$ 2,430**

For the years ended December 31, 2022, 2021 and 2020, the Company recognized an income tax benefit of approximately $0.7 million, $0.4 million and $0.4 million, respectively, for stock-based compensation expense. No stock-based compensation has been capitalized.

A summary of the activity in stock units for the 2018 Plan that occurred during the years ended December 31, 2022, 2021 and 2020 is as follows:

Common Stock available for issuance at January 1, 2020	4,796,176
Stock options granted	(15,000)
Stock options forfeited	220,045
RSUs granted	(1,031,740)
RSU granted with performance goals that have not been determined	(128,624)
RSUs forfeited	21,277
Common Stock available for issuance at December 31, 2020	3,862,134
Stock options forfeited	50,589
Stock options expired	53,870
RSUs granted	(711,987)
RSUs forfeited	1,957
Shares withheld for taxes[(1)]	106,477
Common Stock available for issuance at December 31, 2021	3,363,040
New shares authorized for issuance	2,500,000
Stock options forfeited	221,733
RSUs granted	(3,223,949)
RSUs forfeited	353,196
Shares withheld for taxes[(1)]	291,266
Common Stock available for issuance at December 31, 2022	3,505,286

(1) The number of shares surrendered to satisfy withholding taxes owed are subsequently added back to the shares available for grant under the 2018 Plan.

Details about the time-based equity-classified stock options granted under the plan are as follows:

	Number of Shares	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term	Aggregate Intrinsic Value *(in thousands)*
Outstanding, December 31, 2021	1,227,625	$ 6.90		
Forfeited	(221,733)	6.95		
Outstanding, December 31, 2022	**1,005,892**	**6.88**	**5.7 years**	**$ 42**
Exercisable at December 31, 2022	**998,392**	**$ 6.92**	**5.7 years**	**$ 21**

The weighted-average grant date fair value of options granted in 2020 was $1.99. There were no options granted in 2022 or 2021. The intrinsic value of options exercised in 2021 was $0.2 million, there were no options exercised in 2022 or 2020. As of December 31, 2022, there was $11.7 thousand of unrecognized compensation costs related to stock options, which is expected to be recognized over a remaining weighted-average period of 1.6 years.

The table below presents the assumptions used to calculate the fair value of the stock options issued in 2020:

	2020
Expected volatility	94 %
Risk-free interest rate	0.5 %
Expected term (years)	7.5
Dividend yield	— %
Exercise price	$ 2.47

Equity-classified Restricted Stock Units

Below is a summary of the Company's equity-classified RSUs for the periods presented:

	Underlying Common Shares		Weighted-average Grant Date Fair Value
Service-based vesting:			
Unvested at January 1, 2020	53,571	$	7.00
Granted[1]	892,142	$	2.93
Forfeited	(21,277)	$	2.35
Vested	(328,035)	$	3.18
Unvested at December 31, 2020	596,401	$	3.18
Granted[1]	647,512	$	6.63
Forfeited	(1,957)	$	7.92
Vested	(362,706)	$	3.65
Unvested at December 31, 2021	879,250	$	5.51
Granted[1]	2,878,948	$	6.14
Forfeited	(353,196)	$	6.04
Vested	(822,602)	$	5.44
Unvested at December 31, 2022	**2,582,400**	$	5.70
Performance-based vesting:			
Unvested at January 1, 2020	71,383	$	10.52
Granted[2]	139,598	$	2.56
Forfeited	(71,383)	$	10.52
Unvested at December 31, 2020	139,598	$	2.56
Granted[2]	64,475	$	6.90
Vested	(104,620)	$	7.24
Unvested at December 31, 2021	99,453	$	4.46
Granted[2]	64,366	$	5.00
Vested	(64,366)	$	6.90
Unvested at December 31, 2022	**99,453**	$	3.24

(1) Includes 228,347 shares with an estimated fair value of $1.1 million, 55,689 shares with an estimated fair value of $0.5 million and 212,768 shares with an estimated fair value of $0.4 million issued to non-employees in December 31, 2022, 2021 and 2020, respectively.

(2) Includes only the portions of grants for which the performance goals have been determined and communicated to the grant recipient. Any grants for which the required performance goals have not been determined and communicated to the grant recipient are not considered to have been granted for accounting purposes.

As of December 31, 2022, there was $13.1 million and $0.2 million of unrecognized compensation costs for equity-classified service-based RSUs and performance-based RSUs, respectively, which are expected to be recognized over a remaining weighted-average period of 2.5 years and 0.5 years, respectively. The total fair value of RSUs that vested in 2022, 2021 and 2020 was $0.9 million, $3.2 million and $1.3 million, respectively.

Liability-classified Stock-based Arrangements

In March 2020, the Company was authorized by the compensation committee of its Board of Directors to issue an RSU award to its Chairman and CEO if certain annual performance goals and achievement criteria were attained for 2020. The award was

accounted for as a liability-classified award. In March 2021, the performance goals and achievement criteria were met and the award was converted to an equity-classified award.

In June 2021, the Company committed to issue an additional liability-classified award with a target value of $0.9 million in 2022 to its Chairman and CEO if certain annual performance goals and achievement criteria were attained for 2021. The Company has accrued $0.3 million in compensation expense for this liability-classified award, which is included in salary and employee benefit expenses in the Company's Consolidated Statement of Operations for the year ended December 31, 2021. In the first quarter of 2022, the Company determined that the performance criteria was not met and this award was subsequently forfeited.

Employee Stock Purchase Plan

On April 16, 2021, the 2021 Stock Purchase Plan was authorized by the Company's Board of Directors. The maximum number of shares available for purchase under the 2021 Stock Purchase Plan is 200,000 shares.The shares issued under the 2021 Stock Purchase Plan may be authorized but unissued or reacquired shares of Common Stock. All employees of the Company who work more than 20 hours per week and have been employed by the Company for at least 30 days may participate in the 2021 Stock Purchase Plan.

Under the 2021 Stock Purchase Plan, participants are offered, on the first day of the offering period, the option to purchase shares of Common Stock at a discount on the last day of the offering period. The offering period shall be for a period of three months, and the first offering period began during the first quarter of 2022. The 2021 Stock Purchase Plan provides eligible employees the opportunity to purchase shares of the Company's Common Stock on a quarterly basis through payroll deductions at a price equal to 95% of the lesser of the fair value on the first and last trading day of each quarter. The compensation expense for the year ended December 31, 2022 was immaterial and is included in stock-based compensation expense.

16. Employee Benefit Plans

The Company sponsors a 401(k) defined contribution savings plan that covers substantially all of its eligible employees. Under the plan, the Company contributes safe-harbor matching contributions to eligible plan participants on an annual basis. The Company may also contribute additional discretionary amounts to plan participants. The Company's contributions to the plan were $1.7 million, $1.2 million and $1.3 million for the years ended December 31, 2022, 2021 and 2020, respectively.

The Company offers a comprehensive medical benefit plan to eligible employees. All obligations under the plan are fully insured through third-party insurance companies. Employees participating in the medical plan pay a portion of the costs for the insurance benefits.

17. Related Party Transactions

PHOT Preferred Unit Redemption - Distribution to NCIs

In February 2019, PHOT a subsidiary of the Company, received a contribution of substantially all of the operating assets of certain companies under an asset contribution agreement. In November 2020, the Company agreed with the contributors to an exchange of shares of Common Stock of the Company, or cash, for the remaining undistributed Total Preferred Equity Interests of $4.8 million. An exchange valuation for the Company's Common Stock was established as of November 12, 2020 at the prior 20-day volume weighted average price of $2.78 per share. The exchange was contingent upon receiving approval of the Company's lenders; therefore, the binding exchange agreements were not entered into until after lender approval was received in April 2021 in connection with the Refinancing.

In May 2021, the Company entered into exchange agreements and completed the exchange of 1,428,358 shares of Common Stock and $0.8 million of cash for the Total Preferred Equity Interests. The CEO received 605,623 shares of Common Stock of the Company in exchange for his 35.3% interest, and the Company's Chief Operating Officer received 413,081 shares of Common Stock of the Company in exchange for her 24.1% interest. Subsequent to establishing the Common Stock valuation in

November 2020 and the date of exchange in May 2021, the Company's Common Stock price appreciated to $7.75 per share. The Company's financial statements for the year ended December 31, 2021 reflect this exchange as a distribution to NCIs at an appreciated Common Stock value of $6.975 per share, which incorporates a 10% liquidity discount of $0.775 per share due to trading restrictions under Securities Rule 144. Therefore, the total distribution amounted to $10.8 million, comprised of $10.0 million of Common Stock and $0.8 million of cash. In addition, the Company recorded a $2.8 million tax benefit related to an increase in the tax basis associated with the share exchange, for a net impact to equity of $8.0 million.

Commitment to Lend and Warrant to Acquire

During 2019, the Company, through one if its wholly-owned subsidiaries, executed an interest-bearing loan and commitment agreement with another entity to loan the entity up to $10.0 million based on certain growth metrics of the entity and continued compliance by the entity with the terms and covenants of the agreement.

In December 2021, the entity was sold to a third party. In connection with the sale, the Company's note receivable was fully repaid and the Company's warrants were cancelled in exchange for cash consideration. The Company recognized a gain of $7.6 million in its Consolidated Statements of Operations for the year ended December 31, 2021 related to this transaction.

Advance to Affiliate

During 2022, the Chairman and CEO, who is considered to be an affiliate of the Company, received an advance of incentive compensation of $1.2 million. Subsequent to December 31, 2022, the advance was satisfied in full.

18. Commitments and Contingencies

Minimum Annual Commitments with Third-party Processors

The Company has multi-year agreements with third parties to provide certain payment processing services to the Company. The Company pays processing fees under these agreements that are based on the volume and dollar amounts of processed payment transactions. Some of these agreements have minimum annual requirements for processing volumes. Based on existing contracts in place at December 31, 2022, the Company is committed to pay minimum processing fees under these agreements of approximately $15.7 million in 2023 and $17.0 million in 2024.

Annual Commitment with Vendor

Effective January 1, 2022, the Company entered into a three year business cooperation agreement with a vendor to resell its services. Under the agreement, the Company purchased vendor services worth $0.7 million for the year ended December 31, 2022, and is committed to purchase vendor services worth $1.5 million in 2023 and $2.3 million in 2024.

Capital Commitments

The Company committed to capital contributions to fund the operations of certain subsidiaries totaling $22.0 million. The Company is obligated to make the contributions within 10 business days of receiving notice for such contribution from the subsidiary. As of December 31, 2022, the Company contributed $6.9 million.

Merchant Reserves

See Note 5. Settlement Assets and Customer/Subscriber Account Balances and Related Obligations, for information about merchant reserves.

Contingent Consideration

For asset acquisitions that do not meet the definition of a business, the portion of the unpaid purchase price that is contingent on future activities is not initially recorded by the acquirer on the date of acquisition. Rather, the acquirer generally recognizes contingent consideration when it becomes probable and estimable.

On March 15, 2019, a subsidiary of the Company paid $15.2 million cash to acquire certain residual portfolio rights. This asset acquisition became part of the Company's SMB Payments reportable segment. The initial purchase price is subject to an increase of up to $6.4 million in accordance with the terms of the agreement between the Company and the sellers. As of December 31, 2021, the Company paid $4.0 million to the seller and the fair value of the contingent consideration was increased by $0.2 million. On April 14, 2022, the Company amended the purchase agreement related to its acquisition of certain residual portfolio rights to provide for an additional earnout opportunity to be earned during the 12 months ending March 31, 2023. As of December 31, 2022, the fair value of the contingent consideration was increased for $0.3 million and the Company paid $2.7 million. As of December 31, 2022, it is not probable the seller will meet criteria for any future earnout opportunities.

Legal Proceedings

The Company is involved in certain legal proceedings and claims which arise in the ordinary course of business. In the opinion of the Company and based on consultations with inside and outside counsel, the results of any of these matters, individually and in the aggregate, are not expected to have a material effect on the Company's results of operations, financial condition or cash flows. As more information becomes available, and the Company determines that an unfavorable outcome is probable on a claim and that the amount of probable loss that the Company will incur on that claim is reasonably estimable, the Company will record an accrued expense for the claim in question. If and when the Company records such an accrual, it could be material and could adversely impact the Company's results of operations, financial condition and cash flows.

Concentration of Risks

The Company's revenue is substantially derived from processing Visa and Mastercard bankcard transactions. Because the Company is not a member bank, in order to process these bankcard 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 association.

A majority of the Company's cash and restricted cash is held in certain FIs, 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.

19. Fair Value

Fair Value Measurements

Contingent consideration liabilities related to certain of the Company's acquisition is uncertain due to the utilization of unobservable inputs and management's judgement in determining the likelihood of achieving the earn-out criteria or the years ended December 31, 2022 and 2021. These liabilities measured at fair value on a recurring basis consisted of the following:

		Years Ended December 31,	
(in thousands)	**Fair Value Hierarchy**	**2022**	**2021**
Contingent consideration, current portion	Level 3	$ 6,079	$ 4,006
Contingent consideration, noncurrent portion	Level 3	2,000	6,680
Total contingent consideration		$ 8,079	$ 10,686

During the year ended December 31, 2022, there were no transfers into, out of, or between levels of the fair value hierarchy.

The following table provides a reconciliation of the beginning and ending balance of the Company's contingent consideration for the years ended December 31, 2022 and 2021.

(in thousands)	Contingent Consideration Liability
Balance at January 1, 2021	$ —
Contingent consideration related to the acquisitions	10,686
Balance at December 31, 2021	10,686
Accretion of discount on contingent consideration	864
Fair value adjustments	1,195
Payment of contingent consideration	(4,666)
Balance at December 31, 2022	**$ 8,079**

Fair Value Disclosures

Notes Receivable

Notes receivable are carried at amortized cost. Substantially all of the Company's notes receivable are secured, and the Company provides for allowances when it believes that certain notes receivable may not be collectible. The carrying value of the Company's notes receivable, net approximates fair value and was approximately $4.7 million and $0.4 million at December 31, 2022 and December 31, 2021, respectively. On the fair value hierarchy, Level 3 inputs are used to estimate the fair value of these notes receivable.

Debt Obligations

Outstanding debt obligations (see Note 11. Debt Obligations) 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 fair value of the of the term loan facility was estimated to be approximately $606.1 million and $613.8 million at December 31, 2022 and 2021, respectively, and was estimated using binding and non-binding quoted market prices in an active secondary market, which considers the credit risk and market related conditions, and is within Level 2 of the fair value hierarchy.

The carrying values of the other long-term debt obligations approximate fair value due to mechanisms in the credit agreements that adjust the applicable interest rates and the lack of a market for these debt obligations.

20. Segment Information

Prior to the fourth quarter of 2021, the Company's three reportable segments included the Consumer Payments segment, the Commercial Payments segment and the Integrated Partners segment. As a result of the Company's organic growth and recent acquisitions, a new internal reporting structure was implemented which resulted in changes to the Company's reportable segments. The three new reportable operating segments are SMB Payments, B2B Payments and Enterprise Payments. All comparative periods have been adjusted to reflect the new reportable segments. The Company does not have dedicated assets assigned to any particular reportable segment and such information is not available and continues to be aggregated.

More information about our three reportable segments:

- *SMB Payments*: Provides full-service acquiring and payment-enabled solutions for B2C transactions, leveraging Priority's proprietary software platform, distributed through ISO, direct sales and vertically focused ISV channels.

- *B2B Payments*: Provides market-leading AP automation solutions to corporations, software partners and industry leading FIs (including Citibank and Mastercard).
- *Enterprise Payments*: Provides embedded payment and treasury solutions to enterprise customers to modernize legacy platforms and accelerate software partners' strategies to monetize payments.

Corporate includes costs of corporate functions and shared services not allocated to our reportable segments.

Information on reportable segments and reconciliations to consolidated revenues, consolidated depreciation and amortization, and consolidated operating income are as follows:

(in thousands)	Years Ended December 31,		
	2022	2021	2020
Revenues:			
SMB Payments	$ 562,237	$ 475,630	$ 370,521
B2B Payments	18,890	17,138	20,922
Enterprise Payments	82,514	22,133	12,899
Consolidated revenues	**$ 663,641**	**$ 514,901**	**$ 404,342**
Depreciation and amortization:			
SMB Payments	$ 43,925	$ 41,144	$ 35,627
B2B Payments	744	294	306
Enterprise Payments	24,892	7,158	3,674
Corporate	1,120	1,101	1,168
Consolidated depreciation and amortization	**$ 70,681**	**$ 49,697**	**$ 40,775**
Operating income:			
SMB Payments	$ 54,866	$ 52,884	$ 37,897
B2B Payments	208	135	923
Enterprise Payments	30,937	6,763	1,899
Corporate	(29,846)	(26,689)	(19,858)
Consolidated operating income	**$ 56,165**	**$ 33,093**	**$ 20,861**

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

(in thousands)	Years Ended December 31,		
	2022	2021	2020
Total operating income of reportable segments	$ 86,011	$ 59,782	$ 40,719
Corporate	(29,846)	(26,689)	(19,858)
Interest expense	(53,554)	(36,485)	(44,839)
Debt modification and extinguishment costs	—	(8,322)	(1,899)
Gain on sale of business	—	7,643	107,239
Other income, net	589	202	596
Income tax (expense) benefit	(5,350)	5,258	(10,899)
Net (loss) income	$ (2,150)	$ 1,389	$ 71,059

21. (Loss) Earnings per Common Share

The following tables set forth the computation of the Company's basic and diluted earnings (loss) per common share:

(in thousands except per share amounts)	Years Ended December 31,		
	2022	2021	2020
Numerator:			
Net (loss) income	$ (2,150)	$ 1,389	71,059
Less: Dividends and accretion attributable to redeemable senior preferred stockholders	(36,880)	(18,009)	—
Less: NCI preferred unit redemptions	—	(8,021)	—
Less: Earnings attributable to NCI	—	—	(45,398)
Net (loss) income attributable to common stockholders	**$ (39,030)**	**$ (24,641)**	**$ 25,661**
Denominator:			
Basic:			
Weighted-average common shares outstanding[1]	78,233	71,902	67,158
Basic (loss) earnings per common share	**$ (0.50)**	**$ (0.34)**	**$ 0.38**
Diluted:			
Weighted-average common shares outstanding[1]	78,233	71,902	67,158
Effect of potentially dilutive common stock equivalents	—	—	105
Diluted weighted-average common shares outstanding	78,233	71,902	67,263
Diluted (loss) earnings per common share	**$ (0.50)**	**$ (0.34)**	**$ 0.38**

(1) The weighted-average common shares outstanding includes 1,803,841 warrants issued in the second quarter of 2021 (refer to Note 12, Redeemable Senior Preferred Stock and Warrants).

Potentially anti-dilutive securities that were excluded from (loss) earnings per common share that could potentially be dilutive in future periods are as follows:

	Common Stock Equivalents at December 31,		
(in thousands)	2022	2021	2020
Outstanding warrants on common stock[1]	3,556	3,556	3,556
Outstanding options and warrants issued to adviser[2]	600	600	600
Restricted stock awards[3]	2,440	442	280
Liability-classified restricted stock units	—	129	107
Outstanding stock option awards[3]	1,098	1,313	1,506
Total	**7,694**	**6,040**	**6,049**

(1) The warrants are exercisable at $11.50 per share and expire on August 24, 2023. Refer to Note 14. Stockholders' Deficit.
(2) The warrants and options are exercisable at $12.00 per share and expire on August 24, 2023. Refer Note 14. Stockholders' Deficit.
(3) Granted under the 2018 Plan.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

N/A

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, designed to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized or reported within the time periods specified in SEC rules and regulations and that such information is accumulated and communicated to our management, including our principal executive officer (CEO), our principal financial officer (CFO) and, as appropriate, to allow timely decisions regarding required disclosures.

Management, with the participation of the CEO and CFO, has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2022. Based on that evaluation, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of December 31, 2022.

(b) Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that:

(i) pertain to maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of the Company's assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are made only in accordance with authorizations of the Company's management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) the *Internal Control - Integrated Framework (2013)*. Based on this assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2022.

(c) Attestation Report of Independent Registered Public Accounting Firm

Not applicable due to the Company's status as a non-accelerated filer.

(d) Changes in Internal Control over Financial Reporting

During 2022, the Company implemented new general ledger, accounts payable, consolidation and financial reporting systems. The implementation involved changes to certain processes and related internal controls over financial reporting. The Company has reviewed the system and controls affected and has made the appropriate changes as necessary.

There were no other changes in the Company's internal control over financial reporting during the year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

N/A

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

The information called for by Item 10 is incorporated herein by reference to the definitive proxy statement relating to the Company's 2023 Annual Meeting of Stockholders. We intend to file such definitive proxy statement with the SEC pursuant to Regulation 14A within 120 days of the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information called for by Item 11 is incorporated herein by reference to the definitive proxy statement referenced above in Item 10.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information called for by Item 12 is incorporated herein by reference to the definitive proxy statement referenced above in Item 10.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information called for by Item 13 is incorporated herein by reference to the definitive proxy statement referenced above in Item 10.

Item 14. Principal Accountant Fees and Services

The information called for by Item 14 is incorporated herein by reference to the definitive proxy statement referenced above in Item 10.

PART IV.

Item 15. Exhibit and Financial Statement Schedules

(a) (1) Our consolidated financial statements listed below are set forth in "Item 8 - Financial Statements and Supplementary Data" of this Annual Report on Form 10-K:

	Page
Report of Independent Registered Public Accounting Firm (EY PCAOB ID: 42)	39
Consolidated Balance Sheets as of December 31, 2022 and December 31, 2021	41
Consolidated Statements of Operations for the Years Ended December 31, 2022, 2021 and 2020	42
Consolidated Statements of Changes in Stockholders' Deficit for the Years Ended December 31, 2022, 2021 and 2020	42
Consolidated Statements of Cash Flows for the Years Ended December 31, 2022, 2021 and 2020	44
Notes to the Consolidated Financial Statements	47

(2) Financial Statement Schedule

N/A

(b) Exhibits

Exhibit	Description
2.1	Second Amended and Restated Contribution Agreement, dated as of April 17, 2018, by and among Priority Investment Holdings, Priority Incentive Equity Holdings, LLC and M I Acquisitions, Inc. (incorporated by reference to Annex A to the Company's Proxy Statement on Schedule 14(a), filed July 5, 2018).
2.2 †	Agreement and Plan of Merger, dated as of March 5, 2021, by and among the Company, Finxera, Merger Sub, and the Equityholder Representative.
2.3	Certificate of Amendment to the Certificate of Incorporation of Priority Technology Holdings dated April 16, 2021, filed April 29, 2021
2.4	Agreement and Plan of Merger by and among the Company, Finxera Holdings, Inc., Prime Warrior Acquisition Corp., and Stone Point Capital LLC.
3.1	Second Amended and Restated Certificate of Incorporation of Priority Technology Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed July 31, 2018).
3.2	Amended and Restated Bylaws of Priority Technology Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed July 31, 2018).
3.3	Certificate of Designations of Senior Preferred Stock
4.1	Specimen Unit Certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1, filed July 26, 2016).
4.2	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-1, filed July 26, 2016).
4.3	Specimen Warrant Certificate (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-1, filed July 26, 2016).
4.4	Warrant Agreement, dated September 13, 2016, by and between American Stock Transfer & Trust Company, LLC and the Registrant (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, filed September 16, 2016).
4.5*	Description of Securities
4.6	Form of Warrant

10.1	Registration Rights Agreement dated as of July 25, 2018 by and among M I Acquisitions, Inc. and the other parties thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed July 31, 2018).
10.2 †	Priority Technology Holdings, Inc. 2018 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed July 31, 2018).
10.3	Priority Technology Holdings, Inc. 2021 Employee Stock Purchase Plan
10.3.1	Amendment No. 1 to Priority Technology Holdings, Inc. 2021 Employee Stock Purchase Plan
10.4 †	Credit Agreement, dated as of April 27, 2021, among the Loan Parties name therein and Truist Bank.
10.5 †	Director Agreement by and among Priority Holdings LLC, Pipeline Cynergy Holdings, LLC, Priority Payment Systems Holdings, LLC and Thomas C. Priore, dated May 21, 2014 (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-4/A, filed December 26, 2018).
10.6 †	Amendment No. 1 to Director Agreement by and among Priority Holdings LLC, Pipeline Cynergy Holdings, LLC, Priority Payment Systems Holdings, LLC and Thomas C. Priore, dated April 19, 2018 (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-4/A, filed December 26, 2018).
10.7*	Executive Employment Agreement of Bradley Miller dated April 15, 2022
10.8*	Executive Employment Agreement of Timothy O'Leary dated September 19, 2022
10.9	Form Restricted Stock Unit Award Agreement
10.11 †	Executive Employment Agreement between Priority Technology Holdings, Inc. and Michael Vollkommer, dated December 20, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed December 26, 2018).
10.12 †	Restricted Stock Unit Award Agreement between Priority Technology Holdings, Inc. and Michael Vollkommer, dated December 20, 2018 (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K, filed March 29, 2019).
10.13 †	Form of Independent Director Agreement (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K, filed March 29, 2019).
10.14	Asset Purchase Agreement by and between MRI Payments LLC, MRI Software LLC, and Priority Real Estate Technology LLC, dated August 31, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 1, 2020).
10.15	Support Agreement, dated as of March 5, 2021, by and among the Stockholders and Finxera
10.16	Debt Commitment Letter, dated as of March 5, 2021, between Priority Holdings, LLC and Truist Securities, Inc.
10.17	Preferred Stock Commitment Letter, dated as of March 5, 2021, among the Company and certain affiliates of Ares Capital Management LLC
10.18 †	Securities Purchase Agreement, dated as of April 27, 2021, among the Company and the Investors named therein
10.19 †	Registration Rights Agreement, dated as of April 27, 2021, among the Company and the Investors name therein
10.21 †	Credit Agreement, dated as of April 27, 2021, among the Loan Parties name therein and Truist Bank
10.22	Amendment No. 2, dated September 17, 2021, to the Credit Agreement, dated as of April 27, 2021, by and among the Loan Parties named therein and Truist Bank.
21.1 *	Subsidiaries
23.1 *	Consent of Independent Registered Public Accounting Firm.
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 Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32 *	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
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.LAB *	XBRL Taxonomy Extension Label Linkbase Document

101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith
** Furnished herewith
† Indicates exhibits that constitute management contracts or compensation plans or arrangements.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRIORITY TECHNOLOGY HOLDINGS, INC.

March 23, 2023

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Thomas C. Priore Thomas C. Priore	President, Chief Executive Officer and Chairman (Principal Executive Officer)	March 23, 2023
/s/ Timothy M. O'Leary Timothy M. O'Leary	Chief Financial Officer (Principal Financial Officer)	March 23, 2023
/s/ Rajiv Kumar Rajiv Kumar	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 23, 2023
/s/ John Priore John Priore	Director	March 23, 2023
/s/ Michael Passilla Michael Passilla	Director	March 23, 2023
/s/ Marietta C. Davis Marietta C. Davis	Director	March 23, 2023
/s/ Christina M. Favilla Christina M. Favilla	Director	March 23, 2023
/s/ Stephen W. Hipp Stephen W. Hipp	Director	March 23, 2023
/s/ Marc Crisafulli Marc Crisafulli	Director	March 23, 2023

Exhibit 4.5

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following is a summary description of the Common Stock, par value $0.001 per share (the "Common Stock"), of Priority Technology Holdings, Inc. ("Priority"), which is the only security of Priority registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.

DESCRIPTION OF COMMON STOCK

General

The following description of our Common Stock is based on our Second Amended and Restated Certificate of Incorporation ("Certificate of Incorporation") and Amended and Restated Bylaws ("Bylaws"), and applicable provisions of law. We have summarized certain portions of our Certificate of Incorporation and Bylaws below. The summary is subject to, and is qualified in its entirety by, our Certificate of Incorporation and our Bylaws, each of which is filed as an exhibit to our Annual Report on Form 10-K, and the applicable provisions of the Delaware General Corporation Law ("DGCL"). You should read our Certificate of Incorporation, Bylaws, and the applicable provision of the DGCL for additional information. For purposes of this description, references to "Company," "Priority," "Registrant," "we," "our," and "us" refer to Priority Technology Holdings, Inc. and its subsidiaries.

Authorized Capitalization

Our authorized capitalization consists of 1,000,000,000 shares of Common Stock and 100,000,000 shares of preferred stock, par value $.001 per share.

As of March [xx], 2022, there were [xx,xxx,xxx] shares of Common Stock issued and outstanding and no shares of preferred stock issued and outstanding. This amount for issued shares of Common Stock includes approximately 451,000 shares held by Priority as "treasury shares." On December 31, 2020, there were employee stock options and restricted stock awards outstanding to issue approximately [x,xxx,000] shares of Priority's Common Stock and warrants to issue approximately [x.xxx.000] shares of our Common Stock. A former underwriter holds options for 300,000 shares of our common stock and 300,000 warrants whereby each warrant represents one share of Priority's common stock.

Common Stock

Voting Rights. Each holder of Priority's Common Stock is entitled to one vote for each share of Common Stock held of record on the applicable record date on all matters submitted to a vote of stockholders. Holders of Common Stock do not have cumulative voting rights in the election of directors.

Our Bylaws provide for a majority vote standard for all corporate actions. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the votes entitled to be cast by the stockholders entitled to vote generally, present in person or by proxy, shall constitute a quorum at any meeting of the stockholders; provided, however, that in the case of any vote to be taken by classes or series, the holders of a majority of the votes entitled to be cast by the stockholders of a particular class or series, present in person or by proxy, shall constitute a quorum of such class or series.

Dividend Rights. Subject to any preferential dividend rights of outstanding preferred stock, holders of Common Stock are entitled to receive equally and ratably, share for share, dividends, if any, as may be declared by our board of directors (our “Board”) out of funds legally available therefor.

Liquidation Rights. Upon liquidation, dissolution of assets or other winding up, the holders of Common Stock are entitled to receive ratably the assets available for distribution to the stockholders after payment of liabilities and the liquidation preference of any outstanding shares of preferred stock.

Fully Paid and Nonassessable. The outstanding shares of our Common Stock are fully paid and non-assessable.

Other Matters. Holders of our Common Stock have no preemptive or conversion rights and are not subject to further calls or assessment by us. There are no redemption or sinking fund provisions applicable to the Common Stock.

Listing and Transfer Agent. Our Common Stock is listed for trading on the NASDAQ Stock Market under the symbol “PRTH.” The transfer agent and registrar for our Common Stock is American Stock Transfer.

Anti-Takeover Provisions

Certain provisions in our Certificate of Incorporation, Bylaws and the DGCL may have the effect of delaying, deferring or discouraging another party from acquiring us. These provisions, which are summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions also are designed to encourage persons seeking to acquire control of us to first negotiate with our Board.

Amendment to Certificate of Incorporation and Bylaws. Our Bylaws may be amended, altered, changed or repealed by a majority vote of our Board. In addition to any other vote otherwise required by law, any amendment, alteration, change, or repeal of our Bylaws by our stockholders will require the affirmative

vote of at least $66^{2/3}$% of the voting power of our outstanding shares of common stock, voting as a single class. Additionally, the affirmative vote of at least $66^{2/3}$% of the voting power of our outstanding shares of common stock, voting as a single class, will be required to amend or repeal certain provisions of our Certificate of Incorporation or to adopt any provision inconsistent with specified provisions of our Certificate of Incorporation. This requirement of a supermajority vote to approve amendments to our Certificate of Incorporation and Bylaws could enable a minority of our stockholders to exercise veto power over any such amendments.

Advance Notice Requirements for Stockholder Proposals and Director Nominations. Our Bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors. In order for any matter to be “properly brought” before a meeting, a stockholder will have to comply with advance notice requirements and provide us with certain information. Our Bylaws allow the presiding officer at a meeting of the stockholders to adopt rules and regulations for the conduct of meetings which may have the effect of precluding the conduct of certain business at a meeting if the rules and regulations are not followed. These provisions may defer, delay or discourage a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of Priority.

Choice of Forum. Our Certificate of Incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the United States District Court for the District of Delaware) will be the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim against the Company or any director or officer of our Company arising pursuant to any provision of the DGCL, our Certificate of Incorporation or our Bylaws or (4) any other action asserting a claim against our Company or any director or officer of our Company that is governed by the internal affairs doctrine. Although we believe these provisions benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against us or our directors and officers. The exclusive forum provision does not apply to any actions under United States federal securities laws.

Controlled Company. Mr. Thomas Priore controls a majority of the voting power of Priority's outstanding Common Stock. As a result, Priority is a "controlled company" within the meaning of the corporate governance standards of Nasdaq. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of our board of directors consist of independent directors;

- the requirement that we have a Nominating/Corporate Governance Committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and

- the requirement that we have a Compensation Committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

We utilize and intend to continue to utilize these exemptions. As a result, we do not have a majority of independent directors and our Compensation Committee and Nominating/Corporate Governance Committee does not consist entirely of independent directors. Accordingly, our stockholders do not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

No Cumulative Voting. The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless our Certificate of Incorporation provides otherwise. Our Certificate of Incorporation prohibits cumulative voting.

Delaware General Corporation Law. As a Delaware corporation, we are subject to certain anti-takeover provisions of the DGCL. Subject to certain exceptions, Section 203 of the DGCL prevents a publicly held Delaware corporation from engaging in a "business combination" with any "interested stockholder" for three years following the date that the person became an interested stockholder, unless the interested stockholder attained such status with the approval of our Board or unless the business combination is approved in a prescribed manner. A "business combination" includes, among other things, a merger or consolidation involving us and the "interested stockholder" and the sale of more than 10% of our assets. In general, an "interested stockholder" is any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person. Section 203 of the DGCL makes it more difficult for an interested stockholder to effect various business combinations with a corporation for a three-year period. This statute could prohibit or delay mergers or other takeover or change in control attempts not approved in advance by our Board and as a result could discourage attempts to acquire us, which could depress the market price of our Common Stock.

Undesignated Preferred Stock. Our Certificate of Incorporation authorizes our Board to issue preferred stock in one or more series and to fix the number of shares constituting such series and the designation of such series, the voting powers (if any) of the shares of such series, and the preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of such series. The powers, preferences and relative, participating, optional and other special rights of each series of preferred stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding. Except as otherwise required by the Certificate of Incorporation or by applicable law, holders of a series of preferred stock, as such, shall be entitled only to such voting rights, if any, as shall expressly be granted to such holders by the Certificate of Incorporation (including any certificate of designation relating to such

series). Our authorized preferred stock consists of 100,000,000 shares of preferred stock, par value $.001 per share. Issuance of preferred stock in the future could discourage bids for the Common stock at a premium as well as create a depressive effect on the market price of the Common stock.

Removal of Directors; Vacancies. Our Certificate of Incorporation provides that directors may be removed from office only for cause and only upon the affirmative vote of at least $66^{2/3}$% of the voting power of our outstanding shares of common stock entitled to vote in the election of directors. In addition, any newly-created directorship on our Board that results from an increase in the number of directors and any vacancy occurring on our Board shall be filled only by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

Special Meetings. A special meeting of stockholders of Priority may be called only by (a) the Board or (b) the Secretary of the Company upon the written request of stockholders owning at least twenty-five percent (25%) in amount of the entire capital stock of the Company issued and outstanding, or entitled to vote at the special meeting.

EXECUTIVE EMPLOYMENT AGREEMENT

AMONG

PRIORITY TECHNOLOGY HOLDINGS, INC.

AND

Bradley J. Miller

April 15, 2022

EXECUTIVE EMPLOYMENT AGREEMENT

THIS **EXECUTIVE EMPLOYMENT AGREEMENT** (the "Agreement") by and among Priority Technology Holdings, Inc., a Delaware corporation with its principal place of business located at 2001 Westside Parkway, Suite 155, Alpharetta, Georgia 30004 ("PRTH"), and **Bradley J. Miller**, an individual resident of Fulton County, Georgia ("Employee") is entered into and effective as of the __ day of March, 2022 (the "Effective Date"). PRTH and You are collectively referred to herein as the "Parties". Further, for purposes of this Agreement, the services provided pursuant to this Agreement are to be performed for the benefit of PRTH and its Subsidiary Affiliates, which are collectively referred to herein as the "Company", as applicable. "Subsidiary Affiliate" means, with respect to PRTH, any corporation, limited liability company, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, governmental body or other entity that is, directly or indirectly, controlled by or under common control with PRTH.

WHEREAS, PRTH desires to continue to employ Employee on and after the Effective Date and to enter into this Agreement with Employee embodying the terms of such employment; and

WHEREAS, Employee desires to continue to accept such employment by entering into this Agreement with the Company.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Term of Employment. Employee is employed by the Company as its General Counsel and Chief Risk Officer as of the Effective Date. PRTH hereby agrees to employ Employee, and Employee hereby accepts such employment with PRTH, upon the terms and subject to the conditions set forth in this Agreement, for a period commencing on the Effective Date and continuing for an initial term of three (3) years with automatic successive one-year extension terms thereafter unless earlier terminated in accordance with the provisions of Section 5 (the "Employment Term").

2. Title; Duties. Employee shall serve as the General Counsel and Chief Risk Officer. Employee shall report to Chief Executive Officer ("CEO"). Employee shall provide such management updates, division performance updates, personnel and operational updates, and any such other updates or business performance reports as reasonably requested by the CEO. Employee further agrees to devote substantially all of Employee's working time and attention on a full time basis to such duties and responsibilities, except for PTO, absence for sickness or similar disability in accordance with the Company's existing policies and practices, and reasonable amounts of time spent performing services for any charitable, religious, or community organizations, so long as such services do not interfere with the performance of Employee's duties under this Agreement.

3. No Conflicting Commitments. Employee will not enter into any employment or consulting agreement that, in the opinion of the Board, conflicts with the Company's interests or that might impair the performance of Employee's duties as an employee of the Company consistent with the terms of this Agreement.

4. Compensation and Benefits.

4.1. Salary & Bonus.

(a) Base Salary. The Company shall pay Employee for Employee's services hereunder a base salary at the initial annual rate of Three Hundred Seventy-Five Thousand Dollars ($375,000), payable in regular installments in accordance with the Company's usual payment practices and subject to annual review and increase. Such amount (as it may be increased from time to time) shall be referred to herein as the "Base Salary." The Company will review the Base Salary of Employee at least annually and may increase (but not decrease other than pursuant to across-the-board reductions for all or substantially all employees or personnel similarly situated) the Base Salary based upon the past and projected performance of the Company.

(b) Bonus. Beginning with calendar years commencing on and after January 1, 2022, Employee will be eligible to receive an annual bonus during the Employment Term ("Bonus"). The target Bonus for each calendar year shall be in the range of twenty five percent (25%) to fifty percent (50%) of Employee's Base Salary with the actual amount to be based on the level of achievement of individual and Company performance criteria established by the Board for such calendar year and paid out as approved by the Board. Employee will not be eligible to receive any Bonus if Employee is not employed on the last day of the calendar year for which the Bonus is to be paid, except as provided in Section 5 below. The Bonus will be subject to all applicable withholdings and will be paid no later than sixty (60) days after the end of the applicable calendar year.

(c) Equity Incentive. Employee has been awarded Restricted Stock Units ("RSUs") and may be awarded in the future. Notwithstanding the foregoing or anything in this Agreement or the PRTH Equity Incentive Plan to the contrary, the unvested portion of any outstanding Restricted Stock Unit award granted to Employee under the PRTH Equity Incentive Plan shall immediately and automatically become one-hundred percent (100%) vested upon the closing of any go-private transaction that causes all of the equity to cease to be publicly traded on Nasdaq or any other public stock exchange or in the event of a Change of Control of the Company. For purposes of this definition, a "Change of Control" shall have such meaning as defined in the Company's Credit and Guaranty Agreement with Truist Bank dated April 27, 2021, as amended from time to time (the "Truist Agreement").

4.2. Employee Benefits. Subject to any contributions therefor generally required of employees of the Company, Employee shall be entitled to receive such employee benefits (including fringe benefits, 401(k) plan participation, and life, health, dental, accident and short- and long-term disability insurance) that the Company may, in its sole and absolute discretion, make available generally to its employees or personnel similarly situated; provided that, Employee acknowledges and agrees that any such employee benefit plans may be altered, modified or terminated by the Company in accordance with their terms at any time in its sole discretion without recourse by Employee.

4.3. Paid Time Off. Employee shall be entitled to paid time off ("PTO"), accrued in accordance with the Company's existing policies and practices, provided that such PTO shall to be taken at such time or times as shall be mutually convenient for the Company and Employee.

4.4. Business Expenses and Perquisites. Upon delivery of adequate documentation of expenses incurred in accordance with the policies and practices of the Company as may from time to time be in effect, Employee shall be entitled to reimbursement by the Company for reasonable travel and other business expenses incurred by Employee in the performance of Employee's duties hereunder.

4.5. Certain Other Matters. In connection with this Agreement, Employee shall execute and deliver the Employee Confidentiality, Assignment of Inventions, and Non-Solicitation Agreement (the "Non-Solicitation Agreement") attached as **Exhibit A.**

4.6. Taxes. All of Employee's compensation, including, without limitation, the Base Salary and Bonus, shall be subject to withholding for all applicable federal, state and local employment-related taxes, including income, social security, and similar taxes.

5. Termination.

5.1. Termination by the Company. The Company may terminate Employee's employment hereunder at any time with or without cause to be effective immediately upon delivery of notice thereof. The effective date of Employee's termination shall be referred to herein as the "Termination Date." If Employee's employment is terminated by the Company pursuant to this Section 5.1, the Company shall pay Employee all earned but unpaid Base Salary prior to the Termination Date and, if consistent with the Company's then-current policies and practices, the cash value of any accrued but unused PTO as of the Termination Date (collectively, "Accrued Obligations").

(a) Without Cause Termination. In the event Employee's employment is terminated during the initial term of this Agreement by the Company or surviving companies (i.e., if the Company is acquired), in addition to the Accrued Obligations, for reasons other than for cause pursuant to Section 5.1(b) below, the Company shall also pay Employee (in increments according to the Company's normal payroll schedule) the Base Salary for a period of six (6) months following the Termination Date and the earned but unpaid portion of the Bonus for the calendar year preceding the calendar year in which the Termination Date occurs (collectively, the "Severance Package"), provided that Employee satisfies the conditions set forth at the end of this paragraph (the "Severance Conditions"). Employee shall not be eligible for the Severance Package unless and until twenty-eight (28) days (including a seven-day revocation period) after Employee has first satisfied and continues to satisfy the following Severance Conditions: (1) Employee is in compliance with the Non-Solicitation Agreement; (2) Employee is in compliance with all of Employee's obligations under this Agreement; and (3) Employee executes and delivers a waiver and general release of claims in favor of the Company and its affiliates substantially in the form of **Exhibit B**.

(b) For Cause Termination. In the event Employee's employment is terminated "for cause" (defined below) by the Company under this Section 5.1(b), the Company shall pay Employee only the Accrued Obligations. For purposes of this Agreement, "for cause" means: (i) Employee's arbitrary, unreasonable or willful failure to perform, in any material respect, the duties and responsibilities required hereunder and assigned by the CEO from time to time (including, without limitation, continuous constructive collaboration with the Executive Chairman and other members of the management team) that is not cured by Employee within ten days after the first notice from the Company specifying the nature of the default in reasonable detail (i.e., how

Employee has failed to perform or comply) or, if the default cannot be cured within such ten-day period, failure of Employee within such ten-day period to commence and pursue curative action with reasonable diligence; (ii) Employee's gross negligence or willful misconduct in the performance of Employee's duties under this Agreement; (iii) Employee's commission of an act constituting fraud, embezzlement, breach of any fiduciary duty owed to the Company or its shareholders or other material dishonesty with respect to the Company; (iv) Employee's conviction of, or the filing of a plea of nolo contendere or its equivalent, with respect to a felony or any other crime involving dishonesty or moral turpitude; (v) substance abuse (for the purposes of this agreement substance abuse is the use of alcohol or illegal substances including misuse of otherwise legally obtained medications that otherwise interferes with Employee's ability to perform the functions of the position) that is materially injurious to the Company (whether from a monetary perspective or otherwise); or (vi) Employee's material breach of Employee's obligations under this Agreement or the Non-Solicitation Agreement that is not cured by Employee within ten days after the first notice from the Company specifying the nature of the default in reasonable detail (i.e., how Employee has failed to perform or comply) or, if the default cannot be cured within such ten-day period, failure of Employee within such ten-day period to commence and pursue curative action with reasonable diligence and to the reasonable satisfaction of the Company.

5.2. Termination by Employee; Deemed Termination. Employee's employment hereunder may be terminated by Employee at any time upon not less than ninety (90) days' prior written notice from Employee to the Company. Employee agrees that such notice period is reasonable and necessary in light of the duties assumed by Employee pursuant to this Agreement and fair in light of the consideration Employee is receiving pursuant to this Agreement. In the event of such notice by Employee, the Company may limit the Employee's activities during the notice period or the Company may impose any other restrictions it deems necessary and reasonable, including relieving Employee of all duties during the notice period.

(a) Termination for Good Reason. Notwithstanding the foregoing, Employee shall be deemed to have terminated Employee's employment with the Company for "good reason" and, in such case, in addition to the Accrued Obligations, Employee shall be entitled to the Severance Package (provided Employee satisfies the Severance Conditions) in the event any of the following occurs and Employee provides to the Company Notice of Termination (as defined in Section 5.3) during the time frame specified above or, if later, after any applicable cure period: (i) the Company reduces Employee's Base Salary or benefits (other than in connection with a proportional reduction of the base salaries or benefits in excess of twenty percent (20%) of all executive employees of the Company); or (ii) the Company materially breaches any of Sections 4.1 through 4.4 hereof; provided that any of the events described in clauses (i) or (ii) of this Section 5.2(a) shall be deemed termination for "good reason" only if the Company fails to cure such event within ten days after a written notice is delivered by Employee to the Company specifically identifying the event that may be deemed termination for "good reason" pursuant to this Section 5.2(a) or, if the default cannot be cured within such ten-day period, failure of the Company within such ten-day period to commence and pursue curative action with reasonable diligence and to the reasonable satisfaction of Employee.

(b) Termination Without Good Reason. In the event Employee terminates Employee's employment with the Company without "good reason" (as

defined in Section 5.2(a)), the Company shall only pay Employee the Accrued Obligations.

5.3. Notice of Termination. Any termination of employment by the Company or Employee shall be communicated by written Notice of Termination to the other Party in accordance with Section 9 hereof. For purposes of this Agreement, a "Notice of Termination" means a notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of employment under the provision so indicated.

5.4. Survival. The provisions of Sections 4, 5, and 6 hereof and the Non-Solicitation Agreement shall survive the termination of this Agreement.

6. Confidentiality Agreement. In connection with this Agreement, Employee has executed the Non-Solicitation Agreement, which is incorporated herein by reference and made a part of this Agreement.

7. Return of Company Property. Employee agrees that upon termination of Employee's employment hereunder, Employee shall return immediately to the Company any proprietary materials, any materials containing Confidential Information (as defined in the Non-Solicitation Agreement) and any other Company or Company affiliate's property then in Employee's possession or under Employee's control, including without limitation all notes, customer, voluntary benefits carrier, employer, employee and broker lists and contact information, drawings, memoranda, magnetic disks or tapes, or other recording media containing such Confidential Information, whether alone or together with non-confidential information, all documents, reports, files, memoranda, records, software, credit cards, door and file keys, telephones, personal digital assistants, computers, tablet devices, computer access codes, disks and instructional manuals, or any other physical property that Employee received, had access to, prepared, or helped prepare in connection with Employee's employment under this Agreement. Following termination, Employee shall not retain any copies, duplicates, reproductions, or excerpts of Confidential Information, nor shall Employee show or give any of the above to any third party. Employee further agrees that Employee shall not retain or use for Employee's account at any time any trade name, trademark, service mark, logo or other proprietary business designation used or owned in connection with the business of the Company or any affiliate of the Company.

8. Specific Performance; Remedies. Employee agrees that, in the event of a breach or threatened breach of the Non-Solicitation Agreement, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining orders, temporary or permanent injunctions or any other equitable remedy that may then be available.

9. Notices. Any notice hereunder by either Party to the other shall be given in writing by personal delivery, email (with confirmation from the receiving party), facsimile, overnight courier or certified mail, return receipt requested, addressed, if to the Company, to the attention of the CEO at the Company's executive offices or to such other address as the Company may designate in writing at any time or from time to time to Employee with a copy (which shall not constitute notice) to the Company's General Counsel at the Company's executives offices, and if to Employee, to Employee's most recent address and contact information on file with the Company. Notice shall be deemed given, if by personal delivery or by overnight courier, on the date of such delivery or, if by facsimile, on the business day

following receipt of delivery confirmation, if by email, on the date confirmation from the receiving Party is received by the Party providing notice, or, if by certified mail, on the date shown on the applicable return receipt.

10. Successors and Assigns. This Agreement shall inure to the benefit of the Company and its respective successors and assigns. This Agreement may not be assigned by either Party without the prior written consent of the other Party; provided that the Company may assign this Agreement without Employee's consent to an affiliate of the Company (or its successor), *provided*, *however*, that in the event of a sale of all or substantially all of the assets of the Company or any direct or indirect division or subsidiary thereof to which employee's employment primarily relates, the Company may provide that this Agreement will be assigned to, and assumed by, the acquiror of such assets, it being agreed that in such circumstances, Employee's consent will not be required in connection therewith. This Agreement shall be binding on the Parties' permitted successors and assigns.

11. Entire Agreement. This Agreement, the Non-Solicitation Agreement, and the Company's policies and procedures as approved by the Company and in effect and as amended from time to time constitute the entire agreement between the Parties with respect to the subject matter hereof. To the extent there is any conflict between this Agreement and the Non-Solicitation Agreement, this Agreement shall prevail.

12. Expenses. The Parties shall each pay their own respective expenses incident to the enforcement or interpretation of, or dispute resolution with respect to, this Agreement, including all fees and expenses of their counsel for all activities of such counsel undertaken pursuant to this Agreement.

13. Governing Law. THIS AGREEMENT (INCLUDING ANY CLAIM OR CONTROVERSY ARISING OUT OF OR RELATING TO THIS AGREEMENT) SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF GEORGIA, WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES THAT WOULD RESULT IN THE APPLICATION OF ANY LAW OTHER THAN THE LAWS OF THE STATE OF GEORGIA. ANY DISPUTE OR CLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR CLAIM OF BREACH HEREOF SHALL BE BROUGHT EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF GEORGIA, ATLANTA DIVISION, TO THE EXTENT FEDERAL JURISDICTION EXISTS, AND IN THE SUPERIOR COURT OF FULTON COUNTY, GEORGIA, BUT ONLY IN THE EVENT FEDERAL JURISDICTION DOES NOT EXIST, AND ANY APPLICABLE APPELLATE COURTS. BY EXECUTION OF THIS AGREEMENT, THE PARTIES HERETO, AND THEIR RESPECTIVE AFFILIATES, CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS, AND WAIVE ANY RIGHT TO CHALLENGE JURISDICTION OR VENUE IN SUCH COURT WITH REGARD TO ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS AGREEMENT.

14. Waiver of Jury Trial. EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR

OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

15. Waivers and Further Agreements. Any waiver of any terms or conditions of this Agreement shall not operate as a waiver of any other breach of such terms or conditions or any other term or condition, nor shall any failure to enforce any provision hereof operate as a waiver of such provision or of any other provision hereof; provided, that no such written waiver, unless it, by its own terms, explicitly provides to the contrary, shall be construed to effect a continuing waiver of the provision being waived and no such waiver in any instance shall constitute a waiver in any other instance or for any other purpose or impair the right of the Party against whom such waiver is claimed in all other instances or for all other purposes to require full compliance with such provision. Each Party agrees to execute all such further instruments and documents and to take all such further action as the other Party may reasonably request to effectuate the terms and purposes of this Agreement.

16. Amendments. This Agreement may not be amended, nor shall any waiver, change, modification, consent or discharge be effected, except by an instrument in writing executed by both Parties.

17. Severability; Headings. If any portion of this Agreement is held invalid or inoperative, the other portions of this Agreement shall be deemed valid and operative and, so far as is reasonable and possible, effect shall be given to the intent manifested by the portion held invalid or inoperative. The section headings are for reference purposes only and are not intended in any way to describe, interpret, define or limit the extent of the Agreement or of any part hereof.

18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile and electronically transmitted signature (e.g., portable document format) and such signatures shall be deemed to be originals.

19. Legal Advice. Employee acknowledges that Employee has been advised to seek the advice of independent legal counsel and has either obtained such advice or has voluntarily and without compulsion elected to enter into and be bound by the terms of this Agreement without such advice of independent legal counsel.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have duly executed and delivered this Employment Agreement as of the Effective Date.

EMPLOYEE:

____

Bradley J. Miller

COMPANY:

Priority Technology Holdings, Inc.

By: ___________
Name: _____________
Title: ___________

DOC ID

Exhibit A

EMPLOYEE CONFIDENTIALITY, ASSIGNMENT OF INVENTIONS, AND NON-SOLICITATION AGREEMENT

Bradley J. Miller

In consideration of my employment with and continued employment by **Priority Technology Holdings, Inc., a Delaware corporation** (together with its affiliates, the "Company"), and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, I agree as follows:

Confidentiality

I understand that the Company and its affiliates continually obtain and develop valuable proprietary and confidential information concerning their business, business relationships, and financial affairs, (the "Confidential Information"), that has or may become known to me in connection with my employment. By way of illustration but not limitation, Confidential Information shall include Inventions (as defined below), trade secrets, technical information, know-how, research and development activities, product, service and marketing plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, customer and supplier information, information (including contact coordinates) for employers and employees, and information disclosed to the Company or to me by third parties of a proprietary or confidential nature or under an obligation of confidence. Confidential Information is contained in various media, including without limitation, patent applications, computer programs in object and source code, flow charts and other program documentation, manuals, plans, drawings, designs, technical specifications, supplier, customer, carrier and claimant lists, claimant case files, internal financial data and other documents and records of the Company.

Confidential Information shall not include information that I can demonstrate: (1) is or becomes generally known within the Company's industry through no fault of mine or any other person with an obligation of confidentiality to the Company; (2) is lawfully and in good faith made available to me by a third party who did not derive it from the Company and who imposes no obligation of confidence on me; or (3) is required to be disclosed by a governmental authority or by order of a court of competent jurisdiction, provided that such disclosure is subject to all applicable governmental or judicial protection available for like material and reasonable advance notice is given to the Company.

I represent and warrant that: (1) I am not subject to any legal or contractual duty or agreement that would prevent or prohibit me from performing the duties contemplated by my employment agreement with the Company or otherwise contained herein, and (2) I am not in breach of any legal or contractual duty or agreement, including any agreement concerning trade secrets or confidential information owned by any other party.

I agree that I will not: (1) use, disclose, or reverse engineer any Confidential Information for any purpose other than the Business (as defined below), except as authorized in writing by the Company; (2) during my employment with the Company, use, disclose, or reverse engineer (a) any confidential information or trade secrets of any former employer or third party or (b) any works of authorship developed in whole or in part by me during any former employment or for any other party, unless authorized in writing by the former employer or third party; or (3) upon my resignation or termination (a) retain any Confidential Information, including any copies

existing in any form (including electronic form), which are in my possession, custody, or control, or (b) destroy, delete, or alter any Confidential Information without the Company's written consent.

I acknowledge that the confidentiality, property, and proprietary rights protections contained in this Agreement are in addition to, and not exclusive of, any and all other rights to which the Company may be entitled under federal and state law, including without limitation rights provided under copyright laws, trade secret and confidential information laws, and laws concerning fiduciary duties.

I acknowledge that all Confidential Information, whether or not in writing and whether or not labeled or identified as confidential or proprietary, is and shall remain the exclusive property of the Company or the third party providing such Confidential Information to myself or the Company.

I agree to exercise all reasonable precautions to protect the integrity and confidentiality of Confidential Information in my possession and not to remove any materials containing Confidential Information from the Company's premises except to the extent necessary for my employment. Upon the termination of my employment, or at any time upon the Company's request, I shall return immediately to the Company any and all materials containing any Confidential Information then in my possession or under my control.

Nothing contained herein or in my employment agreement with the Company is intended to or will be used in any way to limit your rights to communicate or cooperate with, or provide information to, a governmental agency or entity as provided for, protected under, or warranted by whistleblower or other provisions of applicable law or regulation.

Assignment of Inventions

I agree promptly to disclose to the Company any and all discoveries, inventions, developments, original works of authorship, software programs, software and systems documentation, trade secrets, technical data, and know-how that are conceived, devised, invented, developed or reduced to practice or tangible medium by me, under my direction or jointly with others in the course and scope of my employment by the Company, whether or not during normal working hours or on the premises of the Company, which relate directly or indirectly to the business of the Company or its affiliates (collectively, the "Business") and arise out of my employment with the Company (hereinafter "Inventions").

I hereby assign to the Company (or its designated affiliates) all of my right, title, and interest to the Inventions and any and all related patent rights, copyrights, and applications and registrations therefor. During and after my employment, I shall cooperate with the Company, at the Company's expense, in obtaining proprietary protection for the Inventions, and I shall execute all documents that the Company shall reasonably request in order to perfect the Company's (or its designated affiliates') rights in the Inventions. I understand that, to the extent this Agreement shall be construed in accordance with the laws of any state which limits the assignability to the Company of certain employee inventions, this Agreement shall be interpreted not to apply to any such invention that a court rules or the Company agrees is subject to such state limitation.

I acknowledge that all original works of authorship made by me within the scope of my employment that are protectable by copyright are intended to be "works made for hire", as that

term is defined in Section 101 of the United States Copyright Act of 1976 (the "Act"), and shall be the property of the Company, and the Company shall be the sole author within the meaning of the Act. I hereby waive all claims to moral rights in any Inventions. I further represent that there are no inventions made, conceived or first reduced to practice by me, under my direction or jointly with others prior to my employment with the Company.

Restrictive Covenants

I acknowledge and agree that: (1) my position is a position of trust and responsibility with access to Confidential Information; (2) the Confidential Information, and the relationship between the Company, its affiliates, and the employees and customers of each, are valuable assets of the Company that may not be used for any purpose other than the Business; (3) the names of any customers of the Company or its affiliates are considered Confidential Information that constitutes valuable, special, and unique property of the Company; (4) customer lists and customer information that have been compiled by the Company or its affiliates represent a material investment of the Company's time and money; (5) the Company will invest its time and money in the development of my skills in the Business; and (6) the restrictions contained in this herein, including without limitation the restrictive covenants set forth in this Agreement, are reasonable and necessary to protect the legitimate business interests of the Company and its affiliates, and they will not impair or infringe upon my right to work or earn a living when my employment with the Company ends.

I acknowledge that (1) the markets served by the Company are intended to be national in scope and not dependent on the geographic location of the executive personnel or the businesses by which they are employed, and (2) the below covenants are manifestly reasonable on their face. The Company and I expressly agree that such restrictions have been designed to be reasonable and no greater than is required for the protection of the Company and are a significant element of the consideration hereunder. If the final judgment of a court of competent jurisdiction declares that any term or provision contained herein is invalid or unenforceable, the Company and I agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and the covenants and agreements contained herein shall be enforceable as so modified to cover the maximum duration, scope, or area permitted by law.

Non-Solicitation of Customers

I agree that, while I am employed by the Company and for a period of two years following any termination or cessation of such employment (such period, the "Non-Interference Period"), I shall not solicit, divert, or take away, or attempt to divert or take away, the business or patronage of any of the referral sources, clients, customers, or accounts of the Company for the purpose of selling or providing any products or services competitive with the Business.

Non-Solicitation and Non-Hire of Employees

While I am employed by the Company and during the Non-Interference Period, I will not, directly or indirectly, for my benefit or for the benefit of any person other than the Company, (1) solicit or assist any person to solicit, recruit, or induce any officer, director, Executive Chairman, executive, employee or consultant of the Company or its affiliates to (a) terminate his or her employment or relationship with the Company or its affiliates, or (b) work for any other person,

or (2) hire or cause to be hired any person who is then, or who will have been at any point in time during the Non-Interference Period, an officer, director, Executive Chairman, executive, employee, or consultant of the Company or its affiliates.

Non-Competition

While I am employed by the Company and during the Non-Interference Period, I will not engage or participate, directly or indirectly, as principal, agent, executive, director, proprietor, joint venturer, trustee, employee, employer, consultant, stockholder, partners, or in any other capacity whatsoever in the conduct or management of, or fund, invest in, lend to, own any stock or any other equity or debt investment in, or provide any services of any nature whatsoever to or in respect of any business that is competitive with or in the same line of business as the Business in the United States, provided that nothing in this Agreement shall prohibit me from being passive beneficial owner of less than two percent of the outstanding stock of any publicly-traded corporation.

Separate Obligations

I hereby acknowledge that the foregoing obligations are separate and distinct (and that I have received or will receive separate consideration for the foregoing obligations) from and not in derogation of any obligations I have undertaken in connection with any other agreements between myself and the Company.

Other Agreements

I hereby represent to the Company that I am not bound by any agreement or any other previous or existing business relationship that conflicts with or prevents the full performance of my duties and obligations to the Company (including my duties and obligations under this or any other agreement with the Company) during my employment. All existing business relationships and agreements that I have with persons other than the Company are set forth on Schedule A hereto.

General

This Agreement may not be assigned by either party, except that the Company may assign this Agreement to its affiliates or in connection with the merger, consolidation or sale of all or substantially all of its business or assets. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and other legal representatives and, to the extent that any assignment hereof is permitted hereunder, their assignees. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile or electronically transmitted signature (e.g., portable document format), and such signatures shall be deemed to be originals.

This Agreement supersedes all prior agreements, written or oral, with respect to the subject matter of this Agreement. This Agreement may be changed only by a written instrument signed by both parties hereto.

In the event that any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement, and all other provisions

shall remain in full force and effect. If any of the provisions of this Agreement is held to be excessively broad, it shall be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law. I agree that should I violate any obligation imposed on me in this Agreement, I shall continue to be bound by the obligation until a period equal to the term of such obligation has expired without violation of such obligation.

No delay or omission by the Company in exercising any right under this Agreement will operate as a waiver of that or any other right. A waiver or consent given by the Company on any occasion is effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

I acknowledge that the restrictions contained in this Agreement are necessary for the protection of the business and goodwill of the Company and the Company's legitimate business interests, are reasonable for such purpose, and are reasonable and valid in geographical and temporal scope and in all other respects and not overly broad or unduly burdensome. I agree that any breach of this Agreement by me will cause irreparable damage to the Company and that, in the event of such breach, the prevailing party in any such enforcement action shall be entitled, in addition to monetary damages and any other remedies available to the prevailing party under this Agreement and at law, to equitable relief, including injunctive relief, and to payment of all costs incurred by the prevailing party in enforcing or defending the provisions of this Agreement, including reasonable attorneys' fees and costs. I agree that should I violate any obligation imposed on me in this Agreement, I shall continue to be bound by the obligation until a period equal to the term of such obligation has expired without violation of such obligation.

This Agreement shall be construed as a sealed instrument and shall in all events and for all purposes be governed by, and construed in accordance with, the laws of the State of Georgia without regard to any choice of law principles that would dictate the application of the laws of another jurisdiction.

[*Signature Page Follows*]

I HAVE READ ALL OF THE PROVISIONS OF THIS EMPLOYEE CONFIDENTIALITY, ASSIGNMENT OF INVENTIONS, AND NON-SOLICITATION AGREEMENT AND I UNDERSTAND AND AGREE TO EACH OF SUCH PROVISIONS EFFECTIVE AS OF THE DATE FIRST SET FORTH ABOVE.

____

Bradley J. Miller

Acknowledged and Agreed to by:

Priority Technology Holdings, Inc.

By: __________
Name: __________
Title: __________

Exhibit B

Form of Release

[DATE]

Priority Technology Holdings, Inc.
Attn: General Counsel
2001 Westside Parkway, Suite 155
Alpharetta, GA 30004
(together with its affiliates, the "Company")

Except as set forth in the Employment Agreement by and between myself (the "Employee" or "I") and the Company dated as of ___________ (the "Employment Agreement"), I am entitled to no severance or termination payment or benefits. I acknowledge the Company has no legal obligation to provide me with the benefits and consideration outlined in the Employment Agreement except as part of this release letter and in consideration for my signing of this release letter. I have been notified of my right to review this release letter with counsel, and I have received, if I so chose, legal advice concerning this release letter.

General Release. Employee acknowledges that the Company has no legal obligation to provide Employee with these benefits except as part of the Employment Agreement and in consideration for Employee signing this release letter and the waiver and release of claims contained herein. In return for these benefits, Employee irrevocably and unconditionally releases the Company and all affiliated companies, predecessors and successors of each and each such entity's officers, directors, employees, agents, attorneys or insurers in their individual and representative capacities (collectively referred to as the "Company Parties") from any and all claims, causes of action, complaints, damages, liabilities and expenses whatsoever, whether known or unknown, direct or indirect, at law or in equity and whether sounding in contract, tort or other theory (collectively, "Claims") that Employee may have now, have had in the past or have in the future for or by reason of any matter, cause or thing whatsoever that has happened, developed or occurred on or before the date hereof, including without limitation in connection with Employee's employment or termination of employment with the Company. This release of the Company includes any Claims that Employee might have for re-employment or for additional compensation or benefits (except as specifically stated below), and applies to Claims that Employee might have under federal, state or local law or ordinance dealing with employment, contract, wage and hour, tort, or civil rights matters, including, but not limited to, applicable local and state civil rights matters, including, but not limited to, applicable local and state civil rights laws or wage payment laws, Employee Retirement Income Security Act, Title VII of the Civil Rights Act of 1964, the Civil Rights Acts (42 USC § 1981-1988), the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1967 (the "ADEA"), Section 806 of the Sarbanes Oxley Act of 2002 and any other Claims alleging retaliation of any nature, the Vietnam Era Veterans Readjustment Assistance Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Older Workers Benefit Protection Act, the Equal Pay Act of 1963, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, the Equal Pay Act of 1963, the Fair Labor Standards Act, sections 503 and 504 of the Vocational Rehabilitation Act, the Family and Medical Leave Act, Executive Order 11246, and the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), all as amended from time to time, together with all laws and regulations promulgated thereunder. Employee represents that there are no claims, complaints or charges pending against the Company in which Employee is a party or complainant, or any unasserted Workers' Compensation claims.

Employee further agrees not to institute any Claim to challenge the validity of this release or the circumstances surrounding its execution. This is a general release, including a waiver of Claims for age discrimination under federal and state statutes, such as the ADEA. Employee understands the waiver and release of claims does not affect rights or claims arising under the ADEA or the Older Workers Benefit Protection Act after the date of the execution of this release letter.

Covenant Not to Sue. Employee represents and warrants that Employee has not filed any Claims against the Company or any of the Company Parties with any local, state or federal court or administrative agency. Employee agrees and covenants not to sue or bring any Claims against the Company or any of the Company Parties with respect to any matters arising out of or relating to Employee's employment with the Company or separation from the Company, or any Claims that as a matter of law cannot be released, such as under workers' compensation, for unemployment benefits or any Claims related to the Company's future involvement with, if any, Employee's 401(k)/retirement plans with the Company. Except as set forth herein, in the event that Employee on Employee's behalf institutes any such action, that Claim shall be dismissed upon presentation of this release letter, and Employee shall reimburse the Company for all legal fees and expenses incurred in defending such Claim and obtaining its dismissal.

Exclusion. Nothing in this release letter shall preclude Employee from filing a charge or complaint, including a challenge to the validity of this release letter, with the Equal Employment Opportunity Commission or any state anti-discrimination agency or from participating or cooperating in any investigation or proceeding conducted by any of such agencies. In the event that a charge or complaint is filed with any administrative agency by Employee or in the event of an authorized investigation, charge or lawsuit filed by any administrative agency, Employee expressly waives and shall not accept any monetary awards or damages, costs or attorneys' fees of any sort therefrom against the Company or any of the Releasees.

Waiting Period. I understand I have a period of up to 21 days to consider this release letter and that I have been advised to speak with an attorney. I agree this release letter is written in a manner that I understand what I am releasing. I understand that this release must be signed no later than 21 days from the date first set forth above for me to be entitled to the benefits of the Severance Package (as defined in the Employment Agreement). I agree that upon signing this release letter I become bound by its terms unless I revoke the release contained herein. I understand I may revoke the release contained herein within seven days after signing it; and that, unless I so revoke it, the release contained herein will be fully effective seven days after I have signed it. Once this release letter is fully effective, the Severance Package will be forwarded by U.S. mail according to the schedule in the terms of the Employment Agreement.

Yours truly,
Date:____ Signature:__
Print Name: Bradley J. Miller

EXECUTIVE EMPLOYMENT AGREEMENT

AMONG

PRIORITY TECHNOLOGY HOLDINGS, INC.

AND

Timothy O'Leary

September 19, 2022

EXECUTIVE EMPLOYMENT AGREEMENT

THIS **EXECUTIVE EMPLOYMENT AGREEMENT** (the “Agreement”) by and among Priority Technology Holdings, Inc., a Delaware corporation with its principal place of business located at 2001 Westside Parkway, Suite 155, Alpharetta, Georgia 30004 (“PRTH”), and **Timothy O’Leary**, an individual resident of Fulton County, Georgia (“Employee”) is entered into and effective as of the 19th day of September, 2022 (the “Effective Date”). PRTH and You are collectively referred to herein as the “Parties”. Further, for purposes of this Agreement, the services provided pursuant to this Agreement are to be performed for the benefit of PRTH and its Subsidiary Affiliates, which are collectively referred to herein as the “Company”, as applicable. “Subsidiary Affiliate” means, with respect to PRTH, any corporation, limited liability company, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, governmental body or other entity that is, directly or indirectly, controlled by or under common control with PRTH.

WHEREAS, PRTH desires to continue to employ Employee on and after the Effective Date and to enter into this Agreement with Employee embodying the terms of such employment; and

WHEREAS, Employee desires to continue to accept such employment by entering into this Agreement with the Company.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Term of Employment. Employee is employed by the Company as its Chief Financial Officer as of the Effective Date. PRTH hereby agrees to employ Employee, and Employee hereby accepts such employment with PRTH, upon the terms and subject to the conditions set forth in this Agreement, for a period commencing on the Effective Date and continuing for an initial term of three (3) years with automatic successive one-year extension terms thereafter unless earlier terminated in accordance with the provisions of Section 5 (the “Employment Term”).

2. Title; Duties. Employee shall serve as the Chief Financial Officer. Employee shall report to Chief Executive Officer (“CEO”). Employee shall provide such management updates, division performance updates, personnel and operational updates, and any such other updates or business performance reports as reasonably requested by the CEO. Employee further agrees to devote substantially all of Employee’s working time and attention on a full time basis to such duties and responsibilities, except for PTO, absence for sickness or similar disability in accordance with the Company’s existing policies and practices, and reasonable amounts of time spent performing services for any charitable, religious, or community organizations, so long as such services do not interfere with the performance of Employee’s duties under this Agreement.

3. No Conflicting Commitments. Employee will not enter into any employment or consulting agreement that, in the opinion of the Board, conflicts with the Company’s interests or that might impair the performance of Employee’s duties as an employee of the Company consistent with the terms of this Agreement.

4. Compensation and Benefits.

4.1. Salary & Bonus.

(a) Base Salary. The Company shall pay Employee for Employee's services hereunder a base salary at the initial annual rate of Four Hundred Thousand Dollars ($400,000), payable in regular installments in accordance with the Company's usual payment practices and subject to annual review and increase. Such amount (as it may be increased from time to time) shall be referred to herein as the "Base Salary." The Company will review the Base Salary of Employee at least annually and may increase (but not decrease other than pursuant to across-the-board reductions for all or substantially all employees or personnel similarly situated) the Base Salary based upon the past and projected performance of the Company.

(b) Bonus. Beginning with calendar years commencing on and after January 1, 2022, Employee will be eligible to receive an annual bonus during the Employment Term ("Bonus"). The target Bonus for each calendar year shall be sixty five percent (65%) of Employee's Base Salary with the actual amount to be based on the level of achievement of individual and Company performance criteria established by the Board for such calendar year and paid out as approved by the Board. Employee will not be eligible to receive any Bonus if Employee is not employed on the last day of the calendar year for which the Bonus is to be paid, except as provided in Section 5 below. The Bonus will be subject to all applicable withholdings and will be paid no later than sixty (60) days after the end of the applicable calendar year.

(c) Equity Incentive. Equity Incentive. During the Employment Term, Employee shall be eligible to participate in the PRTH Equity Incentive Plan, under the terms and conditions set forth in the PRTH Equity Incentive Plan. The Company and the Employee shall enter into a restricted stock unit (RSU) award agreement (the "Award Agreement") pursuant to which the Employee receives the right to earn up to Six Hundred Thousand Dollars ($600,000) worth of Restricted Stock Units annually (based on current market value of the Company's shares on each grant date), with each annual issuance of Restricted Stock Units subject to a three (3) year vesting schedule as set forth in the Award Agreement (such shares, the "Restricted Stock Unit Award"). Employee and the Company will negotiate in good faith to resolve and execute any applicable PRTH Equity Incentive Plan documents, including any applicable Restricted Stock Unit Award Agreements, within ninety (90) days of the execution of this Agreement. Any Restricted Stock Unit Award Agreement will be in substantially the form as that attached as Exhibit D.

(d) Notwithstanding the foregoing or anything in this Agreement or the PRTH Equity Incentive Plan to the contrary, the unvested portion of any outstanding Restricted Stock Unit award granted to Employee under the PRTH Equity Incentive Plan shall immediately and automatically become one-hundred percent (100%) vested upon the closing of any go-private transaction that causes all of the equity to cease to be publicly traded on Nasdaq or any other public stock exchange or in the event of a Change of Control of the Company. For purposes of this definition, a "Change of Control" shall have such meaning as defined in the Company's Credit and Guaranty Agreement with Truist Bank dated April 27, 2021, as amended from time to time (the "Truist Agreement").

4.2. Employee Benefits. Subject to any contributions therefor generally required of employees of the Company, Employee shall be entitled to receive such employee

benefits (including fringe benefits, 401(k) plan participation, and life, health, dental, accident and short- and long-term disability insurance) that the Company may, in its sole and absolute discretion, make available generally to its employees or personnel similarly situated; provided that, Employee acknowledges and agrees that any such employee benefit plans may be altered, modified or terminated by the Company in accordance with their terms at any time in its sole discretion without recourse by Employee.

4.3. Paid Time Off. Employee shall be entitled to paid time off ("PTO"), accrued in accordance with the Company's existing policies and practices, provided that such PTO shall to be taken at such time or times as shall be mutually convenient for the Company and Employee.

4.4. Business Expenses and Perquisites. Upon delivery of adequate documentation of expenses incurred in accordance with the policies and practices of the Company as may from time to time be in effect, Employee shall be entitled to reimbursement by the Company for reasonable travel and other business expenses incurred by Employee in the performance of Employee's duties hereunder.

4.5. Certain Other Matters. In connection with this Agreement, Employee shall execute and deliver the Employee Confidentiality, Assignment of Inventions, and Non-Solicitation Agreement (the "Non-Solicitation Agreement") attached as **Exhibit A.**

4.6. Taxes. All of Employee's compensation, including, without limitation, the Base Salary and Bonus, shall be subject to withholding for all applicable federal, state and local employment-related taxes, including income, social security, and similar taxes.

5. Termination.

5.1. Termination by the Company. The Company may terminate Employee's employment hereunder at any time with or without cause to be effective immediately upon delivery of notice thereof. The effective date of Employee's termination shall be referred to herein as the "Termination Date." If Employee's employment is terminated by the Company pursuant to this Section 5.1, the Company shall pay Employee all earned but unpaid Base Salary prior to the Termination Date and, if consistent with the Company's then-current policies and practices, the cash value of any accrued but unused PTO as of the Termination Date (collectively, "Accrued Obligations").

(a) Without Cause Termination. In the event Employee's employment is terminated during the initial term of this Agreement by the Company or surviving companies (i.e., if the Company is acquired), in addition to the Accrued Obligations, for reasons other than for cause pursuant to Section 5.1(b) below, the Company shall also pay Employee (in increments according to the Company's normal payroll schedule) the Base Salary for a period of six (6) months following the Termination Date and the earned but unpaid portion of the Bonus for the calendar year preceding the calendar year in which the Termination Date occurs (collectively, the "Severance Package"), provided that Employee satisfies the conditions set forth at the end of this paragraph (the "Severance Conditions"). Employee shall not be eligible for the Severance Package unless and until twenty-eight (28) days (including a seven-day revocation period) after Employee has first satisfied and continues to satisfy the following Severance Conditions: (1) Employee is in compliance with the Non-Solicitation Agreement; (2) Employee is in compliance with all of Employee's obligations under this Agreement; and (3)

Employee executes and delivers a waiver and general release of claims in favor of the Company and its affiliates substantially in the form of **Exhibit B**.

(b) For Cause Termination. In the event Employee's employment is terminated "for cause" (defined below) by the Company under this Section 5.1(b), the Company shall pay Employee only the Accrued Obligations. For purposes of this Agreement, "for cause" means: (i) Employee's arbitrary, unreasonable or willful failure to perform, in any material respect, the duties and responsibilities required hereunder and assigned by the CEO from time to time (including, without limitation, continuous constructive collaboration with the Executive Chairman and other members of the management team) that is not cured by Employee within ten days after the first notice from the Company specifying the nature of the default in reasonable detail (i.e., how Employee has failed to perform or comply) or, if the default cannot be cured within such ten-day period, failure of Employee within such ten-day period to commence and pursue curative action with reasonable diligence; (ii) Employee's gross negligence or willful misconduct in the performance of Employee's duties under this Agreement; (iii) Employee's commission of an act constituting fraud, embezzlement, breach of any fiduciary duty owed to the Company or its shareholders or other material dishonesty with respect to the Company; (iv) Employee's conviction of, or the filing of a plea of nolo contendere or its equivalent, with respect to a felony or any other crime involving dishonesty or moral turpitude; (v) substance abuse (for the purposes of this agreement substance abuse is the use of alcohol or illegal substances including misuse of otherwise legally obtained medications that otherwise interferes with Employee's ability to perform the functions of the position) that is materially injurious to the Company (whether from a monetary perspective or otherwise); or (vi) Employee's material breach of Employee's obligations under this Agreement or the Non-Solicitation Agreement that is not cured by Employee within ten days after the first notice from the Company specifying the nature of the default in reasonable detail (i.e., how Employee has failed to perform or comply) or, if the default cannot be cured within such ten-day period, failure of Employee within such ten-day period to commence and pursue curative action with reasonable diligence and to the reasonable satisfaction of the Company.

5.2. Termination by Employee; Deemed Termination. Employee's employment hereunder may be terminated by Employee at any time upon not less than ninety (90) days' prior written notice from Employee to the Company. Employee agrees that such notice period is reasonable and necessary in light of the duties assumed by Employee pursuant to this Agreement and fair in light of the consideration Employee is receiving pursuant to this Agreement. In the event of such notice by Employee, the Company may limit the Employee's activities during the notice period or the Company may impose any other restrictions it deems necessary and reasonable, including relieving Employee of all duties during the notice period.

(a) Termination for Good Reason. Notwithstanding the foregoing, Employee shall be deemed to have terminated Employee's employment with the Company for "good reason" and, in such case, in addition to the Accrued Obligations, Employee shall be entitled to the Severance Package (provided Employee satisfies the Severance Conditions) in the event any of the following occurs and Employee provides to the Company Notice of Termination (as defined in Section 5.3) during the time frame specified above or, if later, after any applicable cure period: (i) the Company reduces Employee's Base Salary or benefits (other than in connection with a proportional reduction of the base salaries or benefits in excess of twenty percent (20%) of all executive employees of the Company); or (ii) the Company materially breaches any of

Sections 4.1 through 4.4 hereof; provided that any of the events described in clauses (i) or (ii) of this Section 5.2(a) shall be deemed termination for "good reason" only if the Company fails to cure such event within ten days after a written notice is delivered by Employee to the Company specifically identifying the event that may be deemed termination for "good reason" pursuant to this Section 5.2(a) or, if the default cannot be cured within such ten-day period, failure of the Company within such ten-day period to commence and pursue curative action with reasonable diligence and to the reasonable satisfaction of Employee.

(b) Termination Without Good Reason. In the event Employee terminates Employee's employment with the Company without "good reason" (as defined in Section 5.2(a)), the Company shall only pay Employee the Accrued Obligations.

5.3. Notice of Termination. Any termination of employment by the Company or Employee shall be communicated by written Notice of Termination to the other Party in accordance with Section 9 hereof. For purposes of this Agreement, a "Notice of Termination" means a notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of employment under the provision so indicated.

5.4. Survival. The provisions of Sections 4, 5, and 6 hereof and the Non-Solicitation Agreement shall survive the termination of this Agreement.

6. Confidentiality Agreement. In connection with this Agreement, Employee has executed the Non-Solicitation Agreement, which is incorporated herein by reference and made a part of this Agreement.

7. Return of Company Property. Employee agrees that upon termination of Employee's employment hereunder, Employee shall return immediately to the Company any proprietary materials, any materials containing Confidential Information (as defined in the Non-Solicitation Agreement) and any other Company or Company affiliate's property then in Employee's possession or under Employee's control, including without limitation all notes, customer, voluntary benefits carrier, employer, employee and broker lists and contact information, drawings, memoranda, magnetic disks or tapes, or other recording media containing such Confidential Information, whether alone or together with non-confidential information, all documents, reports, files, memoranda, records, software, credit cards, door and file keys, telephones, personal digital assistants, computers, tablet devices, computer access codes, disks and instructional manuals, or any other physical property that Employee received, had access to, prepared, or helped prepare in connection with Employee's employment under this Agreement. Following termination, Employee shall not retain any copies, duplicates, reproductions, or excerpts of Confidential Information, nor shall Employee show or give any of the above to any third party. Employee further agrees that Employee shall not retain or use for Employee's account at any time any trade name, trademark, service mark, logo or other proprietary business designation used or owned in connection with the business of the Company or any affiliate of the Company.

8. Specific Performance; Remedies. Employee agrees that, in the event of a breach or threatened breach of the Non-Solicitation Agreement, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of

specific performance, temporary restraining orders, temporary or permanent injunctions or any other equitable remedy that may then be available.

9. Notices. Any notice hereunder by either Party to the other shall be given in writing by personal delivery, email (with confirmation from the receiving party), facsimile, overnight courier or certified mail, return receipt requested, addressed, if to the Company, to the attention of the CEO at the Company's executive offices or to such other address as the Company may designate in writing at any time or from time to time to Employee with a copy (which shall not constitute notice) to the Company's General Counsel at the Company's executives offices, and if to Employee, to Employee's most recent address and contact information on file with the Company. Notice shall be deemed given, if by personal delivery or by overnight courier, on the date of such delivery or, if by facsimile, on the business day following receipt of delivery confirmation, if by email, on the date confirmation from the receiving Party is received by the Party providing notice, or, if by certified mail, on the date shown on the applicable return receipt.

10. Successors and Assigns. This Agreement shall inure to the benefit of the Company and its respective successors and assigns. This Agreement may not be assigned by either Party without the prior written consent of the other Party; provided that the Company may assign this Agreement without Employee's consent to an affiliate of the Company (or its successor), *provided*, *however*, that in the event of a sale of all or substantially all of the assets of the Company or any direct or indirect division or subsidiary thereof to which employee's employment primarily relates, the Company may provide that this Agreement will be assigned to, and assumed by, the acquiror of such assets, it being agreed that in such circumstances, Employee's consent will not be required in connection therewith. This Agreement shall be binding on the Parties' permitted successors and assigns.

11. Entire Agreement. This Agreement, the Non-Solicitation Agreement, and the Company's policies and procedures as approved by the Company and in effect and as amended from time to time constitute the entire agreement between the Parties with respect to the subject matter hereof. To the extent there is any conflict between this Agreement and the Non-Solicitation Agreement, this Agreement shall prevail.

12. Expenses. The Parties shall each pay their own respective expenses incident to the enforcement or interpretation of, or dispute resolution with respect to, this Agreement, including all fees and expenses of their counsel for all activities of such counsel undertaken pursuant to this Agreement.

13. Governing Law. THIS AGREEMENT (INCLUDING ANY CLAIM OR CONTROVERSY ARISING OUT OF OR RELATING TO THIS AGREEMENT) SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF GEORGIA, WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES THAT WOULD RESULT IN THE APPLICATION OF ANY LAW OTHER THAN THE LAWS OF THE STATE OF GEORGIA. ANY DISPUTE OR CLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR CLAIM OF BREACH HEREOF SHALL BE BROUGHT EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF GEORGIA, ATLANTA DIVISION, TO THE EXTENT FEDERAL JURISDICTION EXISTS, AND IN THE SUPERIOR COURT OF FULTON COUNTY, GEORGIA, BUT ONLY IN THE EVENT FEDERAL JURISDICTION DOES NOT EXIST, AND ANY APPLICABLE APPELLATE COURTS. BY EXECUTION OF THIS AGREEMENT, THE PARTIES HERETO, AND THEIR RESPECTIVE AFFILIATES,

CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS, AND WAIVE ANY RIGHT TO CHALLENGE JURISDICTION OR VENUE IN SUCH COURT WITH REGARD TO ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS AGREEMENT.

14. Waiver of Jury Trial. EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

15. Waivers and Further Agreements. Any waiver of any terms or conditions of this Agreement shall not operate as a waiver of any other breach of such terms or conditions or any other term or condition, nor shall any failure to enforce any provision hereof operate as a waiver of such provision or of any other provision hereof; provided, that no such written waiver, unless it, by its own terms, explicitly provides to the contrary, shall be construed to effect a continuing waiver of the provision being waived and no such waiver in any instance shall constitute a waiver in any other instance or for any other purpose or impair the right of the Party against whom such waiver is claimed in all other instances or for all other purposes to require full compliance with such provision. Each Party agrees to execute all such further instruments and documents and to take all such further action as the other Party may reasonably request to effectuate the terms and purposes of this Agreement.

16. Amendments. This Agreement may not be amended, nor shall any waiver, change, modification, consent or discharge be effected, except by an instrument in writing executed by both Parties.

17. Severability; Headings. If any portion of this Agreement is held invalid or inoperative, the other portions of this Agreement shall be deemed valid and operative and, so far as is reasonable and possible, effect shall be given to the intent manifested by the portion held invalid or inoperative. The section headings are for reference purposes only and are not intended in any way to describe, interpret, define or limit the extent of the Agreement or of any part hereof.

18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile and electronically transmitted signature (e.g., portable document format) and such signatures shall be deemed to be originals.

19. Legal Advice. Employee acknowledges that Employee has been advised to seek the advice of independent legal counsel and has either obtained such advice or has voluntarily and without compulsion elected to enter into and be bound by the terms of this Agreement without such advice of independent legal counsel.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have duly executed and delivered this Employment Agreement as of the Effective Date.

EMPLOYEE:

____
Timothy O'Leary

COMPANY:

Priority Technology Holdings, Inc.

By: ___________
Name: _____________
Title: ___________

DOC ID

Exhibit A

EMPLOYEE CONFIDENTIALITY, ASSIGNMENT OF INVENTIONS, AND NON-SOLICITATION AGREEMENT

Timothy O'Leary

In consideration of my employment with and continued employment by **Priority Technology Holdings, Inc., a Delaware corporation** (together with its affiliates, the "Company"), and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, I agree as follows:

Confidentiality

I understand that the Company and its affiliates continually obtain and develop valuable proprietary and confidential information concerning their business, business relationships, and financial affairs, (the "Confidential Information"), that has or may become known to me in connection with my employment. By way of illustration but not limitation, Confidential Information shall include Inventions (as defined below), trade secrets, technical information, know-how, research and development activities, product, service and marketing plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, customer and supplier information, information (including contact coordinates) for employers and employees, and information disclosed to the Company or to me by third parties of a proprietary or confidential nature or under an obligation of confidence. Confidential Information is contained in various media, including without limitation, patent applications, computer programs in object and source code, flow charts and other program documentation, manuals, plans, drawings, designs, technical specifications, supplier, customer, carrier and claimant lists, claimant case files, internal financial data and other documents and records of the Company.

Confidential Information shall not include information that I can demonstrate: (1) is or becomes generally known within the Company's industry through no fault of mine or any other person with an obligation of confidentiality to the Company; (2) is lawfully and in good faith made available to me by a third party who did not derive it from the Company and who imposes no obligation of confidence on me; or (3) is required to be disclosed by a governmental authority or by order of a court of competent jurisdiction, provided that such disclosure is subject to all applicable governmental or judicial protection available for like material and reasonable advance notice is given to the Company.

I represent and warrant that: (1) I am not subject to any legal or contractual duty or agreement that would prevent or prohibit me from performing the duties contemplated by my employment agreement with the Company or otherwise contained herein, and (2) I am not in breach of any legal or contractual duty or agreement, including any agreement concerning trade secrets or confidential information owned by any other party.

I agree that I will not: (1) use, disclose, or reverse engineer any Confidential Information for any purpose other than the Business (as defined below), except as authorized in writing by the Company; (2) during my employment with the Company, use, disclose, or reverse engineer (a) any confidential information or trade secrets of any former employer or third party or (b) any works of authorship developed in whole or in part by me during any former employment or for any other party, unless authorized in writing by the former employer or third party; or (3) upon my resignation or termination (a) retain any Confidential Information, including any copies

existing in any form (including electronic form), which are in my possession, custody, or control, or (b) destroy, delete, or alter any Confidential Information without the Company's written consent.

I acknowledge that the confidentiality, property, and proprietary rights protections contained in this Agreement are in addition to, and not exclusive of, any and all other rights to which the Company may be entitled under federal and state law, including without limitation rights provided under copyright laws, trade secret and confidential information laws, and laws concerning fiduciary duties.

I acknowledge that all Confidential Information, whether or not in writing and whether or not labeled or identified as confidential or proprietary, is and shall remain the exclusive property of the Company or the third party providing such Confidential Information to myself or the Company.

I agree to exercise all reasonable precautions to protect the integrity and confidentiality of Confidential Information in my possession and not to remove any materials containing Confidential Information from the Company's premises except to the extent necessary for my employment. Upon the termination of my employment, or at any time upon the Company's request, I shall return immediately to the Company any and all materials containing any Confidential Information then in my possession or under my control.

Nothing contained herein or in my employment agreement with the Company is intended to or will be used in any way to limit your rights to communicate or cooperate with, or provide information to, a governmental agency or entity as provided for, protected under, or warranted by whistleblower or other provisions of applicable law or regulation.

Assignment of Inventions

I agree promptly to disclose to the Company any and all discoveries, inventions, developments, original works of authorship, software programs, software and systems documentation, trade secrets, technical data, and know-how that are conceived, devised, invented, developed or reduced to practice or tangible medium by me, under my direction or jointly with others in the course and scope of my employment by the Company, whether or not during normal working hours or on the premises of the Company, which relate directly or indirectly to the business of the Company or its affiliates (collectively, the "Business") and arise out of my employment with the Company (hereinafter "Inventions").

I hereby assign to the Company (or its designated affiliates) all of my right, title, and interest to the Inventions and any and all related patent rights, copyrights, and applications and registrations therefor. During and after my employment, I shall cooperate with the Company, at the Company's expense, in obtaining proprietary protection for the Inventions, and I shall execute all documents that the Company shall reasonably request in order to perfect the Company's (or its designated affiliates') rights in the Inventions. I understand that, to the extent this Agreement shall be construed in accordance with the laws of any state which limits the assignability to the Company of certain employee inventions, this Agreement shall be interpreted not to apply to any such invention that a court rules or the Company agrees is subject to such state limitation.

I acknowledge that all original works of authorship made by me within the scope of my employment that are protectable by copyright are intended to be "works made for hire", as that

term is defined in Section 101 of the United States Copyright Act of 1976 (the "Act"), and shall be the property of the Company, and the Company shall be the sole author within the meaning of the Act. I hereby waive all claims to moral rights in any Inventions. I further represent that there are no inventions made, conceived or first reduced to practice by me, under my direction or jointly with others prior to my employment with the Company.

Restrictive Covenants

I acknowledge and agree that: (1) my position is a position of trust and responsibility with access to Confidential Information; (2) the Confidential Information, and the relationship between the Company, its affiliates, and the employees and customers of each, are valuable assets of the Company that may not be used for any purpose other than the Business; (3) the names of any customers of the Company or its affiliates are considered Confidential Information that constitutes valuable, special, and unique property of the Company; (4) customer lists and customer information that have been compiled by the Company or its affiliates represent a material investment of the Company's time and money; (5) the Company will invest its time and money in the development of my skills in the Business; and (6) the restrictions contained in this herein, including without limitation the restrictive covenants set forth in this Agreement, are reasonable and necessary to protect the legitimate business interests of the Company and its affiliates, and they will not impair or infringe upon my right to work or earn a living when my employment with the Company ends.

I acknowledge that (1) the markets served by the Company are intended to be national in scope and not dependent on the geographic location of the executive personnel or the businesses by which they are employed, and (2) the below covenants are manifestly reasonable on their face. The Company and I expressly agree that such restrictions have been designed to be reasonable and no greater than is required for the protection of the Company and are a significant element of the consideration hereunder. If the final judgment of a court of competent jurisdiction declares that any term or provision contained herein is invalid or unenforceable, the Company and I agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and the covenants and agreements contained herein shall be enforceable as so modified to cover the maximum duration, scope, or area permitted by law.

Non-Solicitation of Customers

I agree that, while I am employed by the Company and for a period of two years following any termination or cessation of such employment (such period, the "Non-Interference Period"), I shall not solicit, divert, or take away, or attempt to divert or take away, the business or patronage of any of the referral sources, clients, customers, or accounts of the Company for the purpose of selling or providing any products or services competitive with the Business.

Non-Solicitation and Non-Hire of Employees

While I am employed by the Company and during the Non-Interference Period, I will not, directly or indirectly, for my benefit or for the benefit of any person other than the Company, (1) solicit or assist any person to solicit, recruit, or induce any officer, director, Executive Chairman, executive, employee or consultant of the Company or its affiliates to (a) terminate his or her employment or relationship with the Company or its affiliates, or (b) work for any other person,

or (2) hire or cause to be hired any person who is then, or who will have been at any point in time during the Non-Interference Period, an officer, director, Executive Chairman, executive, employee, or consultant of the Company or its affiliates.

Non-Competition

While I am employed by the Company and during the Non-Interference Period, I will not engage or participate, directly or indirectly, as principal, agent, executive, director, proprietor, joint venturer, trustee, employee, employer, consultant, stockholder, partners, or in any other capacity whatsoever in the conduct or management of, or fund, invest in, lend to, own any stock or any other equity or debt investment in, or provide any services of any nature whatsoever to or in respect of any business that is competitive with or in the same line of business as the Business in the United States, provided that nothing in this Agreement shall prohibit me from being passive beneficial owner of less than two percent of the outstanding stock of any publicly-traded corporation.

Separate Obligations

I hereby acknowledge that the foregoing obligations are separate and distinct (and that I have received or will receive separate consideration for the foregoing obligations) from and not in derogation of any obligations I have undertaken in connection with any other agreements between myself and the Company.

Other Agreements

I hereby represent to the Company that I am not bound by any agreement or any other previous or existing business relationship that conflicts with or prevents the full performance of my duties and obligations to the Company (including my duties and obligations under this or any other agreement with the Company) during my employment. All existing business relationships and agreements that I have with persons other than the Company are set forth on Schedule A hereto.

General

This Agreement may not be assigned by either party, except that the Company may assign this Agreement to its affiliates or in connection with the merger, consolidation or sale of all or substantially all of its business or assets. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and other legal representatives and, to the extent that any assignment hereof is permitted hereunder, their assignees. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile or electronically transmitted signature (e.g., portable document format), and such signatures shall be deemed to be originals.

This Agreement supersedes all prior agreements, written or oral, with respect to the subject matter of this Agreement. This Agreement may be changed only by a written instrument signed by both parties hereto.

In the event that any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement, and all other provisions

shall remain in full force and effect. If any of the provisions of this Agreement is held to be excessively broad, it shall be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law. I agree that should I violate any obligation imposed on me in this Agreement, I shall continue to be bound by the obligation until a period equal to the term of such obligation has expired without violation of such obligation.

No delay or omission by the Company in exercising any right under this Agreement will operate as a waiver of that or any other right. A waiver or consent given by the Company on any occasion is effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

I acknowledge that the restrictions contained in this Agreement are necessary for the protection of the business and goodwill of the Company and the Company's legitimate business interests, are reasonable for such purpose, and are reasonable and valid in geographical and temporal scope and in all other respects and not overly broad or unduly burdensome. I agree that any breach of this Agreement by me will cause irreparable damage to the Company and that, in the event of such breach, the prevailing party in any such enforcement action shall be entitled, in addition to monetary damages and any other remedies available to the prevailing party under this Agreement and at law, to equitable relief, including injunctive relief, and to payment of all costs incurred by the prevailing party in enforcing or defending the provisions of this Agreement, including reasonable attorneys' fees and costs. I agree that should I violate any obligation imposed on me in this Agreement, I shall continue to be bound by the obligation until a period equal to the term of such obligation has expired without violation of such obligation.

This Agreement shall be construed as a sealed instrument and shall in all events and for all purposes be governed by, and construed in accordance with, the laws of the State of Georgia without regard to any choice of law principles that would dictate the application of the laws of another jurisdiction.

[*Signature Page Follows*]

I HAVE READ ALL OF THE PROVISIONS OF THIS EMPLOYEE CONFIDENTIALITY, ASSIGNMENT OF INVENTIONS, AND NON-SOLICITATION AGREEMENT AND I UNDERSTAND AND AGREE TO EACH OF SUCH PROVISIONS EFFECTIVE AS OF THE DATE FIRST SET FORTH ABOVE.

____

Timothy O'Leary

Acknowledged and Agreed to by:

Priority Technology Holdings, Inc.

By: __________
Name: __________
Title: __________

Exhibit B

Form of Release

[DATE]

Priority Technology Holdings, Inc.
Attn: General Counsel
2001 Westside Parkway, Suite 155
Alpharetta, GA 30004
(together with its affiliates, the "Company")

Except as set forth in the Employment Agreement by and between myself (the "Employee" or "I") and the Company dated as of ___________ (the "Employment Agreement"), I am entitled to no severance or termination payment or benefits. I acknowledge the Company has no legal obligation to provide me with the benefits and consideration outlined in the Employment Agreement except as part of this release letter and in consideration for my signing of this release letter. I have been notified of my right to review this release letter with counsel, and I have received, if I so chose, legal advice concerning this release letter.

General Release. Employee acknowledges that the Company has no legal obligation to provide Employee with these benefits except as part of the Employment Agreement and in consideration for Employee signing this release letter and the waiver and release of claims contained herein. In return for these benefits, Employee irrevocably and unconditionally releases the Company and all affiliated companies, predecessors and successors of each and each such entity's officers, directors, employees, agents, attorneys or insurers in their individual and representative capacities (collectively referred to as the "Company Parties") from any and all claims, causes of action, complaints, damages, liabilities and expenses whatsoever, whether known or unknown, direct or indirect, at law or in equity and whether sounding in contract, tort or other theory (collectively, "Claims") that Employee may have now, have had in the past or have in the future for or by reason of any matter, cause or thing whatsoever that has happened, developed or occurred on or before the date hereof, including without limitation in connection with Employee's employment or termination of employment with the Company. This release of the Company includes any Claims that Employee might have for re-employment or for additional compensation or benefits (except as specifically stated below), and applies to Claims that Employee might have under federal, state or local law or ordinance dealing with employment, contract, wage and hour, tort, or civil rights matters, including, but not limited to, applicable local and state civil rights matters, including, but not limited to, applicable local and state civil rights laws or wage payment laws, Employee Retirement Income Security Act, Title VII of the Civil Rights Act of 1964, the Civil Rights Acts (42 USC § 1981-1988), the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1967 (the "ADEA"), Section 806 of the Sarbanes Oxley Act of 2002 and any other Claims alleging retaliation of any nature, the Vietnam Era Veterans Readjustment Assistance Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Older Workers Benefit Protection Act, the Equal Pay Act of 1963, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, the Equal Pay Act of 1963, the Fair Labor Standards Act, sections 503 and 504 of the Vocational Rehabilitation Act, the Family and Medical Leave Act, Executive Order 11246, and the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), all as amended from time to time, together with all laws and regulations promulgated thereunder. Employee represents that there are no claims, complaints or charges pending against the Company in which Employee is a party or complainant, or any unasserted Workers' Compensation claims.

Employee further agrees not to institute any Claim to challenge the validity of this release or the circumstances surrounding its execution. This is a general release, including a waiver of Claims for age discrimination under federal and state statutes, such as the ADEA. Employee understands the waiver and release of claims does not affect rights or claims arising under the ADEA or the Older Workers Benefit Protection Act after the date of the execution of this release letter.

Covenant Not to Sue. Employee represents and warrants that Employee has not filed any Claims against the Company or any of the Company Parties with any local, state or federal court or administrative agency. Employee agrees and covenants not to sue or bring any Claims against the Company or any of the Company Parties with respect to any matters arising out of or relating to Employee's employment with the Company or separation from the Company, or any Claims that as a matter of law cannot be released, such as under workers' compensation, for unemployment benefits or any Claims related to the Company's future involvement with, if any, Employee's 401(k)/retirement plans with the Company. Except as set forth herein, in the event that Employee on Employee's behalf institutes any such action, that Claim shall be dismissed upon presentation of this release letter, and Employee shall reimburse the Company for all legal fees and expenses incurred in defending such Claim and obtaining its dismissal.

Exclusion. Nothing in this release letter shall preclude Employee from filing a charge or complaint, including a challenge to the validity of this release letter, with the Equal Employment Opportunity Commission or any state anti-discrimination agency or from participating or cooperating in any investigation or proceeding conducted by any of such agencies. In the event that a charge or complaint is filed with any administrative agency by Employee or in the event of an authorized investigation, charge or lawsuit filed by any administrative agency, Employee expressly waives and shall not accept any monetary awards or damages, costs or attorneys' fees of any sort therefrom against the Company or any of the Releasees.

Waiting Period. I understand I have a period of up to 21 days to consider this release letter and that I have been advised to speak with an attorney. I agree this release letter is written in a manner that I understand what I am releasing. I understand that this release must be signed no later than 21 days from the date first set forth above for me to be entitled to the benefits of the Severance Package (as defined in the Employment Agreement). I agree that upon signing this release letter I become bound by its terms unless I revoke the release contained herein. I understand I may revoke the release contained herein within seven days after signing it; and that, unless I so revoke it, the release contained herein will be fully effective seven days after I have signed it. Once this release letter is fully effective, the Severance Package will be forwarded by U.S. mail according to the schedule in the terms of the Employment Agreement.

Yours truly,
Date:____ Signature:__
Print Name: Timothy O'Leary

Exhibit D

Form of Restricted Stock Unit Award Agreement

[to be attached]

Exhibit 21.1

Subsidiaries of Priority Technology Holdings, Inc.

Priority Technology Holdings, Inc.

Priority Holdings, LLC

Priority Commercial Payments, LLC

Priority Integrated Partner Holdings, LLC

Priority Hospitality Technology, LLC

Priority Payright Health Solutions, LLC

Priority Real Estate Technology, LLC

Priority Payment Systems, LLC

Priority Finance, LLC

Priority Newco, LLC

Priority Tech Ventures, LLC

Priority Ovvi, LLC

Priority Wave, LLC

Priority Build, LLC

Priority Property Rev, LLC

Priority Account Administration Services, Inc.

Finxera Holdings, Inc.

Finxera Intermediate, LLC

Finxera, Inc.

Finxera India Private Limited (India Plc)

Enhanced Capital RETC Fund XXI, LLC

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-226713) of Priority Technology Holdings, Inc.,
(2) Registration Statement (Form S-8 No. 333-230620) of Priority Technology Holdings, Inc.,
(3) Registration Statement (Form S-8 No. 333-264064) of Priority Technology Holdings, Inc.,
(4) Registration Statement (Form S-8 No. 333-268918 of Priority Technology Holdings, Inc., and
(5) Registration Statement (Form S-8 No. 333-268919) of Priority Technology Holdings, Inc.;

of our report dated March 23, 2023, with respect to the consolidated financial statements of Priority Technology Holdings, Inc. included in this Annual Report (Form 10-K) of Priority Technology Holdings, Inc. for the year ended December 31, 2022.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 23, 2023

Exhibit 31.1

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 Annual Report on Form 10-K 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 23, 2023

/s/ Thomas C. Priore

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

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO EXCHANGE ACT RULE 13a-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy O'Leary, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 23, 2023

/s/ Timothy O'Leary

Timothy O'Leary
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

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 Annual Report on Form 10-K of Priority Technology Holdings, Inc. (the "Company") for the year ended 12/31/2022 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 Exchange 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.

March 23, 2023

/s/ Thomas C. Priore

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

March 23, 2023

/s/ Timothy O'Leary

Timothy O'Leary
Chief Financial Officer
(Principal Financial 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-K or as a separate disclosure document.