

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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

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 001-40640

PAYCOR HCM, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

**4811 Montgomery Road
Cincinnati, OH**

(Address of Principal Executive Offices)

83-1813909

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

45212

(Zip Code)

**Registrant's telephone number, including area code
(800) 381-0053**

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, par value \$0.001 per share	PYCR	The NASDAQ Stock Market LLC (Nasdaq Global Select Market)

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

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

As of October 31, 2021, the number of shares of the Registrant's Common Stock outstanding was 174,429,903 shares.

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Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

Paycor HCM, Inc. and Subsidiaries Condensed Consolidated Balance Sheets (in thousands, except share amounts)

	September 30, 2021 (Unaudited)	June 30, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 125,787	\$ 2,634
Accounts receivable, net	15,983	16,472
Deferred contract costs	27,559	24,503
Prepaid expenses	10,663	6,586
Other current assets	1,559	1,516
Current assets before funds held for clients	181,551	51,711
Funds held for clients	1,578,052	670,315
Total current assets	1,759,603	722,026
Property and equipment, net	40,055	41,080
Goodwill	750,394	750,802
Intangible assets, net	323,467	355,323
Capitalized software, net	33,966	31,310
Long-term deferred contract costs	99,528	90,880
Other long-term assets	18,352	19,532
Total assets	\$ 3,025,365	\$ 2,010,953
Liabilities, Redeemable Noncontrolling Interest and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 12,822	\$ 11,978
Accrued expenses and other current liabilities	13,347	15,782
Accrued payroll and payroll related expenses	24,530	32,305
Deferred revenue	10,821	11,948
Current liabilities before client fund obligations	61,520	72,013
Client fund obligations	1,577,642	669,960
Total current liabilities	1,639,162	741,973
Deferred income taxes	70,846	76,138
Other long-term liabilities	14,640	16,680
Long-term debt, net	—	49,100
Total liabilities	1,724,648	883,891
Commitments and contingencies (Note 15)		
Redeemable noncontrolling interest	—	248,423
Stockholders' equity:		
Common stock \$0.001 par value per share, 500,000,000 shares authorized, 174,429,903 shares outstanding at September 30, 2021 and 141,097,740 outstanding at June 30, 2021, respectively	174	141
Treasury stock, at cost, 10,620,260 shares at September 30, 2021 and June 30, 2021	(245,074)	(245,074)
Preferred stock, \$0.001 par value, 50,000,000 shares authorized, — shares outstanding at September 30, 2021 and June 30, 2021, respectively	—	—
Series A preferred stock, \$0.001 par value, 10,000 shares authorized, — and 7,715 shares outstanding at September 30, 2021 and June 30, 2021, respectively	—	262,772
Additional paid-in capital	1,874,040	1,133,399
Accumulated deficit	(329,408)	(275,751)
Accumulated other comprehensive income	985	3,152
Total stockholders' equity	1,300,717	878,639
Total liabilities, redeemable noncontrolling interest and stockholders' equity	\$ 3,025,365	\$ 2,010,953

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

Paycor HCM, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except share amounts)

	Three Months Ended September 30,	
	2021	2020
Revenues:		
Recurring and other revenue	\$ 92,416	\$ 78,551
Interest income on funds held for clients	316	510
Total revenues	92,732	79,061
Cost of revenues	45,611	34,484
Gross profit	47,121	44,577
Operating expenses:		
Sales and marketing	45,788	24,343
General and administrative	43,411	33,417
Research and development	10,191	8,284
Total operating expenses	99,390	66,044
Loss from operations	(52,269)	(21,467)
Other (expense) income:		
Interest expense	(235)	(486)
Other	1,224	196
Loss before benefit for income taxes	(51,280)	(21,757)
Income tax benefit	(9,244)	(4,425)
Net loss	(42,036)	(17,332)
Less: Accretion of redeemable noncontrolling interests	11,621	5,050
Net loss attributable to Paycor HCM, Inc.	\$ (53,657)	\$ (22,382)
Basic and diluted net loss attributable to Paycor HCM, Inc. per share	\$ (0.32)	\$ (0.15)
Weighted-average common shares outstanding:		
Basic and diluted	166,459,168	151,718,000

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

Paycor HCM, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Comprehensive Loss
(in thousands)

	Three Months Ended September 30,	
	2021	2020
Net loss	\$ (42,036)	\$ (17,332)
Other comprehensive loss, net of tax:		
Unrealized loss on foreign currency translation	(153)	(7)
Unrealized losses on available-for-sale securities, net of tax	(61)	(59)
Other comprehensive loss, net of tax	(214)	(66)
Comprehensive loss	(42,250)	(17,398)
Less: Comprehensive income attributable to redeemable noncontrolling interests	11,621	5,050
Comprehensive loss attributable to Paycor HCM, Inc.	\$ (53,871)	\$ (22,448)

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

Paycor HCM, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share amounts)

	Series A Preferred Stock		Common Stock				Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Treasury Stock	Amount				
Balance, July 1, 2020	—	\$ —	151,718,000	\$ 152	\$ —	\$ 1,129,216	\$ (178,813)	\$ 2,770	\$ 953,325	
Net loss attributable to Paycor HCM, Inc.	—	—	—	—	—	—	(22,382)	—	(22,382)	
Stock-based compensation expense	—	—	—	—	—	1,697	—	—	1,697	
Other comprehensive loss	—	—	—	—	—	—	—	(66)	(66)	
Balance September 30, 2020	—	\$ —	151,718,000	\$ 152	\$ —	\$ 1,130,913	\$ (201,195)	\$ 2,704	\$ 932,574	

	Preferred Stock		Series A Preferred Stock		Common Stock				Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Treasury Stock	Amount				
Balance, July 1, 2021	—	\$ —	7,715	\$ 262,772	141,097,740	\$ 141	\$ (245,074)	\$ 1,133,399	\$ (275,751)	\$ 3,152	\$ 878,639	
Net loss attributable to Paycor HCM, Inc.	—	—	—	—	—	—	—	—	(53,657)	—	(53,657)	
Stock-based compensation expense	—	—	—	—	—	—	—	21,812	—	—	21,812	
Issuance of common stock sold in the initial public offering, net of offering costs and underwriting discount	—	—	—	—	21,275,000	21	—	454,126	—	—	454,147	
Conversion of Series A Preferred Stock to common stock upon initial public offering	—	—	(7,715)	(262,772)	11,705,039	12	—	262,760	—	—	—	
Issuance of common stock upon vesting of restricted stock units at initial public offering	—	—	—	—	352,124	—	—	—	—	—	—	
Other comprehensive loss	—	—	—	—	—	—	—	—	—	(214)	(214)	
Other	—	—	—	—	—	—	—	1,943	—	(1,953)	(10)	
Balance September 30, 2021	—	\$ —	—	\$ —	174,429,903	\$ 174	\$ (245,074)	\$ 1,874,040	\$ (329,408)	\$ 985	\$ 1,300,717	

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

Paycor HCM, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended	
	September 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (42,036)	\$ (17,332)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	1,718	1,621
Amortization of intangible assets and software	36,870	33,236
Amortization of deferred contract costs	6,634	3,922
Stock-based compensation expense	21,812	1,697
Amortization of debt acquisition costs	20	155
Deferred tax benefit	(9,253)	(4,425)
Bad debt expense	794	366
Gain on sale of investments	(6)	(39)
Gain on installment sale	(1,359)	—
Loss on foreign currency exchange	222	14
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(316)	(1,428)
Prepaid expenses and other current assets	(4,120)	(1,736)
Other long-term assets	(218)	91
Accounts payable	801	643
Accrued liabilities	(8,700)	(5,710)
Deferred revenue	(1,185)	(456)
Other long-term liabilities	(585)	2,321
Deferred contract costs	(18,338)	(14,850)
Net cash used in operating activities	<u>(17,245)</u>	<u>(1,910)</u>
Cash flows from investing activities:		
Purchases of client funds available-for-sale securities	(39,708)	(91,116)
Proceeds from sale and maturities of client funds available-for-sale securities	39,932	91,090
Purchase of property and equipment	(803)	(546)
Proceeds from note receivable on installment sale	3,040	—
Acquisition of intangible assets	(195)	—
Acquisition of Paltech Solutions, Inc., net of cash acquired	—	(16,511)
Internally developed software costs	(7,524)	(5,017)
Net cash used in investing activities	<u>(5,258)</u>	<u>(22,100)</u>
Cash flows from financing activities:		
Net change in cash and cash equivalents held to satisfy client funds obligations	906,626	(81,509)
Proceeds from line-of-credit	3,500	28,500
Repayments of line-of-credit	(52,600)	(33,501)
Proceeds from debt	—	25,000
Repayments of debt	—	(207)
Proceeds from the issuance of common stock sold in the IPO, net of offering costs	455,040	—
Redemption of Redeemable Series A Preferred Stock (acquisition of non-controlling interest)	(260,044)	—
Other financing activities	(395)	(345)
Net cash provided by (used in) financing activities	<u>1,052,127</u>	<u>(62,062)</u>
Impact of foreign exchange on cash and cash equivalents	(3)	(1)
Net change in cash, cash equivalents, restricted cash and short-term investments, and funds held for clients	1,029,621	(86,073)
Cash, cash equivalents, restricted cash and short-term investments, and funds held for clients, beginning of year	560,000	546,448
Cash, cash equivalents, restricted cash and short-term investments, and funds held for clients, end of year	<u>\$ 1,589,621</u>	<u>\$ 460,375</u>
Supplemental disclosure of non-cash investing, financing and other cash flow information:		
Capital expenditures in accounts payable	\$ 48	\$ 754
Cash paid during the year for interest	\$ 150	\$ 177
Reconciliation of cash, cash equivalents, restricted cash and short-term investments, and funds held for clients to the Consolidated Balance Sheets		
Cash and cash equivalents	\$ 125,787	\$ 1,978
Restricted cash and short-term investments	—	6,726
Funds held for clients	1,463,834	451,671
Total cash, cash equivalents, restricted cash and short-term investments, and funds held for clients	<u>\$ 1,589,621</u>	<u>\$ 460,375</u>

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

Paycor HCM, Inc. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
(all amounts in thousands, except share and per share data)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS:

Paycor HCM, Inc. (“Paycor HCM” or “the Company”) and its subsidiaries is a cloud-based provider of human capital management (“HCM”) software solutions for small and medium-sized employers located primarily in the United States (“U.S.”). Solutions provided include payroll, workforce management and human resources (“HR”) related services such as talent management, reporting and analytics and other payroll-related services. Services are generally provided in a Software-as-a-Service (“SaaS”) delivery model utilizing a cloud-based platform.

Paycor HCM is a holding company with no operating assets or operations that was formed on August 24, 2018 to effect the acquisition of Paycor, Inc. and its subsidiaries (“Paycor”). On September 7, 2018, Paycor HCM, through its subsidiary companies, entered into the Agreement and Plan of Merger to acquire Paycor (the “Apax Acquisition”). The Apax Acquisition closed on November 2, 2018. Paycor HCM is owned and controlled by Pride Aggregator, L.P. which is controlled by a syndication led by Apax Partners L.P. (“Apax”), a private equity firm, with a noncontrolling interest of a subsidiary company held by accredited individuals (as defined by U.S. Securities and Exchange Commission (“SEC”) rules and regulations). As a result of the Apax Acquisition, Paycor is an indirect controlled subsidiary of Paycor HCM.

Initial Public Offering

On July 20, 2021, the Company priced the initial public offering (“IPO”) of 18,500,000 shares of its common stock (the “Firm Shares”), \$0.001 par value per share, at an offering price of \$23.00 per share (the “IPO Price”). The underwriters were granted a 30-day option to purchase up to an additional 2,775,000 shares of common stock from the Company (the “Option Shares”), which was exercised by the underwriters in whole. The IPO closed and both the Firm Shares and the Option Shares were delivered on July 23, 2021. In aggregate, the IPO shares issued generated approximately \$455,040, which is net of approximately \$30,583 in underwriters’ discount and \$3,702 of offering costs paid during the three months ended September 30, 2021. These costs were recorded to additional paid-in capital and accounted for as a reduction of the IPO proceeds in the condensed consolidated balance sheets. Upon the closing of the IPO:

- all of the Company’s outstanding shares of Series A Preferred Stock were automatically converted into 11,705,039 shares of the Company’s common stock;
- the Company used a portion of the proceeds to effect the redemption of all of the outstanding shares of the Series A Redeemable Preferred Stock (acquisition of non-controlling interest) (“Series A Redeemable Preferred Stock” or “Redeemable Noncontrolling Interest”) at a redemption price of 101% of the liquidation preference, plus the amount of all accrued dividends for the then current and all prior dividend payment periods, for a total of approximately \$260,000;
- the outstanding Long Term Incentive Plan Units (“LTIP Units”) converted to 1,761,578 restricted stock units (“RSUs”) and the Company began recognizing compensation expense equal to the aggregate dollar value over the requisite two-year service period; and
- the performance-based units under the Pride Aggregator, L.P. Management Equity Plan (“MEP”) converted to time-based vesting units, with 25% vesting upon successive 6-month anniversary dates for the 24 months following the Company’s IPO.

Upon completion of the IPO, \$4,595 of offering costs, \$3,702 of which were paid during the three months ended September 30, 2021, were recorded to additional paid-in capital and accounted for as a reduction of the IPO proceeds in the condensed consolidated balance sheets.

In connection with the Company’s IPO, the Company executed a 1,517.18 for 1 share stock split (“IPO Stock Split”) relating to its common stock. In connection with the IPO Stock Split, the Company increased its common stock authorization from 200,000 to 500,000,000 shares. All share and per share amounts have been retroactively adjusted to reflect the IPO Stock Split for all periods presented within the unaudited condensed consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of presentation and consolidation

The accompanying interim unaudited condensed consolidated financial statements of the Company were prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and include all of the information and disclosures required by generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim reporting. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the year ended June 30, 2021 in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 2, 2021. The unaudited condensed consolidated financial statements for interim periods do not include all disclosures required by U.S. GAAP for annual financial statements and are not necessarily indicative of results for the full year. Adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of the unaudited condensed consolidated financial position, results of operations and cash flows at the dates and for the periods presented have been included. All intercompany transactions and balances have been eliminated in consolidation.

Use of estimates

The preparation of unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the recognition of revenue, evaluation of potential impairment of goodwill and intangible assets, and the valuation of stock-based compensation.

The Company's results can also be affected by economic, political, legislative, regulatory and legal actions, including but not limited to health epidemics and pandemics and the resulting economic impact, including the impact from the COVID-19 pandemic. Economic conditions, such as recessionary trends, inflation, interest and monetary exchange rates, and government fiscal policies can have a significant effect on operations. While the Company maintains reserves for anticipated liabilities and carries various levels of insurance, the Company could be affected by civil, criminal, regulatory or administrative actions, claims or proceedings.

Stock-based compensation

The Company recognizes all employee and director stock-based compensation as a cost in the unaudited condensed consolidated financial statements. Equity-classified awards are measured at the grant date fair value of the award and expense is recognized, net of actual forfeitures, on a straight-line basis over the requisite service period for each separately vesting portion of the award.

For periods prior to the July 2021 IPO, the Company estimated grant date fair value using the Monte Carlo simulation model. As the Company's equity was not publicly traded, there was no history of market prices for the Company's equity. Thus, estimating grant date fair value required the Company to make assumptions, including the value of the Company's equity, expected volatility, expected term and the expected risk-free rate of return.

For periods subsequent to the July 2021, IPO, the Company estimates grant date fair value of RSUs based on the fair value of the Company's underlying common stock. The Company estimates the grant date fair value of stock options, including common stock purchased as a part of the Company's Employee Stock Purchase Plan ("ESPP"), using the Black-Scholes option pricing model, which requires management to make assumptions with respect to the fair value of the Company's award on the grant date, including the expected term of the award, the expected volatility of the Company's stock calculated based on a period of time generally commensurate with the expected term of the award, the expected risk-free rate of return, and expected dividend yields of the Company's stock. See Note 13 - "Equity Compensation Plans" for additional information on the Company's stock-based compensation plans.

Accounts receivable, net

Accounts receivable balances are shown on the condensed consolidated balance sheets net of the allowance for doubtful accounts of \$3,185 and \$2,402 as of September 30, 2021 and June 30, 2021, respectively. The allowance for doubtful accounts considers factors such as historical experience, credit quality, age of the accounts receivable balance and current and forecasted economic conditions that may affect a customer's ability to pay. The Company performs ongoing credit evaluations and generally requires no collateral from clients. Management reviews individual accounts as they become past due to determine collectability. The allowance for doubtful accounts is adjusted periodically based on management's consideration of past due accounts. Individual accounts are charged against the allowance when all reasonable collection efforts have been exhausted.

Sales and marketing

Sales and marketing expenses consist of costs associated with the Company's direct sales and marketing staff, including employee-related costs, marketing, advertising and promotion expenses, and other related costs. Advertising and promotion costs are expensed as incurred. Advertising and promotion expense totaled approximately \$4,986 and \$3,403 for the three months ended September 30, 2021 and 2020, respectively.

Income taxes

Income tax benefit for the three months ended September 30, 2021 and 2020 was \$9,244 and \$4,425, respectively, reflecting an effective tax rate of 18.0% and 20.3% for the three month periods ended September 30, 2021 and 2020, respectively.

Pending accounting pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases" (Topic 842). This update amends existing accounting standards for lease accounting and requires lessees to recognize virtually all their leases on the balance sheet by recording a right-of-use asset and a lease liability (for other than short term leases). The Company has formed a project team to review contracts to determine which qualify as a lease and then evaluate the impact of the adoption of this principle on the Company's consolidated financial statements. The Company anticipates that the adoption of this standard will materially affect the condensed consolidated balance sheet and may require changes to the processes used to account for leases. The Company is evaluating the transition methods and expects to adopt this new standard in the fiscal year beginning July 1, 2022.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses" (Topic 326). This update establishes a new approach to estimate credit losses on certain types of financial instruments. The update requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The amended guidance will also update the impairment model for available-for-sale debt securities, requiring entities to determine whether all or a portion of the unrealized loss on such securities is a credit loss. The Company is currently evaluating this standard and the potential effects of these changes to its condensed consolidated financial statements and expects to adopt this new standard in the fiscal year beginning July 1, 2023.

3. REVENUE:

The following table disaggregates revenue from contracts by recurring fees and implementation services and other, which the Company believes depicts the nature, amount and timing of its revenue:

	Three Months Ended September 30,	
	2021	2020
Recurring fees	\$ 89,209	\$ 75,066
Implementation services and other	3,207	3,485
Recurring and other revenue	<u>\$ 92,416</u>	<u>\$ 78,551</u>

Deferred revenue

The Company recognizes deferred revenue for nonrefundable upfront fees as well as for subscription services related to certain ancillary products invoiced prior to the satisfaction of the performance obligation.

The nonrefundable upfront fees related to implementation services are typically included on the client’s first invoice. Implementation fees are deferred and recognized as revenue over an estimated 24-month period to which the material right exists, which is the period the client is expected to benefit from not having to pay an additional nonrefundable implementation fee upon renewal of the service.

The following table summarizes the changes in deferred revenue related to the nonrefundable upfront fees and recurring subscription services:

	Three Months Ended September 30,	
	2021	2020
Balance, beginning of period	\$ 16,047	\$ 15,916
Deferred revenue acquired	—	1,374
Deferral of revenue	3,612	2,304
Revenue recognized	(4,799)	(2,814)
Impact of foreign exchange	(49)	51
Balance, end of period	\$ 14,811	\$ 16,831

Deferred revenue is recorded within deferred revenue and other long-term liabilities on the condensed consolidated balance sheets. The Company will recognize deferred revenue of \$9,126 in fiscal year 2022, \$4,596 in fiscal year 2023, \$770 in fiscal year 2024, and \$319 thereafter.

Deferred contract costs

The following table presents the deferred contract costs balance and related amortization expense for these deferred contract costs.

	As of and for the Three Months Ended September 30, 2021			
	Beginning Balance	Capitalization of Costs	Amortization	Ending Balance
Costs to obtain a contract	\$ 52,926	\$ 8,074	\$ (3,023)	\$ 57,977
Costs to fulfill a contract	62,457	10,264	(3,611)	69,110
Total	\$ 115,383	\$ 18,338	\$ (6,634)	\$ 127,087

	As of and for the Three Months Ended September 30, 2020			
	Beginning Balance	Capitalization of Costs	Amortization	Ending Balance
Costs to obtain a contract	\$ 32,233	\$ 7,101	\$ (1,770)	\$ 37,564
Costs to fulfill a contract	39,689	7,749	(2,152)	45,286
Total	\$ 71,922	\$ 14,850	\$ (3,922)	\$ 82,850

Deferred contract costs are recorded within deferred contract costs and long-term deferred contract costs on the condensed consolidated balance sheets. Amortization of costs to fulfill a contract and costs to obtain a contract are recorded in cost of revenues and sales and marketing expense in the unaudited condensed consolidated statements of operations, respectively. The Company regularly reviews its deferred costs for impairment and did not recognize an impairment loss during any period presented.

4. BUSINESS COMBINATION AND ASSET ACQUISITION:

Acquisition of Paltech Solutions, Inc.

On September 24, 2020, the Company entered into a share purchase agreement with Paltech Solutions, Inc. (doing business as “7Geese”), a performance management SaaS application, to acquire 100% of the equity interests (the “7Geese Acquisition”).

The acquisition enabled the Company to expand its current service offerings. The cash consideration was funded using proceeds from the issuance of a term loan.

The acquisition was accounted for as a business combination. The purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair value at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired was allocated to goodwill, \$1,661 of which is deductible for tax purposes. Goodwill consists primarily of the acquired workforce, synergistic benefits, and growth opportunities. The factors contributing to the recognition of goodwill were based on strategic benefits that are expected to be realized from the 7Geese Acquisition. The benefits include acquiring a software technology tailored to small and medium-sized businesses that can be integrated into the current suite of Company products. The final purchase price is as follows:

	7Geese Acquisition
Cash consideration	\$ 16,847
Contingent consideration	3,000
Deferred consideration	2,900
Fair value of total consideration	22,747
Cash acquired	(107)
Net purchase price	\$ 22,640
Assets acquired:	
Accounts receivable	\$ 477
Other current assets	295
Property and equipment	64
Technology intangible assets	9,040
Other intangible assets	100
Other non-current assets	9
Total identifiable assets acquired	9,985
Liabilities assumed:	
Accounts payable	(34)
Accrued expenses	(1,730)
Deferred revenue	(1,374)
Total identifiable liabilities assumed	(3,138)
Goodwill	15,793
Fair value of total consideration transferred	\$ 22,640

The technology intangible assets have a weighted average useful life of 3 years.

The contingent consideration related to the 7Geese Acquisition is up to a maximum of \$3,000 in payments relating to the achievement of operational milestones within a three-year period. The contingent consideration was initially measured at fair value at the acquisition date and recorded as a liability. The liability at fair value was based on the estimated future payments. The Company made payments of \$1,000 in March 2021 and \$2,000 in May 2021 to fully satisfy the contingent payment obligation.

The deferred consideration related to the 7Geese Acquisition consisted of a one-time payment due and paid in the second quarter of fiscal year 2022.

The Company incurred transaction costs of approximately \$500 related to the 7Geese Acquisition, of which approximately \$400 relates to the three months ended September 30, 2020. These costs were expensed as incurred in general and administrative expenses on the accompanying unaudited condensed consolidated statements of operations.

Asset Acquisition

On February 4, 2021, the Company acquired payroll, timekeeping and HCM service customer relationships from another large provider of HCM services for an initial payment of approximately \$9,300, which included approximately \$50 of transaction costs. As part of this asset purchase, the Company is required to make quarterly contingent payments and a final payment to the seller based on the revenue generated by the acquired clients over a 12-month period.

The acquired customer relationships are recorded as an intangible asset and are being amortized on a straight-line basis over three years. As of September 30, 2021, the weighted average amortization period for these intangible assets was approximately 2.3 years. The contingent payments will be recognized when each contingency is resolved and the consideration is paid or becomes payable as an increase to the acquired intangible asset, amortized on a straight-line basis over the remaining period of the initial acquired intangible asset.

5. FUNDS HELD FOR CLIENTS:

Funds held for clients are as follows:

	September 30, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Demand deposit accounts and other cash equivalents	\$ 1,463,834	\$ —	\$ —	\$ 1,463,834
U.S. Treasury and direct obligations of U.S. government agencies	29,495	40	(3)	29,532
Corporate bonds	51,490	789	(127)	52,152
Commercial paper	21,133	6	—	21,139
Other securities	11,164	265	(34)	11,395
	<u>\$ 1,577,116</u>	<u>\$ 1,100</u>	<u>\$ (164)</u>	<u>\$ 1,578,052</u>

	June 30, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Demand deposit accounts and other cash equivalents	\$ 557,366	\$ —	\$ —	\$ 557,366
U.S. Treasury and direct obligations of U.S. government agencies	28,757	92	(11)	28,838
Corporate bonds	50,188	1,900	(189)	51,899
Commercial paper	21,831	11	(6)	21,836
Other securities	9,821	629	(74)	10,376
	<u>\$ 667,963</u>	<u>\$ 2,632</u>	<u>\$ (280)</u>	<u>\$ 670,315</u>

Other securities are primarily comprised of collateralized and other mortgage obligations, municipal obligations, and certificates of deposit.

Proceeds from sales and maturities of investment securities for the three months ended September 30, 2021 and 2020, were approximately \$39,932 and \$91,090, respectively.

The Company is exposed to interest rate risk as rate volatility will cause fluctuations in the earnings potential of future investments. The Company does not utilize derivative financial instruments to manage interest rate risk.

The Company reviews its investments on an ongoing basis to determine if any are other-than-temporarily impaired due to changes in credit risk or other potential valuation concerns. The Company has no material individual securities that have been in a continuous unrealized loss position greater than twelve months. The Company believes these unrealized losses result from changes in interest rates rather than credit risk, and therefore does not believe these unrealized losses are other-than-temporarily impaired.

Expected maturities as of September 30, 2021 for client fund assets are as follows:

Due within one year	\$ 1,511,593
Due after one year to two years	34,595
Due after two years to three years	19,538
Due after three years	12,326
Total	<u>\$ 1,578,052</u>

6. PROPERTY AND EQUIPMENT, NET:

Property and equipment at cost and accumulated depreciation were as follows:

	September 30, 2021	June 30, 2021
Land	\$ 3,680	\$ 3,680
Land improvements	910	910
Building and improvements	22,845	22,845
Computer, equipment and software	14,142	13,427
Furniture and fixtures	4,562	4,596
Office equipment	2,334	2,337
Leasehold improvements	8,200	8,227
	<u>56,673</u>	<u>56,022</u>
Accumulated depreciation and amortization	(16,618)	(14,942)
Property and equipment, net	<u>\$ 40,055</u>	<u>\$ 41,080</u>

Depreciation and amortization of property and equipment was approximately \$1,718 and \$1,621 for the three months ended September 30, 2021 and 2020, respectively.

7. CAPITALIZED SOFTWARE, NET:

Components of capitalized software was as follows:

	September 30, 2021	June 30, 2021
Capitalized software	\$ 60,408	\$ 52,945
Accumulated amortization	(26,442)	(21,635)
Capitalized software, net	<u>\$ 33,966</u>	<u>\$ 31,310</u>

Amortization expense for capitalized software was approximately \$4,820 and \$2,732 for the three months ended September 30, 2021 and 2020, respectively.

The following is a schedule of future amortization expense as of September 30, 2021:

2022 (remaining nine months)	\$ 14,119
2023	13,246
2024	6,382
2025	219
2026	—
	<u>\$ 33,966</u>

8. GOODWILL AND INTANGIBLE ASSETS:

Goodwill represents the excess of the consideration transferred over the net assets recognized and represents the estimated future economic benefits arising from other assets acquired.

The following details the changes in goodwill during the three months ended September 30, 2021:

Balance at July 1, 2021	\$	750,802
Impact of foreign exchange		(408)
Balance at September 30, 2021	\$	<u>750,394</u>

Components of intangible assets were as follows:

	September 30, 2021	June 30, 2021
Cost:		
Technology	\$ 140,665	\$ 140,665
Customer relationships	435,177	434,983
Trade name	105,672	105,672
Total cost	\$ 681,514	\$ 681,320
Accumulated amortization:		
Technology	\$ (128,391)	\$ (116,669)
Customer relationships	(209,102)	(190,538)
Trade name	(20,554)	(18,790)
Total accumulated amortization	\$ (358,047)	\$ (325,997)
Intangible assets, net	\$ 323,467	\$ 355,323

Amortization expense for intangible assets was approximately \$32,050 and \$30,504 for the three months ended September 30, 2021 and 2020, respectively.

The following is a schedule of future amortization expense as of September 30, 2021:

2022 (remaining nine months)	\$	68,508
2023		85,189
2024		80,437
2025		30,639
2026		7,043
Thereafter		51,651
	\$	<u>323,467</u>

9. DEBT AGREEMENTS AND LETTERS OF CREDIT:

The Company's long-term debt consists of the following:

	September 30, 2021	June 30, 2021
2021 Credit Facility	\$ —	\$ 49,100
Less: Unamortized debt issuance costs	—	—
Total long-term debt (including current portion)	—	49,100
Less: Current portion	—	—
Total long-term debt, net	\$ —	\$ 49,100

2021 Credit Agreement

On June 11, 2021, Paycor, Inc. entered into a new credit agreement (the "2021 Credit Agreement") with PNC Bank, National Association ("PNC"), Fifth Third, National Association, and other lenders party thereto, providing a \$100,000 senior secured revolving credit facility (the "2021 Credit Facility" and the loans thereunder, the "2021 Loans"). The 2021 Credit Facility includes an "accordion" feature that allows the Company, under certain circumstances, to increase the size of the 2021 Credit Facility in a principal amount up to \$300,000, with a resulting maximum principal amount of \$400,000.

On September 3, 2021, the Company entered into an amendment (the "2021 Amendment") to the 2021 Credit Agreement which provides for an increase in the size of the 2021 Credit Agreement from \$100,000 to \$200,000. No other significant terms of the 2021 Credit Agreement were changed in connection with the 2021 Amendment.

The 2021 Loans have variable interest rates. The interest rate on the 2021 Loans equals, at the Company's option, either, (i) in the case of ABR borrowings, the highest of (a) the PNC prime rate, (b) the Federal Funds Rate plus 0.50%, and (c) the adjusted London interbank offered rate ("LIBOR") with a maturity of one month, plus 1.00% ("ABR") or (ii) in the case of LIBOR borrowings, the LIBOR rate, plus, in each case, an applicable margin of (A) prior to the IPO, (i) in the case of ABR borrowings, 0.95% per annum and (ii) in the case of LIBOR borrowings, 1.95% per annum or (B) following the IPO, (i) in the case of ABR borrowings, 0.375% per annum or (ii) in the case of LIBOR borrowings, 1.375% per annum, in each case, with step downs based on achievement of certain total leverage ratios.

The 2021 Credit Facility requires the Company to pay a quarterly unused fee of (i) prior to an initial public offering, 0.25% and (ii) following an initial public offering, between 0.10% per annum and 0.175% per annum based on our total leverage ratio.

The 2021 Credit Facility commitments will mature on June 11, 2026.

Borrowings under the 2021 Credit Agreement are guaranteed by our subsidiary, Pride Guarantor, Inc. and certain of our other subsidiaries. These borrowings are secured by liens and security interests on substantially all of the assets of existing and future material domestic subsidiaries of Pride Guarantor, Inc.

The 2021 Credit Facility contains financial covenants, which are reviewed for compliance on a quarterly basis, including a total leverage ratio financial covenant of 3.50 to 1.00 and an interest coverage ratio financial covenant of 3.00 to 1.00. As of September 30, 2021, the Company was in compliance with all covenants.

On July 15, 2021 and August 9, 2021, the Company repaid \$4,600 and \$44,500, respectively, of revolver borrowings under its 2021 Credit Facility.

As a result of the Company entering into the 2021 Amendment, the Company expensed approximately \$35 primarily consisting of third party costs. Amounts expensed relating to the 2021 Amendment are recorded as other (expense) income - other on the unaudited condensed consolidated statement of operations for three months ended September 30, 2021.

Additionally, the Company capitalized approximately \$100 of deferred financing fees for the three months ended September 30, 2021 in connection with the 2021 Amendment, which are included in other long-term assets within the condensed consolidated balance sheets.

The Company had no outstanding letters of credit as of September 30, 2021 or June 30, 2021.

10. FAIR VALUE MEASUREMENTS:

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company can access.

Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The fair value of certain assets, such as nonfinancial assets, primarily long-lived assets, goodwill, intangible assets and certain other assets, are recognized or disclosed in connection with impairment evaluations. All non-recurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy.

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, and accounts payable approximated fair value as of September 30, 2021 and June 30, 2021, because of the relatively short maturity of these instruments. Additionally, the Company believes the fair value of the amounts outstanding under the Company's 2021 Credit Facility as of June 30, 2021, approximate carrying value because their variable interest rate terms correspond to the current market terms.

The following table presents information on the Company's financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2021 and June 30, 2021:

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
Funds held for clients—cash and cash equivalents:				
Demand deposit accounts and other cash equivalents	\$ 1,463,834	\$ —	\$ —	\$ 1,463,834
Funds held for clients—available-for-sale:				
U.S. Treasury and direct obligations of U.S government agencies	—	29,532	—	29,532
Corporate bonds	—	52,152	—	52,152
Commercial paper	—	21,139	—	21,139
Other securities	—	11,395	—	11,395
	<u>\$ 1,463,834</u>	<u>\$ 114,218</u>	<u>\$ —</u>	<u>\$ 1,578,052</u>

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Funds held for clients—cash and cash equivalents:				
Demand deposit accounts and other cash equivalents	\$ 557,366	\$ —	\$ —	\$ 557,366
Funds held for clients—available-for-sale:				
U.S. Treasury and direct obligations of U.S government agencies	—	28,838	—	28,838
Corporate bonds	—	51,899	—	51,899
Commercial paper	—	21,836	—	21,836
Other securities	—	10,376	—	10,376
	<u>\$ 557,366</u>	<u>\$ 112,949</u>	<u>\$ —</u>	<u>\$ 670,315</u>

Available-for-sale securities included in Level 1 are valued using closing prices for identical instruments that are traded on active exchanges. Available-for-sale securities included in Level 2 are valued by reference to quoted prices of similar assets or liabilities in active markets, adjusted for any terms specific to that asset or liability.

11. REDEEMABLE NONCONTROLLING INTERESTS:

The Company fully redeemed the Series A Redeemable Preferred Stock using a portion of the cash received in its July 2021 IPO. The redemption price per share was equal to 101% of the liquidation preference, plus the amount of all accrued dividends for the then current and all prior dividend payment periods, or approximately \$260,000. As of September 30, 2021, there are no holders of the Company's Series A Redeemable Preferred Stock and all of the Company's subsidiaries are wholly-owned.

Measurement

Accretion of Redeemable Noncontrolling Interests for the three months ended September 30, 2021 and 2020 includes \$11,621 and \$5,050 of adjustments, respectively, relating to the redemption accretion value adjustments for each reportable period. The Company elected to pay the distributions for the dividend payment date for the three months ended September 30, 2020 in-kind to preferred shareholders, while 50% of the required distributions for the remaining fiscal year 2021 dividend payment dates were paid in cash with the remaining 50% in-kind to preferred shareholders. These in-kind distributions increase the liquidation preference on each preferred share.

The following table shows the change in the Company's Redeemable Noncontrolling Interests from July 1, 2021 to September 30, 2021:

Balance at July 1, 2021	\$ 248,423
Accretion of Series A Redeemable Preferred Stock	11,621
Redemption of outstanding shares	(260,044)
Balance at September 30, 2021	<u>\$ —</u>

12. CAPITAL STOCK:

Following the IPO Stock Split, the Company is now authorized to issue 500,000,000 shares of common stock with a par value of \$0.001 per share. The holders of the common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared from time-to-time by the Board of Directors out of funds legally available for that purpose. In the event of liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. As of September 30, 2021 and June 30, 2021, there were 174,429,903 and 141,097,740 shares of common stock outstanding, respectively.

The Board of Directors is authorized, subject to any limitations prescribed by law, without further vote or action by the stockholders, to issue from time to time shares of preferred stock in one or more series. Each such series of preferred stock will have such number of shares, designations, preferences, voting powers, qualifications, and special or relative rights or privileges as determined by the Board of Directors, which may include, among others, dividend rights, voting rights, redemption and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights.

In July 2021, the Company amended and restated its certificate of incorporation and authorized 50,000,000 shares of preferred stock with a par value of \$0.001 per share. As of September 30, 2021, there was no preferred stock outstanding.

13. EQUITY COMPENSATION PLANS:

All stock-based awards to employees are recognized as compensation costs in the unaudited condensed consolidated financial statements based on fair value measured as of the date of grant. These costs are recognized as an expense in the unaudited condensed consolidated statements of operations over the requisite service period and increase additional paid-in capital.

The Company recognized stock-based compensation costs for the three months ended September 30, 2021 and 2020 of \$21,812 and \$1,740, respectively. The total income tax expense recognized in the unaudited consolidated statement of operations for stock-based compensation arrangements was \$2,517 and \$356 for the three months ended September 30, 2021 and 2020, respectively

Long Term Incentive Plan Units converted to Restricted Stock Units

In connection with the Company's IPO, the LTIP Units converted to 1,761,578 RSUs, of which 20% of the aggregate dollar value vested upon conversion and was recognized as compensation expense. The remaining aggregate dollar value is being recognized as compensation expense over the requisite two-year service period relating to the LTIP units.

Management Equity Plan Units

Under the terms of the Company's MEP, one-half of the profits interest units vest based on an associate's service time. The time-vesting units vest 25% on the first anniversary after the vesting commencement date and thereafter in twelve equal installments on each subsequent quarterly anniversary of the vesting commencement date, with 100% vesting of the time-vesting units occurring on the fourth anniversary of the vesting commencement date. MEP incentive units are subject to a floor amount established at the grant date, which acts as a participation threshold and permits the award to participate in distributions only to the extent the distribution amount for the units exceed the floor amount.

The MEP incentive time-vesting units are accounted for as equity awards and the compensation expense calculated based upon the fair market value of the MEP incentive units at the grant date is recognized as the incentive units vest. The Company estimated the fair value of the MEP incentive units using the Monte Carlo simulation method.

Vesting for the second half of the MEP incentive units is established based on the Company's performance relative to Apax Partners' original invested amount, with the performance calculations defined in the plan triggered by the Company's IPO (implied performance condition). As a result of the Company's July 2021 IPO, and due to an election by Apax Partners, the performance-vesting incentive units converted to time-based vesting units, with 25% vesting upon successive six-month anniversary dates for the 24 months beginning on the date of the IPO. The conversion was treated as a modification for accounting purposes, and accordingly, the Company estimated fair value as of the modification date.

The modified MEP incentive awards are accounted for as equity awards and the compensation expense calculated based upon the fair value of the modified MEP incentive awards at the modification date is recognized as the incentive units vest. The Company estimated the fair value of the modified MEP incentive awards based upon the IPO price adjusted for a floor amount established at the grant date and other liquidation preferences in accordance with the terms of the MEP.

The following table presents the MEP unit incentive activity:

<i>In thousands, except unit and per unit data</i>	Time-Based Units			Modified MEP Units		
	Number of Units	Weighted Average Floor Price	Weighted Average Fair Value	Number of Units	Weighted Average Floor Price	Weighted Average Fair Value
Outstanding at June 30, 2021	38,079	\$ 578	\$ 442	36,879	\$ 593	\$ 379
Granted	—	—	—	—	—	—
Forfeited	(141)	1,204	412	(232)	779	1,232
Outstanding at September 30, 2021	37,938	\$ 576	\$ 442	36,647	\$ 592	\$ 1,420

As of September 30, 2021, there was \$6,701 of unrecognized compensation expense for the unvested time-based awards that will be recognized over a weighted average period of 1.9 years. The weighted average grant date fair value of time-based units vested during the three months ended September 30, 2021 and 2020 was \$397 and \$533, respectively.

As of September 30, 2021, the unrecognized compensation expense related to the unvested modified MEP awards was \$47,035 that will be recognized over a weighted average period of 1.8 years. No modified MEP units vested during the three months ended September 30, 2021 or 2020.

2021 Omnibus Plan

On July 20, 2021, the Company adopted the 2021 Omnibus Incentive Plan (the “2021 Plan”). The Company has reserved 13,800,000 shares of common stock for future issuance under the 2021 Plan pursuant to which employees, consultants and directors of the Company and its affiliates performing services for the Company, including the Company’s executive officers, are eligible to receive awards. The 2021 Plan provides for grants of stock options, stock appreciation rights, restricted stock, restricted stock units, bonus stock, dividend equivalents, other stock-based awards, substitute awards, annual incentive awards and performance awards intended to align the interests of participants with those of the Company’s shareholders.

Stock Options

In connection with the Company’s IPO, the Company granted awards under the 2021 Plan to certain executives consisting of 1,135,144 options to purchase shares of common stock. All stock options are non-qualified stock options and expire on the tenth anniversary of the grant date. The following table summarizes option activity for the three month ended September 30, 2021:

<i>In thousands, except unit and per unit data</i>	Options Outstanding	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Outstanding at June 30, 2021	—	\$ —	\$ —	—	\$ —
Granted	1,135,144	23.00	9.36	9.8	—
Exercised	—	—	—	—	—
Forfeited and cancelled	—	—	—	—	—
Outstanding at September 30, 2021	1,135,144	\$ 23.00	\$ 9.36	9.8	\$ 13,803
Exercisable as of September 30, 2021	—	\$ —	\$ —	—	\$ —

None of the stock options were exercised during the period ended September 30, 2021. Total unrecognized compensation cost related to the unvested stock options is \$9,921, which is expected to be recognized over a weighted-average period of 2.8 years.

The weighted average grant date fair value was estimated by the Company using the Black-Scholes option pricing model with the assumptions below:

Weighted-average exercise price per option	\$23.00
Expected volatility range of stock	42.5%
Expected life of option (in years)	5.85
Risk-free interest rate	0.81%
Expected dividend yield on stock	0%
Fair value per option	\$9.36

The expected option life represents the period of time the stock options are expected to be outstanding and is based on the “simplified method” allowed under SEC guidance. The Company used the “simplified method” due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options. The expected volatility was based on the average historical and implied volatility of the Company’s peer group since the Company had no publicly traded stock history as of the grant date. The Company does not intend to pay cash dividends in the foreseeable future. Consequently, the Company used an expected dividend yield of zero. The risk-free interest rate was based on the U.S. Treasury yield curve at the time of the grant.

Restricted Stock Units

The following table summarizes information around RSUs in the Company. These include grants of LTIP Units that were converted to RSUs as described above, as well as grants made in connection with the Company’s IPO. In connection with the Company’s IPO, the Company primarily granted RSUs to executives, its independent directors, members of its IPO transaction team and senior employees of the Company.

RSUs that were granted as a result of the conversion of LTIP Units vest over a two-year period, whereas RSUs that were granted at the time of the Company’s IPO generally vest over a three-year period.

<i>In thousands, except unit and per unit data</i>	Number of Units	Weighted Average Grant Price
Outstanding, unvested at June 30, 2021	—	\$ —
Conversion of LTIP Units	1,761,578	27.01
Granted	979,390	27.01
Vested	(352,124)	27.01
Forfeited	(24,085)	27.01
Outstanding, unvested grants at September 30, 2021	<u>2,364,759</u>	<u>\$ 27.01</u>

As of September 30, 2021, total unrecognized compensation expense related to the RSUs is \$58,490, which is expected to be recognized over a weighted-average period of 2.2 years. The total fair value of RSUs vested during the three months ended September 30, 2021 was \$9,511.

Employee Stock Purchase Plan

On July 20, 2021, the Company adopted the 2021 Employee Stock Purchase Plan (“ESPP”). The Company has reserved 3,100,000 shares of common stock for future issuance under the ESPP. The ESPP provides eligible employees with a means of acquiring equity in the Company at a discounted price using their own accumulated payroll deductions. Under the terms of the ESPP employees can elect to have amounts of their annual compensation withheld, up to a maximum set by the board, to purchase shares of Company common stock for a purchase price equal to 85% of the lower of the fair market value per share of Company common stock on (i) the offering date or (ii) the respective purchase date.

The ESPP grants participating employees the right to acquire Company common stock in increments of 1% to 10% of eligible pay, with a maximum contribution of \$25 of eligible pay, subject to applicable annual Internal Revenue Service (“IRS”) limitations. The first offering period of the Company’s ESPP commenced on September 1, 2021 and is four months in duration.

During the three months ended September 30, 2021, there were no shares purchased under the ESPP.

The Company records stock-based compensation expense within cost of goods sold, sales and marketing expense, general and administrative expense and research and development expense related to the discount given to our participating employees.

14. NET LOSS PER SHARE:

Basic net loss per share is calculated by dividing net loss attributable to Paycor HCM, Inc. by the weighted-average shares of common stock outstanding during the period.

Diluted net loss per share is computed by dividing net loss attributable to Paycor HCM, Inc., adjusted as necessary for the impact of potentially dilutive securities, by the weighted-average shares outstanding during the period and the impact of securities that would have a dilutive effect. Potentially dilutive securities during the three months ended included RSUs, stock options, Series A Preferred Stock and ESPP purchase rights. Due to the net loss for the three months ended September 30, 2021 and 2020 any potentially dilutive securities were excluded from the denominator in calculating diluted net loss per share because including them would have had an anti-dilutive effect. Additionally, the Company also excluded stock-based compensation awards representing membership interest units in Pride Aggregator, L.P. at September 30, 2021 and September 30, 2020.

Basic and diluted net loss per share was the same for each period presented, as the inclusion of all potential common shares outstanding would have been anti-dilutive. The following table sets forth the computation of basic and diluted net loss per share:

(in thousands, except per share data)	Three Months Ended September 30,	
	2021	2020
Net loss attributable to Paycor HCM, Inc.	\$ (53,657)	\$ (22,382)
Weighted-average outstanding shares:		
Basic and diluted	166,459,168	151,718,000
Basic and diluted net loss per share	\$ (0.32)	\$ (0.15)

15. COMMITMENTS AND CONTINGENCIES:

The Company is subject to various claims, litigation, and regulatory compliance matters in the normal course of business. When a loss is considered probable and reasonably estimable, the Company records a liability in the amount of its best estimate for the ultimate loss. The resolution of these claims, litigation and regulatory compliance matters, individually or in the aggregate, will not have a material adverse impact on the unaudited condensed consolidated results of operation, financial condition or cash flows. These matters are subject to inherent uncertainties and management’s view of these matters may change in the future.

16. SUBSEQUENT EVENT:

On October 19, 2021, a secondary offering took place in which certain selling shareholders, including Apax or its affiliates, sold 12,000,000 shares of the Company’s common stock at a public offering price of \$32.00 per share. In addition, the selling shareholders granted the underwriters a 30-day option to purchase up to an additional 1,800,000 shares of the Company’s common stock at the same per share price, which was exercised in full on October 26, 2021. The Company did not receive any proceeds from these sales.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis summarizes the significant factors affecting the unaudited condensed consolidated operating results, financial condition, liquidity, and cash flows of our company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this report as well as management’s discussion and analysis and audited consolidated financial statements for the year ended June 30, 2021 included in our most recent Annual Report on Form 10-K. This discussion and analysis reflects our historical results of operations and financial position. The discussion contains forward-looking statements that are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements because of various factors, including those discussed below and elsewhere in this report, particularly Item 1A. “Risk Factors” and “Note Regarding Forward-Looking Statements.”

Unless we state otherwise or the context otherwise requires, the terms “we,” “us,” “our,” and “Paycor” and similar references refer to the Company and its consolidated subsidiaries.

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Risk Factors,” contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, our objectives for future operations, and any statements of a general economic or industry specific nature, are forward-looking statements. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “can have,” “likely,” “outlook,” “potential,” “targets,” “contemplates,” or the negative or plural of these words and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe, based on information currently available to our management, may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, related to our operations, financial results, financial condition, business, prospects, growth strategy, and liquidity. Accordingly there are, or will be, important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to:

- Our ability to manage our growth effectively.
- The expansion and retention of our direct sales force with qualified and productive persons and the related effects on the growth of our business.
- The impact on customer expansion and retention if implementation, user experience, customer service, or performance relating to our solutions is not satisfactory.
- Our ability to innovate and deliver high-quality, technologically advanced products and services.
- Our relationships with third parties.
- The proper operation of our software.
- Future acquisitions of other companies’ businesses, technologies, or customer portfolios.
- The continued service of our key executives.
- Our ability to attract and retain qualified personnel, including software developers and skilled IT, sales, marketing, and operation personnel.
- Payments made to employees and taxing authorities due for a payroll period before a customer’s electronic funds transfers are settled to our account.
- The potential breach of our security measures and the unauthorized access to our customers’ or their employees’ personal data and the resulting effects thereof which may include lawsuits, fines, or other regulatory action, significant costs related to remediation, negative perceptions regarding the security of our solutions, and reduction or cessation of customers’ use of our solutions.

- Damage, failure, or disruption of our Software-as-a-Service (“SaaS”) delivery model, data centers, or our third-party providers’ services.
- Our ability to protect our intellectual and proprietary rights.
- The use of open source software in our applications.
- The growth of the market for cloud-based human capital management and payroll software among small and medium- sized businesses (“SMBs”).
- The competitiveness of our market generally.
- The impact of the COVID-19 pandemic.
- Our customers’ dependence on our solutions to comply with applicable laws.
- Changes in laws, regulations, or requirements applicable to our software and services.
- The impact of privacy, data protection, tax and other laws and regulations.
- Our ability to maintain effective internal controls over financial reporting.
- The other risk factors set forth under Item 1A of Part I of the Annual Report on Form 10-K, filed with the SEC on September 2, 2021.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations and assumptions reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We undertake no obligation to publicly update any forward-looking statement after the date of this report, whether as a result of new information, future developments or otherwise, or to conform these statements to actual results or revised expectations, except as may be required by law.

Overview

We are a leading SaaS provider of human capital management solutions for small and medium-sized businesses. Our unified, cloud-native platform is built to empower business leaders by producing actionable, real-time insights to drive workforce optimization. Our comprehensive suite of solutions enables organizations to streamline administrative workflows and achieve regulatory compliance while serving as the single, secure system of record for all employee data. Our highly flexible, scalable, and extensible platform is augmented by industry-specific domain expertise and offers award-winning ease-of-use with an intuitive user experience and deep third-party integrations. Over 28,700 customers across all 50 states trust Paycor to help their leaders develop winning teams.

Our Business Model

Our revenue is almost entirely recurring in nature and largely attributable to the sale of SaaS subscriptions to our cloud-native HCM software platform. We typically generate revenue from customers on a per-employee-per-month (“PEPM”) basis whereby our revenue is derived from the number of employees of a given customer, and the amount, type, and timing of products provided to a customer with respect to their employees. As a result, we increase our recurring revenue as we add more customers, and as our customers add more employees and purchase more product modules. Our highly recurring revenue model provides significant visibility into our future operating results. Recurring and other revenues are primarily revenues derived from the provision of our payroll, workforce management, HR-related cloud-based computing services and nonrefundable implementation fees, which represented 99.7% of total revenue for the three months ended September 30, 2021. In addition, we earn interest income on funds held for clients.

We have developed a robust organic sales and marketing engine and broad referral network of insurance and retirement benefits brokers. We market and sell our solutions through a direct sales force, which is organized into field and inside sales teams based on customer size, geography, and industry. Our highly efficient and multi-pronged go-to-market strategy is a key driver of our growth.

The table below sets forth selected results of operations for the three months ended September 30, 2021 and 2020.

(in thousands)	Three Months Ended	
	September 30,	
	2021	2020
Total Revenue	\$ 92,732	\$ 79,061
Loss from Operations	\$ (52,269)	\$ (21,467)
Operating Margin	(56.4)%	(27.2)%
Adjusted Operating Income*	\$ 3,392	\$ 12,676
Adjusted Operating Income Margin*	3.7 %	16.0 %
Net Loss	\$ (42,036)	\$ (17,332)

*Adjusted Operating Income and Adjusted Operating Income Margin are non-U.S. GAAP (“non-GAAP”) financial measures. See Non-GAAP Financial Measures below for a definition of our non-GAAP measures and reconciliations to the most closely comparable U.S. GAAP measures.

COVID-19 Pandemic Impact

Many of our prospective and existing customers’ businesses have been impacted by the COVID-19 pandemic and related economic impacts, stay-at-home, business closure, and other restrictive orders, which has resulted in reduced customer employee headcount, temporary and permanent business closures, and/or delayed sales/starts. Because we charge our customers on a per-employee basis for certain services we provide, decreases in headcount of our customers as a result of the pandemic negatively impacted our recurring revenue beginning in our fiscal third quarter of 2020. As of the beginning of March 2020, our customers had approximately 1.9 million customer employees on our platform and we saw a 7% decline through April 18, 2020, which was the lowest point since the beginning of the COVID-19 pandemic, as the U.S. unemployment rate increased to 14.8%. Furthermore, while the number of employees on our platform declined 7%, our number of customers was effectively unchanged over this period. Since then, the number of our customers’ employees on our platform has recovered rapidly. As of September 30, 2021, our existing customers that were active at the beginning of March 2020 had fully regained their lost employees.

The COVID-19 pandemic continues to impact the global economy. The duration and severity of the COVID-19 pandemic, and the long-term effects the pandemic will have on our customers, our operations and general economic conditions, remain uncertain and difficult to predict. Our business and financial performance may continue to be unfavorably impacted in future periods if a significant number of our customers are unable to continue as viable businesses or if they significantly reduce headcount, there is a reduction in business confidence and activity, a decrease in government and consumer spending, a decrease in HCM and payroll solutions spending by SMBs, a decrease in growth in the overall market, among other factors. Therefore, the COVID-19 pandemic may continue to have an unfavorable impact on the growth in both recurring and other revenue and interest income on funds held for clients in future periods for so long as such conditions persist.

In response to these developments, we implemented measures focusing on the safety of our employees, transitioning more than 97% of our associates to a virtual work arrangement and prohibiting non-critical business related travel, and we will continue to operate remotely for the foreseeable future. We did not experience any material disruptions in our ability to operate our business during this transition as our business model enables us to service our clients remotely. We were able to continue our implementation efforts and our sales team shifted from in-person meetings with prospective and existing clients to engaging with them virtually. We expect this trend to continue at least in the near term, although such savings may be offset by increased costs when employees return to the office and we implement measures to ensure their safety. Our teams also quickly mobilized to analyze the various state and federal legislative changes enacted by the government in response to the COVID-19 pandemic, including the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act and added automated functionality and reporting to our systems for our customers.

In the quarter ending June 30, 2020, we implemented certain cost saving initiatives, including consolidating our facilities footprint, reducing employee-related costs, including temporary salary reductions and implementing a hiring freeze, delaying non-essential maintenance projects and eliminating or minimizing discretionary spending. As of September 30, 2021, we have removed all temporary cost and hiring restrictions. Despite the economic challenges driven by the pandemic, we remain confident in the overall health of our business, the strength of our product offerings, and our ability to continue to execute on our strategy.

Key Factors Affecting Our Performance

Our historical financial performance has been, and we expect our financial performance in the future to be, driven by our ability to:

Expand Our Sales Footprint to Add New Customers

Our current customer base represents a small portion of the U.S. market for HCM and payroll solutions. We believe there is substantial opportunity to continue to broaden our customer base, particularly in the 15 most populous metropolitan statistical areas in the United States (i.e. Tier 1 markets), by expanding our sales footprint. Our ability to do so will depend on several factors, including the effectiveness of our products, the relative pricing of our products, our competitors' offerings, and the effectiveness of our marketing efforts.

As of September 30, 2021 and 2020, we had approximately 28,700 and 27,800 customers, respectively, representing a period-over-period increase of 3.2%. We define a customer as a parent company grouping, which may include multiple subsidiary client accounts with separate taxpayer identification numbers. We track client accounts as it provides an alternative measure of the scale of our business and customers. We believe the number of customer employees on our platform is a key indicator of the growth of our business. We define customer employees as the number of our customers' employees at the end of any particular period.

In addition, we are also focused on expanding our broker referral relationships to drive the acquisition of new customers. Insurance and benefits brokers are trusted advisors to SMBs and are influential in the HCM selection process.

Increase Product Penetration with Existing and New Customers

In recent years we have increasingly focused our product pricing strategy away from sales of individual products and solutions towards a simplified bundled pricing approach whereby we market multi-product offerings to our customers. We believe that this strategy addresses a key need for SMB customers, while also allowing us to better serve the needs of business leaders through a more comprehensive product suite. This strategy has enabled us to effectively drive increased product penetration and PEPM growth at the initial point of sale, as well as stronger retention. We define "effective PEPM," as recurring and other revenue for the period divided by the average number of customer employees, which we calculate as the sum of the number of customer employees at the end of each month over the period divided by the total number of months in the period. We intend to advance this strategy by progressively expanding the breadth of features included in our core HCM product bundle. Additionally, apart from our sales to new customers, there is a substantial opportunity within our existing customer base to cross-sell additional products from our portfolio, including Workforce Management, Benefits Administration, Talent Management, and Employee Engagement.

Our ability to successfully increase revenue per customer is dependent upon several factors, including the number of paid employees working for our customers, the number of products purchased by each of our customers, our customers' satisfaction with our solutions and support, and our ability to add new products to our suite.

We believe our ability to retain and expand our existing customers' spending on our solutions is evidenced by our net revenue retention. We define net revenue retention as the current quarterly period recurring revenue for the cohort of customers at the beginning of the prior year quarterly period, divided by the recurring revenue in the prior year reporting period for that same cohort. In calculating the net revenue retention for a period longer than a quarter, such as a fiscal year, we use the weighted average of the retention rates (calculated in accordance with the preceding sentence) for each applicable quarter included in such period. Paycor HCM's net revenue retention remained steady over last quarter as we start to approach pre-pandemic levels. It had been negatively impacted during the pandemic by stay-at-home, business closure and other restrictive orders, which resulted in reduced employee headcount, temporary and permanent business closures, and delayed sales and starts with many of our customers. While still below our historical rate in the mid-90s, we are expecting it to improve with recovering employment levels and continued growth as we move through the year.

Ongoing Product Innovation and Optimization

We believe that our product features and functionality are key differentiators of our offerings. We intend to continue to invest in research and development, particularly regarding the functionality of our platform, to sustain and advance our product leadership. For instance, in 2019 we released our data analytics and scheduling products, in 2020 we released our compensation management product, and in 2021 we launched OnDemand Pay and our Talent Management product, which includes performance management, one-on-one coaching and objectives and key result functionality. As a result of these and other product launches, the total list PEPM for our full suite of products continues to increase. Our ability to innovate and introduce competitive new products is dependent on our ability to recruit and retain top technical talent and invest in research and development initiatives.

Components of Results of Operations

Factors Affecting the Comparability of our Results of Operations

IPO-Related Expenses

As a result of our July 2021 Initial Public Offering (“IPO”), we incurred transaction-related expenses. These expenses include transaction bonuses, share-based compensation expense associated with two Long Term Incentive Plans (“LTIPs”) and outstanding performance awards under our Pride Aggregator, L.P. Management Equity Plan (“MEP”), and expenses related to the redemption of the Series A Redeemable Preferred Stock. The specifics of the LTIPs, MEP and Series A Redeemable Preferred Stock are presented below.

We granted Long Term Incentive Plan units (“LTIP Units”) under our Pride Aggregator, L.P. Top Talent Incentive Plan and Sales Equity Incentive Plan. The LTIP Units provided for, at our discretion, a cash or stock payment (“LTIP Payment”) to participants on certain determination dates, if an IPO occurred and if the LTIP Participant remained employed with us on such date. Our July 2021 IPO resulted in a determination date, for which each LTIP Participant is entitled to an LTIP Payment with respect to 20% of the LTIP Participant’s LTIP Units as of the IPO date and 20% on each of four subsequent payment dates that are six, twelve, eighteen and 24 months following the IPO date. As a result of our IPO, the LTIP Units converted into the entitlement to receive a fixed number of shares of common stock, based on the IPO price. We settled such entitlements by issuing restricted stock units, which will vest on the applicable payment dates and we will recognize approximately \$47.6 million of compensation expense over the requisite service period relating to the LTIP Units.

Under the terms of the MEP, one-half of the profits interest units vest based on an associate’s service time. The time-vesting units vest 25% on the first anniversary after the vesting commencement date and thereafter in twelve equal installments on each subsequent quarterly anniversary of the vesting commencement date, with 100% vesting of the time-vesting units occurring on the fourth anniversary of the vesting commencement date. MEP incentive units are subject to a floor amount established at the grant date, which acts as a participation threshold and permits the award to participate in distributions only to the extent the distribution amount for the units exceed the floor amount.

The MEP incentive time-vesting units are accounted for as equity awards and the compensation expense calculated based upon the fair market value of the MEP incentive units at the grant date is recognized as the incentive units vest. We estimated the fair value of the MEP incentive units using the Monte Carlo simulation method. As of September 30, 2021, there was approximately \$6.7 million of unrecognized compensation expense associated with unvested time-based unit awards. The unrecognized compensation expense associated with unvested time-based MEP incentive unit awards outstanding at September 30, 2021 will be recognized over a weighted average period of 1.9 years from September 30, 2021.

Vesting for the second half of the MEP incentive units is established based on our performance relative to Apax Partners’ original invested amount, with the performance calculations defined in the plan, triggered by our IPO (implied performance condition). As a result of our July 2021 IPO, and due to an election by Apax Partners, the performance-vesting incentive units converted to time-based vesting units, with 25% vesting upon successive six-month anniversary dates for the 24 months beginning on the date of the IPO. The conversion was treated as a modification for accounting purposes, and accordingly, we estimated fair value as of the modification date.

The modified MEP incentive awards are accounted for as equity awards and the compensation expense calculated based upon the fair value of the modified MEP incentive awards at the modification date is recognized as the incentive units vest. We estimate the fair value of the modified MEP incentive awards based upon the IPO price adjusted for a floor amount established at the grant date and other liquidation preferences in accordance with the terms of the MEP. As of September 30, 2021, there was approximately \$47.0 million of unrecognized compensation expense associated with unvested modified MEP incentive awards. The unrecognized compensation expense associated with the unvested modified MEP incentive units outstanding at September 30, 2021 will be recognized over a period of 1.8 years from September 30, 2021.

In connection with Apax Partners L.P.'s acquisition of us, Pride Midco, Inc., a direct subsidiary of Paycor HCM, Inc., issued \$200 million in aggregate initial liquidation preference of the Series A Redeemable Preferred Stock. The Series A Redeemable Preferred Stock accrued dividends at a rate of LIBOR plus 8.875%. The dividends were payable, or compounded, quarterly on March 31, June 30, September 30 and December 31 of each year. From the issue date through November 2, 2020, dividends were accrued and added to the then-prevailing liquidation preference of the Series A Redeemable Preferred Stock. From November 2, 2020 through the redemption date, we were required to pay 50% of the accrued dividends in cash.

The shares of Series A Redeemable Preferred Stock were accounted for as a redeemable noncontrolling interest in the mezzanine section of our condensed consolidated balance sheet and were accreted using the effective interest method to the redemption value through the net income attributable to redeemable noncontrolling interest line within our unaudited condensed consolidated statement of operations.

We redeemed the Series A Redeemable Preferred Stock in connection with, and using proceeds from, our July 2021 IPO. The redemption price per share was equal to 101% of the liquidation preference, plus accrued and unpaid dividends to the redemption date, or approximately \$260.0 million.

Basis of Presentation

Revenues

Recurring and Other Revenue

We derive our revenue from contractual agreements, which contain recurring and non-recurring service fees. The majority of our contracts are cancellable by the customer on 30 days' notice. We recognize revenue when control of the promised goods or services is transferred to customers in an amount that reflects the consideration that we are entitled to for those goods or services. Recurring revenue consists primarily of revenues derived from the provision of our payroll, workforce management, and HR-related cloud-based computing services. The performance obligations related to recurring services are generally satisfied monthly as services are provided, with fees charged and collected based on a PEPM or per-employee-per-payroll basis. Recurring revenue is generally recognized as the services are provided during each client's payroll period. Other revenue and non-recurring services fees consist mainly of nonrefundable implementation fees, which involve onboarding and configuring the customer within our cloud-based platform. These nonrefundable implementation fees provide certain clients with a material right to renew the contract, with revenue deferred and recognized over the period to which the material right exists. This is generally a period of 24 months from finalization of onboarding, which typically concludes within three to six months of the original booking. Deferred revenue also includes an immaterial portion related to recurring subscription services where revenue is recognized over the subscription period. Deferred revenue for these nonrefundable upfront fees and recurring subscription services were \$14.8 million as of September 30, 2021, with \$4.8 million of revenue recognized for three months ended September 30, 2021. Deferred revenue for these nonrefundable upfront fees and recurring subscription services were \$16.8 million as of September 30, 2020, with \$2.8 million of revenue recognized for three months ended September 30, 2020.

We defer certain commission costs that meet the capitalization criteria. We also capitalize certain costs to fulfill a contract related to our proprietary products if they are identifiable, generate or enhance resources used to satisfy future performance obligations and are expected to be recovered. We utilize the portfolio approach to account for both the cost of obtaining a contract and the cost of fulfilling a contract.

Capitalized costs to fulfill a contract and cost to obtain a contract are amortized over the expected period of benefit, which is generally six years based on our average client life and other qualitative factors, including rate of technological changes. We do not incur any additional costs to obtain or fulfill contracts upon renewal. We recognize additional selling and commission costs and fulfillment costs when an existing client purchases additional services. The additional costs only relate to the additional services purchased and do not relate to the renewal of previous services. We continue to expense certain costs to obtain a contract and cost to fulfill a contract if those costs do not meet the capitalization criteria.

We expect recurring and other revenue to increase as we continue to add new customers and sell additional products to our existing customers.

Interest Income on Funds Held for Clients

We earn interest income on funds held for clients. We collect funds for employee payroll payments and related taxes in advance of remittance to employees and taxing authorities. Prior to remittance to employees and taxing authorities, we earn interest on these funds through demand deposit accounts with financial institutions with which we have automated clearing house arrangements. We also earn interest by investing a portion of funds held for clients in highly liquid, investment-grade marketable securities. We expect funds held for our clients to generally grow as the employees per customer increase and as we add customers. Interest income on funds held for clients will fluctuate based on market rates of demand deposit accounts, as well as the highly liquid, investment-grade marketable securities in which we invest the client funds.

Cost of Revenues

Cost of revenues includes costs relating to the provision of ongoing customer support and implementation activities, payroll tax filing, distribution of printed checks and other materials providing our payroll and other HCM solutions. These costs primarily consist of employee-related expenses for associates who service customers, as well as third-party processing fees, delivery costs, hosting costs, and bank fees associated with client fund transfers. Costs for recurring support are generally expensed as incurred, while such costs for onboarding and configuring our products for our customers are capitalized and amortized over a period of six years.

We amortized \$3.6 million and \$2.2 million of capitalized contract fulfillment costs during the three months ended September 30, 2021 and 2020, respectively. We expect to realize increased amortization in future periods as the total capitalized contract fulfillment costs on our balance sheet increases.

We also capitalize a portion of our internal-use software costs including external direct costs of materials and services associated with developing or obtaining internal use software and certain payroll and payroll-related costs for associates who are directly associated with internal use software projects, which are then generally amortized over a period of three years into cost of revenues. We amortized \$16.6 million and \$13.7 million of capitalized internal-use and acquired software costs during the three months ended September 30, 2021 and 2020, respectively.

Our cost of revenues is expected to increase in absolute dollars as we expand our customer base. However, in the long-term we expect cost of revenues to reduce as a percentage of total revenues as our business scales.

Operating Expenses

Sales and Marketing

Sales and marketing expenses consist primarily of employee-related expenses for our direct sales and marketing staff, marketing, advertising and promotion expenses, and other related costs. We capitalize certain commission costs related to new contracts or purchases of additional services by our existing customers and amortize such items over a period of six years.

We amortized \$3.0 million and \$1.8 million of capitalized contract acquisition costs during the three months ended September 30, 2021 and 2020, respectively. We expect to realize increased amortization in future periods as the total capitalized contract acquisition costs on our balance sheet increases.

We seek to grow our number of new customers and upsell existing customers, and therefore our sales and marketing expense is expected to continue to increase in absolute dollars as we grow our sales organization and expand our marketing activities.

General and Administrative

General and administrative expenses consist primarily of employee-related costs for our administrative, finance, accounting, legal and human resources departments. Additional expenses include consulting and professional fees, occupancy costs, insurance, and other corporate expenses.

We amortized \$20.3 million and \$19.5 million of intangible assets, excluding acquired software amortized through cost of revenues, during the three months ended September 30, 2021 and 2020, respectively. The increase in amortization expense in the three months ended September 30, 2021 is attributable to our asset acquisition in February 2021.

We expect our general and administrative expenses to increase in absolute dollars as we grow and scale our business.

Research and Development

Research and development expenses consist primarily of employee-related expenses for our software development and product management staff. Additional expenses include costs related to the development, maintenance, quality assurance and testing of new technologies, and ongoing refinement of our existing solutions. Research and development expenses, other than internal-use software costs qualifying for capitalization, including costs associated with preliminary project stage activities, training, maintenance, and all other post-implementation stage activities are expensed as incurred.

We capitalize a portion of our development costs related to internal-use software, which are amortized over a period of three years into cost of revenues. The timing of our capitalized development projects may affect the amount of development costs expensed in any given period. The table below sets forth the amounts of capitalized and expensed research and development costs for the following periods:

(in thousands)	Three Months Ended September 30,	
	2021	2020
Capitalized software	\$ 7,241	\$ 5,017
Research and development expenses	\$ 10,191	\$ 8,284

We expect to increase our research and development expenses in absolute dollars as we continue to broaden our product offerings and extend our technological leadership by investing in the development of new technologies and introducing them to new and existing customers.

Interest Expense

Interest expense consists primarily of interest payments and accruals relating to outstanding borrowings. We expect interest expense to vary each reporting period depending on the amount of outstanding borrowings and prevailing interest rates.

Other Income (Expense)

Other income (expense) generally consists of other income and expense items outside of our normal operations, such as realized gains or losses on the sale of certain positions of funds held for clients, gains or losses on the extinguishment of debt and expenses relating to our financing arrangements.

Results of Operations

The following table sets forth our unaudited condensed consolidated statement of operations for the periods indicated.

(in thousands)	Three Months Ended	
	September 30, 2021	September 30, 2020
Consolidated Statement of Operations Data:		
Revenues:		
Recurring and other revenue	\$ 92,416	\$ 78,551
Interest income on funds held for clients	316	510
Total revenues	92,732	79,061
Cost of revenues	45,611	34,484
Gross profit	47,121	44,577
Operating expenses:		
Sales and marketing	45,788	24,343
General and administrative	43,411	33,417
Research and development	10,191	8,284
Total operating expenses	99,390	66,044
Loss from operations	(52,269)	(21,467)
Interest expense	(235)	(486)
Other income	1,224	196
Loss before income taxes	(51,280)	(21,757)
Income tax benefit	(9,244)	(4,425)
Net loss	\$ (42,036)	\$ (17,332)

Comparison of the Three Months Ended September 30, 2021 and September 30, 2020

Revenues

(in thousands)	Three Months Ended		\$ Change	% Change
	September 30, 2021	September 30, 2020		
Revenues:				
Recurring and other revenue	\$ 92,416	\$ 78,551	\$ 13,865	18 %
Interest income on funds held for clients	316	510	(194)	(38)%
Total revenues	\$ 92,732	\$ 79,061	\$ 13,671	17 %

Total revenue for the three months ended September 30, 2021 and 2020 was \$92.7 million and \$79.1 million, respectively. In the three months ended September 30, 2021 and 2020, recurring and other revenue accounted for \$92.4 million and \$78.6 million, respectively. Additionally, interest income on funds held for clients accounted for \$0.3 million and \$0.5 million, respectively, for the three months ended September 30, 2021 and 2020. Total revenues increased primarily as a result of a 3.2% increase in customers to approximately 28,700 at September 30, 2021 from approximately 27,800 at September 30, 2020, an increase in effective PEPM, and an increase in the average number of employees per customer, which has returned to a level similar to what we experienced prior to the beginning of the COVID-19 pandemic.

Interest income on funds held for clients decreased primarily as a result of lower average interest rates across our portfolio of debt-security investments. The impact from the reduction in interest rates was partially offset by higher average daily balances for funds held due to the addition of new customers. Average client funds balance for the three months ended September 30, 2021 and 2020 were \$759.9 million and \$598.3 million, respectively.

Cost of Revenues

(in thousands)	Three Months Ended		\$ Change	% Change
	September 30, 2021	September 30, 2020		
Cost of revenues	\$ 45,611	\$ 34,484	\$ 11,127	32 %
Percentage of total revenues	49 %	44 %		
Gross profit	\$ 47,121	\$ 44,577	\$ 2,544	6 %
Percentage of total revenues	51 %	56 %		

Total cost of revenues for the three months ended September 30, 2021 and 2020 were \$45.6 million and \$34.5 million, respectively. Our total cost of revenues increased primarily as a result of a \$7.2 million increase in employee-related costs, which includes \$1.4 million of share-based compensation expense associated with our IPO, to support new customers, a \$2.1 million increase in amortization expense relating to capitalized software, and a \$1.5 million increase in amortization of deferred contract costs.

Operating Expenses

Sales and Marketing

(in thousands)	Three Months Ended		\$ Change	% Change
	September 30, 2021	September 30, 2020		
Sales and marketing	\$ 45,788	\$ 24,343	\$ 21,445	88 %
Percentage of total revenues	49 %	31 %		

Sales and marketing expenses for the three months ended September 30, 2021 and 2020 were \$45.8 million and \$24.3 million, respectively. The increase in sales and marketing expense was primarily the result of a \$17.3 million increase in employee-related costs, which includes \$13.1 million of share-based compensation expense associated with our IPO and \$1.5 million in additional marketing costs, both principally to expand our sales coverage, and a \$1.9 million increase in travel and event related expenses.

General and Administrative

(in thousands)	Three Months Ended		\$ Change	% Change
	September 30, 2021	September 30, 2020		
General and administrative	\$ 43,411	\$ 33,417	\$ 9,994	30 %
Percentage of total revenues	47 %	42 %		

General and administrative expenses for the three months ended September 30, 2021 and 2020 were \$43.4 million and \$33.4 million, respectively. The increase in general and administrative expenses was primarily driven by a \$7.5 million increase in employee-related costs, which includes \$4.0 million of share-based compensation expense associated with our IPO, a \$1.2 million increase in professional services, consulting fees and other related costs primarily associated with becoming a public company and a \$0.8 million increase in intangible amortization expense primarily associated with our asset acquisition completed in February 2021.

Research and Development

(in thousands)	Three Months Ended		\$ Change	% Change
	September 30, 2021	September 30, 2020		
Research and development	\$ 10,191	\$ 8,284	\$ 1,907	23 %
Percentage of total revenues	11 %	10 %		

Research and development expenses for the three months ended September 30, 2021 and 2020 were \$10.2 million and \$8.3 million, respectively. The increase in research and development expenses was primarily the result of a \$1.5 million increase in share-based compensation expense associated with our IPO, and a \$0.4 million increase in licensing fees.

Interest Expense

(in thousands)	Three Months Ended		\$ Change	% Change
	September 30, 2021	September 30, 2020		
Interest expense	\$ 235	\$ 486	\$ (251)	(52)%
Percentage of total revenues	<1 %	<1 %		

Interest expense for the three months ended September 30, 2021 and 2020 was \$0.2 million and \$0.5 million, respectively.

Other income

(in thousands)	Three Months Ended		\$ Change	% Change
	September 30, 2021	September 30, 2020		
Other income	\$ 1,224	\$ 196	\$ 1,028	524 %

Other income for the three months ended September 30, 2021 and 2020 was \$1.2 million and \$0.2 million, respectively. Other income for the three months ended September 30, 2021 primarily consists of \$1.4 million relating to the recognition of revenue deferred on an installment sale due to the receipt of the remaining proceeds.

Income tax benefit

Income tax benefit for the three months ended September 30, 2021 and 2020 was \$9.2 million and \$4.4 million, respectively, reflecting effective tax rates for the periods of 18.0% and 20.3%, respectively. The increase in tax benefit was due to certain discrete items, primarily the tax accounting impact for stock-based compensation.

Non-GAAP Financial Measures

In addition to our results determined in accordance with U.S. GAAP, we believe the following non-GAAP measures are useful in evaluating our operating performance. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance and assists in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their U.S. GAAP results. The non-GAAP financial information is presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with U.S. GAAP and may be different from similarly titled non-GAAP measures used by other companies. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with U.S. GAAP. Investors are encouraged to review the related U.S. GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable U.S. GAAP financial measures.

Adjusted Gross Profit and Adjusted Gross Profit Margin

We define Adjusted Gross Profit as gross profit before amortization of intangible assets, stock-based compensation expenses, and certain corporate expenses, in each case that are included in costs of recurring revenues. We define Adjusted Gross Profit Margin as Adjusted Gross Profit divided by total revenues.

We use Adjusted Gross Profit and Adjusted Gross Profit Margin to understand and evaluate our core operating performance and trends. We believe these metrics are useful measures to us and to our investors to assist in evaluating our core operating performance because it provides consistency and direct comparability with our past financial performance and between fiscal periods, as the metrics eliminate the effects of variability of items such as stock-based compensation expense and amortization of intangible assets, which are non-cash expenses that may fluctuate for reasons unrelated to overall operating performance.

Adjusted Gross Profit and Adjusted Gross Profit Margin have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP and should not be considered as replacements for gross profit and gross profit margin, as determined by U.S. GAAP, or as measures of our profitability. We compensate for these limitations by relying primarily on our U.S. GAAP results and using non-GAAP measures only for supplemental purposes.

Adjusted Gross Profit was \$60.5 million and \$55.8 million, or 65.2% and 70.5% of total revenue, for the three months ended September 30, 2021 and 2020, respectively. Adjusted Gross Profit increased for the three months ended September 30, 2021, primarily driven by the increase in revenue from customer growth, partially offset by additional employee related costs to support new customers, amortization of capitalized software and amortization of costs to fulfill contracts within cost of revenues.

(in thousands)	Three Months Ended	
	September 30, 2021	September 30, 2020
Gross Profit*	\$ 47,121	\$ 44,577
<i>Gross Profit Margin</i>	<i>50.8 %</i>	<i>56.4 %</i>
Amortization of intangible assets	11,722	10,969
Stock-based compensation expense	1,657	213
Adjusted Gross Profit*	\$ 60,500	\$ 55,759
<i>Adjusted Gross Profit Margin</i>	<i>65.2 %</i>	<i>70.5 %</i>

* Gross Profit and Adjusted Gross Profit are burdened by depreciation expense of \$0.7 million and \$0.7 million for the three months ended September 30, 2021 and 2020, respectively. Gross Profit and Adjusted Gross Profit are burdened by amortization of capitalized software of \$4.8 million and \$2.7 million for the three months ended September 30, 2021 and 2020, respectively. Gross Profit and Adjusted Gross Profit are burdened by amortization of deferred contract costs of \$3.6 million and \$2.2 million for the three months ended September 30, 2021 and 2020, respectively.

Adjusted Operating Income

We define Adjusted Operating Income as loss from operations before amortization of acquired intangible assets, stock-based award and liability incentive award compensation expenses, and other certain corporate expenses, such as costs related to acquisitions. We define Adjusted Operating Income Margin as Adjusted Operating Income divided by total revenues.

We use Adjusted Operating Income and Adjusted Operating Income Margin to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget, and to develop short-term and long-term operating plans. We believe that Adjusted Operating Income and Adjusted Operating Income Margin facilitate comparison of our operating performance on a consistent basis between periods, and when viewed in combination with our results prepared in accordance with U.S. GAAP, help provide a broader picture of factors and trends affecting our results of operations. While the amortization expense relating to intangible assets is excluded from Adjusted Operating Income, the revenue related to such intangible assets is reflected in Adjusted Operating Income as these assets contribute to our revenue generation.

Adjusted Operating Income and Adjusted Operating Income Margin have limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under U.S. GAAP. Because of these limitations, Adjusted Operating Income and Adjusted Operating Income Margin should not be considered as replacements for operating loss and operating loss margin, as determined by U.S. GAAP, or as measures of our profitability. We compensate for these limitations by relying primarily on our U.S. GAAP results and using non-GAAP measures only for supplemental purposes.

Adjusted Operating Income was \$3.4 million and \$12.7 million for the three months ended September 30, 2021 and 2020, respectively. Adjusted Operating Income decreased for the three months ended September 30, 2021, primarily driven by continued investment in employee-related costs to support new customers, expand our sales coverage, and develop our products, increased amortization related to capitalized software and deferred contract costs and costs associated with becoming a public company, partially offset by an increase in revenue.

(in thousands)	Three Months Ended	
	September 30, 2021	September 30, 2020
Loss from Operations	\$ (52,269)	\$ (21,467)
Operating Margin	(56.4)%	(27.2)%
Amortization of intangible assets	32,050	30,504
Stock-based compensation expense	21,812	1,697
Liability incentive award compensation expense	—	43
Corporate adjustments*	1,799	1,899
Adjusted Operating Income	\$ 3,392	\$ 12,676
Adjusted Operating Income Margin	3.7 %	16.0 %

* Corporate adjustments for the three months ended September 30, 2021 relate to certain costs associated with becoming a public company, including the implementation of a new enterprise-resource planning system and professional, consulting, and other costs. Corporate adjustments for the three months ended September 30, 2020 relate to certain costs related to the transition of the new executive leadership team and closure of a standalone facility of \$0.6 million, as well as costs associated with becoming a public company, including the implementation of a new enterprise-resource planning system and professional, consulting, and other costs of \$0.9 million, and transaction expenses and costs associated with the Paltech Solutions, Inc. (“7Geese”) Acquisition totaling \$0.4 million.

Adjusted Operating Expenses

We define Adjusted Sales and Marketing expense as sales and marketing expenses before stock-based award and liability incentive award compensation expenses and other certain corporate expenses. We define Adjusted General and Administrative expense as general and administrative expenses before amortization of acquired intangible assets, stock-based award and liability incentive award compensation expenses, and other certain corporate expenses. We define Adjusted Research and Development expense as research and development expenses before stock-based award and liability incentive award compensation expenses and other certain corporate expenses.

We use Adjusted Sales and Marketing expense, Adjusted General and Administrative expense and Adjusted Research and Development expense (collectively, “Adjusted Operating Expenses”) to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget, and to develop short-term and long-term operating plans. We believe that Adjusted Operating Expenses facilitate comparison of our operating performance on a consistent basis between periods, and when viewed in combination with our results prepared in accordance with U.S. GAAP, help provide a broader picture of factors and trends affecting our results of operations.

Adjusted Operating Expenses have limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under U.S. GAAP. Because of these limitations, Adjusted Operating Expenses should not be considered as replacements for operating expenses, as determined by U.S. GAAP. We compensate for these limitations by relying primarily on our U.S. GAAP results and using non-GAAP measures only for supplemental purposes.

Adjusted Sales and Marketing expense was \$32.1 million and \$23.5 million for the three months ended September 30, 2021 and 2020. Adjusted Sales and Marketing expenses increased for the three months ended September 30, 2021, primarily driven by expanding our sales coverage.

Adjusted General and Administrative expense was \$16.3 million and \$11.3 million for the three months ended September 30, 2021 and 2020. Adjusted General and Administrative expenses increased for the three months ended September 30, 2021, primarily driven by additional employee-related costs and professional services, consulting fees and other related costs primarily associated with becoming a public company.

Adjusted Research and Development expense was \$8.7 million and \$8.2 million for the three months ended September 30, 2021 and 2020, respectively. Adjusted Research and Development expenses increased for the three months ended September 30, 2021, primarily driven by an increase in employee related costs.

(in thousands)	Three Months Ended	
	September 30, 2021	September 30, 2020
Sales and Marketing expense	\$ 45,788	\$ 24,343
Stock-based compensation expense	(13,646)	(537)
Corporate adjustments*	(53)	(296)
Adjusted Sales and Marketing expense	<u>\$ 32,089</u>	<u>\$ 23,510</u>
General and Administrative expense	\$ 43,411	\$ 33,417
Amortization of intangible assets	(20,328)	(19,535)
Stock-based compensation expense	(4,988)	(910)
Liability incentive award compensation expense	—	(43)
Corporate adjustments**	(1,746)	(1,603)
Adjusted General and Administrative expense	<u>\$ 16,349</u>	<u>\$ 11,326</u>
Research and Development expense	\$ 10,191	\$ 8,284
Stock-based compensation expense	(1,521)	(37)
Adjusted Research and Development expense	<u>\$ 8,670</u>	<u>\$ 8,247</u>

* Corporate adjustments for the three months ended September 30, 2021 relate to costs associated with becoming a public company. Corporate adjustments for the three months ended September 30, 2020 relate to certain costs related to the transition of the new executive leadership team and closure of a standalone facility.

** Corporate adjustments for the three months ended September 30, 2021 relate to costs associated with becoming a public company, including the implementation of a new enterprise-resource planning system and professional, consulting, and other costs. Corporate adjustments for the three months ended September 30, 2020 relate to certain costs related to the transition of the new executive leadership team and closure of a standalone facility of \$0.3 million, as well as costs associated with becoming a public company, including the implementation of a new enterprise-resource planning system and professional, consulting, and other costs, of \$0.9 million, and transaction expenses and costs associated with the 7Geese Acquisition totaling \$0.4 million.

Adjusted Net Income Attributable to Paycor HCM, Inc. and Adjusted Net Income Attributable to Paycor HCM, Inc. Per Share

We define Adjusted Net Income Attributable to Paycor HCM, Inc. as loss before benefit for income tax after adjusting for amortization of acquired intangible assets, stock-based award and liability incentive award compensation expenses, gain or loss on the extinguishment of debt, and other certain corporate expenses, such as costs related to acquisitions, all of which are tax effected applying an adjusted tax rate. We define Adjusted Net Income Attributable to Paycor HCM, Inc. Per Share as Adjusted Net Income Attributable to Paycor HCM, Inc. divided by adjusted shares outstanding. Adjusted shares outstanding includes potentially dilutive securities excluded from the U.S. GAAP dilutive net loss per share calculation.

We use Adjusted Net Income Attributable to Paycor HCM, Inc. and Adjusted Net Income Attributable to Paycor HCM, Inc. Per Share to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget, and to develop short-term and long-term operating plans. We believe that Adjusted Net Income Attributable to Paycor HCM, Inc. and Adjusted Net Income Attributable to Paycor HCM, Inc. Per Share facilitate comparison of our operating performance on a consistent basis between periods, and when viewed in combination with our results prepared in accordance with U.S. GAAP, help provide a broader picture of factors and trends affecting our results of operations. While the amortization expense relating to intangible assets is excluded from Adjusted Net Income Attributable to Paycor HCM, Inc., the revenue related to such intangible assets is reflected in Adjusted Net Income Attributable to Paycor HCM, Inc. as these assets contribute to our revenue generation.

Adjusted Net Income Attributable to Paycor HCM, Inc. and Adjusted Net Income Attributable to Paycor HCM, Inc. Per Share have limitations as analytical tools, and you should not consider these in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Because of these limitations, Adjusted Net Income Attributable to Paycor HCM, Inc. should not be considered as a replacement for Net Loss Attributable to Paycor HCM, Inc., and Adjusted Net Income Attributable to Paycor HCM, Inc. Per Share should not be considered as a replacement for diluted net loss attributable to Paycor HCM, Inc. per share, as determined by U.S. GAAP, or as a measure of our profitability. We compensate for these limitations by relying primarily on our U.S. GAAP results and using non-GAAP measures only for supplemental purposes.

Adjusted Net Income Attributable to Paycor HCM, Inc. was \$2.3 million and \$9.5 million for the three months ended September 30, 2021 and 2020, respectively. Adjusted Net Income Attributable to Paycor HCM, Inc. decreased for the three months ended September 30, 2021, primarily driven by continued investment in employee-related costs to support new customers, expand our sales coverage, and develop our products, increased amortization related to capitalized software and deferred contract costs and costs associated with becoming a public company, partially offset by an increase in revenue.

(in thousands)	Three Months Ended	
	September 30, 2021	September 30, 2020
Net loss before benefit for income taxes	\$ (51,280)	\$ (21,757)
Loss on debt amendment	35	—
Amortization of intangible assets	32,050	30,504
Gain on installment sale	(1,359)	—
Stock-based compensation expense	21,812	1,697
Liability incentive award compensation expense	—	43
Corporate adjustments*	1,799	1,899
Non-GAAP adjusted income before applicable income taxes	3,057	12,386
Income tax effect on adjustments**	(734)	(2,849)
Adjusted Net Income Attributable to Paycor HCM, Inc.	<u>\$ 2,323</u>	<u>\$ 9,537</u>
Adjusted Net Income Attributable to Paycor HCM, Inc. per share	\$ 0.01	\$ 0.06
Adjusted shares outstanding***	169,660,544	151,718,000

* Corporate adjustments for the three months ended September 30, 2021 relate to certain costs associated with becoming a public company, including the implementation of a new enterprise-resource planning system and professional, consulting, and other costs. Corporate adjustments for the three months ended September 30, 2020 relate to certain costs related to the transition of the new executive leadership team and closure of a standalone facility of \$0.6 million, as well as costs associated with becoming a public company, including the implementation of a new enterprise-resource planning system and professional, consulting, and other costs of \$0.9 million, and transaction expenses and costs associated with the 7Geese Acquisition totaling \$0.4 million.

** Non-GAAP adjusted income before applicable income taxes is tax effected using an adjusted effective tax rate of 24.0% for the three months ended September 30, 2021 and 23.0% for the three months ended September 30, 2020.

*** The adjusted shares outstanding for the three months ended September 30, 2021 assume the conversion of the Series A Preferred Stock as if it would have occurred on July 1, 2021, based on the if-converted method and include potentially dilutive securities that are excluded from U.S. GAAP dilutive net income per share calculation because including them would have an anti-dilutive effect. There were no potentially dilutive securities for the three months ended September 30, 2020 and therefore the adjusted shares outstanding are the same as the U.S. GAAP diluted shares outstanding.

Liquidity and Capital Resources

General

As of September 30, 2021, our principal sources of liquidity were cash and cash equivalents totaling \$125.8 million, which was held for working capital purposes, as well as \$200.0 million of borrowing capacity available under our revolving credit facility, described further below. As of September 30, 2021, our cash and cash equivalents principally included demand deposit accounts. We expect that our operating cash flows, in addition to our cash and cash equivalents and access to our 2021 Credit Facility, will enable us to continue to make such investments in the future. We expect our operating cash flows to further improve as we increase our operational efficiency and experience economies of scale.

We have historically financed our operations primarily through cash received from operations and debt financing and, more recently, with the issuance of equity in our IPO. We believe our existing cash and cash equivalents, our 2021 Credit Facility and cash provided by sales of our solutions and services will be sufficient to meet our working capital and capital expenditure needs for at least the next twelve months. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, and the introduction of new and enhanced products and services offerings. In the future, we may enter into arrangements to acquire or invest in complementary businesses, services, and technologies, including intellectual property rights.

We may be required to seek additional equity or debt financing. If additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies, this could reduce our ability to compete successfully and harm our results of operations.

The majority of the Company's recurring fees are satisfied over time as the services are provided and invoiced by the customer payroll processing period or by month. The Company recognizes deferred revenue for nonrefundable upfront fees as well as for subscription services related to certain ancillary products invoiced prior to the satisfaction of the performance obligation. As of September 30, 2021, we had deferred revenue of \$14.8 million, of which \$10.8 million was recorded as a current liability and is expected to be recorded as revenue in the next twelve months, provided all other revenue recognition criteria have been met.

New Senior Secured Credit Facility

In June 2021, Paycor, Inc. entered into a new credit agreement (the "2021 Credit Agreement") with PNC Bank National Association ("PNC"), as administrative agent and collateral agent, providing a \$100.0 million senior secured revolving credit facility (the "2021 Credit Facility" and the loans thereunder, the "2021 Loans"). The 2021 Credit Facility includes an "accordion" feature that allows us, under certain circumstances, to increase the size of the 2021 Credit Facility in a principal amount up to \$300.0 million, with a resulting maximum principal amount of \$400.0 million.

On September 3, 2021, Paycor, Inc., Pride Guarantor, Inc. and certain other subsidiaries of Paycor HCM, Inc. entered into an amendment ("2021 Amendment") to the 2021 Credit Agreement. The 2021 Amendment provides for an increase in the size of the 2021 Credit Facility from \$100.0 million to \$200.0 million. No other significant terms of the 2021 Credit Agreement were changed in connection with the 2021 Amendment.

The 2021 Loans have variable interest rates. The interest rate on the 2021 Loans equals, at our option, either, (i) in the case of ABR borrowings, the highest of (a) the PNC prime rate, (b) the Federal Funds Rate plus 50 basis points, and (c) the adjusted LIBOR with a maturity of one month, plus 100 basis points ("ABR") or (ii) in the case of LIBOR borrowings, the LIBOR rate, plus, in each case, an applicable margin of (A) prior to the IPO, (i) in the case of ABR borrowings, 95 basis points per annum and (ii) in the case of LIBOR borrowings, 195 basis points per annum or (B) following the IPO, (i) in the case of ABR borrowings, 37.5 basis points per annum or (ii) in the case of LIBOR borrowings, 137.5 basis points per annum, in each case, with step downs based on achievement of certain total leverage ratios.

The 2021 Credit Facility requires us to pay a quarterly unused fee of (i) prior to the IPO, 0.25% and (ii) following an IPO, between 0.10% per annum and 0.175% per annum based on our total leverage ratio.

The 2021 Credit Facility commitments will mature on June 11, 2026.

Borrowings under the 2021 Credit Agreement are guaranteed by our subsidiary, Pride Guarantor, Inc. and certain of our other subsidiaries. These borrowings are secured by liens and security interests on substantially all of the assets of existing and future material domestic subsidiaries of Pride Guarantor, Inc.

The 2021 Credit Facility contains financial covenants, which are reviewed for compliance on a quarterly basis, including a total leverage ratio financial covenant of 3.50 to 1.00 and an interest coverage ratio financial covenant of 3.00 to 1.00. As of September 30, 2021, we were in compliance with all covenants.

Cash Flows

The following table presents a summary of our unaudited condensed consolidated cash flows from operating, investing and financing activities for the three months ended September 30, 2021 and 2020.

(in thousands)	Three Months Ended	
	September 30, 2021	September 30, 2020
Net cash used in operating activities	\$ (17,245)	\$ (1,910)
Net cash used in investing activities	(5,258)	(22,100)
Net cash provided by (used in) financing activities	1,052,127	(62,062)
Impact of foreign exchange on cash and cash equivalents	(3)	(1)
Net change in cash and cash equivalents	1,029,621	(86,073)
Cash and cash equivalents at beginning of period	560,000	546,448
Cash and cash equivalents at end of period	<u>\$ 1,589,621</u>	<u>\$ 460,375</u>

Operating Activities

Net cash used in operating activities was \$17.2 million and \$1.9 million for the three months ended September 30, 2021 and 2020, respectively. The change in operating activities for the three months ended September 30, 2021 reflects an increase in net loss and a decrease in changes in assets and liabilities, partially offset by an increase in adjustments to add back non-cash items.

Investing Activities

Net cash used in investing activities was \$5.3 million and \$22.1 million, for the three months ended September 30, 2021 and 2020, respectively. The change in investing activities for the three months ended September 30, 2021 was primarily attributable to the timing of proceeds and purchases within our client funds portfolio as well as the acquisition of 7Geese in September 2020.

Financing Activities

Net cash provided by financing activities was \$1,052.1 million for the three months ended September 30, 2021 compared to net cash used in financing activities of \$62.1 million for the three months ended September 30, 2020, respectively. The change in financing activities for the three months ended September 30, 2021 was primarily attributable to an increase in funds held to satisfy client funds obligations as well as proceeds from the issuance of common stock sold in our IPO, net of offering costs, partially offset by cash used for the redemption of our Series A Redeemable Preferred Stock and increased net repayments of long-term debt.

Contractual Obligations and Commitments

Our principal commitments primarily consist of long-term debt and leases for office space. There have been no material changes to our contractual obligations disclosed in the contractual obligations section of Management's Discussion and Analysis of Financial Condition and Results of Operations in the Form 10-K that was filed with the SEC on September 2, 2021. For additional information regarding our leases, long-term debt and our commitments and contingencies, see "Note 10. Leases", "Note 9. Debt Agreements and Letters of Credit" and "Note 18. Commitments and Contingencies" in the Form 10-K and "Note "Note 9. Debt Agreements and Letters of Credit" and "Note 15. Commitments and Contingencies" in the notes to our unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that may be material to investors.

JOBS Act

We qualify as an “emerging growth company” pursuant to the provisions of the JOBS Act. For as long as we are an “emerging growth company,” we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding advisory “say-on-pay” votes on executive compensation and shareholder advisory votes on golden parachute compensation.

The JOBS Act also permits an emerging growth company like us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected to “opt-in” to this extended transition period for complying with new or revised accounting standards and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that comply with such new or revised accounting standards on a non-delayed basis.

Critical Accounting Policies and Significant Judgments and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosures of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions, impacting our reported results of operations and financial condition.

Certain accounting policies involve significant judgments and assumptions by management, which have a material impact on the carrying value of assets and liabilities and the recognition of income and expenses. Management considers these accounting policies to be critical accounting policies. The estimates and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. The significant accounting policies which we believe are the most critical to aid in fully understanding and evaluating our reported financial results are described in the critical accounting policies and estimates section of Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Form 10-K filed on September 2, 2021. There have been no material changes to the critical accounting policies disclosed in the Form 10-K, except as described in Note 2 to our unaudited condensed consolidated financial statements: “Summary of Significant Accounting Policies.”

Adoption of Accounting Pronouncements

For a description of recently issued accounting standards not yet adopted, see Note 2 to our unaudited condensed consolidated financial statements: “Summary of Significant Accounting Policies —Pending Accounting Pronouncements” appearing elsewhere in this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure due to potential changes in inflation or interest rates. We do not hold financial instruments for trading purposes.

Foreign Currency Exchange Risk

The functional currencies of our foreign subsidiaries are the respective local currencies. Most of our sales are denominated in U.S. dollars, and therefore our revenue is not currently subject to significant foreign currency risk. Our operating expenses are denominated in the currencies of the countries in which our operations are located, which are primarily in the United States, Canada, and Serbia. Our unaudited condensed consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments. During the three months ended September 30, 2021, a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our unaudited condensed consolidated financial statements.

Interest Rate Risk

As of September 30, 2021, we have cash and cash equivalents totaling \$125.8 million and funds held for clients of \$1,578.1 million. We deposit our cash and cash equivalents and significant portions of our funds held for clients in demand deposit accounts with various financial institutions. We invest funds held for clients in debt-security investments classified as available-for-sale consisting of U.S. Treasury Notes, direct obligations of U.S. government agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Farm Credit Bank, high grade corporate bonds, FDIC insured certificates of deposit, and other short-term and long-term investments.

Our cash and cash equivalents and funds held for clients are subject to market risk due to changes in interest rates. A decline in interest rates would decrease our interest income earned. Additionally, an increase in interest rates may cause the market value of our investments in fixed-rate available-for-sale securities to decline. We may incur losses on our fixed-rate available-for-sale securities if we are forced to sell some or all of these securities at lower market values. However, as a result of us classifying all marketable securities as available-for-sale, no gains or losses are recognized due to changes in interest rates until such securities are sold or decreases in fair value are deemed to be other-than-temporary. We have not recorded any other-than-temporary impairment losses to date. A 100-basis point change in interest rates would have had an immaterial effect on the market value of our available-for-sale securities as of September 30, 2021.

We are also exposed to changing Eurodollar-based interest rates. Interest rate risk is highly sensitive due to many factors, including E.U. and U.S. monetary and tax policies, U.S. and international economic factors and other factors beyond our control. Our 2021 Credit Facility carries interest at LIBOR, as administered by the Intercontinental Exchange (“CE”) Benchmark Administration for deposits in dollar, plus the applicable margin.

At September 30, 2021, we had no outstanding debt under our 2021 Credit Facility and, as a result, a 100-basis point increase or decrease in market interest rates over a twelve-month period would result in no change to interest expense.

Impact of Inflation

While inflation may impact our net revenues and costs of revenues, we believe the effects of inflation, if any, on our results of operations and financial condition have not been significant. However, there can be no assurance that our results of operations and financial condition will not be materially impacted by inflation in the future.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to a company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2021. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2021, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting during the three months ended September 30, 2021, that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, we believe would individually or taken together have a material adverse effect on our business, financial condition, or liquidity. For additional information, see “Note 15 - Commitments and Contingencies.”

Item 1A. Risk Factors

There have been no material changes from the information set forth in “Item 1A. Risk Factors” in the Form 10-K filed with the SEC on September 2, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

None.

Use of Proceeds from Registered Securities

On July 20, 2021, we priced our IPO. The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to the Company’s registration statement on Form S-1 (File No. 333-255498).

In aggregate, the IPO shares issued generated approximately \$458.7 million, which is net of approximately \$30.6 million in underwriters’ discount. On July 23, 2021, we used approximately \$260.0 million of IPO proceeds to fund the redemption of the Series A Redeemable Preferred Stock. There is no material change in the use of the IPO proceeds as described in the IPO prospectus dated July 20, 2021 forming a part of the registration statement.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are incorporated herein by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K):

3.1	Second Amended and Restated Certificate of Incorporation of Paycor HCM, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 26, 2021)
3.2	Amended and Restated Bylaws of Paycor HCM, Inc., effective July 23, 2021 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 26, 2021)
10.1	Director Nomination Agreement, dated as of July 23, 2021, by and among Paycor HCM, Inc. and the other signatories party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 26, 2021)
10.2	Form of Executive Employment Agreement (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 filed on April 26, 2021)
10.3	Paycor HCM, Inc. 2021 Omnibus Incentive Plan
10.4	Paycor HCM, Inc. 2021 Employee Stock Purchase Plan
10.5	Form of Board of Directors Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 26, 2021)
10.6	Form of Nonqualified Stock Option Agreement (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 26, 2021)
10.7	Form of Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 26, 2021)
10.8	Executive Severance Plan
10.9	Executive Change in Control Severance Plan
10.10	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 26, 2021)
10.11	Amendment No. 1 to the Credit Agreement, dated September 3, 2021, by and between Paycor, Inc., Pride Guarantor, Inc., the subsidiaries party thereto, the lenders party thereto and PNC Bank, National Association, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 3, 2021)
31.1	Certification of Principal Executive Officer, Pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer, Pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32.1**	Certification of the Chief Executive Officer, Pursuant to Rule 18 U.S.C. Section 1350
32.2**	Certification of the Chief Financial Officer, Pursuant to Rule 18 U.S.C. Section 1350
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

** This exhibit is furnished herewith and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

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.

Date: November 12, 2021

Paycor HCM, Inc.

By: /s/ ADAM ANTE
Name: Adam Ante
Title: Chief Financial Officer (Principal Financial and Accounting Officer)

PAYCOR HCM, INC.
2021 OMNIBUS INCENTIVE PLAN

ARTICLE I
PURPOSE

The purpose of this Paycor HCM, Inc. 2021 Omnibus Incentive Plan is to enhance the profitability and value of the Company for the benefit of its stockholders by enabling the Company to offer Eligible Individuals cash and stock-based incentives in order to attract, retain and reward such individuals and strengthen the mutuality of interests between such individuals and the Company's stockholders. The Plan is effective as of the date set forth in Article XVI.

ARTICLE II
DEFINITIONS

For purposes of the Plan, the following terms shall have the following meanings:

2.1 "Affiliate" means each of the following: (a) any Subsidiary; (b) any Parent; (c) any corporation, trade or business (including, without limitation, a partnership or limited liability company) which is directly or indirectly controlled 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) by the Company or one of its Affiliates; (d) any trade or business (including, without limitation, a partnership or limited liability company) which directly or indirectly controls 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) of the Company; and (e) any other entity in which the Company or any of its Affiliates has a material equity interest and which is designated as an "Affiliate" by resolution of the Committee; provided that, unless otherwise determined by the Committee, the Common Stock subject to any Award constitutes "service recipient stock" for purposes of Section 409A of the Code or otherwise does not subject the Award to Section 409A of the Code.

2.2 "Award" means any award under the Plan of any Stock Option, Stock Appreciation Right, Restricted Stock Award, Performance Award, Other Stock-Based Award, Other Cash-Based Award or LTIP Units. All Awards shall be granted by, confirmed by, and subject to the terms of, a written agreement executed by the Company and the Participant.

2.3 "Award Agreement" means the written or electronic agreement setting forth the terms and conditions applicable to an Award.

2.4 "Board" means the Board of Directors of the Company.

2.5 "Cause" means, unless otherwise determined by the Committee in the applicable Award Agreement, with respect to a Participant's Termination of Employment or Termination of Consultancy, the following: (a) in the case where there is no employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Award (or where there is such an agreement but it does not define "cause" (or words of like import)), termination due to a Participant's insubordination, dishonesty, fraud, incompetence, moral turpitude, willful misconduct, failure to adhere to written policies of the Company or any Affiliate, refusal to perform the Participant's duties or responsibilities for any reason other than illness or incapacity or materially unsatisfactory performance of the Participant's duties for the Company or an Affiliate or indictment for, or conviction of (including a guilty plea or plea of *nolo contendere*), a felony or misdemeanor involving moral turpitude, as determined by the Committee in its good faith discretion; or (b) in the case where there is an employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant

at the time of the grant of the Award that defines “cause” (or words of like import), “cause” as defined under such agreement; provided, however, that with regard to any agreement under which the definition of “cause” only applies on occurrence of a change in control, such definition of “cause” shall not apply until a change in control actually takes place and then only with regard to a termination thereafter. With respect to a Participant’s Termination of Directorship, “cause” means an act or failure to act that constitutes cause for removal of a director under applicable Delaware law.

2.6 “Change in Control” has the meaning set forth in Section 12.2.

2.7 “Change in Control Price” has the meaning set forth in Section 12.1.

2.8 “Code” means the Internal Revenue Code of 1986, as amended. Any reference to any section of the Code shall also be a reference to any successor provision and any regulation of U.S. Department of Treasury promulgated thereunder (the “Treasury Regulation”).

2.9 “Committee” means any committee of the Board duly authorized by the Board to administer the Plan. If no committee is duly authorized by the Board to administer the Plan, the term “Committee” shall be deemed to refer to the Board for all purposes under the Plan.

2.10 “Common Stock” means the common stock, \$0.001 par value per share, of the Company.

2.11 “Company” means Paycor HCM, Inc., a Delaware corporation, and its successors by operation of law.

2.12 “Consultant” means any Person who is an advisor or consultant to the Company or its Affiliates.

2.13 “Disability” means, unless otherwise determined by the Committee in the applicable Award Agreement, with respect to a Participant’s Termination, a permanent and total disability as defined in Section 22(e)(3) of the Code. A Disability shall only be deemed to occur at the time of the determination by the Committee of the Disability. Notwithstanding the foregoing, for Awards that are subject to Section 409A of the Code, Disability shall mean that a Participant is disabled under Section 409A(a)(2)(C)(i) or (ii) of the Code.

2.14 “Effective Date” means the effective date of the Plan as defined in Article XVI.

2.15 “Eligible Employees” means each employee of the Company or an Affiliate.

2.16 “Eligible Individual” means an Eligible Employee, Non-Employee Director or Consultant who is designated by the Committee in its discretion as eligible to receive Awards subject to the conditions set forth herein.

2.17 “Exchange Act” means the Securities Exchange Act of 1934, as amended. Reference to a specific section of the Exchange Act or regulation thereunder shall include such section or regulation, any valid regulation or interpretation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

2.18 “Fair Market Value” means, for purposes of the Plan, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, as of any date and except as provided below, closing sales price reported for the Common Stock on the applicable date: (a) as reported on the principal national securities exchange in the United States on which it is then traded or (b) if the Common Stock is not traded, listed or otherwise reported or quoted, the Committee shall determine in good faith the Fair Market Value in whatever manner it considers appropriate taking into account the

requirements of Section 409A of the Code. For purposes of the grant of any Award, the applicable date shall be the trading day immediately prior to the date on which the Award is granted. For purposes of the exercise of any Award, the applicable date shall be the date a notice of exercise is received by the Committee or, if not a day on which the applicable market is open, the next day that it is open.

2.19 “Family Member” means “family member” as defined in Section A.1.(a)(5) of the general instructions of Form S-8.

2.20 “Holdings” means Pride Aggregator, LP, a Delaware limited partnership.

2.21 “Incentive Stock Option” means any Stock Option awarded to an Eligible Employee of the Company, its Subsidiaries and its Parents (if any) under the Plan intended to be and designated as an “Incentive Stock Option” within the meaning of Section 422 of the Code.

2.22 “Incumbent Director” has the meaning set forth in Section 12.2(c).

2.23 “LP Agreement” means the Second Amended and Restated Agreement of Limited Partnership of Holdings, as may be amended and/or restated from time to time.

2.24 “Lead Underwriter” has the meaning set forth in Section 15.19.

2.25 “Lock-Up Period” has the meaning set forth in Section 15.19.

2.26 “LTIP Units” shall mean common units in Holdings issued under the LP Agreement.

2.27 “Non-Employee Director” means a director or a member of the Board of the Company or any Affiliate who is not an active employee of the Company or any Affiliate.

2.28 “Non-Qualified Stock Option” means any Stock Option awarded under the Plan that is not an Incentive Stock Option.

2.29 “Non-Tandem Stock Appreciation Right” shall mean the right to receive an amount in cash and/or stock equal to the difference between (x) the Fair Market Value of a share of Common Stock on the date such right is exercised, and (y) the aggregate exercise price of such right, otherwise than on surrender of a Stock Option.

2.30 “Other Cash-Based Award” means an Award granted pursuant to Section 11.3 and payable in cash at such time or times and subject to such terms and conditions as determined by the Committee in its sole discretion.

2.31 “Other Stock-Based Award” means an Award under Article XI of the Plan that is valued in whole or in part by reference to, or is payable in or otherwise based on, Common Stock, including, without limitation, an Award valued by reference to an Affiliate.

2.32 “Parent” means any parent corporation of the Company within the meaning of Section 424(e) of the Code.

2.33 “Participant” means an Eligible Individual to whom an Award has been granted pursuant to the Plan.

2.34 “Performance Award” means an Award granted to a Participant pursuant to Article IX hereof contingent upon achieving certain Performance Goals.

2.35 “Performance Goals” means goals established by the Committee in its sole discretion as contingencies for Awards to vest and/or become exercisable or distributable.

2.36 “Performance Period” means the designated period during which the Performance Goals must be satisfied with respect to the Award to which the Performance Goals relate.

2.37 “Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a government or any branch, department, agency, political subdivision or official thereof.

2.38 “Plan” means this Paycor HCM, Inc. 2021 Omnibus Incentive Plan, as amended from time to time.

2.39 “Proceeding” has the meaning set forth in Section 15.8.

2.40 “Reference Stock Option” has the meaning set forth in Section 7.1.

2.41 “Registration Date” means the date on which the Company sells its Common Stock in a bona fide, firm commitment underwriting pursuant to a registration statement under the Securities Act.

2.42 “Reorganization” has the meaning set forth in Section 4.2(b)(ii).

2.43 “Restricted Stock” means an Award of shares of Common Stock under the Plan that is subject to restrictions under Article VIII.

2.44 “Restriction Period” has the meaning set forth in Section 8.3(a) with respect to Restricted Stock.

2.45 “Rule 16b-3” means Rule 16b-3 under Section 16(b) of the Exchange Act as then in effect or any successor provision.

2.46 “Section 409A of the Code” means the nonqualified deferred compensation rules under Section 409A of the Code and any applicable Treasury Regulations and other official guidance thereunder.

2.47 “Securities Act” means the Securities Act of 1933, as amended and all rules and regulations promulgated thereunder. Reference to a specific section of the Securities Act or regulation thereunder shall include such section or regulation, any valid regulation or interpretation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

2.48 “Stock Appreciation Right” shall mean the right pursuant to an Award granted under Article VII.

2.49 “Stock Option” or “Option” means any option to purchase shares of Common Stock granted to Eligible Individuals granted pursuant to Article VI.

2.50 “Subsidiary” means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

2.51 “Substitute Award” shall mean an Award granted under the Plan in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock, in any case, upon the assumption of, or in substitution for, outstanding equity awards previously granted by

a company or other entity; provided, however, that in no event shall the term “Substitute Award” be construed to refer to an award made in connection with the cancellation and repricing of an Stock Option or Stock Appreciation Right.

2.52 “Tandem Stock Appreciation Right” shall mean the right to surrender to the Company all (or a portion) of a Stock Option in exchange for an amount in cash and/or stock equal to the difference between (a) the Fair Market Value on the date such Stock Option (or such portion thereof) is surrendered, of the Common Stock covered by such Stock Option (or such portion thereof), and (b) the aggregate exercise price of such Stock Option (or such portion thereof).

2.53 “Ten Percent Stockholder” means a Person owning stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, its Subsidiaries or its Parent.

2.54 “Termination” means a Termination of Consultancy, Termination of Directorship or Termination of Employment, as applicable.

2.55 “Termination of Consultancy” means: (a) that the Consultant is no longer acting as a consultant to the Company or an Affiliate; or (b) when an entity which is retaining a Participant as a Consultant ceases to be an Affiliate unless the Participant otherwise is, or thereupon becomes, a Consultant to the Company or another Affiliate at the time the entity ceases to be an Affiliate. In the event that a Consultant becomes an Eligible Employee or a Non-Employee Director upon the termination of such Consultant’s consultancy, unless otherwise determined by the Committee, in its sole discretion, no Termination of Consultancy shall be deemed to occur until such time as such Consultant is no longer a Consultant, an Eligible Employee or a Non-Employee Director. Notwithstanding the foregoing, the Committee may otherwise define Termination of Consultancy in the Award Agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Consultancy thereafter; provided that, any such change to the definition of the term “Termination of Consultancy” does not subject the applicable Award to Section 409A of the Code.

2.56 “Termination of Directorship” means that the Non-Employee Director has ceased to be a director of the Company; except that if a Non-Employee Director becomes an Eligible Employee or a Consultant upon the termination of such Non-Employee Director’s directorship, such Non-Employee Director’s ceasing to be a director of the Company shall not be treated as a Termination of Directorship unless and until the Participant has a Termination of Employment or Termination of Consultancy, as the case may be.

2.57 “Termination of Employment” means: (a) a termination of employment (for reasons other than a military or personal leave of absence granted by the Company) of a Participant from the Company and its Affiliates; or (b) when an entity which is employing a Participant ceases to be an Affiliate, unless the Participant otherwise is, or thereupon becomes, employed by the Company or another Affiliate at the time the entity ceases to be an Affiliate. In the event that an Eligible Employee becomes a Consultant or a Non-Employee Director upon the termination of such Eligible Employee’s employment, unless otherwise determined by the Committee at the time of such transition, in its sole discretion, no Termination of Employment shall be deemed to occur until such time as such Eligible Employee is no longer an Eligible Employee, a Consultant or a Non-Employee Director. Notwithstanding the foregoing, the Committee may otherwise define Termination of Employment in the Award Agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Employment thereafter; provided that, any such change to the definition of the term “Termination of Employment” does not subject the applicable Award to Section 409A of the Code.

2.58 “Transfer” means: (a) when used as a noun, any direct or indirect transfer, sale, assignment, pledge, hypothecation, encumbrance or other disposition (including the issuance of equity in any entity), whether for value or no value and whether voluntary or involuntary (including by operation of law), and (b) when used as a verb, to directly or indirectly transfer, sell, assign, pledge, encumber, charge, hypothecate or otherwise dispose of (including the issuance of equity in any entity) whether for value or for no value and whether voluntarily or involuntarily (including by operation of law). “Transferred” and “Transferable” shall have a correlative meaning.

ARTICLE III ADMINISTRATION

3.1 The Committee. The Plan shall be administered and interpreted by the Committee. To the extent required by applicable law, rule or regulation, it is intended that each member of the Committee shall qualify as (a) a “non-employee director” under Rule 16b-3, and (b) an “independent director” under the rules of any securities exchange or automated quotation system on which shares of Common Stock are listed, quoted or traded. If it is later determined that one or more members of the Committee do not so qualify, actions taken by the Committee prior to such determination shall be valid despite such failure to qualify.

3.2 Grants of Awards. The Committee shall have full authority to grant, pursuant to the terms of the Plan, to Eligible Individuals: (i) Stock Options, (ii) Stock Appreciation Rights, (iii) Restricted Stock Awards, (iv) Performance Awards; (v) Other Stock-Based Awards; (vi) Other Cash-Based Awards; and (vii) LTIP Units. In particular, the Committee shall have the authority:

- (a) to select the Eligible Individuals to whom Awards may from time to time be granted hereunder;
- (b) to determine whether and to what extent Awards, or any combination thereof, are to be granted hereunder to one or more Eligible Individuals;
- (c) to determine the number of shares of Common Stock to be covered by each Award granted hereunder;
- (d) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder (including, but not limited to, the exercise or purchase price (if any), any restriction or limitation, any vesting schedule or acceleration thereof, or any forfeiture restrictions or waiver thereof, regarding any Award and the shares of Common Stock relating thereto, based on such factors, if any, as the Committee shall determine, in its sole discretion);
- (e) to determine the amount of cash to be covered by each Award granted hereunder;
- (f) to determine whether, to what extent and under what circumstances grants of Options and other Awards under the Plan are to operate on a tandem basis and/or in conjunction with or apart from other awards made by the Company outside of the Plan;
- (g) to determine whether and under what circumstances a Stock Option may be settled in cash, Common Stock and/or Restricted Stock under Section 6.4(d);
- (h) to impose “blackout periods” during which an Award may not be exercised or settled;
- (i) to determine whether a Stock Option is an Incentive Stock Option or Non-Qualified Stock Option;

(j) to determine whether to require a Participant, as a condition of the granting of any Award, to not sell or otherwise dispose of shares acquired pursuant to the exercise of an Award for a period of time as determined by the Committee, in its sole discretion, following the date of the acquisition of such Award;

(k) to modify, extend or renew an Award, subject to Article XIII and Section 6.4(l); provided, however, that such action does not subject the Award to Section 409A of the Code without the consent of the Participant; and

(l) solely to the extent permitted by applicable law, to determine whether, to what extent and under what circumstances to provide loans (which may be on a recourse basis and shall bear interest at the rate the Committee shall provide) to Participants in order to exercise Options under the Plan.

3.3 Guidelines. Subject to Article XIII hereof, the Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan and perform all acts, including the delegation of its responsibilities (to the extent permitted by applicable law and applicable stock exchange rules), as it shall, from time to time, deem advisable; to construe and interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any agreement relating thereto in the manner and to the extent it shall deem necessary to effectuate the purpose and intent of the Plan. The Committee may adopt special guidelines and provisions for Persons who are residing in or employed in, or subject to, the taxes of, any domestic or foreign jurisdictions to comply with applicable tax and securities laws of such domestic or foreign jurisdictions. Notwithstanding the foregoing, no action of the Committee under this Section 3.3 shall impair the rights of any Participant without the Participant's consent. To the extent applicable, the Plan is intended to comply with the applicable requirements of Rule 16b-3, and the Plan shall be limited, construed and interpreted in a manner so as to comply therewith.

3.4 Decisions Final. Any decision, interpretation or other action made or taken in good faith by or at the direction of the Company, the Board or the Committee (or any of its members) arising out of or in connection with the Plan shall be within the absolute discretion of all and each of them, as the case may be, and shall be final, binding and conclusive on the Company and all employees and Participants and their respective heirs, executors, administrators, successors and assigns.

3.5 Procedures. If the Committee is appointed, the Board shall designate one of the members of the Committee as chairman and the Committee shall hold meetings, subject to the By-Laws of the Company, at such times and places as it shall deem advisable, including, without limitation, by telephone conference or by written consent to the extent permitted by applicable law. A majority of the Committee members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by all of the Committee members in accordance with the By-Laws of the Company, shall be fully effective as if it had been made by a vote at a meeting duly called and held. The Committee shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

3.6 Designation of Consultants/Liability.

(a) The Committee may designate employees of the Company and professional advisors to assist the Committee in the administration of the Plan and (to the extent permitted by applicable law and applicable exchange rules) may grant authority to officers to grant Awards and/or execute agreements or other documents on behalf of the Committee. In the event of any designation of authority hereunder, subject to applicable law, applicable stock exchange rules and any limitations

imposed by the Committee in connection with such designation, such designee or designees shall have the power and authority to take such actions, exercise such powers and make such determinations that are otherwise specifically designated to the Committee hereunder.

(b) The Committee may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. Expenses incurred by the Committee or the Board in the engagement of any such counsel, consultant or agent shall be paid by the Company. The Committee, its members and any Person designated pursuant to sub-section (a) above shall not be liable for any action or determination made in good faith with respect to the Plan. To the maximum extent permitted by applicable law, no officer of the Company or member or former member of the Committee or of the Board shall be liable for any action or determination made in good faith with respect to the Plan or any Award granted under it.

3.7 Indemnification. To the maximum extent permitted by applicable law and the Certificate of Incorporation and By-Laws of the Company and to the extent not covered by insurance directly insuring such Person, each officer or employee of the Company or any Affiliate and member or former member of the Committee or the Board shall be indemnified and held harmless by the Company against any cost or expense (including reasonable fees of counsel reasonably acceptable to the Committee) or liability (including any sum paid in settlement of a claim with the approval of the Committee), and advanced amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the administration of the Plan, except to the extent arising out of such officer's, employee's, member's or former member's own fraud or bad faith. Such indemnification shall be in addition to any right of indemnification the employees, officers, directors or members or former officers, directors or members may have under applicable law or under the Certificate of Incorporation or By-Laws of the Company or any Affiliate. Notwithstanding anything else herein, this indemnification will not apply to the actions or determinations made by an individual with regard to Awards granted to such individual under the Plan.

ARTICLE IV SHARE LIMITATION

4.1 Shares.

(a) The aggregate number of shares of Common Stock with respect to which Awards may be granted under the Plan shall initially be equal to 13.8 million shares (subject to any increase or decrease pursuant to Section 4.2), which amount shall be increased on the first day of each fiscal year during the term of the Plan commencing with the 2022 fiscal year by (i) 5.0% of the total number of shares of Common Stock outstanding on the last day of the immediately preceding fiscal year, or (ii) a lesser amount determined by the Board. The shares of Common Stock with respect to which awards may be granted under the Plan may be either authorized and unissued Common Stock or Common Stock held in or acquired for the treasury of the Company or both. The maximum number of shares of Common Stock with respect to which Incentive Stock Options may be granted under the Plan shall be 13.8 million shares. With respect to Stock Appreciation Rights and Options settled in Common Stock, upon settlement, only the number of shares of Common Stock delivered to a Participant shall count against the aggregate and individual share limitations set forth under Sections 4.1(a) and 4.1(b). If any Option, Stock Appreciation Right or Other Stock-Based Awards granted under the Plan expires, terminates or is canceled for any reason without having been exercised in full, the number of shares of Common Stock underlying any unexercised Award shall again be available for the purpose of Awards under the Plan. If any shares of Restricted Stock, Performance Awards or Other Stock-Based Awards denominated in shares of Common Stock awarded under the Plan to a Participant are forfeited for any reason, the number of forfeited shares of Restricted Stock, Performance Awards or Other Stock-Based

Awards denominated in shares of Common Stock shall again be available for purposes of Awards under the Plan. If any shares of Common Stock are withheld to satisfy tax withholding obligations on an Award issued under the Plan, the number of shares of Common Stock withheld shall again be available for purposes of Awards under the Plan. If a Tandem Stock Appreciation Right or a Limited Stock Appreciation Right is granted in tandem with an Option, such grant shall only apply once against the maximum number of shares of Common Stock which may be issued under the Plan. Any Award under the Plan settled in cash shall not be counted against the foregoing maximum share limitations.

(b) The aggregate grant date fair value (computed as of the date of grant in accordance with applicable financial accounting rules) of all Awards granted under the Plan to any individual Non-Employee Director in any fiscal year of the Company (excluding any stock dividends payable in respect of outstanding Awards), when combined with other compensation received for such year in connection with service as a director, shall not exceed \$750,000 increased to \$1,500,000 in the fiscal year of his or her initial service as a Non-Employee Director.

(c) In connection with an entity's merger or consolidation with the Company or the Company's acquisition of an entity's property or stock, the Committee may grant Substitute Awards. Substitute awards may be granted on such terms as the Committee deems appropriate, notwithstanding limitations on Awards in the Plan. Substitute Awards shall not reduce the shares of Common Stock authorized for grant under the Plan, except as may be required by reason of Section 422 of the Code. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by its stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the shares of Common Stock authorized for grant under the Plan; provided that, Awards using such available shares of Common Stock shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employed by or providing services to the Company or its Subsidiaries immediately prior to such acquisition or combination.

4.2 Changes.

(a) The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board, the Committee or the stockholders of the Company to make or authorize (i) any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, (ii) any merger or consolidation of the Company or any Affiliate, (iii) any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock, (iv) the dissolution or liquidation of the Company or any Affiliate, (v) any sale or transfer of all or part of the assets or business of the Company or any Affiliate or (vi) any other corporate act or proceeding.

(b) Subject to the provisions of Section 12.1:

(i) If the Company at any time subdivides (by any split, recapitalization or otherwise) the outstanding Common Stock into a greater number of shares of Common Stock, or combines (by reverse split, combination or otherwise) its outstanding Common Stock into a lesser number of shares of Common Stock, then the respective exercise prices for outstanding Awards that provide for a Participant elected exercise and the number of shares of Common Stock covered by outstanding Awards

shall be appropriately adjusted by the Committee (as the Committee determines in its sole discretion) to prevent dilution or enlargement of the rights granted to, or available for, Participants under the Plan.

(ii) Excepting transactions covered by Section 4.2(b)(i), if the Company effects any merger, consolidation, statutory exchange, spin-off, reorganization, sale or transfer of all or substantially all the Company's assets or business, or other corporate transaction or event in such a manner that the Company's outstanding shares of Common Stock are converted into the right to receive (or the holders of Common Stock are entitled to receive in exchange therefor), either immediately or upon liquidation of the Company, securities or other property of the Company or other entity (each, a "Reorganization"), then, subject to the provisions of Section 12.1, (A) the aggregate number or kind of securities that thereafter may be issued under the Plan, (B) the number or kind of securities or other property (including cash) to be issued pursuant to Awards granted under the Plan (including as a result of the assumption of the Plan and the obligations hereunder by a successor entity, as applicable), or (C) the purchase price thereof, shall be appropriately adjusted by the Committee (as the Committee determines in its sole discretion) to prevent dilution or enlargement of the rights granted to, or available for, Participants under the Plan.

(iii) If there shall occur any change in the capital structure of the Company other than those covered by Section 4.2(b)(i) or 4.2(b)(ii), including by reason of any extraordinary dividend (whether cash or equity), any conversion, any adjustment, any issuance of any class of securities convertible or exercisable into, or exercisable for, any class of equity securities of the Company, then the Committee shall appropriately adjust any Award and/or make such other adjustments to the Plan to prevent dilution or enlargement of the rights granted to, or available for, Participants under the Plan, as the Committee determines in its sole discretion.

(iv) Any such adjustment determined by the Committee pursuant to this Section 4.2(b) shall be final, binding and conclusive on the Company and all Participants and their respective heirs, executors, administrators, successors and permitted assigns. Any adjustment to, or assumption or substitution of, an Award under this Section 4.2(b) shall be intended to comply with the requirements of Section 409A of the Code and Treasury Regulation §1.424-1 (and any amendments thereto), to the extent applicable. Except as expressly provided in this Section 4.2 or in the applicable Award Agreement, a Participant shall have no additional rights under the Plan by reason of any transaction or event described in this Section 4.2.

(v) Fractional shares of Common Stock resulting from any adjustment in Awards pursuant to Section 4.2(a) or this Section 4.2(b) shall be aggregated until, and eliminated at, the time of exercise or payment by rounding-down for fractions less than one-half and rounding-up for fractions equal to or greater than one-half; provided, that, any shares of Common Stock underlying Stock Options or Stock Appreciation Rights shall be rounded down. No cash settlements shall be required with respect to fractional shares eliminated by rounding. Notice of any adjustment shall be given by the Committee to each Participant whose Award has been adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

4.3 Minimum Purchase Price. Notwithstanding any provision of the Plan to the contrary, if authorized but previously unissued shares of Common Stock are issued under the Plan, such shares shall not be issued for a consideration that is less than as permitted under applicable law.

**ARTICLE V
ELIGIBILITY AND GRANTING OF AWARDS**

5.1 General Eligibility. All current and prospective Eligible Individuals are eligible to be granted Awards. Eligibility for the grant of Awards and actual participation in the Plan shall be determined by the Committee in its sole discretion.

5.2 Incentive Stock Options. Notwithstanding the foregoing, only Eligible Employees of the Company, its Subsidiaries and its Parent (if any) are eligible to be granted Incentive Stock Options under the Plan. Eligibility for the grant of an Incentive Stock Option and actual participation in the Plan shall be determined by the Committee in its sole discretion.

5.3 General Requirement. The vesting and exercise of Awards granted to a prospective Eligible Individual are conditioned upon such individual actually becoming an Eligible Employee, Consultant or Non-Employee Director, respectively.

5.4 Award Agreement. Each Award shall be evidenced by an Award Agreement that sets forth the terms, conditions and limitations for such Award as determined by the Committee in its sole discretion (consistent with the requirements of the Plan and any applicable Program). Award Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code.

5.5 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including Rule 16b3 of the Exchange Act and any amendments thereto) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

5.6 Foreign Holders. Notwithstanding any provision of the Plan or applicable Program to the contrary, in order to comply with the laws in countries other than the United States in which the Company and its Subsidiaries operate or have Eligible Employees, Non-Employee Directors or Consultants, or in order to comply with the requirements of any foreign securities exchange or other applicable law, the Committee, in its sole discretion, shall have the power and authority to: (a) determine which Subsidiaries shall be covered by the Plan; (b) determine which Eligible Individuals outside the United States are eligible to participate in the Plan; (c) modify the terms and conditions of any Award granted to Eligible Individuals outside the United States to comply with applicable law (including, without limitation, applicable foreign laws or listing requirements of any foreign securities exchange); (d) establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable; provided, however, that no such subplans and/or modifications shall increase the share limitation contained in Section 4.1; and (e) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions or approvals or listing requirements of any foreign securities exchange.

**ARTICLE VI
STOCK OPTIONS**

6.1 Options. Stock Options may be granted alone or in addition to other Awards granted under the Plan. Each Stock Option granted under the Plan shall be of one of two types: (a) an Incentive Stock Option or (b) a Non-Qualified Stock Option.

6.2 Grants. The Committee shall have the authority to grant to any Eligible Employee one or more Incentive Stock Options, Non-Qualified Stock Options, or both types of Stock Options. The Committee shall have the authority to grant any Consultant or Non-Employee Director one or more Non-Qualified Stock Options. To the extent that any Stock Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), such Stock Option or the portion thereof which does not so qualify shall constitute a separate Non-Qualified Stock Option.

6.3 Incentive Stock Options. Notwithstanding anything in the Plan to the contrary, no term of the Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of the Participants affected, to disqualify any Incentive Stock Option under such Section 422.

6.4 Terms of Options. Options granted under the Plan shall be subject to the following terms and conditions and shall be in such form and contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable:

(a) Exercise Price. The exercise price per share of Common Stock subject to a Stock Option shall be determined by the Committee at the time of grant; provided that, the per share exercise price of a Stock Option shall not be less than 100% (or, in the case of an Incentive Stock Option granted to a Ten Percent Stockholder, 110%) of the Fair Market Value of the Common Stock at the time of grant.

(b) Stock Option Term. The term of each Stock Option shall be fixed by the Committee; provided that, no Stock Option shall be exercisable more than 10 years after the date the Option is granted; and, provided, further, that the term of an Incentive Stock Option granted to a Ten Percent Stockholder shall not exceed five years.

(c) Exercisability. Unless otherwise provided by the Committee in accordance with the provisions of this Section 6.4, Stock Options granted under the Plan shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at the time of grant. If the Committee provides, in its discretion, that any Stock Option is exercisable subject to certain limitations (including, without limitation, that such Stock Option is exercisable only in installments or within certain time periods), the Committee may waive such limitations on the exercisability at any time at or after the time of grant in whole or in part (including, without limitation, waiver of the installment exercise provisions or acceleration of the time at which such Stock Option may be exercised), based on such factors, if any, as the Committee shall determine, in its sole discretion.

(d) Method of Exercise. Subject to whatever installment exercise and waiting period provisions apply under Section 6.4(c), to the extent vested, Stock Options may be exercised in whole or in part at any time during the Option term, by giving written notice of exercise to the Company specifying the number of shares of Common Stock to be purchased. Such notice shall be accompanied by payment in full of the purchase price as follows: (i) in cash or by check, bank draft or money order payable to the order of the Company; (ii) solely to the extent permitted by applicable law, if the Common Stock is traded on a national securities exchange, and the Committee authorizes, through a procedure whereby the Participant delivers irrevocable instructions to a broker reasonably acceptable to the Committee to deliver promptly to the Company an amount equal to the purchase price; or (iii) on such other terms and conditions as may be acceptable to the Committee (including, without limitation, having the Company withhold shares of Common Stock issuable upon exercise of the Stock Option, or by payment in full or in part in the form of Common Stock owned by the Participant, based on the Fair

Market Value of the Common Stock on the payment date as determined by the Committee). No shares of Common Stock shall be issued until payment therefor, as provided herein, has been made or provided for.

(e) Non-Transferability of Options. No Stock Option shall be Transferable by the Participant other than by will or by the laws of descent and distribution, and all Stock Options shall be exercisable, during the Participant's lifetime, only by the Participant. Notwithstanding the foregoing, the Committee may determine, in its sole discretion, at the time of grant or thereafter that a Non-Qualified Stock Option that is otherwise not Transferable pursuant to this Section is Transferable to a Family Member in whole or in part and in such circumstances, and under such conditions, as specified by the Committee. A Non-Qualified Stock Option that is Transferred to a Family Member pursuant to the preceding sentence (i) may not be subsequently Transferred other than by will or by the laws of descent and distribution and (ii) remains subject to the terms of the Plan and the applicable Award Agreement. Any shares of Common Stock acquired upon the exercise of a Non-Qualified Stock Option by a permissible transferee of a Non-Qualified Stock Option or a permissible transferee pursuant to a Transfer after the exercise of the Non-Qualified Stock Option shall be subject to the terms of the Plan and the applicable Award Agreement.

(f) Termination by Death or Disability. Unless otherwise determined by the Committee at the time of grant, or if no rights of the Participant are reduced, thereafter, if a Participant's Termination is by reason of death or Disability, all Stock Options that are held by such Participant that are vested and exercisable at the time of the Participant's Termination may be exercised by the Participant (or in the case of the Participant's death, by the legal representative of the Participant's estate) at any time within a period of one (1) year from the date of such Termination, but in no event beyond the expiration of the stated term of such Stock Options; provided, however, that, in the event of a Participant's Termination by reason of Disability, if the Participant dies within such exercise period, all unexercised Stock Options held by such Participant shall thereafter be exercisable, to the extent to which they were exercisable at the time of death, for a period of one (1) year from the date of such death, but in no event beyond the expiration of the stated term of such Stock Options.

(g) Involuntary Termination Without Cause. Unless otherwise determined by the Committee at the time of grant, or if no rights of the Participant are reduced, thereafter, if a Participant's Termination is by involuntary termination by the Company without Cause, all Stock Options that are held by such Participant that are vested and exercisable at the time of the Participant's Termination may be exercised by the Participant at any time within a period of ninety (90) days from the date of such Termination, but in no event beyond the expiration of the stated term of such Stock Options.

(h) Voluntary Resignation. Unless otherwise determined by the Committee at the time of grant, or if no rights of the Participant are reduced, thereafter, if a Participant's Termination is voluntary (other than a voluntary termination described in clause (y) of Section 6.4(i)), all Stock Options that are held by such Participant that are vested and exercisable at the time of the Participant's Termination may be exercised by the Participant at any time within a period of thirty (30) days from the date of such Termination, but in no event beyond the expiration of the stated term of such Stock Options.

(i) Termination for Cause. Unless otherwise determined by the Committee at the time of grant, or if no rights of the Participant are reduced, thereafter, if a Participant's Termination (x) is for Cause or (y) is a voluntary Termination (as provided in Section 6.4(h)) after the occurrence of an event that would be grounds for a Termination for Cause, all Stock Options, whether vested or not vested, that are held by such Participant shall thereupon terminate and expire as of the date of such Termination.

(j) Unvested Stock Options. Unless otherwise determined by the Committee at the time of grant, or if no rights of the Participant are reduced, thereafter, Stock Options that are not vested as of the date of a Participant's Termination for any reason shall terminate and expire as of the date of such Termination.

(k) Incentive Stock Option Limitations. To the extent that the aggregate Fair Market Value (determined as of the time of grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an Eligible Employee during any calendar year under the Plan and/or any other stock option plan of the Company, any Subsidiary or any Parent exceeds \$100,000, such Options shall be treated as Non-Qualified Stock Options. In addition, if an Eligible Employee does not remain employed by the Company, any Subsidiary or any Parent at all times from the time an Incentive Stock Option is granted until three months prior to the date of exercise thereof (or such other period as required by applicable law), such Stock Option shall be treated as a Non-Qualified Stock Option. Should any provision of the Plan not be necessary in order for the Stock Options to qualify as Incentive Stock Options, or should any additional provisions be required, the Committee may amend the Plan accordingly, without the necessity of obtaining the approval of the stockholders of the Company.

(l) Form, Modification, Extension and Renewal of Stock Options. Subject to the terms and conditions and within the limitations of the Plan, Stock Options shall be evidenced by such form of agreement or grant as is approved by the Committee, and the Committee may (i) modify, extend or renew outstanding Stock Options granted under the Plan (provided that, the rights of a Participant are not reduced without such Participant's consent and, provided, further, that such action does not subject the Stock Options to Section 409A of the Code without the consent of the Participant), and (ii) accept the surrender of outstanding Stock Options (to the extent not theretofore exercised) and authorize the granting of new Stock Options in substitution therefor (to the extent not theretofore exercised). Notwithstanding the foregoing, an outstanding Option may not be modified to reduce the exercise price thereof nor may a new Option at a lower price be substituted for a surrendered Option (other than adjustments or substitutions in accordance with Section 4.2), unless such action is approved by the stockholders of the Company.

(m) Deferred Delivery of Common Stock. The Committee may in its discretion permit Participants to defer delivery of Common Stock acquired pursuant to a Participant's exercise of an Option in accordance with the terms and conditions established by the Committee in the applicable Award Agreement, which shall be intended to comply with the requirements of Section 409A of the Code.

(n) Early Exercise. The Committee may provide that a Stock Option include a provision whereby the Participant may elect at any time before the Participant's Termination to exercise the Stock Option as to any part or all of the shares of Common Stock subject to the Stock Option prior to the full vesting of the Stock Option and such shares shall be subject to the provisions of Article VIII and be treated as Restricted Stock. Unvested shares of Common Stock so purchased may be subject to a repurchase option in favor of the Company or to any other restriction the Committee determines to be appropriate.

(o) Other Terms and Conditions. The Committee may include a provision in an Award Agreement providing for the automatic exercise of a Non-Qualified Stock Option on a cashless basis on the last day of the term of such Option if the Participant has failed to exercise the Non-Qualified Stock Option as of such date, with respect to which the Fair Market Value of the shares of Common Stock underlying the Non-Qualified Stock Option exceeds the exercise price of such Non-Qualified Stock Option on the date of expiration of such Option, subject to Section 15.4. Stock Options

may contain such other provisions, which shall not be inconsistent with any of the terms of the Plan, as the Committee shall deem appropriate.

ARTICLE VII STOCK APPRECIATION RIGHTS

7.1 Tandem Stock Appreciation Rights. Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option (a "Reference Stock Option") granted under the Plan ("Tandem Stock Appreciation Rights"). In the case of a Non-Qualified Stock Option, such rights may be granted either at or after the time of the grant of such Reference Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of the grant of such Reference Stock Option.

7.2 Terms and Conditions of Tandem Stock Appreciation Rights. Tandem Stock Appreciation Rights granted hereunder shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Committee, and the following:

(a) Exercise Price. The exercise price per share of Common Stock subject to a Tandem Stock Appreciation Right shall be determined by the Committee at the time of grant; provided that, the per share exercise price of a Tandem Stock Appreciation Right shall not be less than 100% of the Fair Market Value of the Common Stock at the time of grant.

(b) Term. A Tandem Stock Appreciation Right or applicable portion thereof granted with respect to a Reference Stock Option shall terminate and no longer be exercisable upon the termination or exercise of the Reference Stock Option, except that, unless otherwise determined by the Committee, in its sole discretion, at the time of grant, a Tandem Stock Appreciation Right granted with respect to less than the full number of shares covered by the Reference Stock Option shall not be reduced until, and then only to the extent that the exercise or termination of the Reference Stock Option causes, the number of shares covered by the Tandem Stock Appreciation Right to exceed the number of shares remaining available and unexercised under the Reference Stock Option.

(c) Exercisability. Tandem Stock Appreciation Rights shall be exercisable only at such time or times and to the extent that the Reference Stock Options to which they relate shall be exercisable in accordance with the provisions of Article VI, and shall be subject to the provisions of Section 6.4(c).

(d) Method of Exercise. A Tandem Stock Appreciation Right may be exercised by the Participant by surrendering the applicable portion of the Reference Stock Option. Upon such exercise and surrender, the Participant shall be entitled to receive an amount determined in the manner prescribed in this Section 7.2. Stock Options which have been so surrendered, in whole or in part, shall no longer be exercisable to the extent that the related Tandem Stock Appreciation Rights have been exercised.

(e) Payment. Upon the exercise of a Tandem Stock Appreciation Right, a Participant shall be entitled to receive up to, but no more than, an amount in cash and/or Common Stock (as chosen by the Committee in its sole discretion) equal in value to the excess of the Fair Market Value of one share of Common Stock over the Option exercise price per share specified in the Reference Stock Option agreement multiplied by the number of shares of Common Stock in respect of which the Tandem Stock Appreciation Right shall have been exercised, with the Committee having the right to determine the form of payment.

(f) Deemed Exercise of Reference Stock Option. Upon the exercise of a Tandem Stock Appreciation Right, the Reference Stock Option or part thereof to which such Stock Appreciation

Right is related shall be deemed to have been exercised for the purpose of the limitation set forth in Article IV of the Plan on the number of shares of Common Stock to be issued under the Plan.

(g) Non-Transferability. Tandem Stock Appreciation Rights shall be Transferable only when and to the extent that the underlying Stock Option would be Transferable under Section 6.4(e) of the Plan.

7.3 Non-Tandem Stock Appreciation Rights. Non-Tandem Stock Appreciation Rights may also be granted without reference to any Stock Options granted under the Plan.

7.4 Terms and Conditions of Non-Tandem Stock Appreciation Rights. Non-Tandem Stock Appreciation Rights granted hereunder shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Committee, and the following:

(a) Exercise Price. The exercise price per share of Common Stock subject to a Non-Tandem Stock Appreciation Right shall be determined by the Committee at the time of grant; provided that, the per share exercise price of a Non-Tandem Stock Appreciation Right shall not be less than 100% of the Fair Market Value of the Common Stock at the time of grant.

(b) Term. The term of each Non-Tandem Stock Appreciation Right shall be fixed by the Committee, but shall not be greater than 10 years after the date the right is granted.

(c) Exercisability. Unless otherwise provided by the Committee in accordance with the provisions of this Section 7.4, Non-Tandem Stock Appreciation Rights granted under the Plan shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at the time of grant. If the Committee provides, in its discretion, that any such right is exercisable subject to certain limitations (including, without limitation, that it is exercisable only in installments or within certain time periods), the Committee may waive such limitations on the exercisability at any time at or after grant in whole or in part (including, without limitation, waiver of the installment exercise provisions or acceleration of the time at which such right may be exercised), based on such factors, if any, as the Committee shall determine, in its sole discretion.

(d) Method of Exercise. Subject to whatever installment exercise and waiting period provisions apply under Section 7.4(c), Non-Tandem Stock Appreciation Rights may be exercised in whole or in part at any time in accordance with the applicable Award Agreement, by giving written notice of exercise to the Company specifying the number of Non-Tandem Stock Appreciation Rights to be exercised.

(e) Payment. Upon the exercise of a Non-Tandem Stock Appreciation Right a Participant shall be entitled to receive, for each right exercised, up to, but no more than, an amount in cash and/or Common Stock (as chosen by the Committee in its sole discretion) equal in value to the excess of the Fair Market Value of one share of Common Stock on the date that the right is exercised over the Fair Market Value of one share of Common Stock on the date that the right was awarded to the Participant.

(f) Termination. Unless otherwise determined by the Committee at grant or, if no rights of the Participant are reduced, thereafter, subject to the provisions of the applicable Award Agreement and the Plan, upon a Participant's Termination for any reason, Non-Tandem Stock Appreciation Rights will remain exercisable following a Participant's Termination on the same basis as Stock Options would be exercisable following a Participant's Termination in accordance with the provisions of Sections 6.4(f) through 6.4(j).

(g) Non-Transferability. No Non-Tandem Stock Appreciation Rights shall be Transferable by the Participant other than by will or by the laws of descent and distribution, and all such rights shall be exercisable, during the Participant's lifetime, only by the Participant.

7.5 Limited Stock Appreciation Rights. The Committee may, in its sole discretion, grant Tandem Stock Appreciation Rights and Non-Tandem Stock Appreciation Rights either as a general Stock Appreciation Right or as a Limited Stock Appreciation Right. Limited Stock Appreciation Rights may be exercised only upon the occurrence of a Change in Control or such other event as the Committee may, in its sole discretion, designate at the time of grant or thereafter. Upon the exercise of Limited Stock Appreciation Rights, except as otherwise provided in an Award Agreement, the Participant shall receive in cash and/or Common Stock, as determined by the Committee, an amount equal to the amount (i) set forth in Section 7.2(e) with respect to Tandem Stock Appreciation Rights, or (ii) set forth in Section 7.4(e) with respect to Non-Tandem Stock Appreciation Rights.

7.6 Other Terms and Conditions. The Committee may include a provision in an Award Agreement providing for the automatic exercise of a Stock Appreciation Right on a cashless basis on the last day of the term of such Stock Appreciation Right if the Participant has failed to exercise the Stock Appreciation Right as of such date, with respect to which the Fair Market Value of the shares of Common Stock underlying the Stock Appreciation Right exceeds the exercise price of such Stock Appreciation Right on the date of expiration of such Stock Appreciation Right, subject to Section 15.4. Stock Appreciation Rights may contain such other provisions, which shall not be inconsistent with any of the terms of the Plan, as the Committee shall deem appropriate.

ARTICLE VIII RESTRICTED STOCK

8.1 Awards of Restricted Stock. Shares of Restricted Stock may be issued either alone or in addition to other Awards granted under the Plan. The Committee shall determine the Eligible Individuals, to whom, and the time or times at which, grants of Restricted Stock shall be made, the number of shares to be awarded, the price (if any) to be paid by the Participant (subject to Section 8.2), the time or times within which such Awards may be subject to forfeiture, the vesting schedule and rights to acceleration thereof, and all other terms and conditions of the Awards.

The Committee may condition the grant or vesting of Restricted Stock upon the attainment of specified performance targets (including, the Performance Goals) or such other factor as the Committee may determine in its sole discretion.

8.2 Awards and Certificates. Eligible Individuals selected to receive Restricted Stock shall not have any right with respect to such Award, unless and until such Participant has delivered a fully executed copy of the agreement evidencing the Award to the Company, to the extent required by the Committee, and has otherwise complied with the applicable terms and conditions of such Award. Further, such Award shall be subject to the following conditions:

(a) Purchase Price. The purchase price of Restricted Stock shall be fixed by the Committee. Subject to Section 4.2, the purchase price for shares of Restricted Stock may be zero to the extent permitted by applicable law, and, to the extent not so permitted, such purchase price may not be less than par value.

(b) Acceptance. Awards of Restricted Stock must be accepted within a period of 60 days (or such shorter period as the Committee may specify at grant) after the grant date, by executing a Restricted Stock agreement and by paying whatever price (if any) the Committee has designated thereunder.

(c) Legend. Each Participant receiving Restricted Stock shall be issued a stock certificate in respect of such shares of Restricted Stock, unless the Committee elects to use another system, such as book entries by the transfer agent, as evidencing ownership of shares of Restricted Stock. Such certificate shall be registered in the name of such Participant, and shall, in addition to such legends required by applicable securities laws, bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

“The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Paycor HCM, Inc. (the “Company”) 2021 Omnibus Incentive Plan (the “Plan”) and an Agreement entered into between the registered owner and the Company dated _____. Copies of such Plan and Agreement are on file at the principal office of the Company.”

(d) Custody. If stock certificates are issued in respect of shares of Restricted Stock, the Committee may require that any stock certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed, and that, as a condition of any grant of Restricted Stock, the Participant shall have delivered a duly signed stock power or other instruments of assignment (including a power of attorney), each endorsed in blank with a guarantee of signature if deemed necessary or appropriate by the Company, which would permit transfer to the Company of all or a portion of the shares subject to the Restricted Stock Award in the event that such Award is forfeited in whole or part.

8.3 Restrictions and Conditions. The shares of Restricted Stock awarded pursuant to the Plan shall be subject to the following restrictions and conditions:

(a) Restriction Period.

(i) The Participant shall not be permitted to Transfer shares of Restricted Stock awarded under the Plan during the period or periods set by the Committee (the “Restriction Period”) commencing on the date of such Award, as set forth in the Restricted Stock Award Agreement and such agreement shall set forth a vesting schedule and any event that would accelerate vesting of the shares of Restricted Stock. Within these limits, based on service, attainment of Performance Goals pursuant to Section 8.3(a)(ii) and/or such other factors or criteria as the Committee may determine in its sole discretion, the Committee may condition the grant or provide for the lapse of such restrictions in installments in whole or in part, or may accelerate the vesting of all or any part of any Restricted Stock Award and/or waive the deferral limitations for all or any part of any Restricted Stock Award.

(ii) If the grant of shares of Restricted Stock or the lapse of restrictions is based on the attainment of Performance Goals, the Committee shall establish the objective Performance Goals and the applicable vesting percentage of the Restricted Stock applicable to each Participant or class of Participants in writing prior to the beginning of the applicable fiscal year or at such later date as otherwise determined by the Committee and while the outcome of the Performance Goals are substantially uncertain. Such Performance Goals may incorporate provisions for disregarding (or adjusting for) changes in accounting methods, corporate transactions (including, without limitation, dispositions and acquisitions) and other similar type events or circumstances.

(b) Rights as a Stockholder. Except as provided in Section 8.3(a) and this Section 8.3(b) or as otherwise determined by the Committee in an Award Agreement, the Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a holder of shares of Common Stock of the Company, including, without limitation, the right to receive dividends, the right to vote such shares

and, subject to and conditioned upon the full vesting of shares of Restricted Stock, the right to tender such shares; provided, however, that unless otherwise determined by the Committee, payment of dividends shall be deferred until, and conditioned upon, the expiration of the applicable Restriction Period. For the sake of clarity, such deferred dividends will be forfeited if the Restricted Stock is forfeited.

(c) Termination. Unless otherwise determined by the Committee at grant or, if no rights of the Participant are reduced, thereafter, subject to the applicable provisions of the Award Agreement and the Plan, upon a Participant's Termination for any reason during the relevant Restriction Period, all Restricted Stock still subject to restriction will be forfeited in accordance with the terms and conditions established by the Committee at grant or thereafter.

(d) Lapse of Restrictions. If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock, the certificates for such shares shall be delivered to the Participant. All legends shall be removed from said certificates at the time of delivery to the Participant, except as otherwise required by applicable law or other limitations imposed by the Committee.

ARTICLE IX PERFORMANCE AWARDS

9.1 Performance Awards. The Committee may grant a Performance Award to a Participant payable upon the attainment of specific Performance Goals. If the Performance Award is payable in shares of Common Stock, such shares shall be transferable to the Participant only upon attainment of the relevant Performance Goal in accordance with Article VIII. If the Performance Award is payable in cash, it may be paid upon the attainment of the relevant Performance Goals either in cash or in shares of Common Stock (based on the then current Fair Market Value of such shares), as determined by the Committee, in its sole and absolute discretion.

9.2 Terms and Conditions. Performance Awards awarded pursuant to this Article IX shall be subject to the following terms and conditions:

(a) Earning of Performance Award. At the expiration of the applicable Performance Period, the Committee shall determine the extent to which the Performance Goals are achieved and the percentage of each Performance Award that has been earned.

(b) Non-Transferability. Subject to the applicable provisions of the Award Agreement and the Plan, Performance Awards may not be Transferred during the Performance Period.

(c) Dividends. Unless otherwise determined by the Committee at the time of grant, amounts equal to dividends declared during the Performance Period with respect to the number of shares of Common Stock covered by a Performance Award will be deferred and paid to the Participant once such Performance Award has vested and been settled. For the sake of clarity, such deferred dividends will be forfeited if the Performance Award is forfeited.

(d) Payment. Following the Committee's determination in accordance with Section 9.2(a), the Company shall settle Performance Awards, in such form (including, without limitation, in shares of Common Stock or in cash) as determined by the Committee, in an amount equal to such Participant's earned Performance Awards.

(e) Termination. Subject to the applicable provisions of the Award Agreement and the Plan, upon a Participant's Termination for any reason during the Performance Period for a given Performance Award, the Performance Award in question will vest or be forfeited in accordance with the terms and conditions established by the Committee at grant.

(f) Accelerated Vesting. Based on service, performance and/or such other factors or criteria, if any, as the Committee may determine, the Committee may, at or after grant, accelerate the vesting of all or any part of any Performance Award.

ARTICLE X LTIP UNIT AWARDS

10.1 LTIP Unit Awards. Subject to the provisions of the LP Agreement, the Committee is authorized to grant to Eligible Individuals Awards in the form of, and causing Holdings to issue, LTIP Units, having the rights, voting powers, restrictions, limitations as to distributions, qualifications, redemption and conversion terms, vesting terms and other terms and conditions set forth herein and in the LP Agreement. To the extent that such LTIP Units are convertible or exchangeable into Common Stock, each LTIP Unit awarded will be equivalent to an award of one share of Common Stock for purposes of reducing the number of shares of Common Stock available under the Plan on a one-for-one basis pursuant to Section 4.1. Additionally, to the extent Holdings maintains any incentive plans prior to the Effective Date of this Plan that permit settlement in shares of Common Stock, such awards may be settled in shares of Common Stock available under this Plan.

ARTICLE XI OTHER STOCK-BASED AND CASH-BASED AWARDS

11.1 Other Stock-Based Awards. The Committee is authorized to grant to Eligible Individuals Other Stock-Based Awards that are payable in, valued in whole or in part by reference to, or otherwise based on or related to shares of Common Stock, including but not limited to, shares of Common Stock awarded purely as a bonus and not subject to restrictions or conditions, shares of Common Stock in payment of the amounts due under an incentive or performance plan sponsored or maintained by the Company or an Affiliate, stock equivalent units, restricted stock units, and Awards valued by reference to book value of shares of Common Stock. Other Stock-Based Awards may be granted either alone or in addition to or in tandem with other Awards granted under the Plan.

Subject to the provisions of the Plan, the Committee shall have authority to determine the Eligible Individuals, to whom, and the time or times at which, such Awards shall be made, the number of shares of Common Stock to be awarded pursuant to such Awards, and all other conditions of the Awards. The Committee may also provide for the grant of Common Stock under such Awards upon the completion of a specified Performance Period.

The Committee may condition the grant or vesting of Other Stock-Based Awards upon the attainment of specified Performance Goals as the Committee may determine, in its sole discretion;

11.2 Terms and Conditions. Other Stock-Based Awards made pursuant to this Article XI shall be subject to the following terms and conditions:

(a) Non-Transferability. Subject to the applicable provisions of the Award Agreement and the Plan, shares of Common Stock subject to Awards made under this Article XI may not be Transferred prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

(b) Dividends. Unless otherwise determined by the Committee at the time of Award, subject to the provisions of the Award Agreement and the Plan, the recipient of an Award under this Article XI shall not be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents in respect of the number of shares of Common Stock covered by the Award.

(c) Vesting. Any Award under this Article XI and any Common Stock covered by any such Award shall vest or be forfeited to the extent so provided in the Award Agreement, as determined by the Committee, in its sole discretion.

(d) Price. Common Stock issued on a bonus basis under this Article XI may be issued for no cash consideration. Common Stock purchased pursuant to a purchase right awarded under this Article XI shall be priced, as determined by the Committee in its sole discretion.

11.3 Other Cash-Based Awards. The Committee may from time to time grant Other Cash-Based Awards to Eligible Individuals in such amounts, on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by applicable law, as it shall determine in its sole discretion. Other Cash-Based Awards may be granted subject to the satisfaction of vesting conditions or may be awarded purely as a bonus and not subject to restrictions or conditions, and if subject to vesting conditions, the Committee may accelerate the vesting of such Awards at any time in its sole discretion. The grant of an Other Cash-Based Award shall not require a segregation of any of the Company's assets for satisfaction of the Company's payment obligation thereunder.

ARTICLE XII CHANGE IN CONTROL PROVISIONS

12.1 Benefits. In the event of a Change in Control of the Company (as defined below), and except as otherwise provided by the Committee in an Award Agreement, a Participant's unvested Award shall not vest automatically and a Participant's Award shall be treated in accordance with one or more of the following methods as determined by the Committee:

(a) Awards, whether or not then vested, shall be continued, assumed, or have new rights substituted therefor, as determined by the Committee in a manner consistent with the requirements of Section 409A of the Code, and restrictions to which shares of Restricted Stock or any other Award granted prior to the Change in Control are subject shall not lapse upon a Change in Control and the Restricted Stock or other Award shall, where appropriate in the sole discretion of the Committee, receive the same distribution as other Common Stock on such terms as determined by the Committee; provided that, the Committee may decide to award additional Restricted Stock or other Awards in lieu of any cash distribution. Notwithstanding anything to the contrary herein, for purposes of Incentive Stock Options, any assumed or substituted Stock Option shall comply with the requirements of Treasury Regulation Section 1.424-1 (and any amendment thereto).

(b) The Committee, in its sole discretion, may provide for the purchase of any Awards by the Company or an Affiliate for an amount equal to the excess (if any) of the Change in Control Price (as defined below) of the shares of Common Stock covered by such Awards, over the aggregate exercise price of such Awards. For purposes hereof, "Change in Control Price" shall mean the highest price per share of Common Stock paid in any transaction related to a Change in Control of the Company.

(c) The Committee may, in its sole discretion, terminate all outstanding and unexercised Stock Options, Stock Appreciation Rights, or any Other Stock-Based Award that provides for a Participant elected exercise, effective as of the date of the Change in Control, by delivering notice of termination to each Participant at least twenty (20) days prior to the date of consummation of the Change in Control, in which case during the period from the date on which such notice of termination is delivered to the consummation of the Change in Control, each such Participant shall have the right to exercise in full all of such Participant's Awards that are then outstanding (without regard to any limitations on exercisability otherwise contained in the Award Agreements), but any such exercise shall

be contingent on the occurrence of the Change in Control, and, provided that, if the Change in Control does not take place within a specified period after giving such notice for any reason whatsoever, the notice and exercise pursuant thereto shall be null and void.

(d) Notwithstanding any other provision herein to the contrary, the Committee may, in its sole discretion, provide for accelerated vesting or lapse of restrictions, of an Award at any time.

12.2 Change in Control. Unless otherwise determined by the Committee in the applicable Award Agreement or other written agreement with a Participant approved by the Committee, a “Change in Control” shall be deemed to occur if:

(a) any “person,” as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company, an underwriter temporarily holding securities pursuant to an offering of such securities, or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock in the Company) becoming the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company’s then outstanding voting securities other than pursuant to a transaction that would not be a Change in Control pursuant to Section 12.2(b);

(b) a merger or consolidation of the Company or a Subsidiary with any other entity, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity or its ultimate parent company outstanding immediately after such merger or consolidation in substantially the same proportions as prior to such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person (other than those covered by the exceptions in Section 12.2(a)) acquires more than 50% of the combined voting power of the Company’s then outstanding securities;

(c) at any time, Incumbent Directors cease to constitute a majority of the Board. For this purpose, “Incumbent Director” means each member of the Board on the Effective Date and each person whose election or nomination for election to the Board is approved by a majority of the Incumbent Directors; provided that, any person elected or nominated for election as the result of an actual or threatened proxy contest will not be considered to be an Incumbent Director. Notwithstanding the foregoing, for purposes of the Plan, the occurrence of the Registration Date or any change in the composition of the Board within one year following the Registration Date shall not be considered a Change in Control; or

(d) a complete liquidation or dissolution of the Company or the consummation of a sale or disposition by the Company of all or substantially all of the Company’s assets (in one or a series of related transactions) (which for this purpose shall mean total assets which represent at least 70% or more of the total fair market value of the assets of the Company and its Subsidiaries on a consolidated basis) other than the sale or disposition of all or substantially all of the assets (in one or a series of related transactions), which for this purpose shall mean total assets which represent at least 70% or more of the total fair market value of the assets of the Company and its Subsidiaries on a consolidated basis to a Person or Persons who beneficially own, directly or indirectly, 50% or more of the combined voting power of the outstanding voting securities of the Company at the time of the sale.

Notwithstanding the foregoing: (i) a Change in Control will not be deemed to have occurred if Apax Partners, L.P. or one of its Affiliates (including any fund management by Apax Partners, L.P.) directly or indirectly controls the Company; and (ii) with respect to any Award that is characterized as “nonqualified deferred compensation” within the meaning of Section 409A of the Code, an event shall not be considered to be a Change in Control under the Plan for purposes of payment of such Award unless such event is also a “change in ownership,” a “change in effective control” or a “change in the ownership of a substantial portion of the assets” of the Company within the meaning of Section 409A of the Code.

12.3 Initial Public Offering not a Change in Control. Notwithstanding the foregoing, for purposes of the Plan, the occurrence of the Registration Date or any change in the composition of the Board within one year following the Registration Date shall not be considered a Change in Control.

ARTICLE XIII TERMINATION OR AMENDMENT OF PLAN

Notwithstanding any other provision of the Plan, the Board may at any time, and from time to time, amend, in whole or in part, any or all of the provisions of the Plan (including any amendment deemed necessary to ensure that the Company may comply with any regulatory requirement referred to in Article XV or Section 409A of the Code), or suspend or terminate it entirely, retroactively or otherwise; provided, however, that unless otherwise required by law or specifically provided herein, the rights of a Participant with respect to Awards granted prior to such amendment, suspension or termination, may not be impaired without the consent of such Participant and, provided, further, that without the approval of the holders of the Company’s Common Stock entitled to vote in accordance with applicable law, no amendment may be made that would (i) increase the aggregate number of shares of Common Stock that may be issued under the Plan (except by operation of Section 4.2); (ii) change the classification of individuals eligible to receive Awards under the Plan; (iii) decrease the minimum option price of any Stock Option or Stock Appreciation Right; (iv) extend the maximum option period under Section 6.4; (v) award any Stock Option or Stock Appreciation Right in replacement of a canceled Stock Option or Stock Appreciation Right with a higher exercise price than the replacement award; or (vi) require stockholder approval in order for the Plan to continue to comply with the applicable provisions of Section 422 of the Code. In no event may the Plan be amended without the approval of the stockholders of the Company in accordance with the applicable laws of the State of Delaware to increase the aggregate number of shares of Common Stock that may be issued under the Plan, decrease the minimum exercise price of any Award, or to make any other amendment that would require stockholder approval under Financial Industry Regulatory Authority (FINRA) rules and regulations or the rules of any exchange or system on which the Company’s securities are listed or traded at the request of the Company. Notwithstanding anything herein to the contrary, the Board may amend the Plan or any Award Agreement at any time without a Participant’s consent to comply with applicable law including Section 409A of the Code. The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, but, subject to Article IV or as otherwise specifically provided herein, no such amendment or other action by the Committee shall impair the rights of any holder without the holder’s consent. The Committee shall have the discretion, without the approval of the Company’s shareholders and as permitted by applicable law, to cause any Option or Stock Appreciation Right to (A) be amended to decrease the exercise price thereof, (B) be canceled at a time when its exercise price exceeds the Fair Market Value of the underlying shares of Common Stock in exchange for another Option or Stock Appreciation Right or any cash payment, or (C) be subject to any action that would be treated, for accounting purposes, as a “repricing” of such Option or Stock Appreciation Right.

**ARTICLE XIV
UNFUNDED STATUS OF PLAN**

The Plan is intended to constitute an “unfunded” plan for incentive and deferred compensation. With respect to any payment as to which a Participant has a fixed and vested interest but which are not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any right that is greater than those of a general unsecured creditor of the Company.

**ARTICLE XV
GENERAL PROVISIONS**

15.1 Legend. The Committee may require each Person receiving shares of Common Stock pursuant to a Stock Option or other Award under the Plan to represent to and agree with the Company in writing that the Participant is acquiring the shares without a view to distribution thereof. In addition to any legend required by the Plan, the certificates for such shares may include any legend that the Committee deems appropriate to reflect any restrictions on Transfer. All certificates for shares of Common Stock delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed or any national securities exchange system upon whose system the Common Stock is then quoted, any applicable federal or state securities law, and any applicable corporate law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

15.2 Other Plans. Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required, and such arrangements may be either generally applicable or applicable only in specific cases.

15.3 No Right to Employment/Directorship/Consultancy. Neither the Plan nor the grant of any Option or other Award hereunder shall give any Participant or other employee, Consultant or Non-Employee Director any right with respect to continuance of employment, consultancy or directorship by the Company or any Affiliate, nor shall there be a limitation in any way on the right of the Company or any Affiliate by which an employee is employed or a Consultant or Non-Employee Director is retained to terminate such employment, consultancy or directorship at any time.

15.4 Withholding of Taxes. The Company, or an Affiliate, as applicable, shall have the right to deduct from any payment to be made pursuant to the Plan, or to otherwise require, prior to the issuance or delivery of shares of Common Stock or the payment of any cash hereunder, payment by the Participant of, any federal, state or local taxes required by law to be withheld. Upon the vesting of Restricted Stock (or other Award that is taxable upon vesting), or upon making an election under Section 83(b) of the Code, a Participant shall pay all required withholding to the Company. Any minimum statutorily required withholding obligation with regard to any Participant may be satisfied, subject to the consent of the Committee, by reducing the number of shares of Common Stock otherwise deliverable or by delivering shares of Common Stock already owned. Furthermore, at the discretion of the Committee, any additional tax obligations of a Participant with respect to an Award may be satisfied by further reducing the number of shares of Common Stock, otherwise deliverable with respect to such Award, to the extent that such reductions do not result in any adverse accounting implications to the Company, as determined by the Committee. Any fraction of a share of Common Stock required to satisfy any such tax obligations shall be disregarded and the amount due shall be paid instead in cash by the Participant.

15.5 No Assignment of Benefits. No Award or other benefit payable under the Plan shall, except as otherwise specifically provided by law or permitted by the Committee, be Transferable in any manner, and any attempt to Transfer any such benefit shall be void, and any such benefit shall not in any

manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any Person who shall be entitled to such benefit, nor shall it be subject to attachment or legal process for or against such Person.

15.6 Listing and Other Conditions.

(a) Unless otherwise determined by the Committee, as long as the Common Stock is listed on a national securities exchange or system sponsored by a national securities association, the issuance of shares of Common Stock pursuant to an Award shall be conditioned upon such shares being listed on such exchange or system. The Company shall have no obligation to issue such shares unless and until such shares are so listed, and the right to exercise any Option or other Award with respect to such shares shall be suspended until such listing has been effected.

(b) If at any time counsel to the Company shall be of the opinion that any sale or delivery of shares of Common Stock pursuant to an Option or other Award is or may in the circumstances be unlawful or result in the imposition of excise taxes on the Company under the statutes, rules or regulations of any applicable jurisdiction, the Company shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act or otherwise, with respect to shares of Common Stock or Awards, and the right to exercise any Option or other Award shall be suspended until, in the opinion of said counsel, such sale or delivery shall be lawful or will not result in the imposition of excise taxes on the Company.

(c) Upon termination of any period of suspension under this Section 15.6, any Award affected by such suspension which shall not then have expired or terminated shall be reinstated as to all shares available before such suspension and as to shares which would otherwise have become available during the period of such suspension, but no such suspension shall extend the term of any Award.

(d) A Participant shall be required to supply the Company with certificates, representations and information that the Company requests and otherwise cooperate with the Company in obtaining any listing, registration, qualification, exemption, consent or approval the Company deems necessary or appropriate.

15.7 Governing Law. The Plan and actions taken in connection herewith shall be governed and construed in accordance with the laws of the State of Delaware (regardless of the law that might otherwise govern under applicable Delaware principles of conflict of laws).

15.8 Jurisdiction; Waiver of Jury Trial. Any suit, action or proceeding with respect to the Plan or any Award Agreement, or any judgment entered by any court of competent jurisdiction in respect of any thereof, shall be resolved only in the courts of the State of Delaware or the United States District Court for the District of Delaware and the appellate courts having jurisdiction of appeals in such courts. In that context, and without limiting the generality of the foregoing, the Company and each Participant shall irrevocably and unconditionally (a) submit in any proceeding relating to the Plan or any Award Agreement, or for the recognition and enforcement of any judgment in respect thereof (a "Proceeding"), to the exclusive jurisdiction of the courts of the State of Delaware, the court of the United States of America for the District of Delaware, and appellate courts having jurisdiction of appeals from any of the foregoing, and agree that all claims in respect of any such Proceeding shall be heard and determined in such Delaware State court or, to the extent permitted by law, in such federal court, (b) consent that any such Proceeding may and shall be brought in such courts and waives any objection that the Company and each Participant may now or thereafter have to the venue or jurisdiction of any such Proceeding in any such court or that such Proceeding was brought in an inconvenient court and agree not to plead or claim the same, (c) waive all right to trial by jury in any Proceeding (whether based on contract, tort or

otherwise) arising out of or relating to the Plan or any Award Agreement, (d) agree that service of process in any such Proceeding may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party, in the case of a Participant, at the Participant's address shown in the books and records of the Company or, in the case of the Company, at the Company's principal offices, attention General Counsel, and (e) agree that nothing in the Plan shall affect the right to effect service of process in any other manner permitted by the laws of the State of Delaware.

15.9 Construction. Wherever any words are used in the Plan in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply, and wherever words are used herein in the singular form they shall be construed as though they were also used in the plural form in all cases where they would so apply.

15.10 Other Benefits. No Award granted or paid out under the Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Company or its Affiliates nor affect any benefit under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation.

15.11 Costs. The Company shall bear all expenses associated with administering the Plan, including expenses of issuing Common Stock pursuant to Awards hereunder.

15.12 No Right to Same Benefits. The provisions of Awards need not be the same with respect to each Participant, and such Awards to individual Participants need not be the same in subsequent years.

15.13 Death/Disability. The Committee may in its discretion require the transferee of a Participant to supply it with written notice of the Participant's death or Disability and to supply it with a copy of the will (in the case of the Participant's death) or such other evidence as the Committee deems necessary to establish the validity of the transfer of an Award. The Committee may also require that the agreement of the transferee to be bound by all of the terms and conditions of the Plan.

15.14 Section 16(b) of the Exchange Act. All elections and transactions under the Plan by Persons subject to Section 16 of the Exchange Act involving shares of Common Stock are intended to comply with any applicable exemptive condition under Rule 16b-3. The Committee may establish and adopt written administrative guidelines, designed to facilitate compliance with Section 16(b) of the Exchange Act, as it may deem necessary or proper for the administration and operation of the Plan and the transaction of business thereunder.

15.15 Section 409A of the Code. The Plan is intended to comply with the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. To the extent that any Award is subject to Section 409A of the Code, it shall be paid in a manner that will comply with Section 409A of the Code, including proposed, temporary or final regulations or any other guidance issued by the Secretary of the Treasury and the Internal Revenue Service with respect thereto. Notwithstanding anything herein to the contrary, any provision in the Plan that is inconsistent with Section 409A of the Code shall be deemed to be amended to comply with Section 409A of the Code and to the extent such provision cannot be amended to comply therewith, such provision shall be null and void. The Company shall have no liability to a Participant, or any other party, if an Award that is intended to be exempt from, or compliant with, Section 409A of the Code is not so exempt or compliant or for any action taken by the Committee or the Company and, in the event that any amount or benefit under the Plan becomes subject to penalties under Section 409A of the Code, responsibility for payment of such penalties shall rest solely with the affected Participants and not with the Company. Notwithstanding any contrary provision in the Plan or Award Agreement, any payment(s) of "nonqualified deferred compensation" (within the meaning of Section 409A of the Code) that are

otherwise required to be made under the Plan to a “specified employee” (as defined under Section 409A of the Code) as a result of such employee’s separation from service (other than a payment that is not subject to Section 409A of the Code) shall be delayed for the first six (6) months following such separation from service (or, if earlier, the date of death of the specified employee) and shall instead be paid (in a manner set forth in the Award Agreement) upon expiration of such delay period.

15.16 Successor and Assigns. The Plan shall be binding on all successors and permitted assigns of a Participant, including, without limitation, the estate of such Participant and the executor, administrator or trustee of such estate.

15.17 Severability of Provisions. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

15.18 Payments to Minors, Etc. Any benefit payable to or for the benefit of a minor, an incompetent Person or other Person incapable of receipt thereof shall be deemed paid when paid to such Person’s guardian or to the party providing or reasonably appearing to provide for the care of such Person, and such payment shall fully discharge the Committee, the Board, the Company, its Affiliates and their employees, agents and representatives with respect thereto.

15.19 Lock-Up Agreement. As a condition to the grant of an Award, if requested by the Company and the lead underwriter of any public offering of the Common Stock (the “Lead Underwriter”), a Participant shall irrevocably agree not to sell, contract to sell, grant any option to purchase, transfer the economic risk of ownership in, make any short sale of, pledge or otherwise transfer or dispose of, any interest in any Common Stock or any securities convertible into, derivative of, or exchangeable or exercisable for, or any other rights to purchase or acquire Common Stock (except Common Stock included in such public offering or acquired on the public market after such offering) during such period of time following the effective date of a registration statement of the Company filed under the Securities Act that the Lead Underwriter shall specify (the “Lock-Up Period”). The Participant shall further agree to sign such documents as may be requested by the Lead Underwriter to effect the foregoing and agree that the Company may impose stop-transfer instructions with respect to Common Stock acquired pursuant to an Award until the end of such Lock-Up Period.

15.20 Headings and Captions. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

15.21 Company Recoupment of Awards. A Participant’s rights with respect to any Award hereunder shall in all events be subject to (i) any right that the Company may have under any Company recoupment policy or other agreement or arrangement with a Participant, or (ii) any right or obligation that the Company may have to the extent required by applicable law or as required by an stock exchange or quotation system in which the Common Stock is listed or quoted including by not limited to but not limited to Section 304 of the Sarbanes-Oxley Act of 2002 and Section 10D of the Exchange Act, and any other applicable rules and regulations promulgated thereunder from time to time by the U.S. Securities and Exchange Commission.

ARTICLE XVI EFFECTIVE DATE OF PLAN

The Plan shall become effective on the date that is two days immediately prior to the Registration Date subject to the approval of the Plan by the stockholders of the Company in accordance with the requirements of the laws of the State of Delaware.

**ARTICLE XVII
TERM OF PLAN**

No Award shall be granted pursuant to the Plan on or after the tenth anniversary of the earlier of the date that the Plan is adopted or the date of stockholder approval, but Awards granted prior to such tenth anniversary may extend beyond that date.

**ARTICLE XVIII
NAME OF PLAN**

The Plan shall be known as the “Paycor HCM, Inc. 2021 Omnibus Incentive Plan”

PAYCOR HCM, INC.
2021 EMPLOYEE STOCK PURCHASE PLAN

ARTICLE I
PURPOSE

The Plan's purpose is to assist employees of the Company and its Designated Companies in acquiring a share ownership interest in the Company, and to help such employees provide for their future security and to encourage them to remain in the employment of the Company and its Subsidiaries.

The Plan consists of two components: the Section 423 Component and the Non-Section 423 Component. The Section 423 Component is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code and shall be administered, interpreted and construed in a manner consistent with the requirements of Section 423 of the Code. In addition, this Plan authorizes the grant of Options under the Non-Section 423 Component, which need not qualify as Options granted pursuant to an "employee stock purchase plan" under Section 423 of the Code; such Options granted under the Non-Section 423 Component shall be granted pursuant to separate Offerings containing such sub-plans, appendices, rules or procedures as may be adopted by the Administrator and designed to achieve tax, securities laws or other objectives for Eligible Employees and the Designated Companies in locations outside of the United States. Except as otherwise provided herein or determined by the Administrator, the Non-Section 423 Component will operate and be administered in the same manner as the Section 423 Component. Offerings intended to be made under the Non-Section 423 Component will be designated as such by the Administrator at or prior to the time of Offering.

For purposes of this Plan, the Administrator may designate separate Offerings under the Plan, the terms of which need not be identical, in which Eligible Employees will participate, even if the dates of the applicable Offering Period(s) in each such Offering is identical, provided that the terms of participation are the same within each separate Offering under the Section 423 Component as determined under Section 423 of the Code. Solely by way of example and without limiting the foregoing, the Company could, but shall not be required to, provide for simultaneous Offerings under the Section 423 Component and the Non-Section 423 Component of the Plan.

ARTICLE II
DEFINITIONS

As used in the Plan, the following words and phrases have the meanings specified below, unless the context clearly indicates otherwise:

2.1 "Administrator" means the Committee, or such individuals to which authority to administer the Plan has been delegated under Section 7.1 hereof.

2.2 "Affiliate" means a corporation or other entity controlled by, controlling, or under control with the Company. The term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of such person, whether through the ownership of voting or other securities, by contract or otherwise.

2.3 "Agent" means the brokerage firm, bank or other financial institution, entity or person(s), if any, engaged, retained, appointed or authorized to act as the agent of the Company or an Employee with regard to the Plan.

- 2.4 “Board” means the Board of Directors of the Company.
- 2.5 “Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time. Any reference to any section of the Code shall also be a reference to any successor provision and any guidance and treasury regulation promulgated thereunder.
- 2.6 “Committee” means the Compensation and Benefits Committee of the Board.
- 2.7 “Common Stock” means the common stock, \$0.001 par value per share, of the Company.
- 2.8 “Company” means Paycor HCM, Inc., a Delaware corporation, and its successors by operation of law.
- 2.9 “Compensation” of an Employee means the gross base compensation received by such Employee as compensation for services to the Company or any Designated Company, including base salary, wages, prior week adjustment and overtime payments, commissions, annual incentive compensation or other payments made under any annual bonus program, vacation pay, holiday pay, jury duty pay, funeral leave pay, and military leave pay but excluding payments made under any special or one-time bonus programs (e.g., retention or sign-on bonuses), education or tuition reimbursements, travel expenses, business and moving reimbursements (including tax gross ups and taxable mileage allowance), imputed income arising under any group insurance or benefit program, income received in connection with any share options, share appreciation rights, restricted shares, restricted share units or other compensatory equity awards, fringe benefits, other special payments and all contributions made by the Company or any designated Subsidiary for the Employee’s benefit under any employee benefit plan now or hereafter established. The Administrator, in its discretion, may establish a different definition of Compensation for an Offering, which for the Section 423 Component shall apply on a uniform and nondiscriminatory basis. Further, the Administrator will have discretion to determine the application of this definition to Eligible Employees outside the United States.
- 2.10 “Designated Company” means each Affiliate and Subsidiary, including any Affiliate and Subsidiary in existence on the Effective Date and any Affiliate and Subsidiary formed or acquired following the Effective Date, that has been designated by the Administrator from time to time in its sole discretion as eligible to participate in the Plan, in accordance with Section 7.2 hereof, such designation to specify whether such participation is in the Section 423 Component or Non-Section 423 Component. A Designated Company may participate in either the Section 423 Component or Non-Section 423 Component, but not both. Notwithstanding the foregoing, if any Affiliate or Subsidiary is disregarded for U.S. federal income tax purposes in respect of the Company or any Designated Company participating in the Section 423 Component, then such disregarded Affiliate or Subsidiary shall automatically be a Designated Company participating in the Section 423 Component. If any Affiliate or Subsidiary is disregarded for U.S. federal income tax purposes in respect of any Designated Company participating in the Non-Section 423 Component, the Administrator may exclude such Affiliate or Subsidiary from participating in the Plan, notwithstanding that the Designated Company in respect of which such Affiliate or Subsidiary is disregarded may participate in the Plan.
- 2.11 “Effective Date” means the date the Plan is adopted by the Board, subject to approval of the Company’s shareholders.
- 2.12 “Eligible Employee” means any Employee of the Company or a Designated Company, except that the Administrator may exclude any or all of the following unless prohibited by applicable law, Employees:

- (a) who are customarily scheduled to work 20 hours or less per week;
- (b) whose customary employment is not more than five months in a calendar year;
- (c) who have been employed less than two years;
- (d) who are not employed by the Company or a Designated Company prior to the applicable Enrollment Date occurs;

(e) any Employee who is a “highly compensated employee” of the Company or any Designated Company (within the meaning of Section 414(q) of the Code), or that is such a “highly compensated employee” (i) with compensation above a specified level, (ii) who is an officer or (iii) who is subject to the disclosure requirements of Section 16(a) of the Exchange Act; or

(f) any Employee who is a citizen or resident of a jurisdiction outside the United States (without regard to whether they are also a citizen of the United States or a resident alien (within the meaning of Section 7701(b)(1)(A) of the Code)) if either (i) the grant of the Option is prohibited under the laws of the jurisdiction governing such Employee, or (ii) compliance with the laws of the jurisdiction would cause the Section 423 Component, any Offering thereunder or an Option granted thereunder to violate the requirements of Section 423 of the Code; provided that, any exclusion shall be applied in an identical manner under each Offering to all Employees in accordance with Treas. Reg. § 1.423-2(e).

Notwithstanding the foregoing, any Employee who, after the granting of the Option, would be deemed for purposes of Section 423(b)(3) of the Code to possess 5% or more of the total combined voting power or value of all classes of shares of the Company or any Subsidiary shall not be an Eligible Employee. For purposes of the preceding sentence, the rules of Section 424(d) of the Code with regard to the attribution of share ownership shall apply in determining the share ownership of an individual, and shares which an Employee may purchase under outstanding options shall be treated as shares owned by the Employee.

Further, with respect to the Non-Section 423 Component, (A) the Administrator may limit eligibility further within a Designated Company so as to only designate some Employees of a Designated Company as Eligible Employees, and (B) to the extent any restrictions in this definition are not consistent with applicable local laws, the applicable local laws shall control.

2.13 “Employee” means any person who renders services to the Company or a Designated Company in the status of an employee within the meaning of Section 3401(c) of the Code. “Employee” shall not include any director of the Company or a Designated Company who does not render services to the Company or a Designated Company in the status of an employee within the meaning of Section 3401(c) of the Code. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on military leave, sick leave or other leave of absence approved by the Company or a Designated Company and meeting the requirements of Treas. Reg. § 1.421-1(h)(2). Where the period of leave exceeds three months, or such other period specified in Treas. Reg. § 1.421-1(h)(2), and the individual’s right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the first day immediately following such three-month period, or such other period specified in Treas. Reg. § 1.421-1(h)(2).

2.14 “Enrollment Date” means the first date of each Offering Period.

2.15 “Exercise Date” means the last day of each Purchase Period, except as provided in Section 5.2 hereof.

2.16 “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time. Reference to a specific section of the Exchange Act or regulation thereunder shall include such section or regulation, any valid regulation or interpretation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing, or superseding such section or regulation.

2.17 “Fair Market Value” means, as of any date, the value of the Common Stock determined as follows:

(a) If the Common Stock is (i) listed on any established securities exchange (such as the New York Stock Exchange or Nasdaq Stock Market), (ii) listed on any national market system or (iii) listed, quoted or traded on any automated quotation system, the Fair Market Value of a Share shall be the closing sales price for a Share as quoted on such exchange or system for such date or, if there is no closing sales price for a Share on the date in question, the closing sales price for a Share on the last preceding date for which such quotation exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(b) If the Common Stock is not listed on an established securities exchange, national market system or automated quotation system, but the Common Stock is regularly quoted by a recognized securities dealer, the Fair Market Value of a Share shall be the mean of the high bid and low asked prices for such date or, if there are no high bid and low asked prices for a Share on such date, the high bid and low asked prices for a Share on the last preceding date for which such information exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(c) If the Common Stock is neither listed on an established securities exchange, national market system or automated quotation system nor regularly quoted by a recognized securities dealer, the Fair Market Value of a Share shall be established by the Administrator in good faith.

2.18 “Grant Date” means the first day of an Offering Period.

2.19 “New Exercise Date” has the meaning set forth in Section 5.2(b) hereof.

2.20 “Non-Section 423 Component” means those Offerings under the Plan, together with the sub-plans, appendices, rules or procedures, if any, adopted by the Administrator as a part of this Plan, in each case, pursuant to which Options may be granted to Eligible Employees that need not satisfy the requirements for Options granted pursuant to an “employee stock purchase plan” that are set forth under Section 423 of the Code.

2.21 “Offering” means an offer under the Plan of an Option that may be exercised during an Offering Period as further described in Article IV hereof. Unless otherwise specified by the Administrator, each Offering to the Eligible Employees shall be deemed a separate Offering, even if the dates and other terms of the applicable Purchase Periods of each such Offering are identical and the provisions of the Plan will separately apply to each Offering. To the extent permitted by Treas. Reg. § 1.423-2(a)(1), the terms of each separate Offering under the Section 423 Component need not be identical, provided that the terms of the Section 423 Component and an Offering thereunder together satisfy Treas. Reg. § 1.423-2(a)(2) and (a)(3).

2.22 “Offering Period” means one or more periods to be selected by the Administrator in its sole discretion with respect to which Options shall be granted to Participants. The duration and timing of Offering Periods may be established or changed by the Administrator at any time, in its sole discretion and may consist of one or more Purchase Periods. Notwithstanding the foregoing, in no event may an Offering Period exceed 27 months.

2.23 “Option” means the right to purchase Shares pursuant to the Plan during each Offering Period.

2.24 “Option Price” means the purchase price of a Share hereunder as provided in Section 4.2 hereof.

2.25 “Parent” means any entity that is a parent corporation of the Company within the meaning of Section 424 of the Code.

2.26 “Participant” means any Eligible Employee who elects to participate in the Plan.

2.27 “Payday” means the regular and recurring established day for payment of Compensation to an Employee.

2.28 “Plan” means this Employee Stock Purchase Plan, including both the Section 423 Component and Non-Section 423 Component and any other sub-plans or appendices hereto, as amended from time to time.

2.29 “Plan Account” means a bookkeeping account established and maintained by the Company in the name of each Participant.

2.30 “Purchase Period” means one or more periods within an Offering Period, as determined by the Administrator in its sole discretion. The duration and timing of Purchase Periods may be established or changed by the Administrator at any time, in its sole discretion. Notwithstanding the foregoing, in no event may a Purchase Period end after the end of the Offering Period under which it is established.

2.31 “Section 409A” means the nonqualified deferred compensation rules under Section 409A of the Code and any applicable treasury regulations and other official guidance thereunder.

2.32 “Section 423 Component” means those Offerings under the Plan that are intended to meet the requirements under Section 423(b) of the Code.

2.33 “Shares” means shares of Common Stock.

2.34 “Subsidiary” means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

2.35 “Tax-Related Items” means any U.S. and non-U.S. federal, provincial, state and/or local taxes (including, without limitation, income tax, social insurance contributions, fringe benefit tax, employment tax, stamp tax and any employer tax liability which has been transferred to a Participant) for which a Participant is liable in connection with his or her participation in the Plan.

2.36 “Treas. Reg.” means U.S. Department of the Treasury regulations.

2.37 “Withdrawal Election” has the meaning set forth in Section 6.1(a) hereof.

ARTICLE III PARTICIPATION

3.1 Eligibility.

(a) Any Eligible Employee who is employed by the Company or a Designated Company on a given Enrollment Date for an Offering Period shall be eligible to participate in the Plan during such Offering Period, subject to the requirements of Articles IV and V hereof, and, for the Section 423 Component, the limitations imposed by Section 423(b) of the Code.

(b) No Eligible Employee shall be granted an Option under the Section 423 Component which permits the Participant’s rights to purchase Shares under the Plan, and to purchase shares under all other employee stock purchase plans of the Company, any Parent or any Subsidiary subject to Section 423 of the Code, to accrue at a rate which exceeds \$25,000 of fair market value of such shares (determined at the time such Option is granted) for each calendar year in which such Option is outstanding at any time. The limitation under this Section 3.1(b) shall be applied in accordance with Section 423(b)(8) of the Code.

3.2 Election to Participate; Payroll Deductions.

(a) Each individual who is an Eligible Employee as of an Offering Period’s Enrollment Date may elect to participate in such Offering Period and the Plan by delivering to the Company or an Agent designated by the Company an enrollment form including a payroll deduction authorization (which may be in an electronic format or such other method as determined by the Company in accordance with the Company’s practices) (a “Participation Election”) no later than the period of time prior to the applicable Enrollment Date determined by the Administrator, in its sole discretion. Except as provided in Section 3.2(e) hereof, an Eligible Employee may participate in the Plan only by means of payroll deduction.

(b) Subject to Section 3.1(b) hereof and except as may otherwise be determined by the Administrator, payroll deductions (i) shall equal at least 1% of the Participant’s Compensation as of each Payday of the Offering Period following the Enrollment Date, but not more than 10% of the Participant’s Compensation as of each Payday of the Offering Period following the Enrollment Date; and (ii) shall be expressed as a whole number percentage. Subject to Section 3.2(e) hereof, amounts deducted from a Participant’s Compensation with respect to an Offering Period pursuant to this Section 3.2 shall be deducted each Payday through payroll deduction and credited to the Participant’s Plan Account.

(c) Unless otherwise determined by the Administrator, following at least one payroll deduction, a Participant may increase or decrease the percentage of Compensation or the fixed dollar amount designated in his or her enrollment form, subject to the limits of this Section 3.2, or may suspend his or her payroll deductions, at any time during an Offering Period; provided, however, that the Administrator may limit the number of changes a Participant may make to his or her payroll deduction elections during each Offering Period in the applicable Offering (and in the absence of any specific designation by the Administrator, a Participant shall be allowed one change to his or her payroll deduction elections during each Offering Period). Any such change or suspension of payroll deductions shall be effective with the first full payroll period following ten business days after the Company’s receipt of the new enrollment form (or such shorter or longer period as may be specified by the Administrator in the applicable Offering). In the event a Participant suspends his or her payroll deductions, such

Participant's cumulative payroll deductions prior to the suspension shall remain in his or her account and shall be applied to the purchase of Shares on the next occurring Exercise Date and shall not be paid to such Participant unless he or she withdraws from participation in the Plan pursuant to Section 6.1.

(d) Upon the completion of an Offering Period, each Participant in such Offering Period shall automatically participate in the immediately following Offering Period at the same payroll deduction percentage as in effect at the termination of such Offering Period, unless such Participant delivers to the Company or an Agent designated by the Company a different Participation Election with respect to the successive Offering Period in accordance with Section 3.2(a) hereof, or unless such Participant becomes ineligible or otherwise modifies the Participant's election for participation in the Plan.

(e) Notwithstanding any other provisions of the Plan to the contrary, in non-U.S. jurisdictions where participation in the Plan through payroll deductions is prohibited or otherwise problematic under applicable local laws (as determined by the Administrator in its sole discretion), the Administrator may provide that an Eligible Employee may elect to participate through contributions to the Participant's Plan Account in a form acceptable to the Administrator in lieu of or in addition to payroll deductions; provided, however, that, for any Offering under the Section 423 Component, the Administrator must determine that any alternative method of contribution is applied on an equal and uniform basis to all Eligible Employees in the Offering. Any reference to "payroll deductions" in this Section 3.2 (or in any other section of the Plan) will similarly cover contributions by other means made pursuant to this Section 3.2(e).

ARTICLE IV PURCHASE OF SHARES

4.1 Grant of Option. The Company may make one or more Offerings under the Plan, which may be successive or overlapping with one another, until the earlier of: (i) the date on which all Shares available under the Plan have been purchased or (ii) the date on which the Plan is suspended or terminates. No Offering shall commence prior to the date on which the Company's registration statement on Form S-8 is filed with the U.S. Securities and Exchange Commission in respect of the Plan. The Administrator shall designate the terms and conditions of each Offering in writing, including without limitation, the Offering Period and the Purchase Periods. Each Participant shall be granted an Option with respect to an Offering Period on the applicable Grant Date. Subject to the limitations of Section 3.1(b) hereof, the number of Shares subject to a Participant's Option shall be determined by dividing (a) such Participant's payroll deductions accumulated prior to an Exercise Date and retained in the Participant's Plan Account on such Exercise Date by (b) the applicable Option Price; provided that, in no event shall a Participant be permitted to purchase during each Offering Period more than \$25,000 worth of shares of Common Stock (subject to any adjustment pursuant to Section 5.2 hereof). The Administrator may, for future Offering Periods, increase or decrease, in its absolute discretion, the maximum number of Shares that a Participant may purchase during any Purchase Periods under such future Offering Periods. Each Option shall expire on the last Exercise Date for the applicable Offering Period immediately after the automatic exercise of the Option in accordance with Section 4.3 hereof, unless such Option terminates earlier in accordance with Article VI hereof.

4.2 Option Price. The Option Price shall equal 85% of the lesser of the Fair Market Value of a Share on (a) the applicable Grant Date and (b) the applicable Exercise Date, or such other price designated by the Administrator.

4.3 Purchase of Shares.

(a) On each Exercise Date for an Offering Period, each Participant shall automatically and without any action on such Participant's part be deemed to have exercised the Participant's Option to purchase at the applicable Option Price the largest number of whole Shares which can be purchased with the amount in the Participant's Plan Account, subject to the limitations set forth in the Plan. Unless otherwise determined by the Administrator in advance of an Offering or in accordance with applicable law, any balance that is remaining in the Participant's Plan Account (after exercise of such Participant's Option) as of the Exercise Date shall be carried forward into the next Offering Period, unless the Participant has properly elected to withdraw from the Plan, has ceased to be an Eligible Employee or with respect to the maximum limitations set forth in Section 3.1(b) and Section 4.1. Any balance not carried forward to the next Offering Period in accordance with the prior sentence shall promptly be refunded as soon as administratively practicable to the applicable Participant.

(b) As soon as practicable following each Exercise Date, the number of Shares purchased by such Participant pursuant to Section 4.3(a) hereof shall be delivered (either in share certificate or book entry form), in the Company's sole discretion, to either (i) the Participant or (ii) an account established in the Participant's name at a stock brokerage or other financial services firm designated by the Company. The Company may require that shares be retained with such brokerage or firm for a designated period of time and/or may establish procedures to permit tracking of disqualifying dispositions of such shares.

4.4 Transferability of Rights. An Option granted under the Plan shall not be transferable, other than by will or the applicable laws of descent and distribution, and is exercisable during the Participant's lifetime only by the Participant. No option or interest or right to the Option shall be available to pay off any debts, contracts or engagements of the Participant or the Participant's successors in interest or shall be subject to disposition by pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempt at disposition of the Option shall have no effect.

ARTICLE V PROVISIONS RELATING TO COMMON STOCK

5.1 Shares Reserved. Subject to adjustment as provided in Section 5.2 hereof, the aggregate number of Shares that may be issued pursuant to rights granted under the Plan shall be the sum of (a) 3.1 million shares and (b) an annual increase on the first day of each year beginning on January 1, 2022 and annually thereafter ending in 2031 equal to the lesser of (i) 1.0% of all classes of the Company's shares outstanding on the last day of the immediately preceding calendar year and (ii) such smaller number of shares as may be determined by the Board. Shares made available for sale under the Plan may be authorized but unissued shares or treasury Shares. If any right granted under the Plan shall for any reason terminate without having been exercised, the Shares not purchased under such right shall again become available for issuance under the Plan.

5.2 Adjustments Upon Changes in Capitalization, Dissolution, Liquidation, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of Shares which have been authorized for issuance under the Plan but not yet placed under Option, as well as the price per share and the number of Shares covered by each Option

under the Plan which has not yet been exercised shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a share split, reverse share split, share dividend, combination, amalgamation, consolidation, reorganization, arrangement or reclassification of the Shares, or any other increase or decrease in the number Shares effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been “effected without receipt of consideration.” Such adjustment shall be made by the Administrator, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Shares subject to an Option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Offering Periods then in progress shall be shortened by setting a new Exercise Date (the “New Exercise Date”), and shall terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Administrator. The New Exercise Date shall be before the date of the Company’s proposed dissolution or liquidation. The Administrator shall notify each Participant in writing, at least ten business days prior to the New Exercise Date, that the Exercise Date for the Participant’s Option has been changed to the New Exercise Date and that the Participant’s Option shall be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Section 6.1 hereof or the Participant has ceased to be an Eligible Employee as provided in Section 6.2 hereof.

(c) Merger or Asset Sale. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each outstanding Option shall be assumed or an equivalent Option substituted by the successor corporation or a parent or subsidiary of the successor corporation. If the successor corporation refuses to assume or substitute for the Option, any Offering Periods then in progress shall be shortened by setting a New Exercise Date and any Offering Periods then in progress shall end on the New Exercise Date. The New Exercise Date shall be before the date of the Company’s proposed sale or merger. The Administrator shall notify each Participant in writing, at least ten business days prior to the New Exercise Date, that the Exercise Date for the Participant’s Option has been changed to the New Exercise Date and that the Participant’s Option shall be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Section 6.1 hereof or the Participant has ceased to be an Eligible Employee as provided in Section 6.2 hereof.

5.3 Insufficient Shares. If the Administrator determines that, on a given Exercise Date, the number of Shares with respect to which Options are to be exercised may exceed the number of Shares remaining available for sale under the Plan on such Exercise Date, the Administrator shall make a pro rata allocation of the Shares available for issuance on such Exercise Date in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all Participants exercising Options to purchase Shares on such Exercise Date, and unless additional shares are authorized for issuance under the Plan, no further Offering Periods shall take place and the Plan shall terminate pursuant to Section 7.5 hereof. If an Offering Period is so terminated, then the balance of the amount credited to the Participant’s Plan Account which has not been applied to the purchase of Shares shall be paid to such Participant in one lump sum in cash within 30 days after such Exercise Date, without any interest thereon (except as may be required by applicable local laws).

5.4 Rights as Shareholders. With respect to Shares subject to an Option, a Participant shall not be deemed to be a shareholder of the Company and shall not have any of the rights or privileges of a shareholder. A Participant shall have the rights and privileges of a shareholder of the Company when, but

not until, the Shares have been deposited in the designated brokerage account following exercise of the Participant's Option.

ARTICLE VI TERMINATION OF PARTICIPATION

6.1 Cessation of Contributions; Voluntary Withdrawal.

(a) A Participant may cease payroll deductions during an Offering Period and elect to withdraw from the Plan by delivering written notice of such election to the Company or an Agent designated by the Company in such form and at such time prior to the Exercise Date for such Offering Period as may be established by the Administrator (a "Withdrawal Election"). In the event a Participant elects to withdraw from the Plan, amounts then credited to such Participant's Plan Account shall be returned to the Participant in one lump-sum payment in cash within 30 days after such election is received by the Company, without any interest thereon (except as may be required by applicable local laws), and the Participant shall cease to participate in the Plan and the Participant's Option for such Offering Period shall terminate upon receipt of the Withdrawal Election.

(b) A Participant's withdrawal from the Plan shall not have any effect upon the Participant's eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods which commence after the termination of the Offering Period from which the Participant withdraws.

(c) A Participant who ceases contributions to the Plan during any Offering Period shall not be permitted to resume contributions to the Plan during that Offering Period.

6.2 Termination of Eligibility. Upon a Participant's ceasing to be an Eligible Employee, for any reason, such Participant's Option for the applicable Offering Period shall automatically terminate, the Participant shall be deemed to have elected to withdraw from the Plan, and any balance on such Participant's Plan Account shall be paid to such Participant or, in the case of the Participant's death, to the person or persons entitled thereto pursuant to applicable law, within 30 days after such cessation of being an Eligible Employee, without any interest thereon (except as may be required by applicable local laws). If a Participant transfers employment from the Company or any Designated Company participating in the Section 423 Component to any Designated Company participating in the Non-Section 423 Component, such transfer shall not be treated as a termination of employment, but the Participant shall immediately cease to participate in the Section 423 Component; however, any contributions made for the Offering Period in which such transfer occurs shall be transferred to the Non-Section 423 Component, and such Participant shall immediately join the then-current Offering under the Non-Section 423 Component upon the same terms and conditions in effect for the Participant's participation in the Section 423 Component, except for such modifications otherwise applicable for Participants in such Offering. A Participant who transfers employment from any Designated Company participating in the Non-Section 423 Component to the Company or any Designated Company participating in the Section 423 Component shall not be treated as terminating the Participant's employment and shall remain a Participant in the Non-Section 423 Component until the earlier of (i) the end of the current Offering Period under the Non-Section 423 Component, or (ii) the Enrollment Date of the first Offering Period in which the Participant is eligible to participate following such transfer. Notwithstanding the foregoing, the Administrator may establish different rules to govern transfers of employment between companies participating in the Section 423 Component and the Non-Section 423 Component, consistent with the applicable requirements of Section 423 of the Code.

**ARTICLE VII
GENERAL PROVISIONS**

7.1 Administration.

(a) The Plan shall be administered by the Committee, which shall be composed of members of the Board. The Committee may delegate administrative tasks under the Plan to the services of an Agent or Employees to assist in the administration of the Plan, including without limitation, determining the Designated Companies participating in the Plan, establishing and maintaining an individual securities account under the Plan for each Participant, determining enrollment and withdrawal deadlines and determining exchange rates. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Administrator under the Plan.

(b) It shall be the duty of the Administrator to conduct the general administration of the Plan in accordance with the provisions of the Plan. The Administrator shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To establish and terminate Offerings;

(ii) To determine when and how Options shall be granted and the provisions and terms of each Offering (which need not be identical);

(iii) To select Designated Companies in accordance with Section 7.2 hereof; and

(iv) To construe and interpret the Plan, the terms of any Offering and the terms of the Options and to adopt such rules for the administration, interpretation, and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. The Administrator, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, any Offering or any Option, in a manner and to the extent it shall deem necessary or expedient to administer the Plan, subject to Section 423 of the Code for the Section 423 Component.

(c) The Administrator may adopt rules or procedures relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures, provided that, the adoption and implementation of any such rules and/or procedures would not cause the Section 423 Component to be in noncompliance with Section 423 of the Code. Without limiting the generality of the foregoing, the Administrator is specifically authorized to adopt rules and procedures regarding handling of participation elections, payroll deductions, payment of interest, conversion of local currency, payroll tax, withholding procedures and handling of share certificates which vary with local requirements.

(d) The Administrator may adopt sub-plans applicable to particular Designated Companies or locations, which sub-plans may be designed to be outside the scope of Section 423 of the Code. The rules of such sub-plans may take precedence over other provisions of this Plan, with the exception of Section 5.1 hereof, but unless otherwise superseded by the terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan.

(e) All expenses and liabilities incurred by the Administrator in connection with the administration of the Plan shall be borne by the Company. The Administrator may employ attorneys, consultants, accountants, appraisers, brokers or other persons. The Administrator, the Company and its

officers and directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon all Participants, the Company and all other interested persons. No member of the Board or Administrator shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Options, and all members of the Board or Administrator shall be fully protected by the Company in respect to any such action, determination, or interpretation. Any and all risks resulting from any market fluctuations or conditions of any nature and affecting the price of Shares are assumed by the Participant.

7.2 Designation of Affiliates and Subsidiaries. The Administrator shall designate from time to time the Affiliates and Subsidiaries that shall constitute Designated Companies, and determine whether such Designated Companies shall participate in the Section 423 Component or Non-Section 423 Component; provided, however, that an Affiliate that does not also qualify as a Subsidiary may be designated only as participating in the Non-Section 423 Component. The Administrator may designate an Affiliate or Subsidiary, or terminate the designation of an Affiliate or Subsidiary, without the approval of the shareholders of the Company.

7.3 Reports. Individual accounts shall be maintained for each Participant in the Plan. Statements of Plan Accounts shall be given to Participants at least annually, which statements shall set forth the amounts of payroll deductions, the Option Price, the number of shares purchased and the remaining cash balance, if any.

7.4 No Right to Employment. Nothing in the Plan shall be construed to give any person (including any Participant) the right to remain in the employ of the Company, a Parent or a Subsidiary or to affect the right of the Company, any Parent or any Subsidiary to terminate the employment of any person (including any Participant) at any time, with or without cause, which right is expressly reserved.

7.5 Amendment and Termination of the Plan.

(a) The Board may, in its sole discretion, amend, suspend or terminate the Plan at any time and from time to time. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision), with respect to the Section 423 Component, or any other applicable law, regulation or stock exchange rule, the Company shall obtain shareholder approval of any such amendment to the Plan in such a manner and to such a degree as required by Section 423 of the Code or such other law, regulation or rule.

(b) If the Administrator determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Administrator may in its discretion modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

- (i) altering the Option Price for any Offering Period including an Offering Period underway at the time of the change in Option Price;
- (ii) shortening any Offering Period so that the Offering Period ends on a new Exercise Date, including an Offering Period underway at the time of the Administrator action; and
- (iii) allocating Shares.

Such modifications or amendments shall not require shareholder approval or the consent of any Participant.

(c) Upon termination of the Plan, the balance in each Participant's Plan Account shall be refunded as soon as practicable after such termination, without any interest thereon (except as may be required by applicable local laws).

7.6 Use of Funds; No Interest Paid. All funds received by the Company by reason of purchase of shares of Shares under the Plan shall be included in the general funds of the Company free of any trust or other restriction and may be used for any corporate purpose (except as may be required by applicable local laws). No interest shall be paid to any Participant or credited under the Plan (except as may be required by applicable local laws).

7.7 Term; Approval by Shareholders. No Option may be granted during any period of suspension of the Plan or after termination of the Plan. The Plan shall be submitted for the approval of the Company's shareholders within 12 months after the date of the Board's initial adoption of the Plan. Options may be granted prior to such shareholder approval; provided, however, that such Options shall not be exercisable prior to the time when the Plan is approved by the shareholders; provided, further that if such approval has not been obtained by the end of the 12-month period, all Options previously granted under the Plan shall thereupon terminate and be canceled and become null and void without being exercised.

7.8 Effect Upon Other Plans. The adoption of the Plan shall not affect any other compensation or incentive plans in effect for the Company, any Parent or any Subsidiary. Nothing in the Plan shall be construed to limit the right of the Company, any Parent or any Subsidiary (a) to establish any other forms of incentives or compensation for employees of the Company or any Parent or any Subsidiary, or (b) to grant or assume Options otherwise than under the Plan in connection with any proper corporate purpose, including, but not by way of limitation, the grant or assumption of options in connection with the acquisition, by purchase, lease, merger, amalgamation, combination, arrangement, consolidation or otherwise, of the business, shares or assets of any corporation, firm or association.

7.9 Conformity to Securities Laws. Notwithstanding any other provision of the Plan, the Plan and the participation in the Plan by any individual who is then subject to Section 16 of the Exchange Act shall be subject to any additional limitations set forth in any applicable exemption rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

7.10 Notice of Disposition of Shares. Each Participant shall give the Company prompt notice of any disposition or other transfer of any Shares, acquired pursuant to the exercise of an Option granted under the Section 423 Component, if such disposition or transfer is made (a) within two years after the applicable Grant Date or (b) within one year after the transfer of such Shares to such Participant upon exercise of such Option. The Company may direct that any certificates evidencing shares acquired pursuant to the Plan refer to such requirement.

7.11 Tax Withholding. At the time of any taxable event that creates a withholding obligation for the Company or any Parent, Affiliate or Subsidiary, the Participant will make adequate provision for any Tax-Related Items. In their sole discretion, and except as otherwise determined by the Administrator, the Company or the Designated Company that employs or employed the Participant may satisfy their obligations to withhold Tax-Related Items by (a) withholding from the Participant's wages or other compensation, (b) withholding a sufficient whole number of Shares otherwise issuable following exercise of the Option having an aggregate value sufficient to pay the Tax-Related Items required to be withheld with respect to the Option and/or shares, or (c) withholding from proceeds from the sale of Shares issued

upon exercise of the Option, either through a voluntary sale or a mandatory sale arranged by the Company.

7.12 Governing Law. The Plan and all rights, agreements and obligations hereunder shall be administered, interpreted and enforced under the laws of the Province of British Columbia and the federal laws of Canada applicable therein, without regard to the conflict of law rules thereof or of any other jurisdiction.

7.13 Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

7.14 Conditions to Issuance of Shares.

(a) Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates or make any book entries evidencing Shares pursuant to the exercise of an Option by a Participant, unless and until the Administrator has determined, with advice of counsel, that the issuance of such Shares is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any securities exchange or automated quotation system on which the Shares are listed or traded, and the Shares are covered by an effective registration statement or applicable exemption from registration. In addition to the terms and conditions provided herein, the Administrator may require that a Participant make such reasonable covenants, agreements, and representations as the Administrator, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements.

(b) All certificates for Shares delivered pursuant to the Plan and all Shares issued pursuant to book entry procedures are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with U.S. and non-U.S. federal, provincial, state or local securities or other laws, rules and regulations and the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted, or traded. The Administrator may place legends on any certificate or book entry evidencing Shares to reference restrictions applicable to the Shares.

(c) The Administrator shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement, distribution or exercise of any Option, including a window-period limitation, as may be imposed in the sole discretion of the Administrator.

(d) Notwithstanding any other provision of the Plan, unless otherwise determined by the Administrator or required by any applicable law, rule or regulation, the Company may, in lieu of delivering to any Participant certificates evidencing Shares issued in connection with any Option, record the issuance of Shares in the books of the Company (or, as applicable, its transfer agent or share plan administrator).

If, pursuant to this Section 7.14, the Administrator determines that Shares will not be issued to any Participant, the Company is relieved from liability to any Participant except to refund to the Participant such Participant's Plan Account balance, without interest thereon (except as may be required by applicable local laws).

7.15 Equal Rights and Privileges. All Eligible Employees granted Options pursuant to an Offering under the Section 423 Component shall have equal rights and privileges under this Plan to the extent required under Section 423 of the Code so that the Section 423 Component qualifies as an

“employee stock purchase plan” within the meaning of Section 423 of the Code. Any provision of the Section 423 Component that is inconsistent with Section 423 of the Code shall, without further act or amendment by the Company or the Board, be reformed to comply with the equal rights and privileges requirement of Section 423 of the Code. Eligible Employees participating in the Non-Section 423 Component need not have the same rights and privileges as each other, or as Eligible Employees participating in the Section 423 Component.

7.16 Rules Particular to Specific Countries. Notwithstanding anything herein to the contrary, the terms and conditions of the Plan with respect to Participants who are tax residents of a particular non-U.S. country or who are non-U.S. nationals or employed in non-U.S. jurisdictions may be subject to an addendum to the Plan in the form of an appendix or sub-plan (which appendix or sub-plan may be designed to govern Offerings under the Section 423 Component or the Non-Section 423 Component, as determined by the Administrator). To the extent that the terms and conditions set forth in an appendix or sub-plan conflict with any provisions of the Plan, the provisions of the appendix or sub-plan shall govern. The adoption of any such appendix or sub-plan shall be pursuant to Section 7.1 above. Without limiting the foregoing, the Administrator is specifically authorized to adopt rules and procedures, with respect to Participants who are non-U.S. nationals or employed in non-U.S. jurisdictions, regarding the exclusion of particular Affiliates or Subsidiaries from participation in the Plan, eligibility to participate, the definition of Compensation, handling of payroll deductions or other contributions by Participants, payment of interest, conversion of local currency, data privacy security, payroll tax, withholding procedures, establishment of bank or trust accounts to hold payroll deductions or contributions, *provided* that the adoption and implementation of any such rules and/or procedures would not cause the Section 423 Component to be in noncompliance with Section 423 of the Code.

7.17 Section 409A. The Section 423 Component of the Plan and the Options granted pursuant to Offerings thereunder are intended to be exempt from the application of Section 409A. Neither the Non-Section 423 Component nor any Option granted pursuant to an Offering thereunder is intended to constitute or provide for “nonqualified deferred compensation” within the meaning of Section 409A. Notwithstanding any provision of the Plan to the contrary, if the Administrator determines that any Option granted under the Plan may be or become subject to Section 409A or that any provision of the Plan may cause an Option granted under the Plan to be or become subject to Section 409A, the Administrator may adopt such amendments to the Plan and/or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions as the Administrator determines are necessary or appropriate to avoid the imposition of taxes under Section 409A, either through compliance with the requirements of Section 409A or with an available exemption therefrom.

* * * * *

I hereby certify that the foregoing Plan was adopted by the Board of Directors of Paycor HCM, Inc. on July 20, 2021.

I hereby certify that the foregoing Plan was approved by the shareholders of Paycor HCM, Inc. on July 20, 2021.

Executed on July 20, 2021.

/s/ Alice Geene
Corporate Secretary

PAYCOR HCM, INC.**EXECUTIVE SEVERANCE PLAN****ARTICLE I
PURPOSE**

The purpose of this Executive Severance Plan (this “Plan”) is to provide severance benefits to certain eligible employees of Paycor HCM, Inc. (the “Company”) and its Affiliates, who experience a Qualifying Termination under the conditions described in this Plan. Capitalized terms used herein without definition shall have the meanings ascribed to such terms in Article II.

**ARTICLE II
DEFINITIONS**

As used herein the following words and phrases shall have the following respective meanings (unless the context clearly indicates otherwise):

“Accrued Obligations” means, with respect to a Participant’s Termination of Employment, (a) such Participant’s base salary through the Termination Date; (b) reimbursement for business expenses in accordance with Company policy; (c) any accrued but unused paid time off to the extent not theretofore paid; and (d) vested employee benefits accrued through the Termination Date in accordance with applicable law or the governing plan rules.

“Administrator” means the Committee or such other Person as selected by the Committee.

“Affiliate” means any Subsidiary or other entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant ownership interest as determined by the Administrator.

“Annual Base Salary” means, with respect to a Participant, the annual rate of base salary in effect for such Participant as of such Participant’s Termination Date.

“Board” means the Board of Directors of the Company.

“COBRA” means the U.S. Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

“COBRA Period” means, with respect to a Participant, the lesser of (a) the Severance Period, and (b) the 18-month period following the Termination Date.

“Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time.

“Committee” means the Compensation and Benefits Committee of the Board.

“Company Group” means, collectively, the Company and its Affiliates.

“Disaffiliation” means an Affiliate’s ceasing to be an Affiliate for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the Affiliate) or a sale of a division of the Company Group (including, without limitation, a sale of assets).

“Disability” means a physical or mental incapacity or disability, the result of which causes an Eligible Employee to fail to perform the essential functions of his or her position for a continuous period of 180 days or any 270 days within any 12-month period.

“Eligible Employee” means an employee of the Company Group who is designated within one of the employee classification categories specified on Annex A attached hereto, excluding any such employee of the Company Group who: (a) is covered under any collective bargaining agreement; (b) is party to any individual employment, severance, or similar agreement with the Company Group that provides for severance benefits; (c) is eligible to receive benefits under the Company’s Employee Severance Plan; or (d) during the Protected Period (as defined in the Company’s Executive Change in Control Severance Plan (the “CIC Plan”)) is eligible to receive benefits under the CIC Plan.

“Multiple” means, with respect to any Participant, a whole or fractional number so designated for such Participant on Annex A attached hereto.

“Participant” means any Eligible Employee who incurs a Qualifying Termination and thereby becomes eligible for Severance Benefits under this Plan.

“Person” means any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the U.S. Securities Exchange Act of 1934, as amended).

“Qualifying Termination” means, with respect to an Eligible Employee, a Termination of Employment initiated by the Company and/or its Affiliates (including any successors thereto as described in Section 8.1) other than a Termination for Cause or due to Disability.

“Severance Benefits” means the amounts and benefits payable or required to be provided in accordance with Section 5.1 and Annex B, excluding Accrued Obligations.

“Severance Period” means, with respect to a Participant, a number of months equal to the product of (a) 12 months and (b) such Participant’s Multiple.

“Subsidiary” means any company (other than the Company) in an unbroken chain of companies beginning with the Company; provided that, each company in the unbroken chain (other than the Company) owns, at the time of determination, stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other companies in such chain.

“Target Annual Bonus” means, with respect to a Participant, the target annual incentive payment for which such Participant is eligible in respect of the fiscal year in which the Termination Date occurs.

“Termination Date” means, with respect to an Eligible Employee, the date on which such Eligible Employee incurs a Termination of Employment for any reason.

“Termination for Cause” means a Termination of Employment on account of (a) any material failure, refusal, or inability by an Eligible Employee to perform his or her duties designated under his or her employment agreement with the Company Group (other than by reason of such Eligible Employee’s death or Disability) that continues after written notice to such Eligible Employee that such failure or refusal will result in a Termination for Cause; (b) any intentional act of fraud or embezzlement by an Eligible Employee in connection with his or her duties or employment with the Company Group, or the admission or conviction of, or entering of a plea of nolo contendere by, such Eligible Employee of any felony or any lesser crime involving moral turpitude, fraud, embezzlement or theft; (c) any gross negligence, willful misconduct or personal dishonesty of an Eligible Employee resulting, in the good faith determination of the Company, in a loss to the Company Group or in damage to the reputation of the

Company or any of its parent or subsidiary entities, affiliates, successors or assigns; (d) any material breach by an Eligible Employee of any of the covenants contained in this Plan or such Eligible Employee's employment agreement with the Company Group; or (e) any failure of an Eligible Employee to comply with Company policies or procedures; provided that, in each case, such Eligible Employee shall have been given written notice from the Company describing in reasonable detail the event or circumstance the Company believes gives rise to the Company's right to effectuate a Termination for Cause within 30 days of its initial existence, and such Eligible Employee shall have 30 days to remedy the condition to the satisfaction of the Company. An Eligible Employee's failure to cure such condition(s) within such 30-day period shall result in a Termination for Cause.

"Termination of Employment" means an Eligible Employee's termination of employment with the Company Group. Notwithstanding the foregoing, unless otherwise determined by the Administrator, an Eligible Employee employed by, or performing services for, an Affiliate, or a division of the Company and its Affiliates shall not be deemed to have incurred a Termination of Employment if, as a result of a Disaffiliation, such Affiliate, or division ceases to be an Affiliate, or division, as the case may be. In addition, temporary absences from employment because of illness, vacation, or leave of absence and transfers among the Company Group shall not be considered Terminations of Employment.

ARTICLE III EFFECTIVENESS

This Plan shall become effective as of July 21, 2021.

ARTICLE IV ELIGIBILITY

Section 4.1 Participation. Any Eligible Employee who incurs a Qualifying Termination and who satisfies the conditions set forth in Section 4.2 shall be eligible to receive the Severance Benefits set forth on Annex B attached hereto. An Eligible Employee will not be eligible to receive Severance Benefits following a Termination of Employment initiated by such Eligible Employee.

Section 4.2 Release of Claims. An Eligible Employee's right to receive the Severance Benefits shall be subject to (a) such Eligible Employee's execution and delivery to the Company not later than 45 days following such Eligible Employee's Termination Date of a general release of claims (a "Release") in favor of the Company Group in a form provided by the Company and (b) such Release becoming irrevocable in accordance with its terms.

ARTICLE V SEVERANCE BENEFITS

Section 5.1 General. If the Participant incurs a Qualifying Termination, then the Participant shall, subject to Sections 4.2 and 6.1 (in each case, other than with respect to the Accrued Obligations), be entitled to receive from the Company the benefits set forth on Annex B attached hereto.

Section 5.2 No Offset; No Mitigation. The Company's obligation to make the payments provided for in this Plan and otherwise to perform its obligations hereunder shall not be affected by any setoff, counterclaim, recoupment, defense, or other claim, right, or action that the Company Group may have against a Participant or any other Person. In no event shall a Participant be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Participant under any of the provisions of this Plan, and such amounts shall not be reduced whether or not the Participant obtains other employment.

Section 5.3 No Duplication; Other Benefit Plans. A Participant who experiences a Qualifying Termination that entitles him or her to the Severance Payments set forth on Annex B shall not be entitled to any compensation or benefits under any other Company severance plan or policy in connection with such Qualifying Termination. Other than with respect to any such severance plan or policy, this Plan shall not affect a Participant's entitlement to compensation or benefits under any other employee benefit plan or compensatory arrangement of the Company Group, which, in each case, shall be construed in accordance with its respective terms.

ARTICLE VI RESTRICTIVE COVENANTS

Section 6.1 General. A Participant's right to receive the Severance Benefits set forth on Annex B shall be subject to the Participant's continued compliance with the covenants set forth in this Article VI.

Section 6.2 Confidential Information. Each Participant shall hold in a fiduciary capacity for the benefit of the Company Group, all secret or confidential information, knowledge, or data relating to the Company Group and its businesses (including, without limitation, any proprietary and not publicly available information concerning any processes, methods, trade secrets, research secret data, costs, names of users or purchasers of their respective products or services, business methods, operating procedures or programs, or methods of promotion and sale) that such Participant has obtained or obtains during such Participant's employment by the Company Group and that is not public knowledge (other than as a result of the Participant's violation of this Section 6.2) ("Confidential Information"). For the purpose of this Section 6.2, information shall not be deemed to be publicly available merely because it is embraced by general disclosures or because individual features or combinations thereof are publicly available. No Participant shall communicate, divulge, or disseminate Confidential Information at any time during or after such Participant's employment with the Company Group, except with prior written consent of the applicable Company Group company, or as otherwise required by law or legal process. All records, files, memoranda, reports, customer lists, drawings, plans, documents, and the like that the Participant uses, prepares, or comes into contact with during the course of the Participant's employment shall remain the sole property of the Company and/or the Company Group, as applicable, and shall be turned over to the applicable Company Group company upon the Participant's Termination of Employment.

Section 6.3 Nondisparagement. Each Participant shall at all times refrain from taking action or making statements, written or oral, that (a) denigrates, disparages, or defames the goodwill or reputation of any member of the Company Group or any of such member's directors, officers, securityholders, partners, agents, or employees, or (b) are intended to, or may be reasonably expected to, adversely affect the morale of employees. Each Participant further agrees not to make any negative statements to third parties relating to the Participant's employment or any aspect of the businesses of the Company Group and not to make any negative statements to third parties about any member of the Company Group or such member's directors, officers, securityholders, partners, agents, or employees, except as may be required by a court or government body. Each Participant further agrees not to make any statements to third parties about the circumstances of the termination of the Participant's employment with the Company Group, except as may be required by applicable law (or in response to a statement by the other party in violation of this sentence).

Section 6.4 Cooperation. Each Participant agrees that, following such Participant's Termination of Employment for any reason, such Participant shall assist and cooperate with the Company with regard to any matter or project in which the Participant was involved during the Participant's employment with the Company Group, including, but not limited to, any litigation that may be pending or arise after such Termination of Employment. Each Participant further agrees to notify the Company at the

earliest opportunity of any contact that is made by any third parties concerning any such matter or project. The Company shall not unreasonably request such cooperation of a Participant and shall cooperate with the Participant in scheduling any assistance by the Participant, taking into account the Participant's business and personal affairs and shall compensate the Participant for any lost wages or expenses associated with such cooperation and assistance.

Section 6.5 Acknowledgement and Enforcement. Each Participant acknowledges and agrees that: (a) the purpose of the foregoing covenants is to protect the goodwill, trade secrets, and other Confidential Information of the Company Group; (b) because of the nature of the business in which the Company Group is engaged and because of the nature of the Confidential Information to which the Participant has access, the Company would suffer irreparable harm and it would be impractical and excessively difficult to determine the actual damages of the Company Group if the Participant breached any of the covenants set forth in this Article VI; and (c) remedies at law (such as monetary damages) for any breach of the Participant's obligations under this Article VI would be inadequate. Each Participant therefore agrees and consents that, if the Participant commits any breach of a covenant under this Article VI or threatens to commit any such breach, the Company shall have the right (in addition to, and not in lieu of, any other right or remedy that may be available to it) to temporary and permanent injunctive relief from a court of competent jurisdiction, without posting any bond or other security and without the necessity of proof of actual damage. If any of the covenants contained in this Article VI is finally held by a court to be invalid, illegal, or unenforceable (whether in whole or in part), such covenant shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality, or unenforceability and the remaining covenants shall not be affected thereby; provided, however, that, if any of such covenants is finally held by a court to be invalid, illegal, or unenforceable because it exceeds the maximum scope and/or duration determined to be acceptable to permit such provision to be enforceable, such covenant shall be deemed to be modified to the minimum extent necessary to modify such scope and/or duration to make such provision enforceable hereunder.

Section 6.6 Similar Covenants in Other Agreements Unaffected. Each Participant acknowledges that the Participant currently is, or in the future may become, subject to covenants contained in other agreements (including, but not limited to, agreements to protect Company assets, confidentiality and business protection agreements, stock option agreements, performance share unit agreements, and restricted share unit agreements) that are similar to those contained in this Article VI. Further, a breach of the covenants contained in this Article VI may have implications under the terms of such other agreements, including, but not limited to, a forfeiture of equity awards and long-term cash compensation. Each Participant acknowledges the foregoing and understands that the covenants contained in this Article VI are in addition to, and not in substitution of, the similar covenants contained in any such other agreements.

Section 6.7 Whistleblower Rights. Under the federal Defend Trade Secrets Act of 2016, Eligible Employees shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; (b) is made to the Eligible Employee's attorney in relation to a lawsuit for retaliation against such Eligible Employee for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Plan shall (A) prevent any Eligible Employee from testifying truthfully as required by law, (B) prohibit or prevent any Eligible Employee from filing a charge with or participating, testifying, or assisting in any investigation, hearing, whistleblower proceeding, or other proceeding before any federal, state, or local government agency (e.g., EEOC, NLRB, SEC, etc.), or (C) prevent any Eligible Employee from disclosing Confidential Information in confidence to a federal, state, or local government official for the purpose of reporting or investigating a suspected violation of law.

**ARTICLE VII
ADMINISTRATION**

Section 7.1 Administrator. This Plan shall be administered by the Administrator. The Administrator may delegate its authority under this Plan to an individual or another committee.

Section 7.2 Standard of Review. Except as otherwise provided in this Plan, the decision of the Administrator upon all matters within the scope of its authority shall be final, conclusive, and binding on all parties.

Section 7.3 Indemnification. The Administrator or any delegee of the Administrator permitted under Section 7.1 (if any) shall be indemnified by the Company against personal liability for actions taken in good faith in the discharge of the Administrator's duties hereunder.

**ARTICLE VIII
MISCELLANEOUS**

Section 8.1 Successors. This Plan shall bind any successor of the Company, its assets, or its businesses (whether direct or indirect, by purchase, merger, consolidation, or otherwise), in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and to honor this Plan in the same manner and to the same extent that the Company would be required to honor it if no such succession had taken place, unless such successor succeeds to the Plan by operation of law. The term "Company," as used in this Plan, shall mean the Company as hereinbefore defined and any successor or assignee to the business or assets that by reason hereof becomes bound by this Plan.

Section 8.2 Amendment, Suspension, and Termination. This Plan may be suspended, terminated or modified by written resolution of the Committee at any time; provided that, no such suspension, termination or modification shall adversely affect the Severance Benefits payable to any Participant who has experienced a Qualifying Termination prior to such amendment or termination.

Section 8.3 Compliance with Law. Notwithstanding anything else contained herein, the Company shall not be required to make any payment or take any other action prohibited by law, including, but not limited to, any regulation, directive, or order of federal or state regulatory authorities.

Section 8.4 Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

if to the Company:

Paycor HCM, Inc.
Attention: Karen L. Crone
4811 Montgomery Rd.
Cincinnati, OH 45212
Email: kcrone@paycor.com

With a copy to the Company's Legal Department, at:

Paycor HCM, Inc.
Attention Legal Department
4811 Montgomery Rd.
Cincinnati, OH 45212

if to the Participant:

At the address most recently on the books and records of the Company

or to such other address as the Company or any Participant shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

Section 8.5 Employment Status. This Plan does not constitute a contract of employment or impose on any Participant or the Company Group any obligation to retain any Participant as an employee.

Section 8.6 Tax Withholding. The Company may withhold from any amounts payable under this Plan such federal, state, local, or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

Section 8.7 ERISA Status. This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing severance benefits for a select group of management or highly compensated employees, or alternatively, is intended to be payroll practice plan not requiring an ongoing administrative program for paying benefits. Consequently, this Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended. All payments pursuant to this Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other Person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in this Plan. Notwithstanding the foregoing, the Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under this Plan.

Section 8.8 Construction. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The captions of this Plan are not part of the provisions hereof and shall have no force or effect. Neither a Participant's nor the Company's failure to insist upon strict compliance with any provision of this Plan, or the failure to assert any right a Participant or the Company may have hereunder shall not be deemed to be a waiver of such provision or right or any other provision or right of this Plan.

Section 8.9 Governing Law. This Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

Section 8.10 Section 409A of the Code.

(a) General. It is intended that this Plan shall comply with the provisions of Section 409A of the Code and the Treasury Regulations relating thereto, or an exemption to Section 409A of the Code. Any payments that qualify for the "short-term deferral" exception, the separation pay exception, or another exception under Section 409A of the Code shall be paid under the applicable exception. For purposes of the limitations on nonqualified deferred compensation under Section 409A of

the Code, each payment of compensation under this Plan shall be treated as a separate payment of compensation for purposes of applying the exclusion under Section 409A of the Code for short-term deferral amounts, the separation pay exception, or any other exception or exclusion under Section 409A of the Code. All payments to be made upon a Termination of Employment under this Plan that constitute “nonqualified deferred compensation” under Section 409A of the Code may only be made upon a “separation from service” under Section 409A of the Code. In no event may a Participant, directly or indirectly, designate the calendar year of any payment under this Plan.

(b) In-Kind Benefits and Reimbursements. Notwithstanding anything to the contrary in this Plan, all reimbursements and in-kind benefits provided under this Plan shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the Participant’s lifetime (or during a shorter period of time specified in this Plan); (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(c) Delay of Payments. Notwithstanding any other provision of this Plan to the contrary, if the Participant is considered a “specified employee” for purposes of Section 409A of the Code (as determined in accordance with the methodology established by the Company as in effect on the applicable Termination Date), any payment that constitutes nonqualified deferred compensation within the meaning of Section 409A of the Code that is otherwise due to the Participant under this Plan during the six-month period following the Participant’s separation from service (as determined in accordance with Section 409A of the Code) on account of the Participant’s separation from service shall be accumulated and paid to the Participant on the first business day of the seventh month following the Participant’s separation from service (the “Delayed Payment Date”) to the extent necessary to avoid the imposition of tax penalties under Section 409A of the Code. The Participant shall be entitled to interest on any delayed cash payments from the date of termination to the Delayed Payment Date at a rate equal to the applicable federal short-term rate in effect under Section 1274(d) of the Code for the month in which the Participant’s separation from service occurs. If the Participant dies during the postponement period, the amounts and entitlements delayed on account of Section 409A of the Code shall be paid to the personal representative of the Participant’s estate on the first to occur of the Delayed Payment Date or 30 calendar days after the date of the Participant’s death.

As adopted by the Board of Directors of Paycor HCM, Inc. on July 21, 2021.

PLAN PARTICIPANTS

<u>Position</u>	<u>Multiple</u>
Executives of the Company reporting directly to the Company's Chief Executive Officer who are at the M7 Executive Career Level or above (other than executives who are party to an individual Executive Employment Agreement), and any other key employee of the Company designated by the Committee	0.5

SEVERANCE BENEFITS

If the Participant incurs a Qualifying Termination, then the Participant shall, subject to Sections 4.2 and 6.1 of the Plan (in each case, other than with respect to the Accrued Obligations), be entitled to receive from the Company:

(a) The Accrued Obligations, which, in the case of clauses (a) through (c) of such definition, shall be payable in cash in a lump sum within 30 days following the Termination Date and in the case of clause (d) of such definition, shall be payable in accordance with applicable law and the terms of the governing plan rules.

(b) An amount in cash equal to the product of (i) the Participant's Multiple and (ii) the sum of the Participant's Annual Base Salary and Target Annual Bonus (the "Severance Payment"), which Severance Payment shall be payable in substantially equal installments over the applicable Severance Period in accordance with the Company's normal payroll practices; provided, however, that the first such installment shall be paid on the 60th day following the Termination Date and the first payment shall include any portion of the Severance Payment that would have otherwise been payable during the period between the Termination Date and such payment date.

(c) If the Participant timely elects COBRA coverage, then reimbursement for the cost of health insurance continuation coverage under COBRA in excess of the cost that employees of the Company Group are required to pay for health insurance benefits under the plan in which the Participant was eligible to participate as of the Termination Date (the "COBRA Reimbursement") until the earlier of (i) the end of the COBRA Period and (ii) the date on which the Participant obtains alternative insurance coverage; provided that, the first such reimbursement payment shall be paid on the 60th day following the Termination Date and the first payment shall include any portion of the COBRA Reimbursement that would have otherwise been payable during the period between the Termination Date and such payment date.

PAYCOR HCM, INC.**EXECUTIVE CHANGE IN CONTROL SEVERANCE PLAN****ARTICLE I
PURPOSE**

The purpose of this Executive Severance Plan (this “Plan”) is to provide severance benefits to certain eligible employees of Paycor HCM, Inc. (the “Company”) and its Affiliates, who experience a Qualifying Termination under the conditions described in this Plan. Capitalized terms used herein without definition shall have the meanings ascribed to such terms in Article II.

**ARTICLE II
DEFINITIONS**

As used herein the following words and phrases shall have the following respective meanings (unless the context clearly indicates otherwise):

“Accounting Firm” means a nationally recognized certified public accounting firm or other professional organization that is a certified public accounting firm recognized as an expert in determinations and calculations for purposes of Section 280G of the Code that is selected by the Company prior to a Change in Control for purposes of making the applicable determinations hereunder.

“Accrued Obligations” means, with respect to a Participant’s Termination of Employment, (a) such Participant’s base salary through the Termination Date; (b) reimbursement for business expenses in accordance with Company policy; (c) any accrued but unused paid time off to the extent not theretofore paid; and (d) vested employee benefits accrued through the Termination Date in accordance with applicable law or the governing plan rules.

“Administrator” means the Committee or such other Person as selected by the Committee.

“Affiliate” means any Subsidiary or other entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant ownership interest as determined by the Administrator.

“Annual Base Salary” means, with respect to a Participant, the annual rate of base salary in effect for such Participant as of such Participant’s Termination Date (without giving effect to any reduction resulting in a Termination for Good Reason).

“Board” means the Board of Directors of the Company.

“Bonus Percentage” means, with respect to any Participant, a whole or fractional percentage designated for such Participant on Annex A attached hereto.

“Change in Control” has the meaning set forth in the Equity Plan.

“COBRA” means the U.S. Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

“COBRA Period” means, with respect to a Participant, the lesser of (a) the Severance Period, and (b) the 18-month period following the Termination Date.

“Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time.

“Committee” means the Compensation and Benefits Committee of the Board.

“Company Group” means, collectively, the Company and its Affiliates.

“Competitor” means any individual or business that competes with the products or services provided by a member of the Company Group at the time of the Participant’s Termination Date or that is under active consideration by the Board at the time of the Termination Date.

“Disaffiliation” means an Affiliate’s ceasing to be an Affiliate for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the Affiliate) or a sale of a division of the Company Group (including, without limitation, a sale of assets).

“Disability” means a physical or mental incapacity or disability, the result of which causes an Eligible Employee to fail to perform the essential functions of his or her position for a continuous period of 180 days or any 270 days within any 12-month period.

“Eligible Employee” means an employee of the Company Group who is designated within one of the employee classification categories specified on Annex A attached hereto, excluding any such employee of the Company Group who is covered under any collective bargaining agreement.

“Equity Plan” means the Company’s 2021 Omnibus Incentive Plan, as may be amended from time to time.

“Executive Officers” means, as of any particular time, Eligible Employees who are designated as “executive officers” (within the meaning of Rule 3b-7 promulgated under the U.S. Securities Exchange Act of 1934, as amended) of the Company as of such time.

“Multiple” means, with respect to any Participant, a whole or fractional number so designated for such Participant on Annex A attached hereto.

“Net After-Tax Receipt” means the present value (as determined in accordance with Sections 280G(b)(2) (A)(ii) and 280G(d)(4) of the Code) of a Payment net of all taxes imposed on the Participant with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws that applied to the Participant’s taxable income for the immediately preceding taxable year, or such other rate(s) as the Accounting Firm determines to be likely to apply to the Participant in the relevant tax year(s).

“Parachute Value” of a Payment means the present value as of the date of a Change in Control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a “parachute payment” under Section 280G(b)(2) of the Code, as determined by the Accounting Firm for purposes of determining whether and to what extent the excise tax under Section 4999 of the Code will apply to such Payment.

“Participant” means any Eligible Employee who incurs a Qualifying Termination and thereby becomes eligible for Severance Benefits under this Plan.

“Payment” means any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Participant, whether paid or payable pursuant to this Plan or otherwise.

“Person” means any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the U.S. Securities Exchange Act of 1934, as amended).

“Protected Period” means the period beginning three months prior to, and ending 12 months following, a Change in Control

“Qualifying Termination” means, with respect to an Eligible Employee, (a) a Termination of Employment initiated by the Company and/or its Affiliates (including any successors thereto as described in Section 8.1) other than a Termination for Cause or due to Disability or (b) a Termination for Good Reason.

“Restricted Period” means the applicable period of time following such Participant’s Termination Date designated for such Participant on Annex A attached hereto.

“Restricted Territory” means the United States or any other jurisdiction in which the Company Group is conducting business or is actively considering conducting business as of the Termination Date.

“Safe Harbor Amount” means 2.99 times the Participant’s “base amount,” within the meaning of Section 280G(b)(3) of the Code.

“Severance Benefits” means the amounts and benefits payable or required to be provided in accordance with Section 5.1 and Annex B, excluding Accrued Obligations.

“Severance Period” means, with respect to a Participant, a number of months equal to the product of (a) 12 months and (b) such Participant’s Multiple.

“Subsidiary” means any company (other than the Company) in an unbroken chain of companies beginning with the Company; provided that, each company in the unbroken chain (other than the Company) owns, at the time of determination, stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other companies in such chain.

“Target Annual Bonus” means, with respect to a Participant, the target annual incentive payment for which such Participant is eligible in respect of the fiscal year in which the Termination Date occurs (without giving effect to any reduction resulting in a Termination for Good Reason).

“Termination Date” means, with respect to an Eligible Employee, the date on which such Eligible Employee incurs a Termination of Employment for any reason.

“Termination for Cause” means a Termination of Employment on account of (a) any material failure, refusal, or inability by an Eligible Employee to perform his or her duties designated under his or her employment agreement with the Company Group (other than by reason of such Eligible Employee’s death or Disability) that continues after written notice to such Eligible Employee that such failure or refusal will result in a Termination for Cause; (b) any intentional act of fraud or embezzlement by an Eligible Employee in connection with his or her duties or employment with the Company Group, or the admission or conviction of, or entering of a plea of nolo contendere by, such Eligible Employee of any felony or any lesser crime involving moral turpitude, fraud, embezzlement or theft; (c) any gross negligence, willful misconduct or personal dishonesty of an Eligible Employee resulting, in the good faith determination of the Company, in a loss to the Company Group or in damage to the reputation of the Company or any of its parent or subsidiary entities, affiliates, successors or assigns; (d) any material breach by an Eligible Employee of any of the covenants contained in this Plan or such Eligible Employee’s employment agreement with the Company Group; or (e) any failure of an Eligible Employee to comply with Company policies or procedures; provided that, in each case, such Eligible Employee

shall have been given written notice from the Company describing in reasonable detail the event or circumstance the Company believes gives rise to the Company's right to effectuate a Termination for Cause within 30 days of its initial existence, and such Eligible Employee shall have 30 days to remedy the condition to the satisfaction of the Company. An Eligible Employee's failure to cure such condition(s) within such 30-day period shall result in a Termination for Cause.

"Termination for Good Reason" means a Termination of Employment by an Eligible Employee on account of any of the following (absent written consent of the Eligible Employee): (a) a reduction in the Eligible Employee's base salary, or failure to pay such Eligible Employee's compensation payable under his or her employment agreement, or a material reduction in benefits payable under his or her employment agreement or any amounts otherwise vested and/or due under the Company's employee benefit plans or employee benefit programs; (b) a reduction in the percentages with respect to such Eligible Employee's target bonus; (c) the assignment of additional or reduction of duties or responsibilities to such Eligible Employee that are inconsistent in a material and adverse respect with such Eligible Employee's position with the Company; or (d) the relocation of the Company's principal place of business more than 75 miles from the current location; provided that, in each case, such Eligible Employee must (i) first provide written notice to the Company of the existence of the condition giving rise to a Termination for Good Reason within 30 days of its initial existence (specifying the basis for such Eligible Employee's belief that he or she is entitled to terminate his or her employment due to a Termination for Good Reason), (ii) give the Company an opportunity to cure any of the foregoing within 30 days following such Eligible Employee's delivery to the Company of such written notice and (iii) actually resign his or her employment within ten days following the expiration of the Company's 30-day cure period.

"Termination of Employment" means an Eligible Employee's termination of employment with the Company Group. Notwithstanding the foregoing, unless otherwise determined by the Administrator, an Eligible Employee employed by, or performing services for, an Affiliate, or a division of the Company and its Affiliates shall not be deemed to have incurred a Termination of Employment if, as a result of a Disaffiliation, such Affiliate, or division ceases to be an Affiliate, or division, as the case may be. In addition, temporary absences from employment because of illness, vacation, or leave of absence and transfers among the Company Group shall not be considered Terminations of Employment.

ARTICLE III EFFECTIVENESS

This Plan shall become effective as of July 21, 2021.

ARTICLE IV ELIGIBILITY

Section 4.1 **Participation.** Any Eligible Employee who incurs a Qualifying Termination and who satisfies the conditions set forth in Section 4.2 shall be eligible to receive the Severance Benefits set forth on Annex B attached hereto. An Eligible Employee will not be eligible to receive Severance Benefits following a Termination of Employment initiated by such Eligible Employee unless such termination is due to a Termination for Good Reason.

Section 4.2 **Release of Claims.** An Eligible Employee's right to receive the Severance Benefits shall be subject to (a) such Eligible Employee's execution and delivery to the Company not later than 45 days following such Eligible Employee's Termination Date of a general release of claims (a "Release") in favor of the Company Group in a form provided by the Company and (b) such Release becoming irrevocable in accordance with its terms.

ARTICLE V SEVERANCE BENEFITS

Section 5.1 General. If the Participant incurs a Qualifying Termination during the Protected Period, then the Participant shall, subject to Sections 4.2 and 6.1 (in each case, other than with respect to the Accrued Obligations) and notwithstanding anything to the contrary in such Participant's employment agreement with the Company Group or the Company's Executive Severance Plan, be entitled to receive from the Company the benefits set forth on Annex B attached hereto.

Section 5.2 No Offset; No Mitigation. The Company's obligation to make the payments provided for in this Plan and otherwise to perform its obligations hereunder shall not be affected by any setoff, counterclaim, recoupment, defense, or other claim, right, or action that the Company Group may have against a Participant or any other Person. In no event shall a Participant be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Participant under any of the provisions of this Plan, and such amounts shall not be reduced whether or not the Participant obtains other employment.

Section 5.3 No Duplication; Other Benefit Plans. A Participant who experiences a Qualifying Termination that entitles him or her to the Severance Payments set forth on Annex B shall not be entitled to any compensation or benefits under any other Company severance plan or policy in connection with such Qualifying Termination. Other than with respect to any such severance plan or policy, this Plan shall not affect a Participant's entitlement to compensation or benefits under any other employee benefit plan or compensatory arrangement of the Company Group, which, in each case, shall be construed in accordance with its respective terms. To the extent (a) a Participant is entitled to severance benefits in connection with a Change in Control pursuant to an agreement outside the scope of this Plan, and (b) such benefits are greater than the benefits provided under this Plan, then such Participant will remain eligible to receive such other benefits, without duplication, pursuant to such other arrangement; provided that, such other benefits shall be payable in accordance with the requirements of Section 409A of the Code.

Section 5.4 Certain Reduction in Payments.

(a) Anything in this Plan to the contrary notwithstanding, in the event the Accounting Firm shall determine that receipt of all Payments would subject a Participant to the excise tax under Section 4999 of the Code, the Accounting Firm shall determine whether to reduce any of the Payments paid or payable pursuant to this Plan (the "Plan Payments") so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount. The Plan Payments shall be so reduced only if the Accounting Firm determines that the Participant would have a greater Net After-Tax Receipt of aggregate Payments if the Plan Payments were so reduced. If the Accounting Firm determines that the Participant would not have a greater Net After-Tax Receipt of aggregate Payments if the Plan Payments were so reduced, the Participant shall receive all Plan Payments to which the Participant is entitled hereunder.

(b) If the Accounting Firm determines that aggregate Plan Payments should be reduced so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount, the Company shall promptly give the Participant notice to that effect and a copy of the detailed calculation thereof. All determinations made by the Accounting Firm under this Section 5.4 shall be binding upon the Company and the Participant and shall be made as soon as reasonably practicable and in no event later than 15 business days following the Termination Date. For purposes of reducing the Plan Payments so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount, only amounts payable under the Plan (and no other Payments) shall be reduced. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing the Plan Payments that are parachute

payments in the following order: (i) cash payments set forth on Annex B attached hereto that do not constitute deferred compensation within the meaning of Section 409A of the Code, and (ii) cash payments set forth on Annex B attached hereto that do constitute deferred compensation, in each case, beginning with the payments or benefits that are to be paid or provided the farthest in time from the Termination Date. All reasonable fees and expenses of the Accounting Firm shall be borne solely by the Company.

ARTICLE VI RESTRICTIVE COVENANTS

Section 6.1 General. A Participant's right to receive the Severance Benefits set forth on Annex B shall be subject to the Participant's continued compliance with the covenants set forth in this Article VI.

Section 6.2 Confidential Information. Each Participant shall hold in a fiduciary capacity for the benefit of the Company Group, all secret or confidential information, knowledge, or data relating to the Company Group and its businesses (including, without limitation, any proprietary and not publicly available information concerning any processes, methods, trade secrets, research secret data, costs, names of users or purchasers of their respective products or services, business methods, operating procedures or programs, or methods of promotion and sale) that such Participant has obtained or obtains during such Participant's employment by the Company Group and that is not public knowledge (other than as a result of the Participant's violation of this Section 6.2) ("Confidential Information"). For the purpose of this Section 6.2, information shall not be deemed to be publicly available merely because it is embraced by general disclosures or because individual features or combinations thereof are publicly available. No Participant shall communicate, divulge, or disseminate Confidential Information at any time during or after such Participant's employment with the Company Group, except with prior written consent of the applicable Company Group company, or as otherwise required by law or legal process. All records, files, memoranda, reports, customer lists, drawings, plans, documents, and the like that the Participant uses, prepares, or comes into contact with during the course of the Participant's employment shall remain the sole property of the Company and/or the Company Group, as applicable, and shall be turned over to the applicable Company Group company upon the Participant's Termination of Employment.

Section 6.3 Nonsolicitation of Employees. No Participant shall, at any time during the applicable Restricted Period, without the prior written consent of the Company, engage in the following conduct: (a) directly or indirectly, including, without limitation, via social media or professional networking services, contact, solicit, recruit, employ, or engage (whether as an employee, officer, director, agent, consultant, or independent contractor) any person who was or is at any time during the previous 12 months an employee, representative, officer, or director of the Company Group; or (b) take any action to encourage or induce any employee, representative, officer, or director of the Company Group to cease their relationship with the Company Group for any reason. The recruitment of employees within or for the Company Group shall not constitute a breach of this Section 6.3.

Section 6.4 Nonsolicitation of Business. No Participant shall, at any time during the applicable Restricted Period, either directly or indirectly or as an officer, agent, employee, partner, consultant, or director of any other company, partnership, or entity solicit, service, or accept on behalf of any competitor of the Company Group the business of (a) any customer of the Company Group at the time of the Participant's Termination Date, or (b) any potential customer of the Company Group that the Participant knew to be an identified, prospective purchaser of services or products of the Company Group.

Section 6.5 Noncompetition. No Participant shall, at any time during the applicable Restricted Period, accept employment with, or directly or indirectly provide services to, a Competitor in the applicable Restricted Territory.

Section 6.6 Nondisparagement. Each Participant shall at all times refrain from taking action or making statements, written or oral, that (a) denigrates, disparages, or defames the goodwill or reputation of any member of the Company Group or any of such member's directors, officers, securityholders, partners, agents, or employees, or (b) are intended to, or may be reasonably expected to, adversely affect the morale of employees. Each Participant further agrees not to make any negative statements to third parties relating to the Participant's employment or any aspect of the businesses of the Company Group and not to make any negative statements to third parties about any member of the Company Group or such member's directors, officers, securityholders, partners, agents, or employees, except as may be required by a court or government body. Each Participant further agrees not to make any statements to third parties about the circumstances of the termination of the Participant's employment with the Company Group, except as may be required by applicable law (or in response to a statement by the other party in violation of this sentence).

Section 6.7 Cooperation. Each Participant agrees that, following such Participant's Termination of Employment for any reason, such Participant shall assist and cooperate with the Company with regard to any matter or project in which the Participant was involved during the Participant's employment with the Company Group, including, but not limited to, any litigation that may be pending or arise after such Termination of Employment. Each Participant further agrees to notify the Company at the earliest opportunity of any contact that is made by any third parties concerning any such matter or project. The Company shall not unreasonably request such cooperation of a Participant and shall cooperate with the Participant in scheduling any assistance by the Participant, taking into account the Participant's business and personal affairs and shall compensate the Participant for any lost wages or expenses associated with such cooperation and assistance.

Section 6.8 Acknowledgement and Enforcement. Each Participant acknowledges and agrees that: (a) the purpose of the foregoing covenants is to protect the goodwill, trade secrets, and other Confidential Information of the Company Group; (b) because of the nature of the business in which the Company Group is engaged and because of the nature of the Confidential Information to which the Participant has access, the Company would suffer irreparable harm and it would be impractical and excessively difficult to determine the actual damages of the Company Group if the Participant breached any of the covenants set forth in this Article VI; and (c) remedies at law (such as monetary damages) for any breach of the Participant's obligations under this Article VI would be inadequate. Each Participant therefore agrees and consents that, if the Participant commits any breach of a covenant under this Article VI or threatens to commit any such breach, the Company shall have the right (in addition to, and not in lieu of, any other right or remedy that may be available to it) to temporary and permanent injunctive relief from a court of competent jurisdiction, without posting any bond or other security and without the necessity of proof of actual damage. If any of the covenants contained in this Article VI is finally held by a court to be invalid, illegal, or unenforceable (whether in whole or in part), such covenant shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality, or unenforceability and the remaining covenants shall not be affected thereby; provided, however, that, if any of such covenants is finally held by a court to be invalid, illegal, or unenforceable because it exceeds the maximum scope and/or duration determined to be acceptable to permit such provision to be enforceable, such covenant shall be deemed to be modified to the minimum extent necessary to modify such scope and/or duration to make such provision enforceable hereunder.

Section 6.9 Similar Covenants in Other Agreements Unaffected. Each Participant acknowledges that the Participant currently is, or in the future may become, subject to covenants

contained in other agreements (including, but not limited to, agreements to protect Company assets, confidentiality and business protection agreements, stock option agreements, performance share unit agreements, and restricted share unit agreements) that are similar to those contained in this Article VI. Further, a breach of the covenants contained in this Article VI may have implications under the terms of such other agreements, including, but not limited to, a forfeiture of equity awards and long-term cash compensation. Each Participant acknowledges the foregoing and understands that the covenants contained in this Article VI are in addition to, and not in substitution of, the similar covenants contained in any such other agreements.

Section 6.10 Whistleblower Rights. Under the federal Defend Trade Secrets Act of 2016, Eligible Employees shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; (b) is made to the Eligible Employee's attorney in relation to a lawsuit for retaliation against such Eligible Employee for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Plan shall (A) prevent any Eligible Employee from testifying truthfully as required by law, (B) prohibit or prevent any Eligible Employee from filing a charge with or participating, testifying, or assisting in any investigation, hearing, whistleblower proceeding, or other proceeding before any federal, state, or local government agency (e.g., EEOC, NLRB, SEC, etc.), or (C) prevent any Eligible Employee from disclosing Confidential Information in confidence to a federal, state, or local government official for the purpose of reporting or investigating a suspected violation of law.

ARTICLE VII ADMINISTRATION

Section 7.1 Administrator. This Plan shall be administered by the Administrator. Prior to the occurrence of a Change in Control, the Administrator may delegate its authority under this Plan to an individual or another committee. In addition, in the event of an impending Change in Control, the Administrator may appoint a Person (or Persons) independent of the third party effectuating the Change in Control to be the Administrator effective upon the occurrence of a Change in Control and such Administrator shall not be removed or modified following a Change in Control, other than at its own initiative (the "Independent Administrator"). If the Administrator determines to appoint an Independent Administrator pursuant to this Section 7.1, the Independent Administrator shall be entitled to receive reasonable compensation as is mutually agreed upon between the Administrator and the Independent Administrator, and all reasonable expenses of the Independent Administrator shall be paid or reimbursed by the Company upon receipt of proper documentation by the Company.

Section 7.2 Standard of Review. Except as otherwise provided in this Plan, the decision of the Administrator (including the Independent Administrator) upon all matters within the scope of its authority shall be final, conclusive, and binding on all parties; provided that, in the event that no Independent Administrator is appointed upon the occurrence of a Change in Control, any determination by the Administrator of (a) whether a Termination of Employment constitutes a Termination for Cause or a Termination for Good Reason during the Protected Period or (b) the severance, rights, and benefits due to a Participant upon a Termination of Employment during the Protected Period shall be subject to *de novo* review.

Section 7.3 Indemnification. The Administrator, any delegee of the Administrator permitted under Section 7.1 and the Independent Administrator (if any) shall be indemnified by the Company against personal liability for actions taken in good faith in the discharge of the Administrator's or the Independent Administrator's duties hereunder.

**ARTICLE VIII
MISCELLANEOUS**

Section 8.1 Successors. This Plan shall bind any successor of the Company, its assets, or its businesses (whether direct or indirect, by purchase, merger, consolidation, or otherwise), in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and to honor this Plan in the same manner and to the same extent that the Company would be required to honor it if no such succession had taken place, unless such successor succeeds to the Plan by operation of law. The term "Company," as used in this Plan, shall mean the Company as hereinbefore defined and any successor or assignee to the business or assets that by reason hereof becomes bound by this Plan.

Section 8.2 Amendment, Suspension, and Termination. Prior to a Change in Control or following the end of the Protected Period, this Plan may be suspended, terminated or amended by written resolution of the Committee at any time; provided that, no such amendment, suspension, or termination shall (a) become effective until one year following such amendment, suspension, or termination if such amendment, suspension, or termination is adverse to an Eligible Employee or (b) affect the Severance Benefits payable to any Participant who has experienced a Qualifying Termination prior to the effectiveness of such suspension, termination or amendment. During the Protected Period, this Plan may not, without the consent of all Eligible Employees, be (i) suspended, (ii) terminated or (iii) amended in any manner that would adversely affect the rights or potential rights of Eligible Employees. For the avoidance of doubt, any suspension, termination or modification to this Plan pursuant to this Section 8.2 that would adversely affect the rights or potential rights of Eligible Employees shall, absent the consent of all Eligible Employees, be retroactively ineffective to the extent a Change in Control is consummated within the three-month period following such suspension, termination or modification.

Section 8.3 Compliance with Law. Notwithstanding anything else contained herein, the Company shall not be required to make any payment or take any other action prohibited by law, including, but not limited to, any regulation, directive, or order of federal or state regulatory authorities.

Section 8.4 Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

if to the Company:

Paycor HCM, Inc.
Attention: Karen L. Crone
4811 Montgomery Rd.
Cincinnati, OH 45212
Email: kcrone@paycor.com

With a copy to the Company's Legal Department, at:

Paycor HCM, Inc.
Attention Legal Department
4811 Montgomery Rd.
Cincinnati, OH 45212

if to the Participant:

At the address most recently on the books and records of the Company

or to such other address as the Company or any Participant shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

Section 8.5 Employment Status. This Plan does not constitute a contract of employment or impose on any Participant or the Company Group any obligation to retain any Participant as an employee.

Section 8.6 Tax Withholding. The Company may withhold from any amounts payable under this Plan such federal, state, local, or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

Section 8.7 ERISA Status. This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing severance benefits for a select group of management or highly compensated employees, or alternatively, is intended to be payroll practice plan not requiring an ongoing administrative program for paying benefits. Consequently, this Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended. All payments pursuant to this Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other Person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in this Plan. Notwithstanding the foregoing, the Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under this Plan.

Section 8.8 Construction. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The captions of this Plan are not part of the provisions hereof and shall have no force or effect. Neither a Participant's nor the Company's failure to insist upon strict compliance with any provision of this Plan, or the failure to assert any right a Participant or the Company may have hereunder shall not be deemed to be a waiver of such provision or right or any other provision or right of this Plan.

Section 8.9 Governing Law. This Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

Section 8.10 Section 409A of the Code.

(a) General. It is intended that this Plan shall comply with the provisions of Section 409A of the Code and the Treasury Regulations relating thereto, or an exemption to Section 409A of the Code. Any payments that qualify for the "short-term deferral" exception, the separation pay exception, or another exception under Section 409A of the Code shall be paid under the applicable exception. For purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Plan shall be treated as a separate payment of compensation for purposes of applying the exclusion under Section 409A of the Code for short-term deferral amounts, the separation pay exception, or any other exception or exclusion under Section 409A of the Code. All payments to be made upon a Termination of Employment under this Plan that constitute "nonqualified deferred compensation" under Section 409A of the Code may only be made upon a

“separation from service” under Section 409A of the Code. In no event may a Participant, directly or indirectly, designate the calendar year of any payment under this Plan.

(b) In-Kind Benefits and Reimbursements. Notwithstanding anything to the contrary in this Plan, all reimbursements and in-kind benefits provided under this Plan shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the Participant’s lifetime (or during a shorter period of time specified in this Plan); (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(c) Delay of Payments. Notwithstanding any other provision of this Plan to the contrary, if the Participant is considered a “specified employee” for purposes of Section 409A of the Code (as determined in accordance with the methodology established by the Company as in effect on the applicable Termination Date), any payment that constitutes nonqualified deferred compensation within the meaning of Section 409A of the Code that is otherwise due to the Participant under this Plan during the six-month period following the Participant’s separation from service (as determined in accordance with Section 409A of the Code) on account of the Participant’s separation from service shall be accumulated and paid to the Participant on the first business day of the seventh month following the Participant’s separation from service (the “Delayed Payment Date”) to the extent necessary to avoid the imposition of tax penalties under Section 409A of the Code. The Participant shall be entitled to interest on any delayed cash payments from the date of termination to the Delayed Payment Date at a rate equal to the applicable federal short-term rate in effect under Section 1274(d) of the Code for the month in which the Participant’s separation from service occurs. If the Participant dies during the postponement period, the amounts and entitlements delayed on account of Section 409A of the Code shall be paid to the personal representative of the Participant’s estate on the first to occur of the Delayed Payment Date or 30 calendar days after the date of the Participant’s death.

As adopted by the Board of Directors of Paycor HCM, Inc. on July 21, 2021.

PLAN PARTICIPANTS

<u>Position</u>	<u>Multiple</u>	<u>Bonus Percentage</u>	<u>Restricted Period</u>
Chief Executive Officer of the Company	1.5	100%	12 months
Chief Financial Officer and Chief Revenue Officer of the Company	1.0	75%	12 months
Executives of the Company reporting directly to the Company's Chief Executive Officer who are at the M7 Executive Career Level or above (other than executives who are party to an individual Executive Employment Agreement), and any other key employee of the Company designated by the Committee	0.75	0%	12 months

SEVERANCE BENEFITS

If the Participant incurs a Qualifying Termination, then the Participant shall, subject to Sections 4.2 and 6.1 of the Plan (in each case, other than with respect to the Accrued Obligations), be entitled to receive from the Company:

(a) The Accrued Obligations, which, in the case of clauses (a) through (c) of such definition, shall be payable in cash in a lump sum within 30 days following the Termination Date and in the case of clause (d) of such definition, shall be payable in accordance with applicable law and the terms of the governing plan rules.

(b) An amount in cash equal to the product of (i) the Participant's Multiple and (ii) the sum of (A) the Participant's Annual Base Salary and (B) the product of (x) the Participant's Bonus Percentage and (y) the Target Annual Bonus (the "Severance Payment"), which Severance Payment shall be payable in substantially equal installments over the applicable Severance Period in accordance with the Company's normal payroll practices; provided, however, that the first such installment shall be paid on the 60th day following the Termination Date and the first payment shall include any portion of the Severance Payment that would have otherwise been payable during the period between the Termination Date and such payment date.

(c) If the Participant timely elects COBRA coverage, then reimbursement for the cost of health insurance continuation coverage under COBRA in excess of the cost that employees of the Company Group are required to pay for health insurance benefits under the plan in which the Participant was eligible to participate as of the Termination Date (the "COBRA Reimbursement") until the earlier of (i) the end of the COBRA Period and (ii) the date on which the Participant obtains alternative insurance coverage; provided that, the first such reimbursement payment shall be paid on the 60th day following the Termination Date and the first payment shall include any portion of the COBRA Reimbursement that would have otherwise been payable during the period between the Termination Date and such payment date.

(d) To the extent the Participant holds any unvested equity incentive awards granted under the Equity Plan that vest solely based on continued employment with the Company Group, such awards will accelerate and vest as of the Termination Date.

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Raul Villar Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Paycor HCM, 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)) 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. 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
 - c. 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.

November 12, 2021

/s/ RAUL VILLAR JR.

Raul Villar Jr.

Chief Executive Officer and Director

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Adam Ante, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Paycor HCM, 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)) 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. 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
 - c. 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.

November 12, 2021

/s/ ADAM ANTE

Adam Ante
Chief Financial Officer

**Certification of the Chief Executive Officer
Pursuant to Rule 18 U.S.C. Section 1350**

In connection with the Quarterly Report on Form 10-Q of Paycor HCM, Inc. (the "Company") for the period ended September 30, 2021, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Raul Villar Jr., Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

November 12, 2021

/s/ RAUL VILLAR JR.

Raul Villar Jr.

Chief Executive Officer and Director

**Certification of the Chief Financial Officer
Pursuant to Rule 18 U.S.C. Section 1350**

In connection with the Quarterly Report on Form 10-Q of Paycor HCM, Inc. (the "Company") for the period ended September 30, 2021, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Adam Ante, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

November 12, 2021

/s/ ADAM ANTE

Adam Ante
Chief Financial Officer