

As filed with the Securities and Exchange Commission on July 12, 2021

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Amendment No. 2 to
FORM S-1
REGISTRATION STATEMENT**

*UNDER
THE SECURITIES ACT OF 1933*

Paycor HCM, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

7372
(Primary Standard Industrial
Classification Code Number)

83-1813909
(I.R.S. Employer
Identification No.)

**4811 Montgomery Road
Cincinnati, Ohio 45212
Telephone: (800) 381-0053**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Raul Villar Jr.
Chief Executive Officer
4811 Montgomery Road
Cincinnati, Ohio 45212
(800) 381-0053**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer Accelerated Filer Non-accelerated filer Smaller Reporting Company Emerging Growth Company If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Common Stock, par value \$0.001 per share	21,275,000	\$21.00	\$446,775,000	\$48,743.15

(1) Includes shares of common stock subject to the underwriters' option to purchase additional shares.

(2) Estimated solely for purposes of computing the amount of the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended.

(3) The registrant previously paid a registration fee of \$10,910 in relation to its filing of its initial Registration Statement on Form S-1 (No. 333-255498) on April 26, 2021. The registrant has paid the remaining registration fee of \$37,833.15 herewith.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated July 12, 2021

18,500,000 Shares



Common Stock

This is an initial public offering of shares of common stock of Paycor HCM, Inc. We are offering 18,500,000 shares of our common stock.

Prior to this offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price per share will be between \$18.00 and \$21.00. We have applied to list our common stock on The Nasdaq Global Select Market under the symbol "PYCR."

One or more entities affiliated with, advised by or that serve as investment adviser to certain investors in our Series A preferred stock, (i) Neuberger Berman Investment Advisers LLC ("Neuberger"), (ii) ClearBridge Investments, LLC ("ClearBridge") and (iii) Franklin Templeton, have indicated a non-binding interest in purchasing up to an aggregate of \$75 million, \$50 million and \$25 million, respectively, of shares of our common stock being offered in this offering at the initial public offering price. Because none of these indications of interest are an agreement or commitment by such entities to purchase shares, one or more of these entities may ultimately choose to purchase more, less or no shares in this offering. The underwriters will receive the same discount with respect to any of our shares of common stock purchased by one or more funds affiliated with or advised by Neuberger, ClearBridge and/or Franklin Templeton as they will from any other shares of common stock sold to the public in this offering.

We are an "emerging growth company" as defined under the federal securities laws, and as such, we have elected to comply with certain reduced reporting requirements for this prospectus and may elect to do so in future filings. See "Prospectus Summary—Implications of Being an Emerging Growth Company."

Investing in our common stock involves risks. See "[Risk Factors](#)" beginning on page 25 to read about factors you should consider before buying shares of our common stock.

Immediately after this offering, assuming an offering size as set forth above, funds controlled by our equity sponsor, Apax Partners L.P., will beneficially own approximately 82.4% of our outstanding common stock (or 81.1% of our outstanding common stock if the underwriters' option to purchase additional shares is exercised in full). As a result, we expect to be a "controlled company" within the meaning of the corporate governance standards of Nasdaq. See "Management—Corporate Governance—Controlled Company Status."

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	\$	\$
Underwriting discount(1)	\$	\$
Proceeds, before expenses, to Paycor HCM, Inc.	\$	\$

(1) See "Underwriting" for a description of compensation payable to the underwriters.

We have granted the underwriters an option for a period of 30 days after the date of this prospectus to purchase up to an additional 2,775,000 shares of common stock from us at the initial public offering price less the underwriting discounts and commissions.

The underwriters expect to deliver the shares of common stock against payment in New York, New York on _____, 2021.

(Lead bookrunners listed in alphabetical order)

Goldman Sachs & Co. LLC

Jefferies

Baird

Cowen

JMP Securities

Needham & Company

Raymond James

Stifel

Fifth Third Securities

Roberts & Ryan

J.P. Morgan

Deutsche Bank Securities

Truist Securities

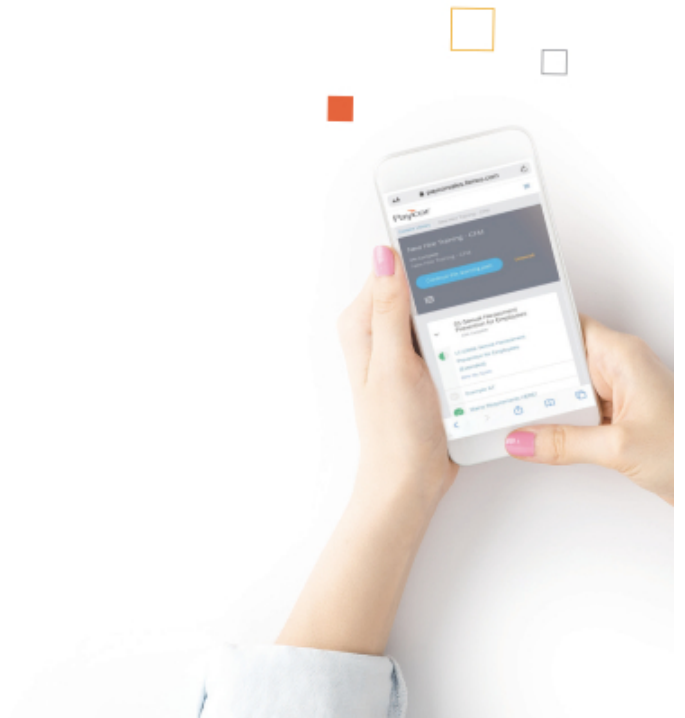
Prospectus dated _____, 2021





Paycor

Empowers Leaders to
Develop Winning Teams





HCM Software Built for Leaders



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We and the underwriters have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may provide you. We are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock.

For investors outside of the United States, neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about, and to observe any restrictions relating to, this offering and the distribution of this prospectus outside of the United States.

Through and including _____, 2021 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Basis of Presentation

Our fiscal year ends on June 30. Unless otherwise noted, any reference to a year preceded by the word “fiscal” refers to the fiscal year ended June 30 of that year. For example, references to “fiscal 2020” refer to the fiscal year ended June 30, 2020. Any reference to a year not preceded by “fiscal” refers to a calendar year.

Paycor HCM, Inc., a Delaware corporation (“Paycor HCM”), was incorporated in August 2018 to serve as a holding company in connection with Apax Partners’ (as defined below) acquisition of the Company (the “Apax Acquisition”). As Paycor HCM did not have any previous operations, Paycor, Inc., a Delaware corporation (“Predecessor Paycor”), is viewed as the predecessor to Paycor HCM and its consolidated subsidiaries. Accordingly, this prospectus includes certain historical consolidated financial and other data for Predecessor Paycor for periods prior to the completion of the Apax Acquisition. The Apax Acquisition closed on November 2, 2018. The financial information for the period after November 2, 2018, represents the consolidated financial information of Paycor HCM and its subsidiaries, including Predecessor Paycor, which is referred to as the “Successor” company. Prior to November 2, 2018, the consolidated financial statements include the accounts of Predecessor Paycor and its subsidiaries, which is referred to herein as the “Predecessor” company. References to the “Successor 2019 Period” refer to the period from November 2, 2018 through June 30, 2019, following the Apax Acquisition. References to the “Predecessor 2019 Period” refer to the period from July 1, 2018 through November 1, 2018, prior to the Apax Acquisition.

As a result of the Apax Acquisition, which is discussed further in Note 4 to our audited consolidated financial statements included herein, Paycor HCM was determined to be the accounting acquirer and Predecessor Paycor’s historical assets and liabilities are reflected at fair value as of November 2, 2018, the closing date of the Apax Acquisition.

As a result of the Apax Acquisition, the results of operations and financial position of the Predecessor and Successor are not directly comparable.

In connection with the completion of this offering, we will effect a 1,517.18-for-1 stock split with respect to our common stock and holders of the Series A preferred stock have agreed that all shares of our Series A preferred stock will automatically convert into shares of our common stock on a 1-for-1 basis. We refer to these actions as the “Reorganization Transactions.” In this prospectus, we include certain metrics on an “as adjusted” basis to give effect to the Reorganization Transactions.

As used throughout this prospectus, the following terms have the meanings as set forth below:

- “We,” “us,” “our,” “the Company,” “Paycor,” and similar references refer to Paycor HCM, Inc., and unless otherwise stated, all of its subsidiaries.
- “Apax Partners,” “Apax,” or “our Sponsor” refers to Apax Partners L.P., a global private equity firm, collectively, with its affiliates.
- “LTV/CAC” refers to the Company’s lifetime value to customer acquisition cost ratio, which is calculated as (i) total recurring bookings multiplied by adjusted gross margin excluding interest income and depreciation and amortization and divided by one minus the gross revenue retention in a given period, and (ii) divided by the sum of gross sales and marketing and implementation expense before capitalization and amortization, less one-time implementation bookings in the same period.
- “Metropolitan statistical areas” refers to the metropolitan statistical areas delineated by the United States Office of Management and Budget as in effect as of the date of this prospectus.
- “Net revenue retention” refers to 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.

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- “*Pride Aggregator*” refers to Pride Aggregator, L.P., the parent of Paycor HCM, Inc.
- “*Pride Midco*” refers to Pride Midco Inc., a direct subsidiary of Paycor HCM, Inc.
- “*Recurring revenue*” refers to, with respect to any period, all recurring service revenues attributable to payroll, workforce management, and HR-related cloud-based computing services.
- “*Tier 1 markets*” refers to the 15 most populous metropolitan statistical areas in the United States.
- “*Tier 2 markets*” refers to the 15 most populous metropolitan statistical areas in the United States other than Tier 1 markets.
- “*Tier 3 markets*” refers to the 20 most populous metropolitan statistical areas in the United States other than Tier 1 markets and Tier 2 markets.
- “*Total bookings*” with respect to any period is defined as the aggregate year-one values of all new customer contracts acquired during such period, including new sales to existing clients. Total bookings includes both recurring fees and implementation services.

Certain amounts, percentages, and other figures presented in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals, dollars, or percentage amounts of changes may not represent the arithmetic summation or calculation of the figures that precede them.

Market and Industry Data

Unless otherwise indicated, information in this prospectus concerning economic conditions, our industry, our markets, and our competitive position is based on a variety of sources, including information from independent industry analysts and publications, as well as our own estimates and research. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. While we believe the information presented in this prospectus is generally reliable, forecasts, assumptions, expectations, beliefs, estimates, and projections involve risk and uncertainties and are subject to change based on various factors, including those described under “Forward-Looking Statements” and “Risk Factors.”

Trademarks, Service Marks, and Trade Names

We own or have rights to use various trademarks, service marks, and trade names that we use in connection with the operation of our business. We use our “Paycor” trademark and related design marks in this prospectus. This prospectus may also contain trademarks, service marks, and trade names of third parties, which are the property of their respective owners. Our use or display of third parties’ trademarks, service marks, trade names, or products in this prospectus is not intended to, and does not imply a relationship with, or endorsement or sponsorship by us. Solely for convenience, the trademarks, service marks, and trade names referred to in this prospectus may appear without the ®, TM, or SM symbols, but the omission of such references is not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable owner of these trademarks, service marks, and trade names.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our common stock. For a more complete understanding of us and this offering, you should read and carefully consider the entire prospectus, including the more detailed information set forth under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our consolidated financial statements and the related notes. Some of the statements in this prospectus are forward-looking statements. See “Forward-Looking Statements.”

Unless the context otherwise requires, the terms “Paycor,” the “Company,” “our company,” “we,” “us,” and “our” in this prospectus refer to Paycor HCM, Inc. and, where appropriate, its consolidated subsidiaries. The term “Apax Partners” or “our Sponsor” refers to Apax Partners L.P., a global private equity firm, collectively, with its affiliates.

Mission

Paycor empowers leaders to develop winning teams.

Overview

Paycor is a leading Software-as-a-Service 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 human capital management (“HCM”) and payroll 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 offers award-winning ease-of-use with an intuitive user experience and deep third-party integrations, all augmented by industry-specific domain expertise. Over 28,000 customers across all 50 states trust Paycor to help their leaders develop winning teams.

People management has evolved significantly over the last 30 years from an administrative, payroll-centric cost center to a highly strategic function focused on talent management and employee engagement. To be competitive in today’s environment, organizations are increasingly reliant on this function as they seek to leverage people analytics to identify trends and track performance across their workforce. However, most existing HCM solutions lack the comprehensive functionality, ease-of-use, and integration capabilities needed to facilitate effective people management. These limitations are particularly problematic for small and medium sized businesses (“SMBs”) which often lack the technical, financial, and people resources of larger organizations.

Our unified, cloud-native platform is purpose-built to provide business leaders with the tools they need to optimize all aspects of people management, including:

- **Core HCM and Payroll.** A powerful calculation engine that enables real-time changes to drive fast and accurate payroll processing. Robust workflows and approval capabilities assist leaders with expediting and automating their most common tasks.
- **Workforce Management.** Flexible time entry, overtime calculations, and scheduling capabilities with real-time payroll synchronization allowing leaders to manage costs and increase productivity.

- **Benefits Administration.** Advanced decision support to help leaders streamline and optimize their company’s benefits administration and spend with superior carrier connectivity and the ability to setup complex plans.
- **Talent Management.** Integrated compensation and performance management capabilities, including advanced goal management paired with employee-manager one-on-ones, empowering leaders to drive employee professional growth and corporate alignment.
- **Employee Engagement.** Interactive learning tools and AI-powered surveys that use natural language processing to surface actionable, easy-to-understand insights from feedback allowing leaders to solve issues like turnover and low morale.

Our easy-to-use platform incorporates intuitive analytics functionality, enabling SMBs to automate and simplify mission-critical people management processes and enhance visibility into their business operations. Our platform is architected for extensibility and features an open API led interoperability engine that allows customers to easily connect their people data with third-party applications to create a seamlessly integrated digital ecosystem. Our products are supported by a differentiated implementation process and vibrant community of users, which together ensure customers can take full advantage of our platform.

We market and sell our solutions through direct sales teams, leveraging our strong demand generation engine and broker partnerships. Our highly efficient and multi-pronged go-to-market strategy is a key driver of our growth, which is evidenced by our LTV/CAC of 5.0x for the nine months ended March 31, 2021 and 3.8x as of the twelve months ending June 30, 2020. We primarily target companies with 10 to 1,000 employees, with this segment of the SMB market accounting for 81% of our recurring billing for the fiscal year ended June 30, 2020. For this ‘target segment’ of our customer base the LTV/CAC was 5.6x for the nine months ended March 31, 2021. We intend to grow our customer base by accelerating the expansion of our sales coverage and broker networks in both new and existing markets, with a focus on Tier 1 markets where we see substantial opportunity. We also intend to grow our customer base through our industry focused product and go-to-market strategy. We market our products via a bundled pricing strategy where we charge customers on a per-employee-per-month (“PEPM”) or per-employee-per-payroll basis and have demonstrated success at driving growth through the expansion of our Core HCM and Payroll product bundle. We intend to continue to expand our product suite and further cross-sell products into our existing customer base.

During the nine months ended March 31, 2021 and 2020, our revenues were \$264.8 million and \$254.5 million, respectively, representing year-over-year growth of 4%. During the nine months ended March 31, 2021 and 2020, our recurring and other revenues were \$263.4 million and \$245.4 million, respectively, representing 99% and 96% of our total revenue, respectively. During the nine months ended March 31, 2021 and 2020, we generated net losses of \$46.2 million and \$47.2 million, respectively, and losses from operations of \$57.0 million and \$64.8 million, respectively, representing operating margins of (21.5)% and (25.5)%, respectively. During the nine months ended March 31, 2021 and 2020, we generated Adjusted Operating Income of \$47.8 million and \$34.9 million, respectively, representing margins of 18.0% and 13.7%, respectively. See the “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” section for additional information on our non-GAAP metrics.

During the fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 Period, our revenues were \$327.9 million, \$201.9 million, and \$89.6 million, respectively, representing year-over-year growth in revenues of 13%. During the fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 Period, our recurring and other revenues were \$317.6 million, \$191.9 million, and \$86.3 million, respectively, representing 97%, 95%, and 96% of our total revenue, respectively. During the fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 Period, we generated net losses of \$67.3 million, \$72.8 million, and \$14.9 million, respectively, and losses from operations of \$94.7 million,

\$88.7 million and \$16.6 million, respectively, representing operating margins of (28.9)%, (43.9)% and (18.5)%, respectively. During the fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 Period, we generated Adjusted Operating Income of \$46.3 million, \$36.9 million, and \$5.0 million, respectively, representing margins of 14.1%, 18.3%, and 5.6%, respectively. See the “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” section for additional information on our non-GAAP metrics.

Industry Background

Human capital management is an evolving necessity for organizations, with several key trends that have shaped today’s environment.

The Evolution of People Management

Over the last 30 years, the demands of business leaders, employees, and people management strategies have significantly evolved in response to shifting demographics, employee expectations, and technological capabilities. As a result, the importance of people management has been elevated from a payroll-centric cost center to a highly strategic function focused on talent management as a critical component of business competitiveness. The COVID-19 pandemic has further reinforced this strategic shift. The HR function has been pivotal as companies strive to maintain morale and productivity for remote workforces. Considering these evolving demands, HCM technology has been forced to transform to replace manual processes with strategic platforms that surface business insights, enabling leaders to make data-driven decisions.

In the late 2000s, the emergence of Software-as-a-Service (“SaaS”) brought about two key developments: HCM solutions shifting to focus on digitizing old processes and organizations increasingly using point solutions. This led to more system fragmentation, an overcomplicated user experience, and increased total costs. At the same time, the separation between work and life began to blur, driving an increased need for employee engagement tools.

To address this lack of engagement, many HCM solution providers targeted their product development efforts at enhancing the employee experience. Such providers did this by developing employee portals to drive engagement, similar to social media platforms, but found that employees were not seeking this from their employers. Other unsuccessful attempts to drive engagement included adding gamification attributes to influence behavior, such as encouraging employees to complete compliance training. These product features overlooked the importance of business leaders as the primary users of HCM platforms and as the people most influential in achieving positive employee engagement.

Complex Regulatory Environment

The ever-evolving regulatory landscape continues to place a burden on small businesses. As a result, businesses continue to demand HCM platforms that enable them to maintain a robust compliance framework and abstract the complexity of regulatory changes, such as responding to special employee leave provisions.

Growing Importance of People Analytics

In recent years, businesses have begun to appreciate the value they could derive from stronger data analytics capabilities. SMB leaders are increasingly willing to invest in data-driven decision-making tools to improve their business performance. An IDC survey found that analyzing data and employee engagement had the highest level of third-party investment. In addition, a survey by Gartner showed that 64% of participants ranked improvement of reporting quality and people analytics as their main HR objective when evaluating HCM solutions. SMBs have

a particular need for all-in-one solutions considering their unique capacity constraints, such as single person HR departments and limited in-house legal and IT support.

Unique Needs of SMBs

SMBs demand solutions that have the following key characteristics:

- **Ease of Implementation.** The ability to get mission critical solutions up and running seamlessly and successfully without overburdening company resources.
- **Ease of Use.** Intuitive design and simple workflows for leaders and their teams.
- **Full Suite of Solutions.** Fully integrated platform to serve as a single system of record for all HCM functions with built-in critical capabilities such as compliance, mobility, analytics, and security.
- **Highly Scalable Cloud-based Platform.** Flexible solutions built to meet the needs of organizations as they grow in size and complexity.
- **Industry-specific Focus.** Solutions, integrations, and support tailored to unique industry needs.

Limitations of Existing Solutions

The vast majority of SMBs still rely on legacy solutions to fulfill their HCM technology requirements. These offerings are typically provided by national and regional payroll service bureaus or in-house solutions built on top of generic enterprise resource planning (“ERP”) systems. In addition to these legacy solutions, advancements in cloud technology have led to the emergence of other competing SaaS-based HCM offerings. Both legacy and other competing SaaS offerings possess significant limitations in addressing the full HCM needs of SMBs. These limitations include:

- **Incomplete HCM Solutions Lacking in Product Breadth and Depth.** Many existing HCM platforms offer incomplete product suites that deliver only a portion of the capabilities required by SMBs or offer ‘full suites’ comprised of products with limited functionality, forcing SMBs to use multiple products from multiple vendors or continue to manage processes manually outside of their HCM solution.
- **Lack a Unified Approach.** Many existing HCM ‘suites’ are comprised of a patchwork of stand-alone applications with limited integration. As a result, SMBs are forced to rely on manual, redundant, and error-prone processes to manage and track employee data, which can often lead to untimely payroll, poor employee engagement, and significant compliance issues.
- **Difficult to Integrate with Third-Party Systems.** Most existing HCM solutions are built on inflexible, closed technology architectures, and are not designed to communicate with external applications. This inhibits organizations’ ability to establish flexible digital ecosystems capable of addressing the evolving needs of a growing business.
- **Lack Robust Analytics Capabilities.** Existing SMB solutions lack tools which are both sophisticated and easy-to-use to access, aggregate, analyze, and act on employee data in real-time. As a result, SMBs are unable to efficiently derive actionable workforce insights and make critical, informed decisions to improve the way they hire, manage, and develop people.
- **‘One Size Fits All’ Approach.** Certain industry verticals have unique people management requirements. Most existing HCM solutions provide generic out-of-the-box functionality and limited configurability, with professional service teams that often lack vertical expertise. As a result, SMBs struggle to address evolving industry-specific people management needs and reporting requirements with existing HCM solutions.

- **Difficult to Use.** Many existing solutions have arcane, inflexible user interfaces that lack the intuitive, consumer-like feel of modern SaaS applications. These solutions are often difficult for both employees and leaders to use effectively without significant training. As a result, people leaders are often forced to revert to time-consuming manual processes to execute simple HR tasks and assist with tedious employee troubleshooting.
- **Not Designed for Business Leaders.** Many existing HCM solutions were built with engagement functionality specifically designed for employees, not business leaders who have the most influence over employee engagement. These solutions often lack the end-to-end functionality and powerful analytics required by business leaders for effective people management.

Our Solution and Key Strengths

We offer a unified, cloud-native platform, purpose-built to address the comprehensive people management needs of SMB leaders. Our intuitive, easy-to-use platform enables SMBs to easily automate and simplify the most mission-critical people management processes and enhance visibility into organizations' human capital to drive employee engagement and data-driven decisions. The key strengths of our platform include:

- **Comprehensive Suite of HCM Solutions Architected to Meet the Full Range of an SMB's Needs.** Our comprehensive HCM suite delivers industry-leading functionality. This empowers business leaders to achieve strategic goals through differentiated people management. The key components of our HCM solutions include Core HCM and Payroll, Workforce Management, Benefits Administration, Talent Management, and Employee Engagement.
- **Uniquely Unified Platform Enabling Differentiated Analytics.** Our platform leverages a modern cloud architecture and robust API led interoperability engine. We deliver a unified user and data experience that serves as the single source of truth for our customers' employee data. Our platform allows for seamless access to people data across applications and the visibility to extract meaningful business insights from employee information in real-time. This unified data architecture automates error-prone manual processes, empowering business leaders to shift their focus to strategic initiatives that drive long term business value.
- **Open, Cloud-native Architecture Enables Differentiated Platform Extensibility.** Our SaaS platform is flexible, scalable, and extensible, allowing us to continuously expand the breadth and depth of our product suite without compromising the unified user experience for both employers and employees. Our single instance, multitenant deployment enables us to deliver frequent, silent updates to maintain a consistent user experience on the latest version of our software. The extensibility of our platform allows for easy integrations to various technologies both within and outside of the HCM ecosystem, such as connections to benefits platforms to support our broker partnerships and integrations to industry-specific ERP systems.
- **Industry-specific Functionality and Expertise.** We provide SMBs with a combination of industry-specific product configurations, pre-built integrations with sought-after third-party solutions, and served by professionals with industry-specific training. Our HCM platform is configurable and flexibly designed to address a broad cross-section of vertical-specific use cases. Our solutions are supported by a proprietary implementation program and vibrant community of users, which together ensure customers can take full advantage of our industry-specific functionality.
- **Powerful Analytics to Deliver Actionable Insights.** We enable real-time visibility into an organization's people data through a comprehensive set of out-of-the-box analytics capabilities. Our powerful analytics allow SMBs to cost-effectively transform data into trends and predictions to benchmark, understand, and easily report on their workforce. With predictive analytics and robust

benchmarking tools, our platform enables SMBs to make strategic, data-driven decisions to improve recruiting, labor cost management, employee performance, diversity and inclusion, and employee retention.

- **Designed for Business Leaders.** Effective business leadership is critical to maximizing employee engagement and successful business performance. Our platform is purpose-built to provide business leaders with the tools they need to optimize every aspect of people management. With our end-to-end HCM functionality and deep analytics capabilities, business leaders can streamline people management functions, surface actionable insights, facilitate successful hiring, meaningfully engage their employees, and focus people management on strategic initiatives that drive business value.

Our Market Opportunity

We estimate our current annual recurring market opportunity is \$26 billion in the U.S. and we expect the opportunity to grow as the number of SMBs increases and we continue to expand our product portfolio. To estimate our market opportunity, we identified the number of companies in the U.S. with an employee count between 10 and 1,000. Based on data from the U.S. Bureau of Labor Statistics as of January 27, 2021, there were over 1.3 million businesses with between 10 to 1,000 employees, totaling 61.2 million employees within our target demographic. We then applied our \$35 total list PEPM rate as of June 30, 2020 for our full suite of products including Core HCM and Payroll, Workforce Management, Benefits Administration, Talent Management, and Employee Engagement to derive our current total addressable market opportunity of \$26 billion.

Growth Strategy

We intend to capitalize on our market opportunity with the following key growth strategies:

- **Expand Sales Coverage.** We believe there is substantial opportunity to continue to broaden our customer base. We intend to drive new customer additions by expanding our sales coverage in the markets where we have a sales presence and into new markets over the next two years.
- **Accelerate Broker Channel Partnerships.** Benefits brokers are trusted advisors to SMBs and are influential in the HCM selection process. We will continue to work with our existing broker partners and intend to expand our broker network through regional and national partnerships to drive customer acquisition.
- **Expand Industry-specific Functionality and Leadership.** SMBs in certain industries require unique functionality for their people management needs. We designed our platform to be easily configurable for industry-specific applications in key verticals. We will continue to expand our solutions and expertise in both existing and new key industries.
- **Expand Product Penetration within Existing Customer Base.** Our PEPM is increasing as we continue to grow our HCM product bundle. Our customers typically start with our core HR and payroll solution, eventually expanding their usage of our platform over time. We intend to accelerate this trend going forward and have a significant opportunity to further penetrate our existing customer base.
- **Continue to Innovate and Add New Solutions.** We intend to continue to invest significantly in research and development, particularly regarding the functionality of our platform, to sustain and advance our product leadership.
- **Pursue Strategic M&A.** We have successfully acquired and integrated several businesses that complement and enhance our software and technology capabilities. We will continue to take a disciplined approach to identifying and evaluating potential acquisitions.

Recent Developments

Series A Preferred Stock Issuance

In December 2020 and January 2021, we completed private placements of shares of our Series A preferred stock with certain institutional investors, which generated net proceeds of approximately \$270 million. We issued an aggregate of 7,715 shares of Series A preferred stock, or 11,705,044 shares after giving effect to the 1,517.18-for-1 stock split we will effect in connection with this offering. Each share of the Series A preferred stock has an initial liquidation preference of \$35,000, subject to adjustment in accordance with our Amended and Restated Certificate of Incorporation. The proceeds from the issuance of our Series A preferred stock were used to redeem certain Class A and Class A-1 Units of Pride Aggregator and for general corporate purposes, including to finance a recent acquisition. See “Certain Relationships and Related Party Transactions—Related Party Transactions—Redemption Agreement and Intercompany Promissory Note with Pride Aggregator.” In connection with the completion of this offering, the holders of the Series A preferred stock have agreed that the Series A preferred stock will automatically convert into shares of our common stock on a 1-to-1 basis.

Entry into the New Senior Secured Credit Facilities

On June 11, 2021, we entered into a new credit agreement (the “New Credit Agreement”) with PNC Bank, National Association (“PNC”), Fifth Third Bank, National Association, and the other lenders party thereto, providing a senior secured \$100.0 million revolving credit facility (the “New Credit Facility” and the loans thereunder, the “New Loans”), of which \$44.5 million was initially drawn at the closing date. The New Credit Facility includes an “accordion” feature that allows us, under certain circumstances following an initial public offering, to increase the size of the New Credit Facility by an amount up to \$300.0 million.

In connection with the entry into the New Credit Agreement, we used the proceeds therefrom to repay in full all amounts outstanding under the 2019 Credit Facility (as defined below), including the 2019 Term Loan (as defined below), and the Headquarters Loan (as defined below), and for working capital and other general corporate purposes.

The New Loans have variable interest rates. The interest rate on the New 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 an initial public offering, (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 an initial public offering, (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. For more information relating to the New Credit Facility, see the section entitled “Description of Certain Indebtedness and Other Obligations—New Senior Secured Credit Facilities.”

Estimated Selected Recent Operating Results (Preliminary and Unaudited)

Presented below is outlook financial information, including non-GAAP financial measures, for the three months and year ended June 30, 2021. We are in the process of finalizing our results as of and for the three months and the fiscal year ended June 30, 2021; accordingly, these results are subject to change. We have presented below certain preliminary results representing our estimates as of and for the three months and the fiscal year ended June 30, 2021, which are based only on currently available information and do not present all necessary information for an understanding of our financial condition as of June 30, 2021 or our results of operations for the fiscal year ended June 30, 2021. This financial information has been prepared by and is the responsibility of our management and are subject to revisions based on our procedures and controls associated

with the completion of our financial reporting, including all the customary reviews and approvals, and completion by our independent registered public accounting firm of its audit of such financial statements for the fiscal year ended June 30, 2021. Our independent registered public accounting firm has not audited, reviewed or performed any procedures with respect to this preliminary financial data or the accounting treatment thereof and does not express an opinion or any other form of assurance with respect thereto. The preparation and the audit of our consolidated financial statements as of and for the fiscal year ended June 30, 2021 will not be completed until subsequent to this offering. While we are currently unaware of any items that would require us to make adjustments to the financial information set forth below, it is possible that we or our independent registered public accounting firm may identify such items as we complete the preparation of our financial statements as of and for the fiscal year ended June 30, 2021 and our auditors complete their procedures for the audit of our consolidated financial statements, and any resulting changes could be material. Accordingly, undue reliance should not be placed on these preliminary estimates. These preliminary estimates are not necessarily indicative of any future period and should be read together with “Risk Factors,” “Forward-Looking Statements” and our consolidated financial statements and related notes included in this registration statement. Adjusted Gross Profit, Adjusted Operating Income and any metrics derived therefrom are supplemental measures that are not calculated and presented in accordance with GAAP.

Three Months Ended June 30, 2021

	Three Months Ended June 30, 2021		% Change Three Months Ended June 30, 2021 versus June 30, 2020	
	Low	High	Low	High
<i>(in millions, except percentages)</i>				
Consolidated Statement of Operations Data:				
Total Revenues	\$ 86.7	\$ 87.7	18%	20%
Gross Profit	44.5	45.3	14%	16%
Gross Profit Margin	51.3%	51.6%	(210) bps	(177) bps
Loss from Operations	(33.3)	(32.7)	*	*
Other Financial Data(1):				
Adjusted Gross Profit(2)	\$ 56.1	\$ 56.9	9%	11%
Adjusted Gross Profit Margin(2)	64.6%	64.8%	(527) bps	(509) bps
Adjusted Operating Income(3)	(0.8)	(0.2)	*	*
Adjusted Operating Income Margin(3)	(0.9)%	(0.2)%	(1,642) bps	(1,572) bps
Other Selected Data:				
Bookings	\$ 31.2	\$ 31.2	79%	79%

* Percentages not meaningful. Loss from operations for the three months ended June 30, 2020 was \$29.9 million.

(1) Adjusted Gross Profit, Adjusted Operating Income and any metrics derived therefrom are non-GAAP measures and should not be considered as alternatives to measures prepared in accordance with GAAP such as gross profit and operating income. Reconciliations of each of these metrics to the most comparable GAAP measure are set forth in the notes below. For more information on these measures and why we believe they are useful to investors, see “Management’s Discussion and Analysis of Financial Condition and Result of Operations—Non-GAAP Financial Measures.”

- (2) Adjusted Gross Profit is defined 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.

(in millions)	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020
	Low	High	
Gross Profit*	\$ 44.5	\$ 45.3	\$ 39.2
<i>Gross Profit Margin</i>	51.3%	51.6%	53.4%
Amortization expense**	11.6	11.6	11.3
Corporate adjustments***	—	—	0.8
Adjusted Gross Profit*	\$ 56.1	\$ 56.9	\$ 51.3
<i>Adjusted Gross Profit Margin</i>	64.6%	64.8%	69.9%

* Gross Profit and Adjusted Gross Profit are burdened by depreciation expense of \$0.7 million and \$0.7 million, amortization of capitalized software of \$4.2 million and \$2.3 million and amortization of deferred contract costs of \$3.2 million and \$1.9 million for the three months ended June 30, 2021 and 2020, respectively.

** Amortization expense includes amortization of stock-based compensation and intangible assets.

*** Corporate adjustments for the three months ended June 30, 2020 relate to costs associated with implementing certain expense saving initiatives as a result of the COVID-19 pandemic.

- (3) Adjusted Operating Income is defined 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.

(in millions)	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020
	Low	High	
Loss from Operations	\$ (33.3)	\$ (32.7)	\$ (29.9)
<i>Operating Margin</i>	(38.4)%	(37.3)%	(40.7)%
Amortization expense*	30.6	30.6	35.2
Liability incentive award compensation expense	—	—	0.3
Corporate adjustments**	1.9	1.9	5.8
Adjusted Operating Income	\$ (0.8)	\$ (0.2)	\$ 11.4
<i>Adjusted Operating Income Margin</i>	(0.9)%	(0.2)%	15.5%

* Amortization expense includes amortization of stock-based compensation and intangible assets.

** Corporate Adjustments for the three months ended June 30, 2021 relate to certain costs associated with our efforts to become a public company, including the implementation of a new enterprise-resource planning system and professional, consulting, and other costs, of \$1.7 million, and transaction expenses and costs associated with the 7Geese Acquisition totaling \$0.2 million. Corporate adjustments for the three months ended June 30, 2020 relate to certain costs related to the transition of the new executive leadership team and closure of a standalone facility of \$1.9 million, costs associated with our efforts to become a public company, including the implementation of a new enterprise-resource planning system and professional, consulting and other costs of \$0.5 million and costs related to implementing certain expense savings initiatives as a result of the COVID-19 pandemic totaling \$3.4 million.

We expect total revenues to increase 18% to 20% for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 primarily as a result of an increase in customers as well as an increase in the average number of employees per customer as many customers have started re-hiring since they terminated or furloughed employees in response to the COVID-19 pandemic during the three months ended June 30, 2020.

We expect gross profit to increase 14% to 16% for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 primarily due to an increase in revenue, and partially offset by additional employee related costs to support new customers.

We expect Adjusted Gross Profit to increase 9% to 11% for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 primarily due to an increase in revenue, and partially offset by additional employee related costs to support new customers.

We expect loss from operations to increase \$2.8 million to \$3.4 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 primarily due to continued investment in employee related costs to support new customers, expand our sales coverage, and develop our products, and partially offset by an increase in revenue.

We expect Adjusted Operating Income to decrease \$11.6 million to \$12.2 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 primarily due to continued investment in employee related costs to support new customers, expand our sales coverage, and develop our products, and partially offset by an increase in revenue.

We expect Bookings to increase approximately 79% for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 primarily due to the continued geographic expansion of our sales team and expanding broker referral relationships. Booking performance for the three months ended June 30, 2020 was negatively affected by the impact of the COVID-19 pandemic.

Fiscal Year Ended June 30, 2021

	Fiscal Year Ended June 30, 2021		% Change Fiscal Year Ended June 30, 2021 versus June 30, 2020	
	Low	High	Low	High
<i>(in millions, except percentages)</i>				
Consolidated Statement of Operations Data:				
Total Revenues	\$351.5	\$352.5	7%	7%
Gross Profit	\$196.7	\$197.6	5%	5%
Gross Profit Margin	56.0%	56.0%	(142) bps	(136) bps
Loss from Operations	\$ (90.4)	\$ (89.8)	*	*
Other Financial Data(1):				
Adjusted Gross Profit(2)	\$243.4	\$244.2	4%	5%
Adjusted Gross Profit Margin(2)	69.2%	69.3%	(193) bps	(190) bps
Adjusted Operating Income(3)	\$ 47.0	\$ 47.6	2%	3%
Adjusted Operating Income Margin(3)	13.4%	13.5%	(75) bps	(62) bps
Other Selected Data:				
Bookings	\$115.1	\$115.1	43%	43%

* Percentages not meaningful. Loss from operations for the Fiscal Year Ended June 30, 2020 was \$94.7 million.

(1) Adjusted Gross Profit, Adjusted Operating Income and any metrics derived therefrom are non-GAAP measures and should not be considered as alternatives to measures prepared in accordance with GAAP such

as gross profit and operating income. Reconciliations of each of these metrics to the most comparable GAAP measure are set forth in the notes below. For more information on these measures and why we believe they are useful to investors, see “Management’s Discussion and Analysis of Financial Condition and Result of Operations—Non-GAAP Financial Measures.”

- (2) Adjusted Gross Profit is defined 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.

(in millions)	Fiscal Year Ended June 30, 2021		Fiscal Year Ended June 30, 2020
	Low	High	
Gross Profit*	\$196.7	\$197.6	\$ 188.2
<i>Gross Profit Margin</i>	56.0%	56.0%	57.4%
Amortization expense**	46.6	46.6	43.5
Corporate adjustments***	—	—	1.7
Adjusted Gross Profit*	\$243.4	\$244.2	\$ 233.4
<i>Adjusted Gross Profit Margin</i>	69.2%	69.3%	71.2%

* Gross Profit and Adjusted Gross Profit are burdened by depreciation expense of \$2.6 million and \$2.5 million, amortization of capitalized software of \$13.8 million and \$6.9 million and amortization of deferred contract costs of \$10.6 million and \$5.7 million for the fiscal years ended June 30, 2021 and 2020, respectively.

** Amortization expense includes amortization of stock-based compensation and intangible assets.

*** Corporate Adjustments for the fiscal year ended June 30, 2020 primarily related to certain costs related to the transition of the new executive leadership team and closure of a standalone facility of \$0.7 million and \$0.9 million of costs related to implementing certain expense saving initiatives as a result of the COVID-19 pandemic.

- (3) Adjusted Operating Income is defined 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.

(in millions)	Fiscal Year Ended June 30, 2021		Fiscal Year Ended June 30, 2020
	Low	High	
Loss from Operations	\$ (90.4)	\$ (89.8)	\$ (94.7)
<i>Operating Margin</i>	(25.7)%	(25.5)%	(28.9)%
Amortization expense*	129.8	129.8	125.8
Liability incentive award compensation expense	(0.2)	(0.2)	3.1
Corporate adjustments**	7.7	7.7	12.1
Adjusted Operating Income	\$ 47.0	\$ 47.6	\$ 46.2
<i>Adjusted Operating Income Margin</i>	13.4%	13.5%	14.1%

* Amortization expense includes amortization of stock-based compensation and intangible assets.

** Corporate Adjustments for the fiscal year ended June 30, 2021 relate to certain costs related to the transition of the new executive leadership team and closure of a standalone facility of \$1.0 million, as

well as costs associated with our efforts to become a public company, including the implementation of a new enterprise-resource planning system and professional, consulting, and other costs, of \$6.0 million, and transaction expenses and costs associated with the 7Geese Acquisition and other acquisitions totaling \$0.7 million. Corporate Adjustments for the fiscal year ended June 30, 2020 relate to certain costs related to the transition of the new executive leadership team and closure of a standalone facility of \$6.0 million, costs associated with our efforts to become a public company, including the implementation of a new enterprise-resource planning system and professional, consulting, and other costs, of \$2.7 million, and costs related to implementing certain expense savings initiatives as a result of the COVID-19 pandemic totaling \$3.4 million.

We expect total revenues to increase approximately 7% for the fiscal year ended June 30, 2021 compared to the fiscal year ended June 30, 2020 primarily as a result of an increase in customers, partially offset by a decline in the average number of employees per customer for the fiscal year ended June 30, 2021 primarily driven by customers terminating or furloughing employees in response to the COVID-19 pandemic.

We expect gross profit to increase approximately 5% for the fiscal year ended June 30, 2021 compared to the fiscal year ended June 30, 2020 primarily due to an increase in revenue, and partially offset by additional employee related costs to support new customers.

We expect adjusted gross profit to increase 4% to 5% for the fiscal year ended June 30, 2021 compared to the fiscal year ended June 30, 2020, primarily due to an increase in revenues, and partially offset by additional employee-related costs to support new customers.

We expect loss from operations to decrease 4% to 5% for the fiscal year ended June 30, 2021 compared to the fiscal year ended June 30, 2020 primarily due to an increase in revenue, and partially offset by continued investment in employee related costs to support new customers, expand our sales coverage, and develop our products.

We expect Adjusted Operating Income to increase 2% to 3% for the fiscal year ended June 30, 2021 compared to the fiscal year ended June 30, 2020 primarily due to an increase in revenue, and partially offset by continued investment in employee related costs to support new customers, expand our sales coverage, and develop our products.

We expect Bookings to increase approximately 43% for the fiscal year ended June 30, 2021 compared to the fiscal year ended June 30, 2020 primarily due to the continued geographic expansion of our sales team and expanding broker referral relationships.

Summary of Risks Related to our Business, Regulation, our Indebtedness, our Common Stock and this Offering

There are a number of risks related to our business, regulation, our indebtedness, our common stock, and this offering that you should consider before you decide to participate in this offering. Some of the principal risks related to our business include the following:

- 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 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 HCM and payroll software among SMBs.
- The competitiveness of our market generally.
- The impact of COVID-19.
- 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 factors set forth under "Risk Factors."

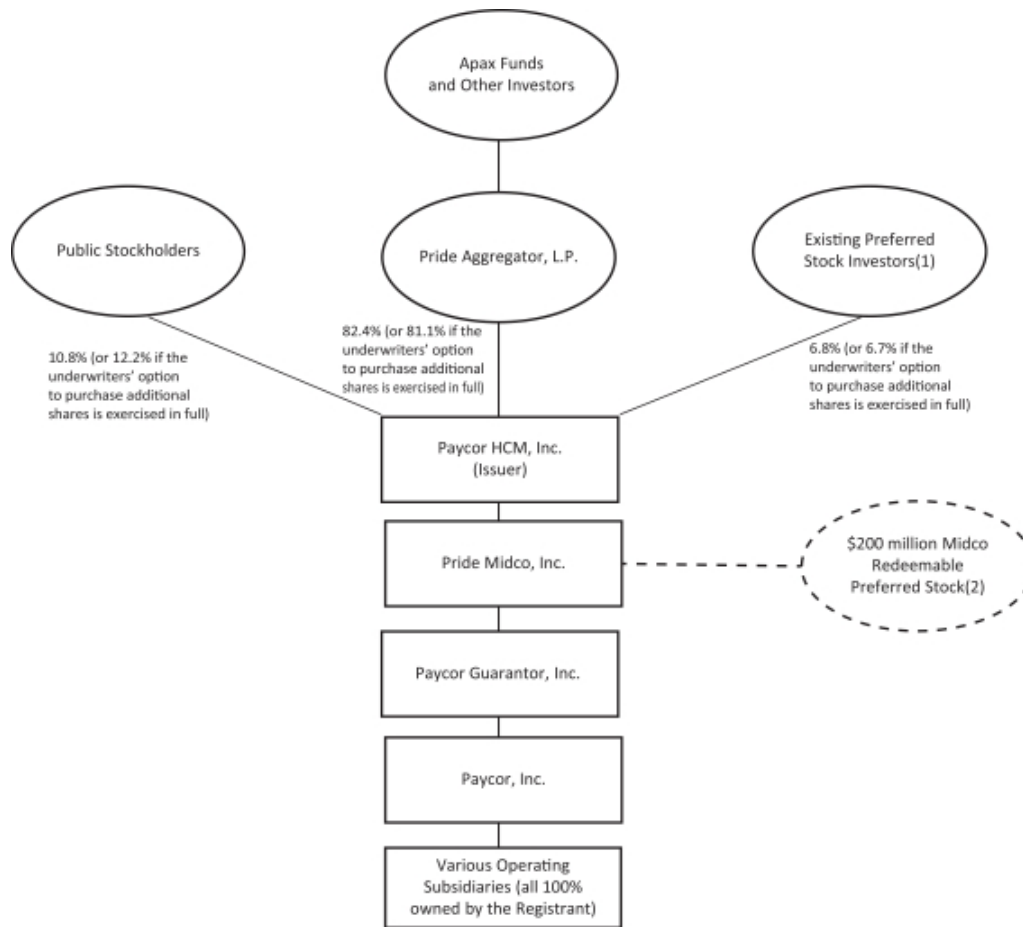
These and other risks are more fully described in the section entitled "Risk Factors" in this prospectus. If any of these risks actually occurs, our business, financial condition, results of operations, cash flows, and prospects could be materially and adversely affected. As a result, you could lose all or part of your investment in our common stock.

Our Sponsor

We have a valuable relationship with our equity sponsor, Apax Partners. Apax Partners is a leading global private equity advisory firm. For more than four decades, Apax Partners has built specialist expertise across four industry sectors: Tech, Services, Healthcare, and eConsumer. To date, Apax Partners has raised and advised funds with aggregate commitments of more than \$60 billion. The Apax funds have a strong track record of investing in the technology and telecommunications sector, having committed €8.4 billion of equity across multiple geographies, including the U.S., Europe, and Asia. Funds advised by Apax Partners provide long-term equity financing to build and strengthen world-class companies.

Corporate Structure

The following chart summarizes our corporate structure as of the date of this prospectus after giving effect to the Reorganization Transaction, this offering and the use of proceeds therefrom. This chart is provided for illustrative purposes only and does not represent all legal entities affiliated with, or all subsidiaries of, the Company:



- (1) Represents common stock ownership on an as-converted basis. In connection with the completion of this offering, the holders of the Series A preferred stock have agreed that the Series A preferred stock will automatically convert into shares of our common stock on a 1-to-1 basis.
- (2) All outstanding Midco Redeemable Preferred Stock is expected to be redeemed in connection with the completion of this offering.

Certain Agreements with our Existing Investors

Immediately following this offering, Pride Aggregator, an investment vehicle affiliated with Apax Partners, will beneficially own approximately 82.4% of our common stock (or 81.1% of our outstanding common stock if the underwriters' option to purchase additional shares is exercised in full). We will enter into a Director Nomination Agreement with Apax Partners (the "Director Nomination Agreement") that provides Apax Partners the right to designate (i) all of the nominees for election to our board of directors (the "Board") for so long as Apax Partners beneficially owns at least 40% of the total number of shares of our common stock beneficially owned by it upon completion of this offering, as adjusted for any reorganization, recapitalization, stock dividend, stock split, reverse stock split, or similar changes in the Company's capitalization (the "Original Amount"); (ii) 40% of the nominees for election to our Board for so long as Apax Partners beneficially owns less than 40% but at least 30% of the Original Amount; (iii) 30% of the nominees for election to our Board for so long as Apax Partners beneficially owns less than 30% but at least 20% of the Original Amount; (iv) 20% of the nominees for election to our Board for so long as Apax Partners beneficially owns less than 20% but at least 10% of the Original Amount; and (v) one of the nominees for election to our Board for so long as Apax Partners beneficially owns at least 5% of the Original Amount, which could result in representation on our Board that is disproportionate to Apax Partners' beneficial ownership. If Pride Aggregator is dissolved after this offering, then Apax Partners will be permitted to cause the rights of Pride Aggregator to be assigned to it or one or more of its Affiliates (as defined in the Director Nomination Agreement). See "Certain Relationships and Related Party Transactions—Related Party Transactions—Director Nomination Agreement."

Implications of Being an Emerging Growth Company

We qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). We will remain an emerging growth company until the earliest of (1) the last day of the fiscal year following the fifth anniversary of the completion of this offering, (2) the last day of the fiscal year in which we have total annual gross revenue of at least \$1.07 billion, (3) the date on which we are deemed to be a large accelerated filer (this means the market value of common stock that is held by non-affiliates exceeds \$700.0 million as of the end of the second quarter of that fiscal year) or (4) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period.

An emerging growth company may take advantage of reduced reporting requirements that are otherwise applicable to public companies. These provisions include, but are not limited to:

- Emerging growth companies are not required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act").
- A requirement to present only two years of audited financial statements, plus unaudited condensed consolidated financial statements for any interim period and related discussion in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- Reduced disclosure obligations regarding executive compensation in periodic reports, proxy statements, and registration statements.
- Exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We have elected to take advantage of certain of the reduced disclosure obligations regarding financial statements (such as not being required to provide audited financial statements for the fiscal year ended June 30, 2018) in this prospectus and executive compensation in this prospectus and expect to elect to take advantage of

other reduced burdens in future filings. As a result, the information that we provide to our stockholders may be different than you might receive from other public reporting companies in which you hold equity interests.

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.

General Corporate Information

We were incorporated in August 2018 as Pride Parent, Inc. to serve as a holding company in connection with the Apax Acquisition. In April 2021, we changed our name to Paycor HCM, Inc. Our principal executive offices are located at 4811 Montgomery Road, Cincinnati, Ohio 45212. Our telephone number is (800) 381-0053. Our website address is www.paycor.com. The information contained on, or that can be accessed through, our website is not incorporated by reference into this prospectus, and you should not consider any information contained on, or that can be accessed through, our website as part of this prospectus or in deciding whether to purchase our common stock. We are a holding company and all of our business operations are conducted through our subsidiaries.

THE OFFERING

Issuer	Paycor HCM, Inc.
Common Stock Offered by Us	18,500,000 shares.
Option to Purchase Additional Shares from Us	2,775,000 shares.
Common Stock to be Outstanding After this Offering	171,302,784 shares (or 174,077,784 shares if the underwriters' option to purchase additional shares is exercised in full), after giving effect to the Reorganization Transactions.
Use of Proceeds	<p>We estimate that our net proceeds from this offering will be approximately \$338.2 million, or approximately \$388.9 million if the underwriters' option to purchase additional shares is exercised in full, assuming an initial public offering price of \$19.50 per share, which is the midpoint of the estimated price range set forth on the cover page of this prospectus, and after deducting the underwriting discount. Additional other expenses of issuance and distribution are estimated to be approximately \$5.2 million.</p> <p>The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock, and enable access to the public equity markets for us and our shareholders. We expect to use approximately \$260.0 million of the net proceeds of this offering to fund the redemption of the Midco Redeemable Preferred Stock (as defined below) by Pride Midco at a redemption price of 101% of the liquidation preference thereof and the remainder of such net proceeds will be used for general corporate purposes. An affiliate of Apax Partners currently owns \$25 million of Midco Redeemable Preferred Stock and we expect such affiliate will receive approximately \$32.5 million in proceeds as a result of the redemption of the Midco Redeemable Preferred Stock. At this time, other than the redemption of the Midco Redeemable Preferred Stock, we have not specifically identified a large single use for which we intend to use the net proceeds and, accordingly, we are not able to allocate the net proceeds among any of these potential uses in light of the variety of factors that will impact how such net proceeds are ultimately utilized by us. We will have broad discretion in the application of these proceeds. The Midco Redeemable Preferred Stock accrues dividends at a rate of the London interbank offered rate ("LIBOR") plus 8.875%, which rate will decrease to LIBOR plus 8.375% beginning November 3, 2021. The dividends are payable, or are compounded, quarterly on March 31, June 30, September 30 and December 31 of each year. Additionally, Pride Midco may, at its option, redeem for cash any or all of the then outstanding Midco Redeemable Preferred Stock, in whole at any time or in part from time to time, at (i) a redemption</p>

price per share equal to 101.0% prior to and including November 1, 2021; and 100.0% on November 2, 2021 and thereafter, plus (ii) the amount of all accrued dividends for the then current and all prior dividend payment periods. See “Use of Proceeds” for additional information.

Controlled Company

After this offering, assuming an offering size as set forth in this section, Apax Partners will beneficially own, through its control of Pride Aggregator, approximately 82.4% of our common stock (or 81.1% of our common stock if the underwriters’ option to purchase additional shares is exercised in full). As a result, we expect to be a controlled company within the meaning of the corporate governance standards of The Nasdaq Global Select Market (“Nasdaq”). See “Management—Corporate Governance—Controlled Company Status.”

Director Nomination Agreement

In connection with the completion of this offering, we expect to enter into a director nomination agreement that will provide Apax Partners with certain rights to nominate members of our Board. See “Certain Relationships and Related Party Transactions—Director Nomination Agreement.”

Registration Rights Agreement

We have entered into a registration rights agreement with Pride Aggregator and certain other stockholders pursuant to which we have provided such parties with certain registration rights. See “Certain Relationships and Related Party Transactions—Registration Rights Agreement.”

Indications of Interest

One or more entities affiliated with, advised by or that serve as investment adviser to certain investors in our Series A preferred stock, (i) Neuberger, (ii) ClearBridge and (iii) Franklin Templeton, have indicated a non-binding interest in purchasing up to an aggregate of \$75 million, \$50 million and \$25 million, respectively, of shares of our common stock being offered in this offering at the initial public offering price. Because none of these indications of interest are an agreement or commitment by such entities to purchase shares, one or more of these entities may ultimately choose to purchase more, less or no shares in this offering. The underwriters will receive the same discount with respect to any of our shares of common stock purchased by one or more funds affiliated with or advised by Neuberger, ClearBridge and/or Franklin Templeton as they will from any other shares of common stock sold to the public in this offering.

Risk Factors

Investing in our common stock involves a high degree of risk. See “Risk Factors” elsewhere in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.

Dividends

We do not currently anticipate paying dividends on our common stock. Any declaration and payment of future dividends to holders of our common stock will be at the sole discretion of our Board and will depend on many factors, including our financial condition, earnings, capital requirements, level of indebtedness, statutory and contractual restrictions applicable to the payment of dividends, and other considerations that our Board deem relevant. Because we are a holding company and have no direct operations, we will only be able to pay dividends from our available cash on hand and any funds we receive from our subsidiaries. Certain of our debt agreements limit the ability of certain of our subsidiaries to pay dividends. In addition, Delaware law may impose requirements that may restrict our ability to pay dividends. See “Dividend Policy.”

Directed share program

At our request, the underwriters have reserved up to 740,000 shares of common stock, or 4% of the shares of common stock to be offered by this prospectus for sale, at the initial public offering price, through a directed share program. Shares purchased through the directed share program will not be subject to a lock-up restriction, except in the case of shares purchased by any of our directors or officers. The number of shares of common stock available for sale to the general public will be reduced to the extent these individuals purchase such reserved shares. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered by this prospectus.

Proposed Trading Symbol

“PYCR”.

The number of shares of common stock to be outstanding following this offering is based on 171,302,784 shares of common stock outstanding as of June 30, 2021 after giving effect to the Reorganization Transactions and excludes:

- 13.8 million shares of common stock reserved for future issuance under our 2021 Omnibus Incentive Plan (the “2021 Plan”), which will be adopted in connection with this offering; in connection with this offering, we intend to grant awards under the 2021 Plan representing approximately 2.2 million shares, based on an assumed initial public offering price of \$19.50, which is the midpoint of the estimated public offering price range set forth on the cover of this prospectus; these awards would consist of approximately 1.1 million RSUs and 1.1 million options with an exercise price equal to the initial public offering price; see “Executive Compensation—Executive Compensation Arrangements to be Adopted in Connection with this Offering—Equity Award Grants.”
- 3.1 million shares of common stock reserved for future issuance under our Employee Stock Purchase Plan (“ESPP”), which will be adopted in connection with this offering.
- Any shares of common stock issuable upon settlement of Pride Aggregator’s outstanding Long Term Incentive Plan units (“LTIP Units”). As of June 30, 2021, approximately 1,642,000 shares of common stock would be issuable upon such settlement, based on an assumed initial public offering price of \$19.50, which is the midpoint of the estimated public offering price range set forth on the cover of this prospectus, and a \$1.00 increase or decrease in the assumed initial public offering price would increase or decrease the total shares of common stock issuable upon such settlement by approximately 40,000.

Unless otherwise indicated, all information in this prospectus assumes:

- The filing of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws, each in connection with the closing of this offering.
- No exercise by the underwriters of their option to purchase up to 2,775,000 additional shares of common stock from us.
- No transfer of common stock from Pride Aggregator to the holders of Series A preferred stock upon the completion of this offering. Pride Aggregator expects to transfer approximately 198,900 shares of common stock (based on an initial public offering price of \$19.50, which is the midpoint of the range set forth on the cover of this prospectus) to the former holders of the Series A preferred stock for no additional consideration upon the completion of this offering. The actual number of shares of common stock to be transferred by Pride Aggregator to the holders of the Series A preferred stock is based on the anti-dilution formula in the designations relating to the Series A preferred stock in our existing certificate of incorporation.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables summarize our consolidated financial data. For accounting purposes, the terms “Predecessor” and “Successor” used below and throughout this prospectus refer to the periods prior and subsequent to the Apex Acquisition on November 2, 2018, respectively. See “Basis of Presentation.” As a result of the Apex Acquisition, the results of operations and financial position of the Predecessor and Successor are not directly comparable.

The summary consolidated statement of operations data and summary consolidated statement of cash flows data for the period from July 1, 2018 to November 1, 2018 relate to the Predecessor and are derived from the audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated statement of operations data and summary consolidated statement of cash flows data for the period from November 2, 2018 to June 30, 2019 and for the fiscal year ended June 30, 2020 and the summary consolidated balance sheet data as of June 30, 2020 relate to the Successor and are derived from the audited consolidated financial statements that are included elsewhere in this prospectus. The summary consolidated statement of operations data and summary consolidated statement of cash flows data for the nine months ended March 31, 2020 and 2021 and the summary consolidated balance sheet data as of March 31, 2021 relate to the Successor and are derived from our unaudited condensed consolidated financial statements that are included elsewhere in this prospectus. The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments that are necessary for the fair statement of our unaudited interim consolidated financial statements. Our results for any interim period are not necessarily indicative of results that may be expected for any full fiscal year.

You should read the summary historical financial data below in conjunction with the sections titled “Basis of Presentation,” “Selected Consolidated Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and related notes included elsewhere in this prospectus.

	Successor				Predecessor
	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
(in thousands, except per share data)					
(Unaudited)					
Consolidated Statement of Operations Data:					
Revenue:					
Recurring and other revenue	\$ 263,372	\$ 245,357	\$317,620	\$ 191,881	\$ 86,262
Interest income on funds held for clients	1,392	9,192	10,289	9,977	3,343
Total revenues	264,764	254,549	327,909	201,858	89,605
Cost of revenues	112,506	105,501	139,683	77,566	31,939
Gross profit	152,258	149,048	188,226	124,292	57,666
Operating expenses:					
Sales and marketing	75,864	74,970	99,998	56,660	30,479
General and administrative	106,914	102,964	137,071	127,862	31,069
Research and development	26,507	35,918	45,866	28,428	12,695
Total operating expenses	209,285	213,852	282,935	212,950	74,243
Loss from operations	(57,027)	(64,804)	(94,709)	(88,658)	(16,577)
Other income (expense):					
Interest expense	(1,847)	(1,403)	(1,780)	(1,119)	(1,036)
Other	320	6,438	9,004	423	175
Loss before benefit for income taxes	(58,554)	(59,769)	(87,485)	(89,354)	(17,438)
Income tax benefit	(12,344)	(12,619)	(20,182)	(16,531)	(2,517)
Net loss	(46,210)	(47,150)	(67,303)	(72,823)	(14,921)
Net loss attributable to Paycor HCM, Inc.	\$ (64,110)	\$ (64,931)	\$ (90,193)	\$ (88,518)	\$ (14,921)
Per Share Data(1):					
Net loss per share:					
Basic and diluted	\$ (656.70)	\$ (649.31)	\$ (901.93)	\$ (885.18)	
Weighted-average shares used in computing net loss per share:					
Basic and diluted	97,624	100,000	100,000	100,000	
(1) See Note 13 of our unaudited condensed consolidated financial statements for the nine months ended March 31, 2021 and 2020 and Note 15 to our audited consolidated financial statements for the year ended June 30, 2020, Successor 2019 and Predecessor 2019 periods appearing elsewhere in this prospectus for an explanation of the method used to calculate our basic and diluted net loss per share and the weighted-average number of shares used in the computation of the per share amounts.					
(in thousands)					
(Unaudited)					
Consolidated Statement of Cash Flow Data:					
Net cash provided by (used in) operating activities	\$ 26,185	\$ (1,791)	\$ 88	\$ (11,584)	\$ (1,003)
Net cash (used in) provided by investing activities	\$ (43,810)	\$ (24,194)	\$121,529	\$ (772,039)	\$ 90,100
Net cash provided by (used in) financing activities	\$202,049	\$126,526	\$ (20,880)	\$1,152,334	\$ (283,506)

(in thousands)	Successor		
	March 31, 2021		June 30, 2020
	Actual (Unaudited)	Pro Forma As Adjusted (2) (Unaudited)	Actual
Consolidated Balance Sheet Data			
Cash and cash equivalents	\$ 19,364	\$ 98,967	\$ 828
Funds held for clients(3)	823,123	823,123	614,115
Working capital(4)	(5,434)	73,857	(19,865)
Total assets	2,209,241	2,287,861	2,007,783
Client fund obligations(5)	822,551	822,551	613,151
Total debt	43,769	49,100	24,435
Total liabilities	1,051,991	1,057,634	821,123
Redeemable noncontrolling interest(6)	245,041	—	233,335
Stockholder's equity	912,209	1,230,227	953,325

- (2) Reflects (i) amounts outstanding under our New Credit Facility as of June 30, 2021 and the repayment of all outstanding indebtedness under our 2019 Credit Facility and Headquarters Facility; (ii) the conversion of all shares of our Series A preferred stock into common stock on a 1-for-1 basis; (iii) implementation of a 1,517.18-for-1 stock split with respect to our common stock; and (iv) our sale of 18,500,000 shares of common stock in this offering at an assumed initial public offering price of \$19.50 per share, which is the midpoint of the estimated public offering price range set forth on the cover page of this prospectus, and after deducting the underwriting discount and the application of \$260.0 million of the net proceeds from this offering to redeem the Midco Redeemable Preferred Stock as set forth under "Use of Proceeds." See "Capitalization." Additional other expenses of issuances and distribution are estimated to be approximately \$5.2 million.
- (3) Consists of cash and cash equivalents and debt-security investments relating to obtaining funds from clients in advance of performing payroll and payroll tax filing services on behalf of our clients.
- (4) We define working capital as total current assets (including funds held for clients) less total current liabilities (including client fund obligations).
- (5) Represents the Company's contractual obligations to remit funds to satisfy clients' payroll and tax payment obligations within one year of the balance sheet date.
- (6) Refers to the Midco Redeemable Preferred Stock, the shares of which accrue dividends at a rate of LIBOR plus 8.875%, which rate will decrease to LIBOR plus 8.375% beginning November 3, 2021. The dividends are payable, or are compounded, quarterly on March 31, June 30, September 30, and December 31 of each year. Additionally, the Company may, at its option, redeem for cash any or all of the then outstanding Midco Redeemable Preferred Stock, in whole at any time or in part from time to time, at (i) a redemption price per share equal to 101.0% prior to and including November 1, 2021; and 100.0% on November 2, 2021 and thereafter, plus (ii) the amount of all accrued dividends for the then current and all prior dividend payment periods.

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	Successor				Predecessor
	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
(in thousands)					
Other Financial Data (unaudited):					
Gross Profit Margin	57.5%	58.6%	57.4%	61.6%	64.4%
Adjusted Gross Profit(7)	\$ 187,327	\$ 182,089	\$ 233,377	\$ 152,211	\$ 58,464
Adjusted Gross Profit Margin(7)	70.8%	71.5%	71.2%	75.4%	65.2%
Adjusted Operating Income(7)	\$ 47,768	\$ 34,900	\$ 46,263	\$ 36,940	\$ 4,977
Adjusted Operating Income Margin(7)	18.0%	13.7%	14.1%	18.3%	5.6%
Adjusted Net Income Attributable to Paycor HCM, Inc.(7)	\$ 33,434	\$ 23,883	\$ 35,093	\$ 22,636	\$ 1,460
(7)	Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted Operating Income and Adjusted Net Income Attributable to Paycor HCM are non-GAAP measures and should not be considered as alternatives to measures prepared in accordance with GAAP such as gross profit, operating income and net loss attributable to Paycor HCM. Adjusted Gross Profit is defined 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. Adjusted Operating Income is defined 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, including the Apax Acquisition. We define Adjusted Operating Income Margin as Adjusted Operating Income divided by total revenues. We define Adjusted Net Income Attributable to Paycor HCM, Inc. as Net Loss Attributable to Paycor HCM, Inc. before the accretion of redeemable noncontrolling interests, amortization of acquired intangible assets, stock-based award and liability incentive award compensation expenses, gain on the extinguishment of debt, and other certain corporate expenses, such as costs related to acquisitions, including the Apax Acquisition. For a reconciliation of each of these measures to the most comparable GAAP measure, see “Management’s Discussion and Analysis of Financial Condition and Result of Operations—Non-GAAP Financial Measures.”				

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all the other information contained in this prospectus, including our consolidated financial statements and the related notes thereto, before deciding to invest in our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that affect us. If any of the following risks occur, our business, financial condition, operating results, and prospects could be materially and adversely affected. In that event, the price of our common stock could decline, and you could lose all or part of your investment. The ongoing COVID-19 pandemic may also have the effect of heightening many of the risks described in this “Risk Factors” section.

Because of the following factors, as well as other factors affecting our businesses, financial condition, operating results, and prospects, past financial performance should not be considered a reliable indicator of future performance, and investors should not rely on historical trends to anticipate trends or results in the future.

Risks Relating to Our Business, Products, and Operations

Failure to manage our growth effectively could increase our expenses, decrease our revenue, and prevent us from implementing our business strategy, and sustaining our revenue growth rates.

We have been rapidly growing our revenue and number of customers, and we will seek to do the same for the foreseeable future. However, the growth in our number of customers puts significant strain on our business, requires significant capital expenditures, and increases our operating expenses. To manage this growth effectively, we must attract, train, and retain a substantial number of qualified sales, implementation, customer service, software development, information technology, and management personnel. We also must maintain and enhance our technology infrastructure and our financial and accounting systems and controls. If we fail to effectively manage our growth, or we over-invest or under-invest in our business, our business and results of operations could suffer from the resultant weaknesses in our infrastructure, systems, or controls. We could also suffer operational mistakes, a loss of business opportunities, and employee losses. If our management is unable to effectively manage our growth, our expenses might increase more than expected, our revenue could decline or might grow more slowly than expected, and we might be unable to implement our business strategy. In addition, our revenue growth rates may decline in future periods because of several factors, including our failure to manage our growth effectively, our increased market penetration and the maturation of our business, slowing demand for our services, reductions in the number of employees by our customers, reductions in the number of our customers, public health issues such as the COVID-19 pandemic, or a decrease in the growth of the overall market, among other factors.

Additionally, we rely on the expansion of our relationships with our third-party partners as we grow our solutions. Our agreements with third parties are typically non-exclusive and do not prohibit them from working with our competitors. Our competitors may be effective in providing incentives to these same third parties to favor their products or services. In addition, acquisitions of our partners by our competitors could result in a reduction in the number of our current and potential customers, as our partners may no longer facilitate the adoption of our applications by potential customers after an acquisition by any of our competitors.

If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenues could be impaired, which could have a material adverse effect on our business, financial condition, and results of operations. Even if we are successful, we cannot assure you that these relationships will result in increased customer usage of our applications or increased revenues.

If we fail to adequately expand and retain our direct sales team with qualified and productive persons, or if our direct sales efforts are not successful, we may not be able to grow our business effectively.

We primarily sell our products and implementation services through our direct sales team. Generating new customer relationships with SMBs, our primary customer base, depends heavily on a qualified and trained sales team. To grow our business, we intend to focus on growing our direct sales force and our customer base for the foreseeable future. Our ability to add customers and to achieve revenue growth in the future will depend upon our ability to grow and develop our direct sales force and on our direct sales force's ability to productively sell our solutions. Identifying and recruiting qualified personnel and training them in the use of our software requires considerable time, expense, and attention. Recruiting and developing sales personnel in locations where we do not have experience hiring and selling our products may be more difficult than we anticipate. The amount of time it takes for our sales representatives to be fully trained and to become productive varies widely. Some of our sales personnel do not successfully generate new business with customers even after significant investment by us in recruiting, hiring and training them, and we incur expenses to replace them. In addition, if we hire sales personnel from competitors or other companies, their former employers may attempt to assert that these employees have breached their legal obligations, resulting in a diversion of our time and resources.

Our ability to achieve significant revenue growth in the future will depend on the success of our direct sales force and our ability to adapt our sales efforts to address the evolving markets for our products. If our sales organization does not perform as expected, our revenues and revenue growth could suffer. In addition, if we are unable to hire, develop, and retain talented sales personnel, if our sales team becomes less efficient as it grows or if new sales representatives are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to grow our customer base and revenues and our sales and marketing expenses may increase.

Our business, operating results, financial condition, or reputation could be adversely affected if our customers are not satisfied with our implementation, user experience, or customer service, or if our solutions fail to perform properly.

Our business depends on our ability to satisfy our customers, both with respect to our applications and the technical support provided to help our customers use the applications that address the needs of their businesses. We use implementation and customer services teams to implement and configure our solutions and provide support to our customers. Customers' support requests span numerous subjects, and the volume of such requests can be high, particularly during peak periods (such as open enrollment season), which may result in long wait times to contact us for support. If a customer is not satisfied with the quality of our solutions, the applications delivered, or the timeliness or quality of support provided, we could incur additional costs to address the situation, our profitability might be negatively affected, and the customer's dissatisfaction with our implementation or support service could harm our ability to sell additional applications to that customer. In addition, our sales process is highly dependent on the reputation of our solutions and applications and on positive recommendations from our existing customers. Our customers have no obligation to continue to use our applications and may choose not to continue to use our applications at the same or higher level of service, if at all. Moreover, our customers generally have the right to cancel their agreements with us for any or no reason by providing 30 days' prior written notice. In the past, some of our customers have elected not to continue to use our applications. Any failure to maintain a high-quality user experience and customer support, or a market perception that we do not maintain high-quality support, could adversely affect customer retention, our reputation, our ability to sell our applications to existing and prospective customers, and, as a result, our business, operating results, or financial condition.

Further, our solutions are inherently complex and may in the future contain or develop undetected defects or errors. Any defects in our applications could adversely affect our reputation, impair our ability to sell our applications in the future, and result in significant costs to us. The costs incurred in correcting any application defects may be substantial and could adversely affect our business, operating results, or financial condition. Any defects in functionality or defects that cause interruptions in the availability of our applications could result in:

- Loss or delayed market acceptance and sales of our applications.
- Termination of service agreements or loss of customers.

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- Credits, refunds, or other liability to customers, including reimbursements for any fees or penalties assessed by regulatory agencies.
- Breach of contract, breach of warranty, or indemnification claims against us, which may result in litigation.
- Diversion of development and service resources.
- Increased scrutiny of our solutions from regulatory agencies.
- Injury to our reputation.

Because of the large amount of data that we collect and manage, it is possible that hardware failures or errors in our applications could result in data loss, data corruption, or cause the information that we collect to be incomplete or contain inaccuracies that our customers regard as significant. Our customers might assert claims against us in the future alleging that they suffered damages due to a defect, error, or other failure of our solutions. Our errors and omissions insurance may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our policy may not cover all claims made against us, and defending a suit, regardless of its merit, could be costly and divert management's attention. Any failures in the performance of our solutions could harm our reputation and our ability to retain existing customers and attract new customers, which would have an adverse impact on our business, operating results, or financial condition. See “—Risks Relating to Our Business, Products and Operations—Our software might not operate properly, which could damage our reputation, give rise to claims against us, or divert application of our resources from other purposes, any of which could harm our business and operating results.”

If we do not continue to innovate and deliver high-quality, technologically advanced products and services, we will not remain competitive, and our revenue and operating results could suffer.

The market for our solutions is characterized by rapid technological advancements, changes in customer requirements, frequent new product introductions and enhancements, and changing industry standards. The life cycles of our products are difficult to estimate. Rapid technological changes and the introduction of new products and enhancements by new or existing competitors could undermine our current market position.

Our success depends in substantial part on our continuing ability to provide products and services that SMBs will find superior to our competitors' offerings and will continue to use. Our future success will depend upon our ability to anticipate and to adapt to changes in technology and industry standards, and to effectively develop, to introduce, to market, and to gain broad acceptance of new product and service enhancements incorporating the latest technological advancements. In addition, because our solutions are designed to operate on a variety of systems, we will need to continuously modify and enhance our solutions to keep pace with changes in internet-related hardware, iOS, and other software, and communication, browser, and database technologies. We intend to continue to invest significant resources in research and development to enhance our existing products and services and introduce new high-quality products that customers will want. If we are unable to predict user preferences or industry changes, or if we are unable to modify our products and services on a timely basis or to effectively bring new products to market, our sales may suffer. In addition, investment in product development often involves a long return on investment cycle. We have made and expect to continue to make significant investments in product development. We may expend significant time and resources developing and pursuing sales of a particular enhancement or application that may not result in revenues in the anticipated time frame or at all, or may not result in revenue growth sufficient to offset increased expenses. Furthermore, uncertainties about the timing and nature of new functionality, or new functionality to existing platforms or technologies, could increase our research and development expenses. Any failure of our applications to operate effectively with future network platforms and technologies could reduce the demand for our applications, result in customer dissatisfaction, and have a material adverse effect on our business, financial condition, and results of operations.

In addition, we may experience difficulties with software development, industry standards, design, or marketing that could delay or prevent our development, introduction or implementation of new solutions and enhancements. The introduction of new solutions by competitors, the emergence of new industry standards, or the development of entirely new technologies to replace existing offerings could render our existing or future solutions obsolete.

We may not have sufficient resources to make the necessary investments in software development and we may experience difficulties that could delay or prevent the successful development, introduction, or marketing of new products or enhancements. In addition, our products or enhancements may not meet the increasingly complex customer requirements of the marketplace or achieve market acceptance at the rate we expect, or at all. Any failure by us to anticipate or respond adequately to technological advancements, customer requirements, and changing industry standards, or any significant delays in the development, introduction, or availability of new products or enhancements, could undermine our current market position.

Our business depends in part on the success of our relationships with third parties.

We rely on third-party couriers, financial and accounting processing systems, and various financial institutions, to deliver payroll checks and tax forms, perform financial services in connection with our applications, such as providing automated clearing house (“ACH”) and wire transfers as part of our payroll and tax payment services, and to provide technology and content support, manufacture time clocks, and process background checks. We anticipate that we will continue to depend on various third-party relationships to grow our business, provide technology and content support, manufacture time clocks, process background checks, and deliver payroll checks and tax forms. Identifying, negotiating, and documenting relationships with these third parties and integrating third-party content and technology requires considerable time and resources. Our agreements with third parties typically are non-exclusive and do not prohibit them from working with our competitors. In addition, these third parties may not perform as expected under our agreements, and we may have disagreements or disputes with such third parties, which could negatively affect our brand and reputation. A global economic slowdown could also adversely affect the businesses of our third-party providers, hindering their ability to provide the services on which we rely. Further, a disruption of the Federal Reserve Bank’s services, including ACH processing, could negatively affect our payroll and expense reimbursement services by delaying direct deposits and other financial transactions across the United States. If we are unsuccessful in establishing or maintaining our relationships with these third parties, our ability to compete in the marketplace or to grow our revenues could be impaired, and our business, operating results, or financial condition could be adversely affected. Even if we are successful, these relationships may not result in improved operating results.

Our software might not operate properly, which could damage our reputation, give rise to claims against us, or divert application of our resources from other purposes, any of which could harm our business and operating results.

Our payroll and HCM software is complex and may contain or develop undetected defects or errors, particularly when first introduced or as new versions and updates are released. Despite extensive testing, from time to time we have discovered defects or errors in our products. In addition, because changes in employer and legal requirements are frequent, we discover defects and errors in our software and service processes in the normal course of business compared against these requirements and practices. Material performance problems or defects in our products and services might arise in the future, which could have an adverse impact on our business and customer relationship and subject us to claims.

Defects and errors and any failure by us to identify and address them could result in delays in product introductions and updates, loss of revenue or market share, liability to customers or others, failure to achieve market acceptance or expansion, diversion of development and other resources, injury to our reputation, and increased service and maintenance costs. Defects or errors in our product or service processes might discourage existing or potential customers from purchasing from us. Correction of defects or errors could prove to be

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impossible or impracticable. The costs incurred in correcting any defects or errors or in responding to resulting claims or liability might be substantial and could adversely affect our operating results.

Because of the large amount of data that we collect and manage, it is possible that errors in our systems could result in data loss or corruption, or cause the information that we collect to be incomplete or contain inaccuracies that our customers, their employees and taxing and other regulatory authorities regard as significant. The costs incurred in correcting any errors or in responding to regulatory authorities or to resulting claims or liability might be substantial and could adversely affect our operating results.

We may continue to acquire other companies' businesses, technologies, or customer portfolios, which could divert our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations and adversely affect our operating results.

We have acquired and may in the future seek to acquire or invest in other businesses, technologies, or customer portfolios. The pursuit of potential acquisitions or investments may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated.

Successful integration involves many challenges, and we may have difficulty integrating acquired personnel, operations, and technologies of acquired companies, or effectively managing the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including:

- Inability to integrate or benefit from acquired technologies or services in a profitable manner.
- Unanticipated costs or liabilities associated with the acquisition.
- Incurrence of acquisition-related costs.
- Difficulty integrating the accounting systems, operations, and personnel of the acquired business.
- Difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business.
- Difficulty converting the customers of the acquired business onto our platform and contract terms, including disparities in the revenues, licensing, support, or professional services model of the acquired company.
- Diversion of management's attention from other business concerns.
- Adverse effects to our existing business relationships with business partners and customers because of the acquisition.
- The potential loss of key employees.
- Difficulty obtaining acquisition financing on attractive terms, or at all.
- Use of resources that are needed in other parts of our business.
- Use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of acquisitions may be allocated to acquired goodwill and other intangible assets on our balance sheet, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could increase our interest expense and adversely affect our operating results on a total or per-share basis. In addition, if an acquired business fails to meet our expectations, our operating results, business, and financial position may suffer.

We are dependent on the continued service of our key executives and, if we fail to retain such key executives, our business could be adversely affected.

We believe that our success depends in part on the continued services of our senior management team, including Raul Villar Jr., our Chief Executive Officer, Adam Ante, our Chief Financial Officer, Chuck Mueller, our Chief Revenue Officer, and other executive officers. Our business could be adversely affected if we fail to retain these key executives. Except with Mr. Villar Jr., Mr. Ante and Mr. Mueller, we do not have employment agreements with our executive officers or other key personnel that require them to continue to work for us for any specified period, and, therefore, they could terminate their employment with us at any time. Although the employment arrangements of certain of our key executives contain non-competition restrictions, our business could nonetheless be adversely affected if a key executive leaves Paycor and attempts to compete with us. In addition, we have not purchased key person life insurance on any members of our executive team.

If we are unable to attract and retain qualified personnel, including software developers and skilled IT, sales, marketing, and operational personnel, our ability to develop and market new and existing products, as well as acquire and retain customers, and, in turn, increase our revenue and profitability could be adversely affected.

Our future success is dependent on our ability to continue to enhance and introduce new applications. As a result, we are heavily dependent on our ability to attract and retain qualified software developers and IT personnel with the requisite education, background, and industry experience. In addition, to continue to execute our growth strategy, we must also attract and retain qualified sales, marketing, and operational personnel capable of supporting a larger and more diverse customer base. The software industry is characterized by a high level of employee mobility and aggressive recruiting among competitors. This competition for qualified personnel may be amplified by new immigration laws or policies that could limit software companies' ability to recruit internationally. Although such changes in immigration laws or policies would not have a significant direct impact on our workforce, the ensuing increase in demand for software developers and IT personnel could impair our ability to attract or retain skilled employees and/or significantly increase our costs to do so. Furthermore, identifying and recruiting qualified personnel and training them in the use of our applications requires considerable time, expense, and attention, and it can take a substantial amount of time before our employees are fully trained and productive. Additionally, to the extent we hire employees that are subject to non-competition agreements with prior employers, they and we may be subject to litigation to enforce such agreements, which may divert their and our attention and resources and ultimately result in their inability to remain employed by us. Certain of our employees have been or are a party to litigation of non-competition agreements, which we have agreed to defend. The loss of the services of a significant number of employees could be disruptive to our development efforts, which may adversely affect our business by causing us to lose customers, increase operating expenses, or divert management's attention to recruit replacements for the departed employees.

We may pay employees and taxing authorities amounts due for a payroll period before a customer's electronic funds transfers are finally settled to our account. If customer payments are rejected by banking institutions or otherwise fail to clear into our accounts, we may require additional sources of short-term liquidity or incur a loss and our operating results could be adversely affected.

Our payroll processing application moves significant funds from the account of a customer to employees and relevant taxing authorities. For larger funding amounts, we typically require customers to transfer the funds to us via fed wire, but we sometimes process payroll prior to confirmation of receipt of such funds. For smaller funding amounts, we debit a customer's account prior to any disbursement on its behalf, and due to ACH banking regulations, funds previously credited could be reversed under certain circumstances and time frames after our payment of amounts due to employees and taxing and other regulatory authorities. There is therefore a risk that the customer's funds will be insufficient to cover the amounts we have already paid on its behalf. While such shortage and accompanying financial exposure has only occurred in very limited circumstances in the past, should customers default on their payment obligations in the future, we might be required to advance substantial funds to cover such obligations. Additionally, if our customers enter into bankruptcy or liquidation proceedings

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following such a default, we may be treated as an unsecured creditor and incur related expenses or fail to obtain the full amount of such obligation, resulting in a loss. For example, we have in the past had customers enter into Chapter 11 bankruptcy proceedings following a failure to fund payroll that we advanced. In such an event, we may incur a negative impact to our cash position and be required to seek additional sources of short-term liquidity, which may not be available on reasonable terms, if at all, and our operating results and our liquidity could be adversely affected, and our banking relationships could be harmed.

Our financial results may continue to fluctuate due to many factors, some of which may be beyond our control.

Our results of operations, including our revenues, costs of revenues, administrative expenses, operating income, cash flow, and deferred revenue, may vary significantly in the future, and the results of any one period should not be relied upon as an indication of future performance. Fluctuations in our financial results may negatively impact the value of our common stock. Our financial results may fluctuate because of a variety of factors, many of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. Factors that may cause our financial results to fluctuate from period to period include, without limitation:

- Our ability to attract new customers or sell additional applications to our existing customers.
- The number of new customers and their employees, as compared to the number of existing customers and their employees in a particular period.
- The mix of customers between small and mid-sized organizations.
- The extent to which we retain existing customers and the expansion or contraction of our relationships with them.
- The mix of applications sold during a period.
- Changes in our pricing policies or those of our competitors.
- Seasonal factors affecting payroll processing, demand for our applications, or potential customers' purchasing decisions.
- The amount and timing of operating expenses, including those related to the maintenance and expansion of our business, operations, and infrastructure.
- The timing and success of new applications introduced by us and the timing of expenses related to the development of new applications and technologies.
- The timing and success of current and new competitive products and services offered by our competitors.
- Economic conditions affecting our customers, including their ability to outsource HCM solutions and hire employees.
- Business disruptions caused by pandemics such as the COVID-19 pandemic.
- Changes in laws, regulations, or policies affecting our customers' legal obligations and, as a result, demand for certain applications.
- Changes in the competitive dynamics of our industry, including consolidation among competitors or customers.
- Our ability to manage our existing business and future growth, including expenses related to our data centers, and the expansion of such data centers and the addition of new offices.
- The effects and expenses of acquisition of third-party technologies or businesses and any potential future charges for impairment of goodwill resulting from those acquisitions.

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- Inclement weather or natural disasters, including but not limited to tornadoes, hurricanes, fires, earthquakes, and floods.
- Network outages or security breaches.
- General economic, industry, and market conditions.
- The other factors described in this “Risk Factors” section.

Our number of new customers typically increases more during our third fiscal quarter ending March 31 than during the rest of our fiscal year, primarily because many new customers prefer to start using our payroll or HCM solutions at the beginning of a calendar year. In addition, client funds and year-end activities are traditionally higher during our third fiscal quarter.

We have a history of losses and may not achieve or maintain profitability in the future.

We incurred losses from operations of \$57.0 million and \$64.8 million for the nine months ended March 31, 2021 and 2020, respectively. Additionally, we incurred losses from operations of \$94.7 million, \$88.7 million and \$16.6 million in the fiscal year ended June 30, 2020, Successor 2019 Period, and Predecessor 2019 Period, respectively. We must generate and sustain higher revenue levels in future periods to become profitable, and, even if we do, we may not be able to maintain or increase our profitability. We expect to continue to incur losses for the foreseeable future as we expend substantial financial and other resources on, among other things:

- Sales and marketing, including expanding our direct sales team.
- Investments in the development of new products and new features for, and enhancement of, our existing products.
- Expansion of our operations and infrastructure organically and through acquisitions and strategic partnerships, both domestically and internationally.
- General administration, including legal, risk management, accounting, and other expenses related to being a public company.

These expenditures may not result in additional revenue or the growth of our business. Accordingly, we may not be able to generate sufficient revenue to offset our expected cost increases and achieve and sustain profitability. If we fail to achieve and sustain profitability, the market price of our common stock could decline.

If our goodwill or other intangible assets become impaired, we may be required to record a significant charge to earnings.

We are required to test goodwill for impairment at least annually or earlier if events or changes in circumstances indicate the carrying value may not be recoverable. As of March 31, 2021, we had recorded a total of \$750.4 million of goodwill and \$387.4 million of other intangible assets. An adverse change in domestic or global market conditions, particularly if such change has the effect of changing one of our critical assumptions or estimates made in connection with the impairment testing of goodwill or intangible assets, could result in a change to the estimation of fair value that could result in an impairment charge to our goodwill or other intangible assets. Any such material charges may have a negative impact on our operating results or financial condition.

Corporate investments and client funds that we hold are subject to market, interest rate, credit, and liquidity risks. The loss of these funds could have an adverse impact on our business.

We invest portions of excess cash and cash equivalents and funds held for customers in liquid, investment-grade marketable securities such as corporate bonds, commercial paper, asset-backed securities, U.S. treasury securities, money market securities, and other cash equivalents. We follow an established investment policy and

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set of guidelines to monitor and help mitigate our exposure to liquidity and credit risks. Nevertheless, our corporate investments and client fund assets are subject to general market, interest rate, credit, and liquidity risks. These risks may be exacerbated, individually or in unison, during periods of unusual financial market volatility as has been, and may continue to be, experienced because of the COVID-19 pandemic. Any loss of or inability to access our corporate investments or client funds could have adverse impacts on our business, results of operations, financial condition, and liquidity.

Our estimates of certain operational metrics, as well as of total addressable market and market growth, are subject to inherent challenges in measurement.

We make certain estimates with regard to certain operational metrics which we track using internal systems that are not independently verified by any third party. While the metrics presented in this prospectus are based on what we believe to be reasonable assumptions and estimates, our internal systems have a number of limitations, and our methodologies for tracking these metrics may change over time.

Additionally, total addressable market and growth estimates are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. Our estimates relating to size and expected growth of our market may prove to be inaccurate. Even if the market in which we compete meets our size and growth estimates, our business could fail to grow at similar rates. If investors do not perceive our estimates of total addressable market and market growth or our operational metrics to be accurate, or if we discover material inaccuracies with respect to these figures, our reputation may be significantly harmed, and our results of operations and financial condition could be adversely affected.

In the event of a catastrophe, our business continuity plan may fail, which could result in the loss of customer data and adversely interrupt operations.

Our operations are dependent on our ability to protect our infrastructure against damage from catastrophe or natural disaster, severe weather, including events resulting from climate change, unauthorized security breach, power loss, telecommunications failure, terrorist attack, public health emergency, or other events that could have a significant disruptive effect on our operations. We have customer service and sales Associates based in or near Jacksonville, Florida, an area that has experienced hurricanes and that faces a threat from hurricanes. We have a business continuity plan in place in the event of system failure due to any of these events. Our business continuity plan has been tested in the past by circumstances of severe weather, including hurricanes, floods, and snowstorms, and has been successful. However, these past successes are not an indicator of success in the future. If the business continuity plan is unsuccessful in a disaster recovery scenario, we could potentially lose customer data or experience material adverse interruptions to our operations, or delivery of services to our customers.

Risks Relating to Information Technology Systems and Intellectual Property

If our security measures are breached, or unauthorized access to our customers' or their employees' personal data is otherwise obtained, we may be subject to lawsuits, fines, or other regulatory action, causing us to incur significant costs related to remediation, our solutions may not be perceived as being secure, customers may reduce the use of or stop using our solutions, our ability to attract new customers may be harmed, and we may incur significant liabilities.

Our solutions involve the collection, processing, storage, use, disclosure, and transmission of customers' and their employees' confidential and proprietary information, including personal data, as well as financial and payroll data. We rely on the efficient and uninterrupted operation of complex information technology systems and networks to operate our business. Attempts by others to gain unauthorized access to information technology systems and the data contained therein are becoming increasingly sophisticated and difficult to prevent. In particular, HCM software such as ours may be specifically targeted in cyber-attacks, including by way of

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computer viruses, worms, phishing attacks, ransomware, malicious software programs, and other data security threats, which could result in the unauthorized release, access, gathering, monitoring, encryption, misuse, loss, or destruction of our customers' sensitive and/or confidential data (including personal data), or otherwise disrupt our customers' or other third parties' business operations. If cybercriminals can circumvent our security measures, or if we are unable to detect an intrusion into or misuse of our systems and contain such intrusion or misuse in a reasonable amount of time, our information and our customers' personal data, including confidential and personal data, may be compromised. We seek to detect and investigate all security incidents and to prevent their recurrence, but, in some cases, we might be unaware of an incident or its magnitude and effects. There can be no assurance that our information technology ("IT") security and recovery system will be sufficient to prevent or limit the damage from any future cyber-attack or disruptions or to allow us to reinstate any operations that were affected by such attack or disruption. Additionally, customers or other third parties may seek monetary damages from us in connection with any such breaches or other incidents.

Certain of our employees have access to personal data about our customers' employees. While we conduct background checks of our employees and limit access to systems and data, it is possible that one or more of these individuals may circumvent these controls, resulting in a security breach. Outside parties have in the past, and may also attempt in the future to fraudulently induce our employees to disclose personal data via illegal electronic spamming, phishing, or other tactics. In addition, some of our third-party service providers and other vendors have access to certain portions of our IT system. Any failures or negligence on the part of these service providers may cause material disruptions in our business.

Although we have security measures in place to protect regulated and personal data, including personal data, and prevent data loss and other security breaches, these measures could be breached because of third-party action, employee error, third-party or employee malfeasance, or otherwise. Because the techniques used to obtain unauthorized access or to sabotage systems change frequently, we may not be able to anticipate these techniques and implement adequate preventative or protective measures. While we currently maintain a cyber liability insurance policy, our cyber liability insurance coverage may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our cyber liability insurance policy may not cover all claims made against us, and defending a suit, regardless of its merit, could be costly and divert management's attention from our business and operations.

We have experienced data security incidents in the past, and expect to experience additional incidents in the future, however, to date no such incidents have been material. Any actual or perceived data security breach or incident could require notifications to data subjects, data owners, and/or other third parties (including regulators) under applicable data breach notification laws, damage our reputation, cause existing customers to discontinue the use of our solutions, prevent us from attracting new customers, or subject us to third-party lawsuits, regulatory fines, or other actions or liabilities, any of which could adversely affect our business, operating results or financial condition.

If our systems, or the systems at our third-party service providers, were breached or attacked, the proprietary and confidential information of our company and our customers as well as personal data could be disclosed, and we may be required to incur substantial costs and liabilities, including the following:

- Expenses to rectify the consequences of the security breach or cyber-attack.
- Claims by customers or their employees related to stolen information, including personal data.
- Costs of repairing damage to our systems.
- Lost revenue and income resulting from any system downtime caused by such breach or attack.
- Loss of competitive advantage if our proprietary information is obtained by competitors as a result of such breach or attack.
- Increased costs of cyber security insurance or other security risk mitigation tools.
- Damage to our reputation.

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As a result, any compromise of security of our systems or cyber-attack could have a material adverse effect on our business, reputation, financial condition, and operating results.

Any damage, failure, or disruption of our SaaS delivery model, data centers, or our third-party providers' services, could impair our ability to effectively provide our solutions, harm our reputation, and adversely affect our business.

Our SaaS delivery model is a critical part of our business operations. Our customers access our solutions through our cloud-based platform and depend on us for fast and reliable access to our solutions. We serve clients from two data centers located in Lebanon, Ohio and Lombard, Illinois. We also have agreements with Microsoft Azure and Amazon Web Services for externally hosted cloud computing services. Our SaaS delivery model and data centers, as well as externally hosted cloud services, are vulnerable to damage, failure, and disruption.

Furthermore, our payroll module is essential to our customers' timely payment of wages to their employees. Any interruption in our service may affect the availability, accuracy, or timeliness of these programs and could damage our reputation, cause our customers to terminate their relationship with us, or prevent us from gaining additional business from current or future customers.

In the future, we may experience issues with our cloud-based infrastructure or data centers caused by the following factors:

- Human error.
- Telecommunications failures or outages from third-party providers.
- Computer viruses, cyber-attacks or other security breaches.
- Acts of terrorism, sabotage, intentional acts of vandalism, or other misconduct.
- Tornadoes, fires, earthquakes, hurricanes, floods, and other natural disasters.
- Power loss.
- Other unforeseen interruptions or damages.

If our SaaS delivery model or our customers' ability to access our platform is interrupted, customer and employee data may be permanently lost, and we could be exposed to significant claims by customers, particularly if the access interruption is associated with problems in the timely delivery of funds payable to employees. Further, any adverse changes in service levels at our data centers resulting from damage to or failure of such centers could result in disruptions in our services. We also may decide to employ additional offsite data centers in the future to accommodate growth. Problems faced by our data center locations (such as a hardware or other supply chain disruption resulting from the COVID-19 pandemic), with the telecommunications network providers with whom we contract, or with the systems by which our telecommunications providers allocate capacity among their customers, including us, could adversely affect the availability and processing of our solutions and related services and the experience of our customers. If our data centers are unable to keep up with our growing needs for capacity, this could have an adverse effect on our business and cause us to incur additional expense. Further, any significant instances of system downtime or performance problems at our data centers could negatively affect our reputation and ability to attract new customers, prevent us from gaining new or additional business from our current customers, or cause our current customers to terminate their use of our solutions, any of which would adversely impact our revenues. In addition, if our cloud-based infrastructure and data centers fail to support increased capacity due to growth in our business, our customers may experience interruptions in the availability of our solutions. Such interruptions may reduce our revenues, cause us to issue refunds to customers, or adversely affect our retention of existing customers, any of which could have a negative impact on our business, operating results, or financial condition.

In addition, our third-party providers have experienced, and may in the future experience, interruptions and delays in their services. For example, Microsoft Office 365 has had outages that impacted us. The Microsoft

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Office 365 issues created unavailability of their applications for a period of time that reduced our employees' productivity and effectiveness. Despite precaution our third-party providers may take, delays or outages in third-party provider services could also harm our business.

If we fail to adequately protect our proprietary rights, our competitive advantage could be impaired, and we may lose valuable assets, generate reduced revenues, or incur costly litigation to protect our rights.

Our success is dependent in part upon our intellectual property. We rely on a combination of copyrights, trademarks, service marks, trade secret, and other intellectual property laws and contractual provisions to establish and to protect our intellectual property and other proprietary rights. However, the steps we take to protect our intellectual property and other proprietary rights may be inadequate. We will not be able to protect our intellectual property and other proprietary rights if we are unable to enforce our rights, or if we do not detect unauthorized use of our intellectual property. Despite our precautions, it may be possible for unauthorized third parties to copy our applications and use information that we regard as proprietary to create products or services that compete with ours.

We may be required to spend significant resources to monitor and protect our intellectual property and other proprietary rights. Litigation may be necessary in the future to defend, protect, and enforce our intellectual property rights and to protect our trade secrets. Such litigation could be costly, time-consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. We may not be able to secure, protect and enforce our intellectual property rights or control access to, or the distribution of, our solutions and proprietary information, which could adversely affect our business. A failure to protect our intellectual property or other proprietary rights could adversely affect our business, financial condition, and results of operations.

The use of open source software in our applications may expose us to additional risks and harm our intellectual property rights.

We have in the past and may in the future continue to incorporate certain "open source" software into our codebase and our solutions. Open source software is generally licensed by its authors or other third parties under open source licenses, which typically do not provide for any representations, warranties, or indemnity coverage by the licensor. Some of these licenses provide that combinations of open source software with a licensee's proprietary software is subject to the open source license and require that the combination be made available to third parties in source code form or at no cost. Some open source licenses may also require the licensee to grant licenses under certain of its intellectual property to third parties. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate such software into their products or applications. The terms of various open source licenses have not been interpreted by courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our use of open source software. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition, or require us to devote additional development resources to change our applications. In addition, if we were to combine our applications with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our applications. If we inappropriately use open source software, we may be required to redesign our applications, discontinue the sale of our solutions, or take other remedial actions, which could adversely impact our business, operating results, or financial condition.

We may be sued by third parties for alleged infringement of their proprietary rights.

There is patent and other intellectual property development activity in our industry. We cannot guarantee that the operation of our business does not infringe upon the intellectual property rights of others. Our

competitors, as well as other entities or individuals, may own or claim to own intellectual property relevant to our industry. In the future, others may claim that our solutions and underlying technology infringe or violate their intellectual property rights. However, we may be unaware of the intellectual property rights that others may claim cover some or all our products. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages, settlement costs or royalty payments, indemnify our customers or business partners or refund fees, obtain licenses, prevent us from offering or require us to modify our products, services, applications, or technology, or require that we comply with other unfavorable terms. Even if we were to prevail in such a dispute, any litigation or dispute regarding our intellectual property could be costly and time-consuming, and divert the attention of our management and key personnel from our business operations.

Risks Relating to Our Industry

If the market for cloud-based HCM and payroll software among SMBs develops more slowly than we expect or declines, our business could be adversely affected.

We believe that the market for cloud-based HCM and payroll software is not as mature among SMBs as the market for outsourced services or on-premise software and services. It is not certain that cloud-based solutions will achieve and sustain high levels of customer demand and market acceptance. Our success will depend to a substantial extent on the widespread adoption by SMBs of cloud-based computing in general, and of payroll and other HCM tools. It is difficult to predict customer adoption rates and demand for our solutions, the future growth rate and size of the cloud-based market or the entry of competitive solutions. The expansion of the cloud-based market depends on several factors, including the cost, performance, and perceived value associated with cloud-based computing, as well as the ability of cloud-based solutions to address security and privacy concerns. If other cloud-based providers experience security incidents, loss of customer data, disruptions in delivery or other problems, the market for cloud-based applications, including our solutions, may be negatively affected. If cloud-based HCM and payroll solutions do not achieve widespread adoption among SMBs, or there is a reduction in demand for cloud-based computing caused by a lack of customer acceptance, technological challenges, weakening economic conditions, public health issues such as the COVID-19 pandemic, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, it could result in a loss of customers, decreased revenues, and an adverse impact on our business.

The markets in which we operate are highly competitive, and if we do not compete effectively, our operating results could be adversely affected.

The market for HCM and payroll solutions is fragmented, highly competitive, and rapidly changing. Our competitors may develop products that are superior to our products or achieve greater market acceptance. We may be unable to compete successfully against current or future competitors. With the introduction of new technologies and market entrants, competition could intensify in the future.

We believe the principal competitive factors in our market include breadth and depth of product functionality, scalability and reliability of applications, modern and innovative cloud technology platforms combined with an intuitive user experience, multi-country and jurisdiction domain expertise in HCM and payroll, quality of implementation and customer service, integration with a wide variety of third-party applications and systems, total cost of ownership and ROI, brand awareness, reputation, pricing, and distribution. We face a variety of competitors, some of which are long-established providers of HCM solutions.

Several of our competitors are larger, have greater name recognition, longer operating histories, and significantly greater resources than we do. Many of these competitors can devote greater resources to the development, promotion, and sale of their products and services. Furthermore, our current or potential competitors may be acquired by third parties with greater available resources and the ability to initiate or withstand substantial price competition, which may include price concessions, delayed payment terms, or other

terms and conditions that are more enticing to potential customers. As a result, our competitors may be able to develop products and services better received by our markets, or may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, regulations, or customer requirements.

In order to capitalize on customer demand for cloud applications, legacy vendors are modernizing and expanding their applications through cloud acquisitions and organic development. Legacy vendors may also seek to partner with other leading cloud HCM providers. We also face competition from vendors selling custom software and point solutions. Our competitors vary for each of our solutions and primarily include payroll and HR service and software providers, such as Automatic Data Processing, Inc., Paychex, Inc., Paycom Software, Inc., Paylocity Holding Corp., Ultimate Software Group, Inc. and other local and regional providers. In addition, other companies, such as NetSuite, Inc. and Microsoft Corporation, that provide cloud applications in different target markets, may develop applications or acquire companies that operate in our target markets, and some potential customers may elect to develop their own internal applications. Our competitors could offer HCM solutions on a standalone basis or bundled as part of a larger product sale.

In addition, current and potential competitors have established, and might in the future establish, partner, or form other cooperative relationships with vendors of complementary products, technologies, or services to enable them to offer new products and services, to compete more effectively or to increase the availability of their products in the marketplace. New competitors or relationships might emerge that have greater market share, a larger customer base, more widely adopted proprietary technologies, greater marketing expertise, greater financial resources, and larger sales forces than we have, which could put us at a competitive disadvantage. Considering these advantages, current or potential customers might accept competitive offerings in lieu of purchasing our offerings. We expect intense competition to continue for these reasons, and such competition could negatively impact our sales, profitability, or market share.

If our competitors' products, services, or technologies become more accepted than our applications, if they are successful in bringing their products or services to market earlier than ours, or if their products or services are more technologically capable than ours, it could have a material adverse effect on our business, financial condition, and results of operations. In addition, some of our competitors may offer their products and services at a lower price. If we are unable to achieve our target pricing levels or if we experience significant pricing pressures, it could have a material adverse effect on our business, financial condition, and results of operations.

Adverse economic and market conditions could affect our business, operating results or financial condition.

Our business depends on the overall demand for HCM solutions and on the economic health of our current and prospective customers. Trade, monetary and fiscal policies, and political and economic conditions may substantially change, and credit markets may experience periods of constriction and volatility. If economic conditions in the United States or in global markets deteriorate, customers may cease their operations, eliminate or reduce unscheduled payroll runs (such as bonuses), reduce headcount, delay or reduce their spending on HCM and other outsourcing services, or attempt to renegotiate their contracts with us. An economic decline could result in reductions in sales of our solutions, decreased revenue from unscheduled payroll runs and fees charged on a per-employee basis, longer sales cycles, slower adoption of new technologies, reduced levels of employee headcount at our customers, which impacts our revenue levels and increased price competition, any of which could adversely affect our business, operating results, or financial condition. For example, in 2020 our customers experienced reductions in headcount that were in line with the overall U.S. labor markets. In last quarter of fiscal year 2020, we experienced a decline in new client sales, and some customers delayed implementation of new services. In addition, HCM spending levels may not increase following any recovery.

In recent years, there have been several instances when there has been uncertainty regarding the ability of Congress and the President collectively to reach agreement on federal budgetary and spending matters. A period of failure to reach agreement on these matters, particularly if accompanied by an actual or threatened government shutdown, may have an adverse impact on the U.S. economy. In addition, there has been pressure to reduce

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government spending in the United States, and any tax increases and spending cuts at the U.S. federal level might reduce demand for our applications from organizations that receive funding from the U.S. government and could negatively affect the U.S. economy, which could further reduce demand for our applications. Additionally, because certain of our customers rely on government resources to fund their operations, a prolonged government shutdown may affect such customers' ability to make timely payments to us, which could adversely affect our operations results or financial condition.

Further, as part of our payroll and tax filing application, we collect and then remit client funds to taxing authorities and accounts designated by our customers. During the interval between receipt and disbursement, we may invest such funds in money market funds, demand deposit accounts, certificates of deposit and commercial paper. These investments are subject to general market, interest rate, credit and liquidity risks, and such risks may be exacerbated during periods of unusual financial market volatility. Any loss of or inability to access such funds could have an adverse impact on our cash position and results of operations and could require us to obtain additional sources of liquidity, which may not be available on terms that are acceptable to us, if at all.

The novel coronavirus pandemic could continue to adversely impact, our business, results of operations, cash flows, financial condition, and liquidity.

The global spread of the novel coronavirus pandemic (the "COVID-19 pandemic") has created significant volatility, uncertainty, and economic disruption. Individually and collectively, the consequences of the COVID-19 pandemic have adversely impacted, and could continue to adversely impact our business, results of operations, cash flows, financial condition and liquidity. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—COVID-19 Impact." In the United States and globally, governmental authorities instituted certain preventative measures, including border closures, travel restrictions, operational restrictions on certain businesses, shelter-in-place orders, quarantines, and recommendations to practice social distancing. These restrictions disrupted and may continue to disrupt economic activity, resulting in reduced commercial and consumer confidence and spending, increased unemployment, closure or restricted operating conditions for businesses, volatility in the global capital markets, instability in the credit and financial markets, labor shortages, regulatory recommendations to provide relief for impacted consumers, disruption in supply chains, and restrictions on many hospitality and travel industry operations. The extent to which the COVID-19 pandemic impacts our business, results of operations, cash flows, financial condition and liquidity will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to:

- The severity, duration, and scope of the pandemic.
- Governmental, business, and individual actions taken in response to the pandemic and the impact of those actions on global economic activity.
- The impact of business disruptions and reductions in headcount on our customers and the resulting impact on their demand for our services and solutions.
- The administration of vaccines for COVID-19 or other effective treatments for COVID-19, the pace of which remains uncertain, and the efficacy of vaccines against new variants or mutations.
- The increase in business failures among businesses that we serve.
- Our customers' ability to pay for our services and solutions.
- Our ability to provide our services and solutions, including because of our employees or our customers' employees working remotely and/or closures of offices and facilities.

Across many industries, temporary and permanent business closures as well as business occupancy limitations have resulted in significant layoffs and employee furloughs since late March 2020. Because we charge our customers on a per-employee-per-month basis for certain services we provide, decreases in headcount

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at our customers negatively impact our results of operations. Further, at the end of fiscal year 2020, following the onset of the COVID-19 pandemic, we experienced a decline in new client sales, and some customers temporarily delayed implementation of new services. As the COVID-19 pandemic continues to create uncertainty and the potential for ongoing business disruptions, we may experience similar customer-driven delays in service implementation in the future. Our customers may decrease their workforce, which would decrease their demand for our services. Because of spending constraints on our customers and competition in the industry, we may face pricing pressure on our services and face challenges in onboarding new customers, which would reduce revenue and ultimately impact our results of operations.

In order to spur economic activity and counteract the adverse effects of the COVID-19 pandemic, the Federal Open Market Committee lowered its target for the federal funds rate in March 2020. In addition, a provision in the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) allows employers to delay the payment of the employer’s share of Social Security taxes to a future date. To the extent our customers make such election, we will collect less money from them to hold and then remit to the appropriate federal or state taxing authorities, which adversely affects our average funds held for customers balance and, consequently, interest earned on funds held for customers. Significantly lower average interest rates in 2020, had a negative effect on interest earned on funds held for customers and, consequently, total revenue growth. We expect that the foregoing adverse economic factors will continue to have a negative impact on recurring revenues in future periods for so long as such conditions persist. Further, the impact of the pandemic on our recurring revenues combined with our deliberate, increased level of investment to drive the growth of our business may negatively affect net income.

Beginning in February 2020, we took various actions to minimize the risk of COVID-19 to our employees, our customers, and the communities in which we operate. Our remote work arrangements may create operational challenges and may result in increased costs related to investments in technology. As of September 30, 2020, approximately 97% of our employees were working remotely. See “—Risks Relating to Information Technology Systems and Intellectual Property—If our security measures are breached, or unauthorized access to our customers’ or their employees’ personal data is otherwise obtained, we may be subject to lawsuits, fines, or other regulatory action, causing us to incur significant costs related to remediation, our solutions may not be perceived as being secure, customers may reduce the use of or stop using our solutions, our ability to attract new customers may be harmed, and we may incur significant liabilities.”

Furthermore, we have prohibited non-critical business-related travel until further notice and our salesforce is conducting most sales meetings virtually. If customers and customer prospects are not as willing or available to engage via video conference and teleconference, the shift from in-person to virtual sales meetings could negatively affect our sales efforts, impede customer acquisition, and lengthen our sales cycles, which would negatively impact our business and results of operations and could impact our financial condition in the future.

There has been and may continue to be a significant number of new laws and regulations promulgated by federal, state, local, and foreign governments following the outbreak of the COVID-19 pandemic. We have expended additional resources and incurred additional costs in responding to regulatory requirements relevant to us and our customers. These regulations may be unclear, difficult to interpret, or in conflict with other applicable regulations. The failure to comply with these new laws and regulations could result in financial penalties, legal proceedings, and reputational harm.

Even after the COVID-19 pandemic has subsided, depending upon its duration and frequency of recurrence, and the governmental policies in response thereto, we may continue to experience materially adverse impacts to our business because of its global economic impact, including any recession that may occur or be continuing as a result. We continue to monitor and evaluate the extent to which the COVID-19 pandemic has impacted us and our employees and customers, and the extent to which it and other emerging developments are expected to impact us in the future.

The extent to which the coronavirus pandemic impacts our business, operations, and financial results is uncertain and will depend on future developments, including the duration or recurrence, of the pandemic, the related length and severity of its impact on the U.S. and global economy, and the continued governmental, business and individual actions taken in response to the pandemic and economic disruption. Impacts related to the COVID-19 pandemic are expected to continue to pose risks to our business for the foreseeable future, heightened many of the risks and uncertainties identified above, and could have a materially adverse impact on our business, financial condition, and results of operations.

Risks Relating to Regulation and Litigation

Customers depend on our products and services to enable them to comply with applicable laws, which requires us and our third-party providers to constantly monitor applicable laws and to make applicable changes to our solutions; if our solutions have not been updated to enable the customer to comply with applicable laws or we fail to update our solutions on a timely basis, it could have a material adverse effect on our business, financial condition, and results of operations.

Customers rely on our solutions to enable them to comply with payroll, HR, and other applicable laws for which the solutions are intended for use. Changes in tax, benefits, and other laws and regulations could require us to make significant modifications to our products or to delay or to cease sales of certain products, which could result in reduced revenues or revenue growth, and incurring substantial expenses, and write-offs. There are thousands of jurisdictions in the United States and multiple laws in some or all such jurisdictions, which may be relevant to the solutions that we or our third-party providers provide to our customers. Therefore, we and our third-party providers must monitor all applicable laws and as such laws expand, evolve, or are amended in any way, and when new regulations or laws are implemented, we may be required to modify our solutions to enable our customers to comply, which requires an investment of our time and resources. Although we believe that our software delivery model provides us with flexibility to release updates in response to these changes, we cannot be certain that we will be able to make the necessary changes to our solutions and release updates on a timely basis, or at all. In addition, we are reliant on our third-party providers to modify the solutions that they provide to our customers as part of our solutions to comply with changes to such laws and regulations. The number of laws and regulations that we are required to monitor will increase as we expand the geographic region in which the solutions are offered or as we expand to focus on different industry verticals. When a law changes, we must then test our solutions to meet the requirements necessary to enable our customers to comply with the new law. If our solutions fail to enable a customer to comply with applicable laws, we could be subject to negative customer experiences, harm to our reputation, loss of customers, claims for any fines, penalties, or other damages suffered by our customer, and other financial harm. Additionally, the costs associated with such monitoring implementation of changes are significant. If our solutions do not enable our customers to comply with applicable laws and regulations, it could have a material adverse effect on our business, financial condition, and results of operations.

Additionally, if we fail to make any changes to our products as described herein, which are required because of such changes to, or enactment of, any applicable laws in a timely fashion, we could be responsible for fines and penalties implemented by governmental and regulatory bodies. If we fail to provide contracted services, such as processing W-2 tax forms or remitting taxes in accordance with deadlines set by law, our customers could incur fines, penalties, interest, or other damages, which our customers could claim we are responsible for paying. Our payment of fines, penalties, interest, or other damages because of our failure to provide compliance services prior to deadlines may have a material adverse effect on our business, financial condition, and results of operations.

Changes in laws, regulations, or requirements applicable to our software and services could impose increased costs on us, delay or prevent our introduction of new products and services, or impair the function or value of our existing products and services.

Our products and services may become subject to increasing regulatory requirements, and as these requirements proliferate, we may be required to change or adapt our products and services to comply. Changing

regulatory requirements might render our products and services obsolete or might block us from developing new products and services. This might in turn impose additional costs upon us to comply or to further develop our products and services. It might also make introduction of new products and services more costly or more time-consuming than we currently anticipate. It might even prevent introduction by us of new products or services or cause the continuation of our existing products or services to become more costly. For example, the adoption of new money transmitter or money services business statutes in jurisdictions or changes in regulators' interpretation of existing state and federal money transmitter or money services business statutes or regulations, could subject us to registration or licensing, or limit business activities, cause us to enter into relationships with one or more third parties for payment services until we are appropriately licensed. These occurrences could also require changes to the manner in which we conduct some aspects of our business or invest client funds, which could adversely impact interest income from investing client funds. We have in the past entered into relationships with a third party in a state due to the interpretation of such state's money transmitter license requirements. Should any state or federal regulators make a determination that we have operated as an unlicensed money services business or money transmitter, we could be subject to civil and criminal fines, penalties, costs, legal fees, reputational damage, or other negative consequences. In addition, if the ACA is repealed or modified in whole or in part, or if implementation of certain aspects of the ACA is delayed, such repeal, modification, or delay could adversely impact the revenue we currently generate from our ACA compliance solution as well as overall gross margins. Any of these regulatory implementations or changes could have an adverse effect on our business, operating results, or financial condition.

Privacy laws or other regulations may reduce the effectiveness of our applications.

Our products and services are subject to various complex laws and regulations on the federal, state, and local levels, including those governing data security and privacy, which have become significant issues globally. The regulatory framework for privacy issues is rapidly evolving and is likely to remain uncertain and inconsistently enforced for the foreseeable future. Many federal, state, and foreign governmental bodies and agencies have adopted or are considering adopting laws and regulations regarding the creation, collection, receipt, processing, handling, maintenance, storage, use, disclosure, and transmission of personal data and other sensitive information. In the United States, these include rules and regulations promulgated under the authority of the Federal Trade Commission, the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, the Family Medical Leave Act of 1993, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (the "ACA"), federal and state labor and employment laws, state data breach notification laws, and state privacy laws, such as the California Consumer Privacy Act (the "CCPA") and the Illinois Biometric Information Privacy Act (the "IBIPA").

The CCPA went into effect on January 1, 2020 and established a new privacy framework for covered businesses such as ours, which may require us to modify our data processing practices and policies. The CCPA imposes severe statutory damages and provides consumers with a private right of action for certain data breaches. Further, in November 2020, California voters passed the California Privacy Rights and Enforcement Act ("CPRA"), which expands the CCPA with additional data privacy compliance requirements that may impact our business, and establishes a regulatory agency dedicated to enforcing those requirements. It remains unclear how various provisions of the CCPA and CPRA will be interpreted and enforced.

The IBIPA regulates the collection, use, safeguarding, and storage of "biometric identifiers" or "biometric information" by companies such as ours. IBIPA includes a private right of action for persons who are aggrieved by violations of the IBIPA. Even in circumstances where we do not believe a regulation applies to our activities, we may still be the subject of lawsuits alleging a regulation does apply. We are currently a defendant in three lawsuits, two in Illinois state court, and one in federal court in the Southern District of Illinois, related to the IBIPA. Each alleges that Paycor violated IBIPA by failing to provide adequate notices and obtain consent from users of timekeeping devices that use handprint and/or fingerprint scanning for employee timekeeping. We do not believe IBIPA applies to the Company as alleged in the complaints and strenuously deny these claims. In the

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two state court cases, we made a motion to dismiss the action, which was denied by the court, which additionally has stayed party discovery. The federal court lawsuit was recently stayed by the court. While adverse results in these lawsuits may include awards of substantial monetary damages, we believe it is too early to determine the possibility of liability and have not accrued any potential or estimated liabilities relating to these matters.

Further, because some of our customers have establishments in the European Union (“EU”) or otherwise process the personal data of EU residents, the General Data Protection Regulation 2016/679 (“GDPR”) may apply to our processing of certain customer and employee information. The GDPR went into effect on May 25, 2018 and has resulted in and will continue to result in significantly greater compliance burdens and costs for companies like us. Any data security breach could require notifications to the data subject and/or owners under federal, U.S., U.S. state, and/or international data breach notification laws and regulations.

The effects of the CCPA, CPRA, IBIPA, GDPR and other U.S. state, U.S. federal, and international laws and regulations that are currently in effect or that may go into effect in the future, are significant and may require us to modify our data processing practices and policies and to incur substantial costs and potential liability in an effort to comply with such laws and regulations. Any actual or perceived failure to comply with these and other data protection and privacy laws and regulations could result in regulatory scrutiny and increased exposure to the risk of litigation or the imposition of consent orders, resolution agreements, requirements to take particular actions with respect to training, policies or other activities, and civil and criminal penalties, including fines, which could have an adverse effect on our results of operations or financial condition. Moreover, allegations of non-compliance, whether or not true, could be costly, time consuming, distracting to management, and cause reputational harm.

In addition to government regulation, privacy advocates, and industry groups may propose new and different self-regulatory standards. Because the interpretation and application of privacy and data protection laws are still uncertain, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the features of our solutions. Any failure to comply with government laws or regulations that apply to our applications, including privacy and data protection laws, could subject us to liability. In addition to the possibility of fines, lawsuits, and other claims, we could be required to fundamentally change our business activities and practices or modify our solutions, which could have an adverse effect on our business, operating results, or financial condition. Any actual or perceived inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations, standards, and policies, could result in additional cost and liability to us, damage our reputation, inhibit sales, and adversely affect our business, operating results, or financial condition.

Furthermore, privacy concerns may cause our customers’ employees to resist providing the personal data necessary to allow our customers and their employees to use our applications effectively. Even the perception of privacy concerns, whether or not valid, may inhibit market adoption of our applications in certain industries. All these legislative and regulatory initiatives may adversely affect our ability, or our customers to create, collect, receive, process, handle, maintain, store, transmit, use, or disclose demographic and personal data from their employees, which could reduce demand for our solutions.

Adverse tax laws or regulations could be enacted, or existing laws could be applied in a manner adverse to us or our customers, which could increase the costs of our solutions and applications and could adversely affect our business, operating results, or financial condition.

As a vendor of services, we are ordinarily held responsible by taxing authorities for collecting and paying any applicable sales or other similar taxes. Additionally, the application of federal, state, and local tax laws to services provided electronically like ours is evolving. New income, sales, use, or other tax laws, statutes, rules, regulations, or ordinances could be enacted at any time (possibly with retroactive effect), and could be applied solely or disproportionately to services and applications provided over the internet. These enactments could adversely affect our sales activity, due to the inherent cost increase the taxes would represent, and could adversely affect our business, operating results, or financial condition.

Each state has different rules and regulations governing sales and use taxes, and these rules and regulations are subject to varying interpretations that change over time. We review these rules and regulations periodically and, when we believe we are subject to sales and use taxes in a particular state, we may voluntarily engage state tax authorities in order to determine how to comply with that state's rules and regulations. We cannot ensure that we will not be subject to sales and use taxes or related penalties for past sales in States where we currently believe no such taxes are required.

In addition, existing tax laws, statutes, rules, regulations, or ordinances could be interpreted, changed, modified, or applied adversely to us (possibly with retroactive effect), which could require us or our customers to pay additional tax amounts, as well as require us or our customers to pay fines or penalties and substantial interest for past amounts. If we are unsuccessful in collecting such taxes from our customers, we could be held liable for such costs, thereby adversely affecting our business, operating results, or financial condition. Additionally, the imposition of such taxes on us would effectively increase the cost of our software and services we provide to customers and would likely have a negative impact on our ability to retain existing customers or to gain new customers in the jurisdictions in which such taxes are imposed.

We are involved in litigation from time to time arising from the operation of our business and, as such, we could incur substantial judgments, fines, legal fees or other costs.

We are sometimes the subject of complaints or litigation from customers, employees, or other third parties for various actions. For example, customers use our products in connection with the preparation and filing of tax returns and other regulatory reports. If any of our products contain errors that produce inaccurate results upon which users rely, or cause users to misfile or fail to file required information, we could be subject to liability claims from users. Our cloud and maintenance renewal agreements with our customers typically contain provisions intended to limit our exposure to such claims, but such provisions may not be effective in limiting our exposure. Contractual limitations we use may not be enforceable and may not provide us with adequate protection against product liability claims in certain jurisdictions. A successful claim for product or service liability brought against us could result in substantial cost to us and divert management's attention from our operations. We are also, from time to time, involved in litigation involving claims related to, among other things, breach of contract, tortious conduct, data security and privacy matters, intellectual property matters and employment and labor law matters. The damages sought against us in some of these litigation proceedings could be substantial. Although we maintain liability insurance for some litigation claims, if one or more of the claims were to greatly exceed our insurance coverage limits or if our insurance policies do not cover a claim, this could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Changes in laws and regulations related to the Internet or changes in the Internet infrastructure itself may diminish the demand for our solutions and could have a negative impact on our business.

The future success of our business depends upon the continued use of the Internet as a primary medium for commerce, communication, and business applications. Federal, state, or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the Internet as a commercial medium. Changes in these laws or regulations could require us to modify our solutions to comply with these changes. In addition, government agencies or private organizations may begin to impose taxes, fees, or other charges for accessing the Internet or commerce conducted via the Internet. These laws or charges could limit the growth of Internet-related commerce or communications resulting in reductions in the demand for Internet-based applications such as ours.

In addition, the use of the Internet as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of Internet activity, security, reliability, cost, ease of use, accessibility, and quality of service. The performance of the Internet and its acceptance as a business tool has been adversely affected by "viruses," "worms," and similar malicious programs, and the Internet has experienced a variety of outages and other delays because of damage to portions of its infrastructure. If the use of the Internet is adversely affected by these issues, demand for our products and services could suffer.

Furthermore, the availability or performance of our products and services could be adversely affected by several factors, including customers' inability to access the Internet, the failure of our network or software systems, security breaches, or variability in user traffic for our services. For example, our customers access our solutions through their Internet service providers. If a service provider fails to provide sufficient capacity to support our solutions or otherwise experiences service outages, such failure could interrupt our customers' access to our solutions, adversely affect their perception of our solutions' reliability, and reduce our revenues. In addition to potential liability, if we experience interruptions in the availability of our solutions, our reputation could be adversely affected, and we could lose customers.

Our business and reputation may be adversely impacted if we fail to comply with anti-corruption laws and regulations, economic and trade sanctions, anti-money laundering laws and regulations, and similar laws.

We are subject to the Foreign Corrupt Practices Act and other similar laws and regulations concerning bribery and corruption, which prohibit improper payments or offers of payments to government officials and politicians, and in some cases, to other persons, for the purpose of obtaining or retaining business. We are also required to comply with the economic sanctions and embargo programs administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury and similar governmental agencies and multi-national bodies worldwide, which prohibit or restrict transactions or dealings with specified countries, their governments and, in certain circumstances, their nationals, and with individuals and entities that are designated by these authorities. In addition, some of our businesses and entities are subject to anti-money laundering laws and regulations, including, for example, The Bank Secrecy Act of 1970, as amended. As we seek to expand our international operations, we may face additional risks in regards to compliance with foreign laws and regulations related to economic sanctions, anti-corruption, and anti-money-laundering. A violation of any applicable anti-corruption laws or regulations, sanctions or embargo programs, or anti-money laundering laws or regulations, could subject us, and individual employees, to a regulatory enforcement action as well as significant civil and criminal penalties which could adversely impact our business and operations and our reputation.

Risks Relating to Our Indebtedness

Our existing indebtedness could adversely affect our business and growth prospects.

As of March 31, 2021, we had total current and long-term indebtedness of approximately \$44.2 million, including \$18.9 million outstanding under our Headquarters Loan, \$24.9 million outstanding under our 2019 Term Loan and \$0.4 million outstanding under our 2019 Revolving Credit Facility. As of March 31, 2021, subject to satisfying liquidity covenants, we had approximately \$49.6 million of borrowing capacity under our 2019 Revolving Credit Facility. All obligations under the 2019 Credit Agreement are secured by first-priority perfected security interests in substantially all of our assets and the assets of our domestic subsidiaries, subject to permitted liens and other exceptions. In addition, on June 11, 2021, we entered into the New Credit Facility and borrowed \$44.5 million thereafter to repay in full all amounts outstanding under the 2019 Revolving Credit Facility and the Headquarters Loan, and for working capital and other general corporate purposes. As of June 30, 2021, we had \$49.1 million of borrowings outstanding and \$50.9 million of borrowing capacity under the New Credit Facility. The New Credit Facility includes an "accordion" feature that allows us, under certain circumstances following an initial public offering, to increase the size of the New Credit Facility by an amount up to \$300.0 million. See "Description of Certain Indebtedness and Other Obligations." Our indebtedness, or any additional indebtedness we may incur, could require us to divert funds identified for other purposes for debt service and impair our liquidity position. If we cannot generate sufficient cash flow from operations to service our debt, we may need to refinance our debt, dispose of assets, or issue equity to obtain necessary funds. We do not know whether we will be able to take any of these actions on a timely basis, on terms satisfactory to us, or at all.

Our indebtedness, the cash flow needed to satisfy our debt and the covenants contained in our New Credit Agreement have important consequences, including:

- Limiting funds otherwise available for financing our capital expenditures by requiring us to dedicate a portion of our cash flows from operations to the repayment of debt and the interest on this debt.

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- Limiting our ability to incur additional indebtedness.
- Limiting our ability to capitalize on significant business opportunities.
- Making us more vulnerable to rising interest rates.
- Making us more vulnerable in the event of a downturn in our business.

Our level of indebtedness may place us at a competitive disadvantage to our competitors that are not as highly leveraged. Fluctuations in interest rates can increase borrowing costs. Increases in interest rates may directly impact the amount of interest we are required to pay and reduce earnings accordingly. In addition, developments in tax policy, such as the disallowance of tax deductions for interest paid on outstanding indebtedness, could have an adverse effect on our liquidity and our business, financial conditions and results of operations. Further, our New Credit Agreement contains customary affirmative and negative covenants and certain restrictions on operations that could impose operating and financial limitations and restrictions on us, including restrictions on our ability to enter into particular transactions and to engage in other actions that we may believe are advisable or necessary for our business.

We expect to use cash flow from operations to meet current and future financial obligations, including funding our operations, debt service requirements and capital expenditures. The ability to make these payments depends on our financial and operating performance, which is subject to prevailing economic, industry and competitive conditions and to certain financial, business, economic, and other factors beyond our control.

Certain of our debt agreements contain covenants that may constrain the operation of our business, and our failure to comply with these covenants could have a material adverse effect on our financial condition.

The New Credit Agreement contains restrictive covenants including restrictions regarding the incurrence of liens and indebtedness, substantial changes in the general nature of our business and our subsidiaries (taken as a whole), certain merger transactions, certain sales of assets and other matters, all subject to certain exceptions. The New Credit Agreement contains financial covenants which are reviewed for compliance on a quarterly basis, including a total leverage ratio covenant and an interest coverage ratio covenant for each quarter after June 11, 2021. Failure to comply with the New Credit Agreement covenants or the New Loans repayment requirements could have a negative impact on our business and financial condition. The New Credit Facility matures on the earlier of (i) August 3, 2024 and (ii) the occurrence of a mandatory redemption event under the Midco Redeemable Preferred Stock; provided, however, if the Midco Redeemable Preferred Stock is redeemed in full prior to August 3, 2024, the maturity date will automatically be extended to June 11, 2026. See “Description of Certain Indebtedness and Other Obligations—Midco Redeemable Preferred Stock—Optional and Mandatory Redemption.” Our ability to refinance this indebtedness is not guaranteed, and, if we are able to refinance, we may not be able to obtain favorable terms with a lender.

Despite current indebtedness levels and restrictive covenants, we may still be able to incur substantially more indebtedness or make certain restricted payments, which could further exacerbate the risks associated with our substantial indebtedness.

We may be able to incur significant additional indebtedness in the future. Although the New Credit Agreement contains restrictions on the incurrence of additional indebtedness and liens, these restrictions are subject to a number of important qualifications and exceptions, and the additional indebtedness and liens incurred in compliance with these restrictions could be substantial.

The New Credit Agreement permits us to incur certain additional indebtedness, including liabilities that do not constitute indebtedness as defined in the financing documents. We may also consider investments in joint ventures or acquisitions, which may increase our indebtedness. In addition, the New Credit Agreement does not restrict our Sponsor from creating new holding companies that may be able to incur indebtedness without regard to the restrictions set forth therein. If new debt is added to our currently anticipated indebtedness levels, the related risks that we face could intensify.

We may not be able to generate sufficient cash flow to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under such indebtedness, which may not be successful.

Our ability to make scheduled payments or to refinance outstanding debt obligations depends on our financial and operating performance, which will be affected by prevailing economic, industry and competitive conditions and by the COVID-19 pandemic as well as financial, business, and other factors beyond our control. We may not be able to maintain a sufficient level of cash flow from operating activities to permit us to pay the principal, premium, if any, and interest on our indebtedness. Any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which would also harm our ability to incur additional indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital, or seek to restructure or refinance our indebtedness. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such cash flows and resources, we could face substantial liquidity problems and might be required to sell material assets or operations to attempt to meet our debt service obligations. The New Credit Agreement includes certain restrictions on our ability to conduct asset sales and/or use the proceeds from asset sales for general corporate purposes. We may not be able to consummate these asset sales to raise capital or sell assets at prices and on terms that we believe are fair and any proceeds that we do receive may not be adequate to meet any debt service obligations then due. If we cannot meet our debt service obligations, the holders of our indebtedness may accelerate such indebtedness and, to the extent such indebtedness is secured, foreclose on our assets. In such an event, we may not have sufficient assets to repay all of our indebtedness.

The terms of the New Credit Agreement restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The New Credit Agreement contains a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interests, including restrictions on our ability to:

- Incur additional indebtedness.
- Pay dividends on or make distributions in respect of capital stock or repurchase or redeem capital stock.
- Prepay, redeem, or repurchase certain indebtedness.
- Make loans and investments.
- Sell or otherwise dispose of assets, including capital stock of restricted subsidiaries.
- Incur liens.
- Enter into transactions with affiliates.
- Enter into agreements restricting the ability of our subsidiaries to pay dividends.
- Consolidate, merge, or sell all or substantially all of our assets.

You should read the discussion under the heading “Description of Certain Indebtedness and Other Obligations” for further information about these covenants.

The restrictive covenants in the New Credit Agreement require us to maintain specified financial ratios and satisfy other financial condition tests to the extent applicable. Our ability to meet those financial ratios and tests can be affected by events beyond our control.

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A breach of the covenants or restrictions under the New Credit Agreement could result in an event of default under such documents. Such a default may allow the creditors to accelerate the related debt, which may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In the event the holders of our indebtedness accelerate the repayment, we may not have sufficient assets to repay that indebtedness or be able to borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms or on terms acceptable to us. As a result of these restrictions, we may be:

- Limited in how we conduct our business.
- Unable to raise additional debt or equity financing to operate during general economic or business downturns.
- Unable to compete effectively or to take advantage of new business opportunities.

These restrictions, along with restrictions that may be contained in agreements evidencing or governing other future indebtedness, may affect our ability to grow in accordance with our growth strategy.

We may be unable to refinance our indebtedness.

We may need to refinance all or a portion of our indebtedness before maturity. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all. There can be no assurance that we will be able to obtain sufficient funds to enable us to repay or refinance our debt obligations on commercially reasonable terms, or at all.

A lowering or withdrawal of the ratings assigned to our debt by rating agencies may increase our future borrowing costs and reduce our access to capital.

Our debt currently has a non-investment grade rating, and any rating assigned could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Any future lowering of our ratings likely would make it more difficult or more expensive for us to obtain additional debt financing.

Our failure to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies in the future could reduce our ability to compete successfully and harm our results of operations.

We may need to raise additional funds, and we may not be able to obtain additional debt or equity financing on favorable terms or at all. If we raise additional equity financing, our security holders may experience significant dilution of their ownership interests. If we engage in additional debt financing, we may be required to accept terms that restrict our ability to incur additional indebtedness, force us to maintain specified liquidity or other ratios, or restrict our ability to pay dividends or make acquisitions. If we need additional capital and cannot raise it on acceptable terms, or at all, we may not be able to, among other things:

- Develop and enhance our products and solutions.
- Continue to expand our product development, sales, and marketing organizations.
- Hire, train, and retain employees.
- Respond to competitive pressures or unanticipated working capital requirements.
- Pursue acquisition opportunities.

In addition, our New Credit Agreement also limits our ability to incur additional debt and therefore we likely would have to amend our New Credit Agreement or issue equity. If we issue additional equity, your interest in us will be diluted.

Our variable rate debt agreements, including our New Credit Agreement, use LIBOR, which is subject to uncertainty.

If LIBOR ceases to exist or is no longer representative of the underlying market at some point in the future, our variable rate debt agreements with interest rates that are indexed to LIBOR will use various alternative methods to calculate the applicable interest rate, which could result in increases in interest rates on such debt and adversely impact our interest expense, results of operations and cash flows. Further, we may need to amend our variable rate debt agreements to replace LIBOR with a new reference rate. As of March 31, 2021 and June 30, 2020, we did not utilize any derivatives or hedging strategies that have a LIBOR component. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. Dollar LIBOR with a new index calculated by short term repurchase agreements, backed by Treasury securities called the Secured Overnight Financing Rate (“SOFR”). Whether or not SOFR attains market traction as a LIBOR replacement remains a question and the future of LIBOR at this time is uncertain. Because of this uncertainty, we cannot reasonably estimate the expected impact of a transition away from LIBOR to our business.

Risks Relating to Being a Public Company

The requirements of being a public company may strain our resources and distract our management, which could make it difficult to manage our business, particularly after we are no longer an “emerging growth company.”

As a public company, we will incur legal, accounting, and other expenses that we did not previously incur. We will become subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of Nasdaq, and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly and increase demand on our systems and resources, particularly after we are no longer an “emerging growth company.” The Exchange Act requires that we file annual, quarterly and current reports with respect to our business, financial condition, and results of operations. The Sarbanes-Oxley Act requires, among other things, that we establish and maintain effective internal controls and procedures for financial reporting. Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert our management’s attention from implementing our growth strategy, which could prevent us from improving our business, financial condition, and results of operations. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. In addition, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantial costs to maintain the same or similar coverage, although we are currently unable to estimate these costs with any degree of certainty. These additional obligations could have a material adverse effect on our business, financial condition, and results of operations.

To date, we have not conducted a review of our internal controls for the purpose of providing the reports required by these rules. During the course of our review and testing, we have in the past and may in the future, identify deficiencies and be unable to remediate them before we must provide the required reports. Furthermore, if we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We or our independent registered public accounting firm may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting, which could harm our operating results, cause investors to lose confidence in our reported financial information and cause the trading price of our stock to fall. In addition, as a public company we will be required to file accurate and timely quarterly and annual reports with the SEC under the Exchange Act. Any failure to report

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our financial results on an accurate and timely basis could result in sanctions, lawsuits, delisting of our shares from Nasdaq, or other adverse consequences that would materially harm our business and reputation.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of our management's time and attention from sales-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and could have a material adverse effect on our business, financial condition, and results of operations. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

If we are unable to maintain effective internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected.

As a public company, we will be required to maintain internal controls over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") requires that we evaluate and determine the effectiveness of our internal controls over financial reporting and provide a management report on the internal controls over financial reporting. If we have a material weakness in our internal controls over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. Compliance with these public company requirements will make some activities more time-consuming, costly, and complicated. If we identify material weaknesses in our internal controls over financial reporting or if we are unable to assert that our internal controls over financial reporting are effective, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board ("FASB"), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of a change.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our shares or if our results of operations do not meet their expectations, our stock price and trading volume could decline.

The trading market for our shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the

analysts who cover us downgrade our stock, or if our results of operations do not meet their expectations, our stock price could decline.

Risks Relating to Our Common Stock and This Offering

Apax Partners controls us, and its interests may conflict with ours or yours in the future.

Immediately following this offering, Apax Partners, through its control of Pride Aggregator, will beneficially own approximately 82.4% of our common stock, or 81.1% if the underwriters exercise in full their option to purchase additional shares, which means that, based on its percentage voting power held after the offering, Apax Partners will be able to control the election and removal of directors on the Board and thereby determine our corporate and management policies, including potential mergers or acquisitions, payment of dividends, asset sales, amendment of our certificate of incorporation or bylaws, and other significant corporate transactions for so long as Apax Partners and its affiliates retain significant ownership of us. This concentration of our ownership may delay or deter possible changes in control of the Company, which may reduce the value of an investment in our common stock. In addition, our bylaws will provide that Apax Partners will have the right to designate the Chairman of the Board for so long as Apax Partners beneficially owns at least 30% or more of the voting power of the then outstanding shares of our capital stock then entitled to vote generally in the election of directors. Even when Apax Partners ceases to own shares of our stock representing a majority of the total voting power, for so long as Apax Partners continues to own a significant portion of our stock, Apax Partners will still be able to significantly influence the composition of our Board, including the right to designate the Chairman of our Board, and the approval of actions requiring shareholder approval. Accordingly, for such period of time, Apax Partners will have significant influence with respect to our management, business plans, and policies, including the appointment and removal of our officers, decisions on whether to raise future capital, and amending our charter and bylaws, which govern the rights attached to our common stock. In particular, for so long as Apax Partners continues to own a significant percentage of our stock through its control of Pride Aggregator, Apax Partners will be able to cause or prevent a change of control of the Company or a change in the composition of our Board, including the designation of our Chairman of our Board, and could preclude any unsolicited acquisition of us. The concentration of ownership could deprive you of an opportunity to receive a premium for your shares of common stock as part of a sale of us and ultimately might affect the market price of our common stock.

In addition, in connection with this offering, we will enter into a Director Nomination Agreement with Apax Partners that provides Apax Partners the right to designate: (i) all of the nominees for election to our Board for so long as it beneficially owns at least 40% of the Original Amount; (ii) 40% of the nominees for election to our Board for so long as it beneficially owns less than 40% but at least 30% of the Original Amount; (iii) 30% of the nominees for election to our Board for so long as it beneficially owns less than 30% but at least 20% of the Original Amount; (iv) 20% of the nominees for election to our Board for so long as it beneficially owns less than 20% but at least 10% of the Original Amount; and (v) one of the nominees for election to our Board for so long as it beneficially owns at least 5% of the Original Amount. Apax Partners may also assign such right to its affiliates. If Pride Aggregator, the investment vehicle through which Apax Partners holds its investment, is dissolved after this offering, then Apax Partners will be permitted to cause the rights of Pride Aggregator to be assigned to it or one or more of its Affiliates (as defined in the Director Nomination Agreement). The Director Nomination Agreement will also provide for certain consent rights for Apax Partners so long as it owns at least 5% of the Original Amount, including for any increase to the size of our Board. Additionally, the Director Nomination Agreement will also prohibit us from increasing or decreasing the size of our Board without the prior written consent of Apax Partners for so long as Apax Partners holds at least 5% of the Original Amount. See “Certain Relationships and Related Party Transactions—Director Nomination Agreement” for more details with respect to the Director Nomination Agreement.

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Apax Partners and its affiliates engage in a broad spectrum of activities, including investments in the software industry generally. In the ordinary course of their business activities, Apax Partners and its affiliates may engage in activities where their interests conflict with our interests or those of our other shareholders, such as investing in or advising businesses that directly or indirectly compete with certain portions of our business or are suppliers or customers of ours. Our certificate of incorporation to be effective in connection with the closing of this offering will provide that none of Apax Partners, any of its affiliates or any director who is not employed by us (including any non-employee director who serves as one of our officers in both his director and officer capacities) or its affiliates will have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. Apax Partners also may pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. In addition, Apax Partners may have an interest in pursuing acquisitions, divestitures, and other transactions that, in its judgment, could enhance its investment, even though such transactions might involve risks to you.

Upon listing of our shares on the Nasdaq Global Select Market, we will be a “controlled company” within the meaning of Nasdaq rules of the and, as a result, we will qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections as those afforded to stockholders of companies that are subject to such governance requirements.

After completion of this offering, Apax Partners, through its control of Pride Aggregator, will continue to control a majority of the voting power of our outstanding common stock. As a result, we will be a “controlled company” within the meaning of the corporate governance standards of Nasdaq. Under these rules, a company of which more than 50% of the voting power for the election of directors is held by an individual, group, or another company is a “controlled company” and may elect not to comply with certain corporate governance requirements, including:

- The requirement that a majority of our Board consist of independent directors.
- The requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities.
- The requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities.
- The requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees.

Following this offering, we intend to utilize these exemptions. As a result, we may not have a majority of independent directors on our Board, our Compensation & Benefits Committee and our Governance Committee may not consist entirely of independent directors and our Compensation & Benefits and Nominating & Governance Committees may not be subject to annual performance evaluations. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

An active, liquid trading market for our common stock may not develop, which may limit your ability to sell your shares.

Prior to this offering, there has been no public market for our common stock. Although we have applied to list our common stock on the Nasdaq Global Select Market under the symbol “PYCR,” an active trading market for our shares may never develop or be sustained following this offering. The initial public offering price will be determined by negotiations between us and the underwriters and may not be indicative of market prices of our common stock that will prevail in the open market after the offering. A public trading market having the desirable characteristics of depth, liquidity, and orderliness depends upon the existence of willing buyers and

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sellers at any given time, such existence being dependent upon the individual decisions of buyers and sellers over which neither we nor any market maker has control. The failure of an active and liquid trading market to develop and continue would likely have a material adverse effect on the value of our common stock. The market price of our common stock may decline below the initial public offering price, and you may not be able to sell your shares of our common stock at or above the price you paid in this offering, or at all. An inactive market may also impair our ability to raise capital to continue to fund operations by issuing shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

We are an “emerging growth company” and we expect to elect to comply with reduced public company reporting requirements, which could make our common stock less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we are eligible for certain exemptions from various public company reporting requirements. These exemptions include, but are not limited to, (i) not being required to comply with the auditor attestation requirements of Section 404 of Sarbanes-Oxley, (ii) reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements, (iii) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved, and (iv) not being required to provide audited financial statements for the fiscal year ended 2018, or five years of Selected Consolidated Financial Data, in this prospectus. We could be an emerging growth company for up to five years after the first sale of our common stock pursuant to an effective registration statement under the Securities Act, which fifth anniversary will occur in 2026. However, if certain events occur prior to the end of such five-year period, including if we become a “large accelerated filer,” our annual gross revenue exceeds \$1.07 billion or we issue more than \$1.0 billion of non-convertible debt in any three-year period, we would cease to be an emerging growth company prior to the end of such five-year period. We have made certain elections with regard to the reduced disclosure obligations regarding executive compensation in this prospectus and may elect to take advantage of other reduced disclosure obligations in future filings. As a result, the information that we provide to holders of our common stock may be different than you might receive from other public reporting companies in which you hold equity interests. We cannot predict if investors will find our common stock less attractive as a result of our reliance on these exemptions. If some investors find our common stock less attractive as a result of any choice we make to reduce disclosure, there may be a less active trading market for our common stock and the market price for our common stock may be more volatile.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can use the extended transition period provided in Section 7(a)(2)(B) of the Securities Act to delay adoption of new or revised accounting standards until such time as those standards apply to private 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. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates.

Provisions of our corporate governance documents could make an acquisition of us more difficult and may prevent attempts by our shareholders to replace or remove our current management, even if beneficial to our shareholders.

In addition to Apax Partners' beneficial ownership, through its control of Pride Aggregator, of 82.4% of our common stock after this offering (or 81.1%, if the underwriters exercise in full their option to purchase additional shares), our certificate of incorporation and bylaws to be effective in connection with the closing of this offering and the Delaware General Corporation Law (the "DGCL") contain provisions that could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our shareholders. Among other things:

- These provisions allow us to authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without shareholder approval, and which may include supermajority voting, special approval, dividend, or other rights or preferences superior to the rights of shareholders.
- These provisions provide for a classified Board with staggered three-year terms.
- These provisions provide that, at any time when Apax Partners beneficially owns, in the aggregate, less than 40% in voting power of our stock entitled to vote generally in the election of directors, directors may only be removed for cause, and only by the affirmative vote of holders of at least 66 $\frac{2}{3}$ % in voting power of all the then-outstanding shares of our stock entitled to vote thereon, voting together as a single class.
- These provisions prohibit shareholder action by written consent from and after the date on which Apax Partners beneficially owns, in the aggregate, less than 35% in voting power of our stock entitled to vote generally in the election of directors.
- These provisions provide that for as long as Apax Partners beneficially owns, in the aggregate, at least 50% in voting power of our stock entitled to vote generally in the election of directors, any amendment, alteration, rescission, or repeal of our bylaws by our shareholders will require the affirmative vote of a majority in voting power of the outstanding shares of our stock and at any time when Apax Partners beneficially owns, in the aggregate, less than 50% in voting power of all outstanding shares of our stock entitled to vote generally in the election of directors, any amendment, alteration, rescission, or repeal of our bylaws by our shareholders will require the affirmative vote of the holders of at least 66 $\frac{2}{3}$ % in voting power of all the then-outstanding shares of our stock entitled to vote thereon, voting together as a single class.
- These provisions establish advance notice requirements for nominations for elections to our Board or for proposing matters that can be acted upon by shareholders at shareholder meetings; provided, however, at any time when Apax Partners beneficially owns, in the aggregate, at least 10% in voting power of our stock entitled to vote generally in the election of directors, such advance notice procedure will not apply to it.

Our certificate of incorporation to be effective in connection with the closing of this offering will contain a provision that provides us with protections similar to Section 203 of the DGCL, and will prevent us from engaging in a business combination with a person (excluding Apax Partners and any of its direct or indirect transferees and any group as to which such persons are a party) who acquires at least 15% of our common stock for a period of three years from the date such person acquired such common stock, unless board or shareholder approval is obtained prior to the acquisition. See "Description of Capital Stock—Anti-Takeover Effects of Our Certificate of Incorporation and Our Bylaws." These provisions could discourage, delay or prevent a transaction involving a change in control of us. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors of your choosing and cause us to take other corporate actions you desire, including actions that you may deem advantageous, or negatively affect the trading price of our common stock. In addition, because our Board is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our shareholders to replace current members of our management team.

These and other provisions in our certificate of incorporation, bylaws, and Delaware law could make it more difficult for shareholders or potential acquirers to obtain control of our Board or initiate actions that are opposed by our then-current Board, including delay or impede a merger, tender offer, or proxy contest involving our company. The existence of these provisions could negatively affect the price of our common stock and limit opportunities for you to realize value in a corporate transaction. For information regarding these and other provisions, see “Description of Capital Stock.”

Our certificate of incorporation will designate the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our shareholders and the federal district courts of the United States as the exclusive forum for litigation arising under the Securities Act, which could limit our shareholders’ ability to obtain a favorable judicial forum for disputes with us.

Pursuant to our certificate of incorporation to be effective in connection with the closing of this offering, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our shareholders, (3) any action asserting a claim against us arising pursuant to any provision of the DGCL, our certificate of incorporation or our bylaws, or (4) any other action asserting a claim against us that is governed by the internal affairs doctrine; provided that for the avoidance of doubt, the forum selection provision that identifies the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation, including any “derivative action,” will not apply to suits to enforce a duty or liability created by Securities Act, the Exchange Act, or any other claim for which the federal courts have exclusive jurisdiction. Our certificate of incorporation will also provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. However, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce a duty or liability created by the Securities Act or the rules and regulations thereunder; accordingly, we cannot be certain that a court would enforce such provision. Our certificate of incorporation will further provide that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to the provisions of our certificate of incorporation described above; however, our shareholders will not be deemed to have waived (and cannot waive) compliance with the federal securities laws and the rules and regulations thereunder. See “Description of Capital Stock—Exclusive Forum.” The forum selection clause in our certificate of incorporation may have the effect of discouraging lawsuits against us or our directors and officers and may limit our shareholders’ ability to obtain a favorable judicial forum for disputes with us. If the enforceability of our forum selection provision were to be challenged, we may incur additional costs associated with resolving such a challenge. While we currently have no basis to expect any such challenge would be successful, if a court were to find our forum selection provision to be inapplicable or unenforceable, we may incur additional costs associated with having to litigate in other jurisdictions, which could have an adverse effect on our business, financial condition, and results of operations and result in a diversion of the time and resources of our employees, management, and Board.

If you purchase shares of common stock in this offering, you will suffer immediate and substantial dilution of your investment.

The initial public offering price of our common stock will be substantially higher than the pro forma net tangible book value per share of our common stock. Therefore, if you purchase shares of our common stock in this offering, you will pay a price per share that substantially exceeds our pro forma net tangible book value per share after this offering. Based on an assumed initial public offering price of \$19.50 per share, the mid-point of the price range set forth on the cover page of this prospectus, you will experience immediate dilution of \$18.96 per share, representing the difference between our pro forma net tangible book value per share after giving effect to this offering and the initial public offering price. In addition, purchasers of common stock in this offering will have contributed 20.1% of the aggregate price paid by all purchasers of our common stock but will own only approximately 10.8% of our common stock outstanding after this offering. See “Dilution” for more detail.

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Our management will have significant flexibility in using the net proceeds of this offering, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately.

We intend to use approximately \$260.0 million of the net proceeds from this offering to redeem the Midco Redeemable Preferred Stock and the remainder for general corporate purposes, such as, without limitation, the repayment of indebtedness, acquisitions, and other strategic transactions. However, depending on future developments and circumstances, we may use some of the proceeds for other purposes. We do not have more specific plans for the net proceeds from this offering, other than the redemption of the Midco Redeemable Preferred Stock as described above. Therefore, our management will have significant flexibility in applying most of the net proceeds we receive from this offering. The net proceeds could be applied in ways that do not improve our operating results. The actual amounts and timing of these expenditures will vary significantly depending on a number of factors, including the amount of cash used in or generated by our operations. See “Use of Proceeds.”

Our operating results and stock price may be volatile, and the market price of our common stock after this offering may drop below the price you pay.

Our quarterly operating results are likely to fluctuate in the future. In addition, securities markets worldwide have experienced, and are likely to continue to experience, significant price and volume fluctuations. This market volatility, as well as general economic, market, or political conditions, could subject the market price of our shares to wide price fluctuations regardless of our operating performance. Our operating results and the trading price of our shares may fluctuate in response to various factors, including:

- Market conditions in our industry or the broader stock market.
- Actual or anticipated fluctuations in our quarterly financial and operating results.
- Introduction of new products or services by us or our competitors.
- Issuance of new or changed securities analysts’ reports or recommendations.
- Sales, or anticipated sales, of large blocks of our stock.
- Additions or departures of key personnel.
- Regulatory or political developments.
- Litigation and governmental investigations.
- Changing economic conditions, including impacts from COVID-19.
- Investors’ perception of us.
- Events beyond our control such as weather and war.
- Any default on our indebtedness.

These and other factors, many of which are beyond our control, may cause our operating results and the market price and demand for our shares to fluctuate substantially. Fluctuations in our quarterly operating results could limit or prevent investors from readily selling their shares and may otherwise negatively affect the market price and liquidity of our shares. In addition, in the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the company that issued the stock. If any of our shareholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business, which could significantly harm our profitability and reputation.

A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. After this offering, we will have 171,302,784 outstanding shares of common stock (or 174,077,784 shares if the underwriters' option to purchase additional shares is exercised in full) based on the number of shares outstanding as of June 30, 2021. This includes the shares that we are selling in this offering, which may be resold in the public market immediately. Following the consummation of this offering, shares that are not being sold in this offering will be subject to a 180-day lock-up period provided under lock-up agreements executed in connection with this offering described in "Underwriting" and restricted from immediate resale under the federal securities laws as described in "Shares Eligible for Future Sale." All of these shares will, however, be able to be resold after the expiration of the lock-up period, as well as pursuant to customary exceptions thereto or upon the waiver of the lock-up agreement by Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC on behalf of the underwriters. We also intend to register shares of common stock that we may issue under our equity compensation plans. Once we register these shares, they can be freely sold in the public market upon issuance, subject to the lock-up agreements. As restrictions on resale end, the market price of our stock could decline if the holders of currently restricted shares sell them or are perceived by the market as intending to sell them.

In addition, pursuant to the Registration Rights Agreement (as defined below), Pride Aggregator and the holders of our Series A preferred stock and their respective affiliates and permitted third-party transferees have the right, in certain circumstances, to require us to register up to 152,802,784 shares of our common stock under the Securities Act for sale into the public markets. Upon the effectiveness of such a registration statement, all shares covered by the registration statement will be freely transferable. See "Certain Relationships and Related Party Transactions—Registration Rights Agreement."

Because we have no current plans to pay regular cash dividends on our common stock following this offering, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

We do not anticipate paying any regular cash dividends on our common stock following this offering. Any decision to declare and pay dividends in the future will be made at the discretion of our Board and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions, and other factors that our Board may deem relevant. In addition, our ability to pay dividends is, and may be in the future, limited by covenants of indebtedness we or our subsidiaries incur. Therefore, any return on investment in our common stock is solely dependent upon the appreciation of the price of our common stock on the open market, which may not occur. See "Dividend Policy" for more detail.

We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could depress the price of our common stock.

Our certificate of incorporation will authorize us to issue one or more series of preferred stock. Our Board will have the authority to determine the preferences, limitations, and relative rights of the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our shareholders. Our preferred stock could be issued with voting, liquidation, dividend, and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our common stock at a premium to the market price, and materially adversely affect the market price and the voting and other rights of the holders of our common stock.

Future offerings of debt or equity securities by us may materially adversely affect the market price of our common stock.

In the future, we may attempt to obtain financing or to further increase our capital resources by issuing additional shares of our common stock or offering debt or other equity securities, including senior or subordinated notes, debt securities convertible into equity, or shares of preferred stock. In addition, we may seek to expand operations in the future to other markets which we would expect to finance through a combination of additional issuances of equity, corporate indebtedness, and/or cash from operations.

Issuing additional shares of our common stock or other equity securities or securities convertible into equity may dilute the economic and voting rights of our existing stockholders or reduce the market price of our common stock or both. Upon liquidation, holders of such debt securities and preferred shares, if issued, and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our common stock. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred shares, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing, or nature of our future offerings. Thus, holders of our common stock bear the risk that our future offerings may reduce the market price of our common stock and dilute their stockholdings in us. See “Description of Capital Stock.”

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this prospectus are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance, and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “can have,” “likely,” “outlook,” “potential,” “targets,” “project,” “contemplates,” the negative version of such words, and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, growth rates and financial results or our plans and objectives for future operations, growth initiatives, or strategies are forward-looking statements. The inclusion of forward-looking statements should not be regarded as a representation by us, Apax, the underwriters or any other person that the future plans, estimates, or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties and assumptions relations 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:

- Failure to manage our growth effectively.
- Our ability to expand and retain our direct sales force with qualified and productive persons and the success of our direct sales force’s efforts.
- The satisfaction of our customers with the implementation, user experience, customer service and performance of our solutions.
- Our ability to continue to innovate and deliver high-quality, technologically advanced products and services.
- The success of our relationships with third parties.
- Risks associated with the proper operation of our software, including damage to our reputation, claims instituted against us, and the diversion of resources to address any issues.
- Acquisitions of other companies’ businesses, technologies, or customer portfolios.
- Our dependence on the continued service of our key executives.
- Our ability to attract and retain qualified personnel, including software developers and skilled IT, sales, marketing, and operational personnel.
- Payments made to employees and taxing authorities of our customers for amount due for a payroll period before a customer’s electronic funds transfers are settled to our account.
- Potential fluctuations in our financial results due to many factors, including some that are beyond our control.
- Our history of losses and potential inability to achieve or maintain profitability.
- Impairment of our goodwill or other intangible assets.
- Market, interest rate, credit, and liquidity risks related to the corporate investments and client funds that we hold.
- Inherent challenges in measurement of our estimates of certain operational metrics, as well as total addressable market and market growth.
- Risks related to our business continuity plan in the event of a catastrophe.

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- Risks associated with 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.
- Any damage, failure, or disruption of our 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.
- Lawsuits filed by third parties for alleged infringement of their proprietary rights.
- The development of the market for cloud-based HCM and payroll software among SMBs.
- The competitiveness of the markets in which we operate.
- Adverse economic and market conditions.
- The impact of the COVID-19 pandemic.
- Our customers' dependence on our products and services to comply with applicable laws.
- Changes in laws, regulations, or requirements applicable to our business and our software and services.
- Potential litigation resulting from the operation of our business.
- Risks associated with our indebtedness and our debt agreements and the covenants therein.
- Changes in GAAP.
- Our ability to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies in the future.
- The effectiveness of our internal controls over financial reporting.
- Other factors disclosed in the section entitled "Risk Factors" and elsewhere in this prospectus.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based on many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this prospectus. All written forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements as well as other cautionary statements that are made from time to time in our other SEC filings and public communications. You should evaluate all forward-looking statements made in this prospectus in the context of these risks and uncertainties.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this prospectus are made only as of the date hereof. We undertake no obligation to update or revise any forward-looking statement as a result of new information, future events, or otherwise, except as otherwise required by law.

USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately \$338.2 million (or approximately \$388.9 million if the underwriters' option to purchase additional shares is exercised in full), assuming an initial public offering price of \$19.50 per share, which is the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting the underwriting discount. Additional other expenses of issuance and distribution are estimated to be approximately \$5.2 million.

The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock and enable access to the public equity markets for us and our shareholders. We expect to use approximately \$260.0 million of the net proceeds of this offering to fund the redemption of the Midco Redeemable Preferred Stock by Pride Midco at the offering date at a redemption price of 101% of the liquidation preference thereof and the remainder of such net proceeds will be used for general corporate purposes. An affiliate of Apax Partners currently owns \$25 million of Midco Redeemable Preferred Stock and we expect such affiliate will receive approximately \$32.5 million in proceeds as a result of the redemption of the Midco Redeemable Preferred Stock. We do not currently have agreements or commitments for any acquisitions or other strategic transactions. At this time, other than the redemption of the Midco Redeemable Preferred Stock, we have not specifically identified a large single use for which we intend to use the net proceeds and, accordingly, we are not able to allocate the net proceeds among any of these potential uses in light of the variety of factors that will impact how such net proceeds are ultimately utilized by us. Pending use of the proceeds from this offering, we intend to invest the proceeds in a variety of capital preservation investments, including short-term, investment-grade and interest-bearing instruments.

Each \$1.00 increase or decrease in the assumed initial public offering price of \$19.50 per share, which is the midpoint of the estimated public offering price range set forth on the cover page of this prospectus, would increase or decrease the net proceeds to us from this offering by approximately \$17.3 million, assuming the number of shares offered, as set forth on the cover page of this prospectus, remains the same, and after deducting the underwriting discount.

Each 1,000,000 increase or decrease in the number of shares offered would increase or decrease the net proceeds to us from this offering by approximately \$18.3 million, assuming that the assumed initial public offering price per share for the offering remains at \$19.50, which is the midpoint of the estimated public offering price range set forth on the cover page of this prospectus, and after deducting the underwriting discount.

The Midco Redeemable Preferred Stock accrues dividends at a rate of LIBOR plus 8.875%, which rate will decrease to LIBOR plus 8.375% beginning November 3, 2021. The dividends are payable, or are 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 Midco Redeemable Preferred Stock. From November 2, 2020 to November 2, 2021, we are required pay 50% of the accrued dividends in cash. After November 2, 2021, we will be required to pay 100% of the accrued dividends in cash. If the Midco Redeemable Preferred Stock remains outstanding after May 2, 2022, we are required to pay 0.50% of the initial liquidation preference to the holders of the Midco Redeemable Preferred Stock in cash.

Additionally, Pride Midco may, at its option, redeem for cash any or all of the then outstanding Midco Redeemable Preferred Stock, in whole at any time or in part from time to time, at (i) a redemption price per share equal to 101.0% prior to and including November 1, 2021; and 100.0% on November 2, 2021 and thereafter, plus (ii) the amount of all accrued dividends for the then current and all prior dividend payment periods.

DIVIDEND POLICY

We currently intend to retain all available funds and any future earnings to fund the development and growth of our business and to repay indebtedness and, therefore, we do not anticipate paying any cash dividends in the foreseeable future. Additionally, our ability to pay dividends on our common stock is limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions to us. Any future determination to pay dividends will be at the discretion of our Board, subject to compliance with covenants in current and future agreements governing our and our subsidiaries' indebtedness (see "Description of Certain Indebtedness and Other Obligations") and requirements under Delaware law, and will depend on our results of operations, financial condition, capital requirements and other factors that our Board may deem relevant.

Because we are a holding company and have no direct operations, we will only be able to pay dividends from our available cash on hand and any funds we received from our subsidiaries.

Under Delaware law, dividends may be payable only out of surplus, which is calculated as our net assets less our liabilities and our capital, or, if we have no surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

See "Risk Factors—Risks Relating to Our Common Stock and This Offering—Because we have no current plans to pay regular cash dividends on our common stock following this offering, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it."

CAPITALIZATION

The following table describes our cash and cash equivalents and capitalization as of March 31, 2021, as follows:

- On an actual basis.
- On an as adjusted basis, after giving effect to (i) amounts outstanding under our New Credit Facility as of June 30, 2021 and the repayment of all outstanding indebtedness under our 2019 Credit Facility and Headquarters Loan, (ii) the conversion of all shares of our Series A preferred stock into common stock on a 1-for-1 basis, and (iii) the implementation of a 1,517.18-for-1 stock split with respect to our common stock.
- On a pro forma as adjusted basis, after giving further effect to our sale of 18,500,000 shares of common stock in this offering and the application of the net proceeds from this offering to redeem the Midco Redeemable Preferred Stock as set forth under “Use of Proceeds” (assuming an initial public offering price of \$19.50 per share, which is the midpoint of the estimated price range set forth on the cover page of this prospectus).

The information set forth in the table below is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table in conjunction with our consolidated financial statements and the related notes, “Use of Proceeds,” “Selected Consolidated Financial Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus. Additionally, the table below does not reflect the impact of expenses that we expect to incur in connection with the completion of this offering. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Components of Results of Operations—Factors Affecting the Comparability of our Results of Operations—IPO-Related Expenses.”

(dollars in thousands)	As of March 31, 2021 (unaudited)		
	Actual	As Adjusted	Pro Forma As Adjusted
Cash and cash equivalents(1)	\$ 19,364	\$ 23,964	\$ 98,967
Total debt, including current portion(2):			
2019 Revolving Credit Facility	\$ 390	\$ —	\$ —
2019 Term Loan	24,875	—	—
Headquarters Loan	18,884	—	—
New Credit Facility(3)	—	49,100	49,100
Total debt	44,149	49,100	49,100
Midco Redeemable Preferred Stock(4)	245,041	245,041	—
Shareholders’ equity:			
Common stock, \$0.001 par value, 200,000 shares authorized, 100,000 shares issued and 93,000 outstanding, actual ; 303,436,000 shares authorized, 152,802,784 shares issued and outstanding, as adjusted ; 500,000,000 shares authorized, 171,302,784 shares issued and outstanding, pro forma as adjusted	—	153	171
Treasury stock, at cost, 7,000 shares, actual ; 10,620,260 shares, as adjusted ; 10,620,260 shares, pro forma as adjusted	(245,074)	(245,074)	(245,074)
Preferred stock, \$0.001 par value per share, 10,000 shares authorized, 7,715 shares issued and outstanding, actual ; 15,171,800 shares authorized, no shares issued and outstanding, as adjusted ; 50,000,000 shares authorized, no shares issued and outstanding, pro forma as adjusted (5)	262,772	—	—
Additional paid-in capital	1,134,676	1,397,295	1,735,480
Accumulated deficit	(242,923)	(244,949)	(263,108)
Accumulated other comprehensive income	2,758	2,758	2,758
Shareholders’ equity	912,209	910,183	1,230,227
Total capitalization	\$ 1,201,399	\$ 1,204,324	\$ 1,279,327

- (1) As of June 30, 2021, cash and cash equivalents were \$2.6 million. Except as set forth above, as adjusted and pro forma amounts do not give effect to subsequent changes in our cash position.
- (2) Reflects principal amounts, without giving effect to debt issuance costs of \$0.4 million. On June 11, 2021, we entered into the New Credit Facility and used the \$44.5 million in proceeds therefrom to repay in full all amounts outstanding under the 2019 Revolving Credit Facility and the Headquarters Loan, and for working capital and other general corporate purposes. We borrowed an additional \$4.6 million prior to the offering date to pay \$3.2 million in dividends to the Midco Redeemable Preferred Stockholders and for other general corporate purposes. See “Description of Certain Indebtedness and Other Obligations—New Senior Secured Indebtedness.”
- (3) As of June 30, 2021, we had \$50.9 million of commitments available to be drawn under our New Credit Facility, and there were no outstanding letters of credit. The New Credit Facility includes an “accordion” feature that allows us, under certain circumstances following an initial public offering, to increase the size of the New Credit Facility by an amount up to \$300.0 million.
- (4) The liquidation preference of the Midco Redeemable Preferred Stock includes the \$200.0 million initial liquidation preference (\$1,000 per share) plus accrued but unpaid dividends. The carrying value of the Midco Redeemable Preferred Stock included within the condensed consolidated financial statements changes over time as the redemption value is accreted over the period from the date of issuance to the earliest redemption date using the effective interest method. The pro forma as adjusted amounts reflect the redemption of the Midco Redeemable Preferred Stock at the offering date at a redemption price of 101% of liquidation preference, or approximately \$260.0 million, and the June 30, 2021 payment of dividends of \$3.2 million to the holders of the Midco Redeemable Preferred Stock.
- (5) In connection with the completion of this offering, the holders of the Series A preferred stock have agreed that the Series A preferred stock will automatically convert into shares of our common stock on a 1-to-1 basis. See “Prospectus Summary—Recent Developments—Series A Preferred Stock Issuance.”

A \$1.00 increase or decrease in the assumed initial public offering price of \$19.50 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease each of cash and cash equivalents, additional paid-in capital, total shareholders’ equity and total capitalization on a pro forma as adjusted basis by approximately \$17.3 million, assuming the number of shares offered, as set forth on the cover page of this prospectus, remains the same, and after deducting the underwriting discount and estimated offering expenses payable by us.

Each 1,000,000 increase or decrease in the number of shares of common stock offered in this offering would increase or decrease each of cash and cash equivalents, additional paid-in capital, total shareholders’ equity (deficit) and total capitalization on a pro forma as adjusted basis by approximately \$18.3 million, based on an assumed initial public offering price of \$19.50 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting the underwriting discount and estimated offering expenses payable by us.

DILUTION

If you invest in our common stock in this offering, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock in this offering and the pro forma net tangible book value per share of our common stock immediately after this offering. Because the Reorganization Transactions will take place prior to or concurrently with the closing of this offering, we have presented dilution in as adjusted net tangible book value per share before this offering assuming (i) the conversion of all shares of our Series A preferred stock into common stock on a 1-for-1 basis and (ii) implementation of a 1,517.18-for-1 stock split with respect to our common stock, in order to more meaningfully present the dilutive impact on the investors in this offering. We also note that the effect of the Reorganization Transactions is to increase the assumed number of shares of common stock outstanding before the offering, thereby decreasing the pro forma net tangible book value per share after the offering and correspondingly increasing the dilution per share to new common stock investors.

As of March 31, 2021, we had as adjusted net tangible book value of \$19.5 million, or \$0.13 per share of common stock. As adjusted net tangible book value per share is equal to our total tangible assets, less total liabilities, divided by the number of outstanding shares of our common stock after giving effect to the Reorganization Transactions.

After giving effect to the sale of shares of common stock in this offering, after deducting the underwriting discount and the application of the net proceeds of this offering to redeem the Midco Redeemable Preferred Stock as set forth under “Use of Proceeds,” at an assumed initial public offering price of \$19.50 per share, which is the midpoint of the price range set forth on the cover of this prospectus, our pro forma as adjusted net tangible book value as of March 31, 2021 would have been \$92.4 million, or \$0.54 per share of common stock. This represents an immediate increase in as adjusted net tangible book value of \$0.41 per share to our existing shareholders and an immediate dilution in as adjusted net tangible book value of \$18.96 per share to investors participating in this offering at the assumed initial public offering price.

As used in this “Dilution” section, our pro forma net tangible book value per share of common stock represents pro forma net tangible book value divided by the number of shares of common stock outstanding after giving effect to the Reorganization Transactions, the closing of this offering and the use of proceeds therefrom.

The following table illustrates this per share dilution:

Assumed initial public offering price per share		\$19.50
Historical as adjusted net tangible book value per share as of March 31, 2021	\$0.13	
Increase in as adjusted net tangible book value per share attributable to the investors in this offering	\$0.41	
Pro forma net tangible book value per share after giving effect to this offering		\$ 0.54
Dilution in pro forma net tangible book value per share to the investors in this offering		<u>\$18.96</u>

A \$1.00 increase or decrease in the assumed initial public offering price of \$19.50 per share, which is the midpoint of the estimated public offering price range set forth on the cover page of this prospectus, would increase or decrease our pro forma net tangible book value per share after this offering by \$0.10, and would increase or decrease the dilution per share to the investors in this offering by \$0.90, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the underwriting discount. Similarly, each increase or decrease of one million shares in the number of shares of common stock offered by us would increase or decrease our pro forma net tangible book value per share after this offering by \$0.10 and would increase or decrease dilution per share to investors in this offering by \$0.10, assuming the assumed initial public offering price, which is the midpoint of the price range set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discount.

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If the underwriters exercise their option to purchase additional shares in full, the pro forma net tangible book value per share after this offering would be \$0.83, and the dilution in net tangible book value per share to new investors in this offering would be \$18.67.

The following table presents, on a as adjusted basis as described above, as of March 31, 2021, the differences between our existing shareholders and the investors purchasing shares of our common stock in this offering, with respect to the number of shares purchased, the total consideration paid to us, and the average price per share paid by our existing shareholders or to be paid to us by investors purchasing shares in this offering at an assumed offering price of \$19.50 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, before deducting the underwriting discount.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percentage	Amount	Percentage	
Existing Shareholders	152,802,784	89.2%	\$1,433,852,110	79.9%	\$ 9.38
New Investors	18,500,000	10.8%	\$ 360,750,000	20.1%	\$ 19.50
Total	171,302,784	100.0%	\$1,794,602,110	100.0%	\$ 10.48

A \$1.00 increase or decrease in the assumed initial public offering price of \$19.50 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease the total consideration paid by new investors by \$18.5 million and increase or decrease the percent of total consideration paid by new investors by 0.8%, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and before deducting the underwriting discount.

Except as otherwise indicated, the above discussion and tables assume no exercise of the underwriters' option to purchase additional shares. After giving effect to sales of shares in this offering, assuming the underwriters' option to purchase additional shares is exercised in full, our existing shareholders would own 89.2% and our new investors would own 10.8% of the total number of shares of our common stock outstanding after this offering.

In addition, to the extent we issue stock options or any LTIP Units are settled through the issuance of common stock, or we issue any other securities or convertible debt in the future, investors participating in this offering may experience further dilution.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables present our selected consolidated financial data. For accounting purposes, the terms “Predecessor” and “Successor” used below and throughout this prospectus refer to the periods prior and subsequent to the Apax Acquisition on November 2, 2018, respectively. As a result of the Apax Acquisition, the results of operations and financial position of the Predecessor and Successor are not directly comparable.

The selected consolidated statement of operations data and selected consolidated statement of cash flows data for the period from July 1, 2018 to November 1, 2018 relate to the Predecessor and are derived from the audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated statement of operations data and selected consolidated statement of cash flows data for the period from November 2, 2018 to June 30, 2019 and for the fiscal year ended June 30, 2020 and the selected consolidated balance sheet data as of June 30, 2020 relate to the Successor and are derived from the audited consolidated financial statements that are included elsewhere in this prospectus. The selected consolidated statement of operations data and selected consolidated statements of cash flows data for the nine months ended March 31, 2020 and 2021 and the selected consolidated balance sheet data as of March 31, 2021 relate to the Successor and are derived from our unaudited condensed consolidated financial statements that are included elsewhere in this prospectus. The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments that are necessary for the fair statement of our unaudited interim consolidated financial statements. Our results for any interim period are not necessarily indicative of results that may be expected for any full fiscal year.

Our historical results are not necessarily indicative of the results that may be expected in the future. You should read the selected historical financial data below in conjunction with the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and related notes included elsewhere in this prospectus.

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	Successor				Predecessor
	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
(Unaudited)					
Consolidated Statement of Operations Data:					
Revenue:					
Recurring and other revenue	\$ 263,372	\$ 245,357	\$317,620	\$ 191,881	\$ 86,262
Interest income on funds held for clients	1,392	9,192	10,289	9,977	3,343
Total revenues	264,764	254,549	327,909	201,858	89,605
Cost of revenues	112,506	105,501	139,683	77,566	31,939
Gross profit	152,258	149,048	188,226	124,292	57,666
Operating expenses:					
Sales and marketing	75,864	74,970	99,998	56,660	30,479
General and administrative	106,914	102,964	137,071	127,862	31,069
Research and development	26,507	35,918	45,866	28,428	12,695
Total operating expenses	209,285	213,852	282,935	212,950	74,243
Loss from operations	(57,027)	(64,804)	(94,709)	(88,658)	(16,577)
Other income (expense):					
Interest expense	(1,847)	(1,403)	(1,780)	(1,119)	(1,036)
Other	320	6,438	9,004	423	175
Loss before benefit for income taxes	(58,554)	(59,769)	(87,485)	(89,354)	(17,438)
Income tax benefit	(12,344)	(12,619)	(20,182)	(16,531)	(2,517)
Net loss	(46,210)	(47,150)	(67,303)	(72,823)	(14,921)
Net loss attributable to Paycor HCM, Inc.	\$ (64,110)	\$ (64,931)	\$ (90,193)	\$ (88,518)	\$ (14,921)
Per Share Data (1):					
Net loss per share:					
Basic and diluted	\$ (656.70)	\$ (649.31)	\$ (901.93)	\$ (885.18)	
Weighted-average shares used in computing net loss per share:					
Basic and diluted	97,624	100,000	100,000	100,000	

- (1) See Note 13 of our unaudited condensed consolidated financial statements for the nine months ended March 31, 2021 and 2020 and Note 15 to our audited consolidated financial statements for the year ended June 30, 2020, Successor 2019 and Predecessor 2019 periods appearing elsewhere in this prospectus for an explanation of the method used to calculate our basic and diluted net loss per share and the weighted average number of shares used in the computation of the per share amounts.

	Successor				Predecessor
	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
(Unaudited)					
Consolidated Statement of Cash Flow Data:					
Net cash provided by (used in) operating activities	\$ 26,185	\$ (1,791)	\$ 88	\$ (11,584)	\$ (1,003)
Net cash (used in) provided by investing activities	\$ (43,810)	\$ (24,194)	\$121,529	\$ (772,039)	\$ 90,100
Net cash provided by (used in) financing activities	\$ 202,049	\$ 126,526	\$ (20,880)	\$1,152,334	\$ (283,506)

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(in thousands)	Successor	
	March 31, 2021	June 30, 2020
	Actual (Unaudited)	Actual
Consolidated Balance Sheet Data:		
Cash and cash equivalents	\$ 19,364	\$ 828
Funds held for clients(2)	823,123	614,115
Working capital(3)	(5,434)	(19,865)
Total assets	2,209,241	2,007,783
Client fund obligations(4)	822,551	613,151
Total debt	43,769	24,435
Total liabilities	1,051,991	821,123
Redeemable noncontrolling interest(5)	245,041	233,335
Total stockholder's equity	912,209	953,325

- (2) Consists of cash and cash equivalents and debt-security investments relating to obtaining funds from clients in advance of performing payroll and payroll tax filing services on behalf of our clients.
- (3) We define working capital as total current assets (including funds held for clients) less total current liabilities (including client fund obligations).
- (4) Represents the Company's contractual obligations to remit funds to satisfy clients' payroll and tax payment obligations within one year of the balance sheet date.
- (5) Refers to the Midco Redeemable Preferred Stock, the shares of which accrue dividends at a rate of LIBOR plus 8.875%, which rate will decrease to LIBOR plus 8.375% beginning November 3, 2021. The dividends are payable, or are compounded, quarterly on March 31, June 30, September 30 and December 31 of each year. Additionally, the Company may, at its option, redeem for cash any or all of the then outstanding Midco Redeemable Preferred Stock, in whole at any time or in part from time to time, at (i) a redemption price per share equal to 101.0% prior to and including November 1, 2021; and 100.0% on November 2, 2021 and thereafter, plus (ii) the amount of all accrued dividends for the then current and all prior dividend payment periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis summarizes the significant factors affecting the 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 audited consolidated financial statements and the related notes thereto included elsewhere in this prospectus. This discussion and analysis reflects our historical results of operations and financial position, and, except as otherwise indicated below, does not give effect to the expected conversion of all our outstanding Series A preferred stock into common stock on a 1-for-1 basis. 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 prospectus, particularly in the sections entitled "Risk Factors" and "Forward-Looking Statements."

The following discussion contains references to fiscal year 2019 and fiscal year 2020, which represents the consolidated financial results of Paycor HCM, Inc. and its consolidated subsidiaries for the fiscal year ended June 30, 2020 ("Successor"), for the period from November 2, 2018 through June 30, 2019 ("Successor 2019 Period"), and for the period from July 1, 2018 through November 1, 2018 ("Predecessor 2019 Period"). Unless we state otherwise or the context otherwise requires, the terms "we," "us," "our," and "Paycor" refer to and similar references refer to the Company and its consolidated subsidiaries.

Overview

We are a leading Software-as-a-Service 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 28,000 customers across all 50 states trust Paycor to help their leaders develop winning teams.

Since our founding in 1990 we have achieved several key milestones, including:

- 2004: Completed first business acquisition and developed web-based version of our software.
- 2006 – 2008: Expanded offering beyond payroll services, adding human resources and time and attendance functionalities.
- 2012: Launched new flagship SaaS platform "Perform", which was built to provide ease-of-use and depth of functionality for SMBs.
- 2014: Released Perform Time and Onboarding solutions and surpassed \$100.0 million in annual revenue.
- 2015: Completed acquisition of Newton Software, adding applicant tracking software to the portfolio, and surpassed 1,000,000 employees on platform.
- 2017: Surpassed \$200 million in annual revenue.
- 2018: Received majority investment from Apax Partners and launched research-based resource hub, HR Center of Excellence.
- 2019: Hired Raul Villar Jr. as CEO and acquired Nimble Scheduling Software.

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- 2020: Surpassed \$300 million in annual revenue, launched GUIDE Elite implementation, released Pulse surveys tool, and completed acquisition of 7Geese talent management software.

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, and HR-related cloud-based computing services and nonrefundable implementation fees and represented 99% of total revenue for the nine months ended March 31, 2021. In addition, we earn interest income on funds held for clients.

Our revenues are seasonal in nature. Recurring revenues include revenues relating to the annual processing of payroll forms, such as Form W-2, Form 1099, and Form 1095 and revenues from processing unscheduled payroll runs (such as bonuses) for our clients. Because payroll forms are typically processed in the third quarter of our fiscal year, third quarter revenues and margins are generally higher than in subsequent quarters. These seasonal fluctuations in revenues can also have an impact on gross profits. Historical results impacted by these seasonal trends should not be considered a reliable indicator of our future results of operations.

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. We generated more than 5.5 million unique visitors to our website over the nine months ended March 31, 2021. Our highly efficient and multi-pronged go-to-market strategy is a key driver of our growth, which is evidenced by our LTV/CAC ratio of 5.0x for the nine months ended March 31, 2021 and 3.8x as of the twelve months ending June 30, 2020, and 5.6x for the nine months ended March 31, 2021 within our ‘target segment’. This strategy enabled us to generate \$80.5 million, \$53.2 million and \$24.4 million of total bookings for the fiscal year ended June 30, 2020 and for the Successor 2019 Period and the Predecessor 2019 Period, respectively. Total bookings increased 4% year-over-year for the fiscal year ended June 30, 2020. Our bookings for the nine months ended March 31, 2021 and 2020 were \$83.9 million and \$63.1 million, a 33% increase year-over-year.

	Successor				Predecessor
	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
(in thousands)					
Total Revenue	\$ 264,764	\$ 254,549	\$327,909	\$ 201,858	\$ 89,605
Loss from Operations	\$ (57,027)	\$ (64,804)	\$ (94,709)	\$ (88,658)	\$ (16,577)
Operating Margin	(21.5)%	(25.5)%	(28.9)%	(43.9)%	(18.5)%
Adjusted Operating Income	\$ 47,768	\$ 34,900	\$ 46,263	\$ 36,940	\$ 4,977
Adjusted Operating Income Margin	18.0%	13.7%	14.1%	18.3%	5.6%
Net Loss	\$ (46,210)	\$ (47,150)	\$ (67,303)	\$ (72,823)	\$ (14,921)

See the “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” section for additional information on our non-GAAP metrics.

COVID-19 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 at 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 March 31, 2021, our existing customers that were active at the beginning of March 2020 had regained 87% of their lost employees. Including the addition of new customers, we now serve more than 1.9 million customer 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 or a further decline of interest rates, among other factors. Therefore, we expect COVID-19 to 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. As a result of the shift to virtual meetings, we have experienced a decrease in our sales and marketing expenses since the onset of the pandemic, primarily related to a decrease in travel costs. 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 crisis, including the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and added automated functionality and reporting to our systems for our customers.

Our total revenue growth during the nine months ended March 31, 2021 was impacted by the ongoing effects from the COVID-19 pandemic. We expect COVID-19 to continue to unfavorably impact our revenue growth rates in future periods as we anticipate lower customer employee counts, potential increases in customer losses, a reduction in business confidence and activity, a continued low interest rate environment, and a decrease in the growth of the overall market, among other factors. In response to the reduction in revenue for 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 March 31, 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.

See “Risk Factor—Risks Relating to Our Business—The novel coronavirus pandemic has adversely impacted, and could continue to adversely impact, our business, results of operations, cash flows, financial condition, and liquidity.”

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 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 March 31, 2021 and 2020, we had approximately 28,200 and 26,700 customers, respectively, representing a year-over-year increase of 6%. As of June 30, 2020 and 2019, we had approximately 27,100 and 25,200 customers, respectively, representing a year-over-year increase of 7%. We define a customer as a parent company grouping, which may include multiple subsidiary client accounts with separate taxpayer identification numbers. As of March 31, 2021 and 2020, we had approximately 44,400 and 42,200 client accounts, respectively. As of June 30, 2020 and 2019, we had approximately 42,600 and 39,900 client accounts, respectively. 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 end of any particular period. As of March 31, 2021 and 2020, we had approximately 1.9 million and 1.8 million customer employees, respectively. As of June 30, 2020 and 2019, we had approximately 1.9 million and 1.8 million customer employees, respectively.

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. As a result of this focus, we have increased the percentage of bookings that were originated by brokers to 41% of total bookings in the nine months ended March 31, 2021 as compared to 27%, 28% and 24% in the nine months ended March 31, 2020 and the fiscal years ended June 30, 2020 and 2019, respectively.

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. Our “effective PEPM,” which we define 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, was \$15.34 and \$14.59 for the nine months ended March 31, 2021 and 2020, respectively, and \$14.25, \$13.65 and \$13.15 for the fiscal year ended June 30, 2020, the Successor 2019 Period and the Predecessor 2019 Period, respectively. 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.

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We believe our ability to retain and expand our existing customers' spending on our solutions is evidenced by our net revenue retention, which was approximately 94% and 96% for the fiscal years ended June 30, 2020 and 2019, respectively. Over the same periods, our net revenue retention for customers with 10 to 1,000 employees was approximately 95% and 97%, respectively. For the fiscal years ended June 30, 2020 and 2019, this customer segment represented 81% and 80% of our recurring billings, respectively. Our net revenue retention has been negatively impacted 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.

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, and in 2020 we released our compensation management product. As a result of these and other product launches, we have increased the total list PEPM for our full suite of products to \$35 as of July 2020 from \$29 as of June 2019. Our effective PEPM was \$15.34 and \$14.59 for the nine months ended March 31, 2021 and 2020, respectively, and \$14.25, \$13.65 and \$13.15 for the fiscal year ended June 30, 2020, the Successor 2019 Period and the Predecessor 2019 Period, respectively. 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

Apax Acquisition

On November 2, 2018, Paycor HCM, Inc. acquired 100% of the equity interest in Paycor, Inc. in the Apax Acquisition. We accounted for the Apax Acquisition as a business combination under ASC 805, *Business Combinations* ("ASC 805"), resulting in the purchase price allocated to the assets acquired and liabilities assumed based on the estimated fair value at the date of the Apax Acquisition. As a result of the Apax Acquisition, our historical results of operations are not comparable from period to period and may not be comparable to our financial results of operations in future periods due to a number of factors. Set forth below is a brief discussion of the key factors impacting the comparability of our results of operations.

Increased Depreciation and Amortization Expense

In connection with the Apax Acquisition, depreciation and amortization expense increased \$118.8 million for the fiscal year ended June 30, 2020 and \$79.2 million for the Successor 2019 Period as a result of the step-up in fair value required under ASC 805.

Transaction Costs

In connection with the Apax Acquisition, we incurred approximately \$11.6 million and \$14.5 million in the Successor 2019 and Predecessor 2019 Period, respectively, of non-recurring transaction costs. These transaction costs, which are principally professional fees, were included in general and administrative expenses.

Compensation Expense

In connection with the Apax Acquisition and the subsequent recruitment of additional management personnel, we incurred share-based award and liability incentive award compensation expense of \$3.1 million

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and \$29.0 million for the year ended June 30, 2020 and for the Successor 2019 Period, respectively, which is included in cost of revenues, sales and marketing expense, general and administrative expense and research and development expense.

IPO-Related Expenses

We also expect to incur additional costs as a result of the successful completion of this offering. These additional expenses include transaction bonuses, share-based compensation expense associated with two cash 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 Midco Redeemable Preferred Stock. The specifics of the LTIPs, MEP and Midco Redeemable Preferred Stock are presented below.

We have 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 are phantom awards providing for, at our discretion, a cash or stock payment (“LTIP Payment”) to participants on certain determination dates, if an initial public offering (“IPO”) occurs and if the LTIP Participant remains employed with us on such date. The occurrence of an IPO will result in a determination date, for which each LTIP Participant will be 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. Upon the occurrence of the IPO, the LTIP Units will convert into the entitlement to receive a fixed number of shares of common stock, to be determined based on the IPO price. We currently expect to settle such entitlements by issuing restricted stock units (“RSUs”) concurrently with the consummation of the IPO, which RSUs will vest on the applicable payment dates. However, until such RSUs are issued, we also retain the option to settle such payments in cash based on the average closing price per share for the five-day trading period ending on the day prior to the applicable payment date. Upon the successful completion of this offering, we will recognize approximately \$32.0 million of compensation expense over the requisite service period relating to the LTIP Units based on an assumed initial public offering price of \$19.50, which is the midpoint of the estimated public offering price range set forth on the cover of this prospectus.

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. Following the IPO, all time-vesting incentive units will continue to vest based upon their original vesting schedule. 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 second half of the MEP incentive units vest based on our performance relative to Apax Partners’ original invested amount, with the performance calculations defined in the plan, triggered by either a distribution, a liquidity event or IPO (implied performance condition). We expect that Apax Partners will treat our IPO as an event that converts the performance-vesting incentive units to time-based vesting units, with 25% vesting upon successive six-month anniversary dates for the 24 months following an IPO.

The MEP incentive 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 and recognized as the incentive units vest. We estimate the fair value of the MEP incentive units using the Monte Carlo simulation method. As of March 31, 2021, there was approximately \$11.9 million and \$15.8 million of unrecognized compensation expense associated with unvested time-based and performance-based MEP incentive unit awards, respectively. The unrecognized compensation expense associated with the unvested time-based MEP incentive unit awards outstanding as of March 31, 2021 will be recognized over a weighted average period of 2.8 years from March 31, 2021. We expect that the unrecognized compensation expense associated with performance-based MEP incentive unit awards will be recognized over a period of 24 months beginning upon the consummation of this offering.

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In connection with the Apax Acquisition, Pride Midco issued \$200 million in aggregate initial liquidation preference of Midco Redeemable Preferred Stock. The Midco Redeemable Preferred Stock accrues dividends at a rate of LIBOR plus 8.875%, which rate will decrease to LIBOR plus 8.375% beginning November 3, 2021. The dividends are payable, or are 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 Midco Redeemable Preferred Stock. From November 2, 2020 to November 2, 2021, we are required pay 50% of the accrued dividends in cash. After November 2, 2021, we will be required to pay 100% of the accrued dividends in cash. If the Midco Redeemable Preferred Stock remains outstanding after May 2, 2022, we are required to pay 0.50% of the initial liquidation preference to the holders of the Midco Redeemable Preferred Stock in cash. Additionally, the Company may, at its option, redeem for cash any or all of the then outstanding Midco Redeemable Preferred Stock, in whole at any time or in part from time to time, at (i) a redemption price per share equal to 101.0% prior to and including November 1, 2021; and 100.0% on November 2, 2021 and thereafter, plus (ii) the amount of all accrued dividends for the then current and all prior dividend payment periods.

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

The holders of the Midco Redeemable Preferred Stock have the ability to redeem the shares upon the occurrence of certain events, such as a change in control or an IPO, or on or after the sixth anniversary of the issue date. Upon an initial public offering, we will be required to redeem any outstanding shares of the Midco Redeemable Preferred Stock at (i) a redemption price per share equal to 101.0% prior to and including November 1, 2021; and 100.0% on November 2, 2021 and thereafter, plus (ii) all accrued and unpaid dividends to the redemption date. Upon completion of this offering, we expect to use a portion of the proceeds to effect the redemption by Pride Midco of all outstanding shares of the Midco Redeemable Preferred Stock for \$260.0 million.

In connection with this offering, we intend to grant awards under the 2021 Plan to certain executives consisting of options to purchase shares of common stock with an aggregate value of approximately \$10.6 million and RSUs with an aggregate value of approximately \$10.6 million. The options will have an exercise price equal to the initial public offering price. We also intend to grant approximately \$1.2 million of RSU awards to our independent directors and approximately \$6.1 million of RSU awards to members of our IPO transaction team and certain senior employees of the Company. In addition, we intend to make a grant of RSUs to each Paycor employee as of the date of this offering, for an aggregate of approximately 200,000 RSUs (approximately \$3.9 million in RSUs assuming an initial public offering price of \$19.50 per share). We expect to recognize compensation expense equal to the aggregate dollar value of such awards over their three year vesting term.

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 cancelable by the customer on 30 days' notice. We recognize revenue under Accounting Standard Codification ASC Topic 606 ("ASC 606"). Under ASC 606, 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

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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. Nonrefundable upfront fees related to implementation services were \$16.5 million as of March 31, 2021, with \$10.6 million revenue recognized in the nine months ended March 31, 2021. Nonrefundable upfront fees related to implementation services were \$15.9 million as of June 30, 2020, with \$4.3 million of revenue recognized in the fiscal year ended June 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.

See “—Critical Accounting Policies—Revenue Recognition.” 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 (“ACH”) 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 \$7.4 million and \$3.8 million of capitalized contract fulfillment costs during the nine months ended March 31, 2021 and 2020, respectively. We amortized \$5.7 million, \$1.1 million, and \$4.7 million of capitalized contract fulfillment costs during the fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 period, 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

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amortized over a period of three years into cost of revenues. We amortized \$44.0 million and \$36.7 million of capitalized internal-use and acquired software costs during the nine months ended March 31, 2021 and 2020, respectively. We amortized \$49.8 million, \$28.7 million, and \$4.9 million of capitalized internal-use and acquired software costs during the fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 period, 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 \$6.2 million and \$3.0 million of capitalized contract acquisition costs during the nine months ended March 31, 2021 and 2020, respectively. We amortized \$4.5 million, \$0.8 million, and \$4.0 million of capitalized contract acquisition costs during the fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 period, 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 \$59.1 million and \$58.4 million of intangible assets, excluding acquired software amortized through cost of revenues, during the nine months ended March 31, 2021 and 2020, respectively. We amortized \$78.0 million, \$51.9 million and \$0.1 million of intangible assets, excluding acquired software amortized through cost of revenues, during the fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 Period, respectively. The increase in fiscal year ended June 30, 2020, and the Successor 2019 Period amortization expense is a result of the step-up in fair value relating to the Apax Acquisition.

We expect our general and administrative expenses to increase in absolute dollars as a result of our preparation to become and operate as a public company. Also, following the completion of this offering, we expect these expenses will include additional costs to comply with the rules and regulations applicable to companies listed on a national securities exchange, costs related to compliance with the Sarbanes-Oxley Act and other regulations governing public companies, and increased insurance costs, investor relations and professional services.

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.

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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 periods presented:

	Successor				Predecessor
	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
(in thousands)					
Capitalized software	\$ 15,065	\$ 14,777	\$ 18,846	\$ 12,083	\$ 6,701
Research and development expenses	26,507	35,918	45,866	28,428	12,695

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 consolidated statement of operations for the periods indicated:

	Successor			Period from November 2, 2018 to June 30, 2019	Predecessor
	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020	Fiscal Year Ended June 30, 2020		Period from July 1 to November 1, 2018
(in thousands)					
Consolidated Statement of Operations Data:					
Revenues:					
Recurring and other revenue	\$ 263,372	\$ 245,357	\$317,620	\$ 191,881	\$ 86,262
Interest income on funds held for clients	1,392	9,192	10,289	9,977	3,343
Total revenues	264,764	254,549	327,909	201,858	89,605
Cost of revenues	112,506	105,501	139,683	77,566	31,939
Gross profit	152,258	149,048	188,226	124,292	57,666
Operating expenses:					
Sales and marketing	75,864	74,970	99,998	56,660	30,479
General and administrative	106,914	102,964	137,071	127,862	31,069
Research and development	26,507	35,918	45,866	28,428	12,695
Total operating expenses	209,285	213,852	282,935	212,950	74,243
Loss from operations	(57,027)	(64,804)	(94,709)	(88,658)	(16,577)
Interest expense	(1,847)	(1,403)	(1,780)	(1,119)	(1,036)
Other income	320	6,438	9,004	423	175
Loss before income taxes	(58,554)	(59,769)	(87,485)	(89,354)	(17,438)
Income tax benefit	(12,344)	(12,619)	(20,182)	(16,531)	(2,517)
Net loss	<u>\$ (46,210)</u>	<u>\$ (47,150)</u>	<u>\$ (67,303)</u>	<u>\$ (72,823)</u>	<u>\$ (14,921)</u>

Comparison of the Nine Months Ended March 31, 2021 to the Nine Months Ended March 31, 2020

Revenues

(in thousands)	Nine Months Ended March 31,		\$ Change	% Change
	2021	2020		
Revenues:				
Recurring and other revenue	\$ 263,372	\$ 245,357	\$ 18,015	7%
Interest income on funds held for clients	1,392	9,192	(7,800)	(85)%
Total revenues	<u>\$ 264,764</u>	<u>\$ 254,549</u>	<u>\$ 10,215</u>	<u>4%</u>

Total revenue increased 4% to \$264.8 million for the nine months ended March 31, 2021 from \$254.5 million for the nine months ended March 31, 2020. Total revenues increased primarily as a result of an increase in customers of 6% to approximately 28,200 at March 31, 2021 from approximately 26,700 at March 31, 2020. The increase in customers was partially offset by a 4% decline in the average number of employees per customer to 68 on average for the nine months ended March 31, 2021 from 71 on average for the nine months ended March 31, 2020. This decline in employees per customer was primarily driven by customers terminating or furloughing employees in response to the COVID-19 pandemic. For the nine months ended March 31, 2021 and March 31, 2020, average customer employees were 1.9 million and 1.8 million, respectively.

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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.

Cost of Revenues

(in thousands)	Nine Months Ended March 31,		\$ Change	% Change
	2021	2020		
Cost of revenues	\$ 112,506	\$ 105,501	\$ 7,005	7%
Percentage of total revenues	42%	41%		
Gross profit	\$ 152,258	\$ 149,048	\$ 3,210	2%
Percentage of total revenues	58%	59%		

Total cost of revenues increased 7% to \$112.5 million for the nine months ended March 31, 2021 from \$105.5 million for the nine months ended March 31, 2020. Our total cost of revenues increased primarily as a result of a \$5.0 million increase in amortization expense relating to capitalized internal-use software and a \$2.3 million increase in intangible amortization expense primarily associated with our acquisition of 7Geese in September 2020.

Operating Expenses

Sales and Marketing

(in thousands)	Nine Months Ended March 31,		\$ Change	% Change
	2021	2020		
Sales and marketing	\$ 75,864	\$ 74,970	\$ 894	1%
Percentage of total revenues	29%	29%		

Sales and marketing expenses increased 1% to \$75.9 million for the nine months ended March 31, 2021 from \$75.0 million for the nine months ended March 31, 2020. The increase in sales and marketing expense was primarily the result of \$3.4 million of additional employee-related costs, principally those incurred to expand our sales coverage, partially offset by a \$2.9 million reduction in travel related expenses due to decreased travel as a result of the COVID-19 pandemic.

General and Administrative

(in thousands)	Nine Months Ended March 31,		\$ Change	% Change
	2021	2020		
General and administrative	\$ 106,914	\$ 102,964	\$ 3,950	4%
Percentage of total revenues	40%	40%		

General and administrative expenses increased 4% to \$106.9 million for the nine months ended March 31, 2021 from \$103.0 million for the nine months ended March 31, 2020. The increase in general and administrative expenses was primarily driven by a \$3.6 million increase in consulting fees and a \$0.7 million increase in intangible amortization expense primarily associated with an asset acquisition completed in February 2021, partially offset by a \$0.5 million reduction in travel related expenses due to decreased travel as a result of the COVID-19 pandemic.

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Research and Development

(in thousands)	<u>Nine Months Ended March 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2021</u>	<u>2020</u>		
Research and development	\$ 26,507	\$ 35,918	\$(9,411)	(26)%
Percentage of total revenues	10%	14%		

Research and development expenses decreased 26% to \$26.5 million for the nine months ended March 31, 2021 from \$35.9 million for the nine months ended March 31, 2020. The decrease in research and development expenses was primarily the result of an \$8.4 million decrease in employee-related costs and a \$1.1 million decrease in consulting fees, in each case driven primarily by cost-saving initiatives as a result of the COVID-19 pandemic.

Interest Expense

(in thousands)	<u>Nine Months Ended March 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2021</u>	<u>2020</u>		
Interest expense	\$ 1,847	\$ 1,403	\$ 444	32%
Percentage of total revenues	<1%	<1%		

Interest expense increased to \$1.8 million for the nine months ended March 31, 2021 from \$1.4 million for the nine months ended March 31, 2020. This increase in interest expense was primarily attributable to an increase in borrowings as a result of the 2019 Term Loan entered into in September 2020.

Other Income

(in thousands)	<u>Nine Months Ended March 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2021</u>	<u>2020</u>		
Other income	\$ 320	\$ 6,438	\$(6,118)	(95)%

Other income was \$0.3 million for nine months ended March 31, 2021, primarily consisting of unrealized gains resulting from changes in foreign currency rates. Other income for the nine months ended March 31, 2020 was \$6.4 million, primarily consisting of a \$6.2 million gain resulting from the forgiveness of debt relating to the satisfactory completion of certain requirements which were met under the New Market Tax Credits Agreement with the City of Norwood.

Income Tax Benefit

Income tax benefit for the nine months ended March 31, 2021 and 2020 was \$12.3 million and \$12.6 million, respectively, reflecting effective tax rates of 21.1% for the nine months ended March 31, 2021 and 2020.

Comparison of the Fiscal Year Ended June 30, 2020, Successor 2019 Period, and Predecessor 2019 Period

Revenues

(in thousands)	Successor		Predecessor
	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1 to November 1, 2018
Revenues:			
Recurring and other revenue	\$317,620	\$ 191,881	\$ 86,262
Interest income on funds held for clients	10,289	9,977	3,343
Total revenues	\$327,909	\$ 201,858	\$ 89,605

Total revenue for the fiscal year ended June 30, 2020 was \$327.9 million, and for the Successor 2019 Period and the Predecessor 2019 Period, was \$201.9 million and \$89.6 million, respectively. In the fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 Period, recurring and other revenue accounted for \$317.6 million, \$191.9 million and \$86.3 million, respectively. Additionally, interest income on funds held for clients accounted for \$10.3 million, \$10.0 million, and \$3.3 million, respectively, for the fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 Period. Total revenues increased primarily as a result of an increase in customers of 7% to approximately 27,100 at June 30, 2020 from approximately 25,200 at June 30, 2019. The increase in customers was partially offset by a 6% decline in the average number of employees per customer to 68 at June 30, 2020 from 72 at June 30, 2019. This decline in employees per customer was primarily driven by customers terminating or furloughing employees in response to the COVID-19 pandemic. For the fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 Period, average customer employees over were 1.9 million, 1.7 million and 1.6 million, respectively.

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.

Cost of Revenues

(in thousands)	Successor		Predecessor
	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
Cost of revenues	\$139,683	\$ 77,566	\$ 31,939
Percentage of total revenues	43%	38%	36%
Gross profit	\$188,226	\$ 124,292	\$ 57,666
Percentage of total revenues	57%	62%	64%

Total cost of revenues for the fiscal year ended June 30, 2020 was \$139.7 million, and for the Successor 2019 Period and Predecessor 2019 Period was \$77.6 million and \$32.0 million, respectively. Our total cost of revenues increased primarily as a result of the continued growth of our business, including \$11.9 million in additional employee-related labor and benefits costs for Associates necessary to service the increasing number of customers on our platform, and increased amortization of technology as a result of the step-up in fair value as a result of the Apex Acquisition. We amortized \$49.8 million, \$28.7 million, and \$4.9 million of capitalized technology and internal-use software costs during the fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 period, respectively.

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Operating Expenses

Sales and Marketing

(in thousands)	Successor		Predecessor
	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
Sales and marketing	\$ 99,998	\$ 56,660	\$ 30,479
Percentage of total revenues	30%	28%	34%

Sales and marketing expenses for the fiscal year ended June 30, 2020 were \$100.0 million, and for the Successor 2019 Period and Predecessor 2019 Period were \$56.7 million and \$30.5 million, respectively. The increase in sales and marketing expense was primarily the result of additional employee-related costs, principally those incurred to expand our sales coverage, which were partially offset by a reduction in travel related expenses due to decreased travel as a result of the COVID-19 pandemic.

General and Administrative

(in thousands)	Successor		Predecessor
	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
General and administrative	\$ 137,071	\$ 127,862	\$ 31,069
Percentage of total revenues	42%	63%	35%

General and administrative expenses for the fiscal year ended June 30, 2020 were \$137.1 million, and for the Successor 2019 Period and Predecessor 2019 Period were \$127.9 million and \$31.1 million, respectively. The decrease in general and administrative expenses was primarily driven by a \$26.1 million decrease in certain one-time expenses from the prior periods related to the Apax Acquisition, a decrease in stock based compensation expense of \$27.0 million, and partially offset by a \$26.0 million increase in amortization expense related to the step-up in intangibles assets from the Apax Acquisition.

Research and Development

(in thousands)	Successor		Predecessor
	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
Research and development	\$ 45,866	\$ 28,428	\$ 12,695
Percentage of total revenues	14%	14%	14%

Research and development expenses for the fiscal year ended June 30, 2020 were \$45.9 million, and for the Successor 2019 Period and Predecessor 2019 Period were \$28.4 million and \$12.7 million, respectively. The increase in research and development expenses was primarily the result of \$2.8 million of additional employee-related costs and \$1.1 million of additional consulting fees.

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(in thousands)	Successor		Predecessor
	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
Interest expense	\$ 1,780	\$ 1,119	\$ 1,036
Percentage of total revenues	<1%	<1%	1.2%

Interest expense for the fiscal year ended June 30, 2020 was \$1.8 million, and for the Successor 2019 Period and Predecessor 2019 Period was \$1.1 million and \$1.0 million, respectively. This decrease was driven primarily by a lower interest rate associated with the refinancing of our building loan.

Other Income

(in thousands)	Successor		Predecessor
	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
Other income	\$ 9,004	\$ 423	\$ 175

Other income was \$9.0 million for the fiscal year ended June 30, 2020 compared to \$0.4 million and \$0.2 million for the Successor 2019 Period and the Predecessor 2019 Period. Other income for the fiscal year ended June 30, 2020 primarily consists of a \$6.2 million gain resulting from the forgiveness of debt relating to satisfactory completion of certain requirements which were met under the New Market Tax Credits agreement with the City of Norwood and \$2.5 million in realized gains on the sale of certain positions of funds held for clients.

Income Tax Benefit

Income tax benefit for the fiscal year ended June 30, 2020 was a benefit of \$20.2 million, and for the Successor 2019 Period and Predecessor 2019 Period was a benefit of \$16.5 million and \$2.5 million, respectively, reflecting effective tax rates for the year ended June 30, 2020 of 23.1%, and for the Successor 2019 Period and the Predecessor 2019 Period of 18.5% and 14.4%, respectively.

Quarterly Results of Operations and Other Data

The following table sets forth selected unaudited consolidated quarterly statements of operations data for the periods presented. The information for each of these quarters has been prepared on the same basis as the audited annual consolidated financial statements included elsewhere in this prospectus and, in the opinion of management, includes all adjustments, which consist only of normal recurring adjustments, necessary for the fair presentation of the results of operations for these periods. This data should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this prospectus. These quarterly results are not necessarily indicative of our results of operations to be expected for any future period.

(in thousands)	Three Months Ended							
	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
Revenue:								
Recurring and other revenue	\$ 68,450	\$ 72,533	\$ 79,891	\$ 92,933	\$ 72,263	\$ 78,551	\$ 85,416	\$ 99,405
Interest income on funds held for clients	3,806	3,260	2,995	2,937	1,097	510	448	434
Total revenues	72,256	75,793	82,886	95,870	73,360	79,061	85,864	99,839
Cost of revenues	29,409	32,355	34,793	38,353	34,182	34,484	36,833	41,189
Gross profit	42,847	43,438	48,093	57,517	39,178	44,577	49,031	58,650
Operating expenses:								
Sales and marketing	23,553	23,920	24,400	26,650	25,028	24,343	25,477	26,044
General and administrative	37,056	33,354	33,780	35,830	34,107	33,417	35,056	38,441
Research and development	9,982	10,969	11,799	13,150	9,948	8,284	9,390	8,833
Total operating expenses	70,591	68,243	69,979	75,630	69,083	66,044	69,923	73,318
Loss from operations	(27,744)	(24,805)	(21,886)	(18,113)	(29,905)	(21,467)	(20,892)	(14,668)
Other income (expense):								
Interest expense	(420)	(437)	(522)	(444)	(377)	(486)	(673)	(688)
Other	181	(21)	6,372	87	2,566	196	44	80
Loss before benefit for income taxes	(27,983)	(25,263)	(16,036)	(18,470)	(27,716)	(21,757)	(21,521)	(15,276)
Income tax benefit	(5,292)	(5,334)	(3,386)	(3,899)	(7,563)	(4,425)	(4,704)	(3,215)
Net loss	\$(22,691)	\$(19,929)	\$(12,650)	\$(14,571)	\$(20,153)	\$(17,332)	\$(16,817)	\$(12,061)
Less: Net loss attributable to noncontrolling interests	(5)	—	—	—	—	—	—	—
Less: Accretion of redeemable noncontrolling interests	5,927	5,871	5,926	5,984	5,109	5,050	6,471	6,379
Net loss attributable to Paycor HCM, Inc.	\$(28,613)	\$(25,800)	\$(18,576)	\$(20,555)	\$(25,262)	\$(22,382)	\$(23,288)	\$(18,440)

Quarterly Revenue Trends

Our number of new customers typically increases more during our third fiscal quarter ending March 31 than during the rest of our fiscal year, primarily because many new customers prefer to start using our payroll or HCM solutions at the beginning of a calendar year. In addition, client funds and year-end activities are traditionally higher during our third fiscal quarter. As a result of these factors, our total revenue has historically grown disproportionately during our third fiscal quarter as compared to other quarters.

Quarterly Operating Expense Trends

Our operating expenses have generally increased sequentially due to our growth and are primarily related to increases in personnel-related costs and related overhead to support our expanding operations and our continued investments in our solutions and service capabilities. A significant portion of our operating expenses are related to compensation and other items which are relatively fixed in the short-term, and we plan expenditures based in part on our expectations regarding future needs and opportunities.

Non-GAAP Financial Measures

In addition to our results determined in accordance with 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 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 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 GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable 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 GAAP and should not be considered as replacements for gross profit and gross profit margin, as determined by GAAP, or as measures of our profitability. We compensate for these limitations by relying primarily on our GAAP results and using non-GAAP measures only for supplemental purposes.

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Adjusted Gross Profit was \$187.3 million and \$182.1 million, or 70.8% and 71.5% of total revenues, for the nine months ended March 31, 2021 and 2020, respectively. Adjusted Gross Profit increased for the nine months ended March 31, 2021 when compared to the nine months ended March 31, 2020 as a result of an increase in total revenues from customer growth, offset partially by an increase in amortization of costs to fulfill contracts and amortization of capitalized software within cost of revenues. Adjusted Gross Profit was \$233.4 million, \$152.2 million and \$58.5 million, or 71.2%, 75.4% and 65.2% of total revenues, for the fiscal year ended June 30, 2020, the Successor 2019 Period and the Predecessor 2019 Period, respectively. Adjusted Gross Profit increased for the fiscal period ended June 30, 2020, primarily driven by the increase in total revenues from customer growth, partially offset by an increase in employee-related expenses and amortization of capitalized software within cost of revenues.

(in thousands)	Successor				Predecessor
	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
Gross Profit*	\$ 152,258	\$ 149,048	\$188,226	\$ 124,292	\$ 57,666
Gross Profit Margin	57.5%	58.6%	57.4%	61.6%	64.4%
Amortization of intangible assets	34,413	32,157	42,876	27,657	397
Stock-based compensation expense	656	—	617	—	401
Corporate adjustments**	—	884	1,658	262	—
Adjusted Gross Profit*	\$ 187,327	\$ 182,089	\$233,377	\$ 152,211	\$ 58,464
Adjusted Gross Profit Margin,	70.8%	71.5%	71.2%	75.4%	65.2%

* Gross Profit and Adjusted Gross Profit are burdened by depreciation expense of \$1.8 million and \$1.8 million for the nine months ended March 31, 2021 and 2020, respectively, and \$2.5 million, \$1.5 million, and \$0.8 million for the fiscal year ended June 30, 2020, the Successor 2019 Period and the Predecessor 2019 Period, respectively.

** Corporate adjustments for the nine months ended March 31, 2020 primarily related to the transition of the new executive leadership team and closure of a standalone facility. Corporate Adjustments for the fiscal year ended June 30, 2020 and the Successor 2019 Period primarily related to certain costs related to the transition of the new executive leadership team and closure of a standalone facility of \$0.7 million and \$0.3 million, respectively, and \$0.9 million of costs related to implementing certain expense saving initiatives as a result of the COVID-19 pandemic for the fiscal year ended June 30, 2020.

Quarterly Adjusted Gross Profit and Adjusted Gross Profit Margin

	Three Months Ended							
	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
Gross Profit	\$ 42,847	\$ 43,438	\$ 48,093	\$ 57,517	\$ 39,178	\$ 44,577	\$ 49,031	\$ 58,650
Gross Profit Margin	59.3%	57.3%	58.0%	60.0%	53.4%	56.4%	57.1%	58.7%
Amortization of intangible assets	10,507	10,719	10,719	10,719	10,719	10,969	11,722	11,722
Stock-based compensation expense	—	—	—	—	617	213	213	230
Corporate adjustments	262	206	106	572	774	—	—	—
Adjusted Gross Profit	\$ 53,616	\$ 54,363	\$ 58,918	\$ 68,808	\$ 51,288	\$ 55,759	\$ 60,966	\$ 70,602
Adjusted Gross Profit Margin	74.2%	71.7%	71.1%	71.8%	69.9%	70.5%	71.0%	70.7%

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

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expenses, such as costs related to acquisitions, including the Apax Acquisition. 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 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 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 GAAP, or as measures of our profitability. We compensate for these limitations by relying primarily on our GAAP results and using non-GAAP measures only for supplemental purposes.

Adjusted Operating Income was \$47.8 million and \$34.9 million for the nine months ended March 31, 2021 and 2020, respectively. Adjusted Operating Income increased for the nine months ended March 31, 2021 compared to the nine months ended March 31, 2020 as a result of an increase in gross profit and a reduction in research and development expenses as a result of a decrease in employee-related costs and consulting fees, partially offset by an increase in cost related to expanding our sales coverage. Adjusted Operating Income was \$46.3 million, \$36.9 million and \$5.0 million for the fiscal year ended June 30, 2020, the Successor 2019 Period and the Predecessor 2019 Period, respectively. Adjusted Operating Income increased for the fiscal period ended June 30, 2020, primarily driven by an increase in gross profit and offset by an increase in cost related to expanding our sales coverage, as well as continued investment in research and development.

	Successor				Predecessor
	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
(in thousands)					
Loss from Operations	\$ (57,027)	\$ (64,804)	\$ (94,709)	\$ (88,658)	\$ (16,577)
Operating Margin	(21.5)%	(25.5)%	(28.9)%	(43.9)%	(18.5)%
Amortization of intangible assets	93,553	90,571	120,862	79,545	508
Stock-based award and liability incentive award compensation expense	5,378	2,789	7,961	29,047	6,548
Corporate adjustments*	5,864	6,344	12,149	17,006	14,498
Adjusted Operating Income	\$ 47,768	\$ 34,900	\$ 46,263	\$ 36,940	\$ 4,977
Adjusted Operating Income Margin	18.0%	13.7%	14.1%	18.3%	5.6%

* Corporate Adjustments for the nine months ended March 31, 2021 and 2020 relate to certain costs related to the transition of the new executive leadership team and closure of a standalone facility of \$1.0 million and \$4.1 million, respectively, as well as costs associated with our efforts to become a public company, including the implementation of a new enterprise-resource planning system and professional, consulting, and other costs, of \$4.4 million and \$1.8 million, respectively, and transaction expenses and costs associated with the 7Geese Acquisition and other acquisitions totaling \$0.5 million and \$0.4 million, respectively. Corporate Adjustments for the fiscal year ended June 30, 2020 and Successor 2019 Period relate to certain costs related to the transition of the new executive leadership team and closure of a standalone facility of \$6.0 million and \$4.0 million, respectively, as well as costs associated with our efforts

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to become a public company, including the implementation of a new enterprise-resource planning system and professional, consulting, and other costs, of \$2.7 million and \$1.4 million, respectively. Corporate Adjustments for the fiscal year ended June 30, 2020 also include costs related to implementing certain expense saving initiatives as a result of the COVID-19 pandemic totaling \$3.4 million. Costs associated with the Apex Acquisition are also included in Corporate Adjustments, which totaled \$11.6 million in the Successor 2019 Period and \$14.5 million in the Predecessor 2019 Period.

Quarterly Adjusted Operating Income

	Three Months Ended							
	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
Loss from Operations	\$(27,744)	\$(24,805)	\$(21,886)	\$(18,113)	\$(29,905)	\$(21,467)	\$(20,892)	\$(14,668)
Operating Margin	(38.4%)	(32.7%)	(26.4%)	(18.9%)	(40.8%)	(27.2%)	(24.3%)	(14.7%)
Amortization of intangible assets	29,965	30,177	30,177	30,217	30,291	30,504	31,267	31,782
Stock-based award and liability incentive award compensation expense	2,683	1,102	1,102	585	5,172	1,740	1,756	1,882
Corporate adjustments	4,598	2,427	1,101	2,816	5,805	1,899	1,364	2,601
Adjusted Operating Income	<u>\$ 9,502</u>	<u>\$ 8,901</u>	<u>\$ 10,494</u>	<u>\$ 15,505</u>	<u>\$ 11,363</u>	<u>\$ 12,676</u>	<u>\$ 13,495</u>	<u>\$ 21,597</u>
Adjusted Operating Income Margin	13.2%	11.7%	12.7%	16.2%	15.5%	16.0%	15.7%	21.6%

Adjusted Operating Expenses

We define Adjusted Sales and Marketing expense as sales and marketing expenses before stock-based 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 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 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 GAAP. Because of these limitations, Adjusted Operating Expenses should not be considered as replacements for operating expenses, as determined by GAAP. We compensate for these limitations by relying primarily on our GAAP results and using non-GAAP measures only for supplemental purposes.

Adjusted Sales and Marketing expense was \$73.5 million and \$73.7 million for the nine months ended March 31, 2021 and 2020, respectively. Adjusted Sales and Marketing expense decreased for the nine months ended March 31, 2021 when compared to the nine months ended March 31, 2020 primarily as a result of a decrease in travel related expenses due to decreased travel as a result of the COVID-19 pandemic, partially offset by additional employee-related costs, principally those incurred to expand our sales coverage. Adjusted Sales and Marketing expense was \$95.8 million, \$56.7 million and \$28.2 million for the fiscal year ended June 30, 2020, the Successor 2019 Period and the Predecessor 2019 Period, respectively. Adjusted Sales and Marketing expenses increased for the fiscal period ended June 30, 2020, primarily driven by expanding our sales coverage.

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Adjusted General and Administrative expense was \$39.7 million and \$37.9 million for the nine months ended March 31, 2021 and 2020, respectively. Adjusted General and Administrative expense increased for the nine months ended March 31, 2021 when compared to the nine months ended March 31, 2020 primarily as a result of employee-related costs. Adjusted General and Administrative expense was \$47.7 million, \$30.6 million and \$13.6 million for the fiscal year ended June 30, 2020, the Successor 2019 Period and the Predecessor 2019 Period, respectively. Adjusted General and Administrative expenses increased for the fiscal period ended June 30, 2020, primarily driven by additional employee-related costs and software-related expenses.

Adjusted Research and Development expense was \$26.3 million and \$35.6 million for the nine months ended March 31, 2021 and 2020, respectively. Adjusted Research and Development expense decreased for the nine months ended March 31, 2021 when compared to the nine months ended March 31, 2020 primarily as a result of a decrease in employee-related costs and consulting fees. Adjusted Research and Development expense was \$43.6 million, \$28.0 million and \$11.7 million for the fiscal year ended June 30, 2020, the Successor 2019 Period and the Predecessor 2019 Period, respectively. Adjusted Research and Development expenses increased for the fiscal period ended June 30, 2020, primarily driven by additional employee-related costs and additional consulting fees.

	Successor				Predecessor
	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
(in thousands)					
Sales and Marketing expense	\$ 75,864	\$ 74,970	\$ 99,998	\$ 56,660	\$ 30,479
Stock-based compensation expense	(1,737)	—	(1,666)	—	(2,272)
Corporate adjustments*	(598)	(1,281)	(2,528)	—	—
Adjusted Sales and Marketing expense	\$ 73,529	\$ 73,689	\$ 95,804	\$ 56,660	\$ 28,207
General and Administrative expense	\$ 106,914	\$ 102,964	\$ 137,071	\$ 127,862	\$ 31,069
Amortization of intangible assets	(59,140)	(58,414)	(77,986)	(51,888)	(111)
Stock-based award and liability incentive award compensation expense	(2,871)	(2,789)	(4,909)	(29,047)	(2,899)
Corporate adjustments**	(5,204)	(3,871)	(6,499)	(16,337)	(14,498)
Adjusted General and Administrative expense	\$ 39,699	\$ 37,890	\$ 47,677	\$ 30,590	\$ 13,561
Research and Development expense	\$ 26,507	\$ 35,918	\$ 45,866	\$ 28,428	\$ 12,695
Stock-based compensation expense	(114)	—	(769)	—	(976)
Corporate adjustments***	(62)	(308)	(1,464)	(407)	—
Adjusted Research and Development expense	\$ 26,331	\$ 35,610	\$ 43,633	\$ 28,021	\$ 11,719

* Corporate Adjustments for the nine months ended March 31, 2021 and 2020 primarily relate to certain costs related to the transition of the new executive leadership team and closure of a standalone facility of \$0.6 million and \$1.3 million, respectively. Corporate Adjustments for the fiscal year ended June 30, 2020 relate to certain costs related to the transition of the new executive leadership team and closure of a standalone facility and costs related to implementing certain expense saving initiatives as a result of the COVID-19 pandemic totaling \$1.8 million and \$0.7 million, respectively.

** Corporate Adjustments for the nine months ended March 31, 2021 and 2020 relate to certain costs related to the transition of the new executive leadership team and closure of a standalone facility of \$0.4 million and \$1.9 million, respectively, as well as costs associated with our efforts to become a public company, including the implementation of a new enterprise-resource planning system and professional, consulting, and other costs, of \$4.3 million and \$1.6 million, respectively, and transaction expenses and costs associated with the 7Geese Acquisition and other acquisitions totaling \$0.5 million and \$0.4 million, respectively. Corporate Adjustments for the fiscal year ended June 30, 2020 and Successor 2019 Period relate to certain costs related to the transition of the new executive leadership team and closure of a standalone facility of \$3.3 million and \$3.3 million, respectively, as well as costs associated with our efforts to become a public company, including the implementation of a new enterprise-resource planning system

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and professional, consulting, and other costs, of \$2.0 million and \$1.0 million, respectively, and transaction expenses and costs associated with acquisitions totaling \$0.3 million and \$0.4 million, respectively. Corporate Adjustments for the fiscal year ended June 30, 2020 also include costs related to implementing certain expense saving initiatives as a result of the COVID-19 pandemic totaling \$0.9 million. Costs associated with the Apax Acquisition are also included in Corporate Adjustments, which totaled \$11.6 million in the Successor 2019 Period and \$14.5 million in the Predecessor 2019 Period.

*** Corporate Adjustments for the nine months ended March 31, 2021 relate to costs associated with the 7Geese acquisition. Corporate Adjustments for the nine months ended March 31, 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 fiscal year ended June 30, 2020 and Successor 2019 Period relate to certain costs related to the transition of the new executive leadership team and closure of a standalone facility of \$0.3 million and \$0.4 million, respectively. Corporate adjustments for the fiscal year ended June 30, 2020 also include acquisition related costs of \$0.2 million and costs related to implementing certain expense saving initiatives as a result of the COVID-19 pandemic totaling \$1.0 million.

Quarterly Adjusted Operating Expense

	Three Months Ended							
	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
Sales and Marketing expense	\$ 23,553	\$ 23,920	\$ 24,400	\$ 26,650	\$ 25,028	\$ 24,343	\$ 25,477	\$ 26,044
Stock-based compensation expense	—	—	—	—	(1,666)	(537)	(577)	(623)
Corporate adjustments		(471)	(42)	(768)	(1,247)	(296)	(299)	(3)
Adjusted Sales and Marketing expense	\$ 23,553	\$ 23,449	\$ 24,358	\$ 25,882	\$ 22,115	\$ 23,510	\$ 24,601	\$ 25,418
General and Administrative expense	\$ 37,056	\$ 33,354	\$ 33,780	\$ 35,830	\$ 34,107	\$ 33,417	\$ 35,056	\$ 38,441
Amortization of intangible assets	(19,458)	(19,458)	(19,458)	(19,498)	(19,572)	(19,535)	(19,545)	(20,060)
Stock-based award and liability incentive award compensation expense	(2,683)	(1,102)	(1,102)	(585)	(2,120)	(953)	(929)	(989)
Corporate adjustments	(3,929)	(1,566)	(887)	(1,418)	(2,628)	(1,603)	(1,065)	(2,536)
Adjusted General and Administrative expense	\$ 10,986	\$ 11,228	\$ 12,333	\$ 14,329	\$ 9,787	\$ 11,326	\$ 13,517	\$ 14,856
Research and Development expense	\$ 9,982	\$ 10,969	\$ 11,799	\$ 13,150	\$ 9,948	\$ 8,284	\$ 9,390	\$ 8,833
Stock-based award and liability incentive award compensation expense	—	—	—	—	(769)	(37)	(37)	(40)
Corporate adjustments	(407)	(184)	(66)	(58)	(1,156)	—	—	(62)
Adjusted Research and Development expense	\$ 9,575	\$ 10,785	\$ 11,733	\$ 13,092	\$ 8,023	\$ 8,247	\$ 9,353	\$ 8,731

Adjusted Net Income Attributable to Paycor HCM, Inc.

We define Adjusted Net Income Attributable to Paycor HCM, Inc. as Net Loss Attributable to Paycor HCM, Inc. before the accretion of redeemable noncontrolling interests, amortization of acquired intangible assets, stock-based award and liability incentive award compensation expenses, gain on the extinguishment of debt, and other certain corporate expenses, such as costs related to acquisitions, including the Apax Acquisition. All of the adjustments, except for the accretion of redeemable noncontrolling interests, are adjusted for the effect of income taxes using a 24% statutory tax rate for all periods presented.

We use Adjusted Net Income Attributable to Paycor HCM, Inc. 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. facilitates comparison of our operating performance on a consistent basis between periods, and when viewed in combination with our results

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prepared in accordance with 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. has limitations as an analytical tool, and you should not consider this in isolation, or as a substitute for analysis of our results as reported under 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., as determined by GAAP, or as measures of our profitability. We compensate for these limitations by relying primarily on our GAAP results and using non-GAAP measures only for supplemental purposes.

Adjusted Net Income was \$33.4 million and \$23.9 million for the nine months ended March 31, 2021 and 2020, respectively. Adjusted Net Income increased for the nine months ended March 31, 2021 compared to the nine months ended March 31, 2020 as a result of an increase in Adjusted Net Income Attributable to Paycor HCM, Inc. for the nine months ended March 31, 2020, primarily driven by an increase in gross profit, partially offset by an increase in cost related to expanding our sales coverage. Adjusted Net Income Attributable to Paycor HCM, Inc. was \$35.1 million, \$22.6 million and \$1.5 million for the fiscal year ended June 30, 2020, the Successor 2019 Period and the Predecessor 2019 Period, respectively. Adjusted Net Income Attributable to Paycor HCM, Inc. increased for the fiscal period ended June 30, 2020, primarily driven by an increase in gross profit and other income, partially offset by an increase in cost related to expanding our sales coverage, as well as continued investment in research and development.

	Successor				Predecessor
	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
(in thousands)					
Net loss attributable to Paycor HCM, Inc.	\$ (64,110)	\$ (64,931)	\$ (90,193)	\$ (88,518)	\$ (14,921)
Accretion of redeemable noncontrolling interests	17,900	17,781	22,890	15,700	—
Gain on extinguishment of debt	—	(6,240)	(6,240)	—	—
Amortization of intangible assets	93,553	90,571	120,862	79,545	508
Stock-based award and liability incentive award compensation expense	5,378	2,789	7,961	29,047	6,548
Corporate adjustments*	5,864	6,344	12,149	17,006	14,498
Income tax effect on adjustments	(25,151)	(22,431)	(32,336)	(30,144)	(5,173)
Adjusted Net Income Attributable to Paycor HCM, Inc.	<u>\$ 33,434</u>	<u>\$ 23,883</u>	<u>\$ 35,093</u>	<u>\$ 22,636</u>	<u>\$ 1,460</u>

* Corporate Adjustments for the nine months ended March 31, 2021 and 2020 relate to certain costs related to the transition of the new executive leadership team and closure of a standalone facility of \$1.0 million and \$4.1 million, respectively, as well as costs associated with our efforts to become a public company, including the implementation of a new enterprise-resource planning system and professional, consulting, and other costs, of \$4.4 million and \$1.8 million, respectively, and transaction expenses and costs associated with the 7Geese Acquisition and other acquisitions totaling \$0.5 million and \$0.4 million, respectively. Corporate Adjustments for the fiscal year ended June 30, 2020 and Successor 2019 Period relate to certain costs related to the transition of the new executive leadership team and closure of a standalone facility of \$6.0 million and \$4.0 million, respectively, as well as costs associated with our efforts to become a public company, including the implementation of a new enterprise-resource planning system and professional, consulting, and other costs, of \$2.7 million and \$1.4 million, respectively. Corporate

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Adjustments for the fiscal year ended June 30, 2020 also include costs related to implementing certain expense saving initiatives as a result of the COVID-19 pandemic totaling \$3.4 million. Costs associated with the Apex Acquisition are also included in Corporate Adjustments, which totaled \$11.6 million in the Successor 2019 Period and \$14.5 million in the Predecessor 2019 Period.

Quarterly Adjusted Net Income Attributable to Paycor HCM, Inc.

	Three Months Ended							
	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
Net loss attributable to Paycor HCM, Inc	\$(28,613)	\$(25,800)	\$(18,576)	\$(20,555)	\$(25,262)	\$(22,382)	\$(23,288)	\$(18,440)
Accretion of redeemable noncontrolling interests	5,927	5,871	5,926	5,984	5,109	5,050	6,471	6,379
Gain on extinguishment of debt	—	—	(6,240)	—	—	—	—	—
Amortization of intangible assets	29,965	30,177	30,177	30,217	30,291	30,504	31,267	31,782
Stock-based award and liability incentive award compensation expense	2,683	1,102	1,102	585	5,172	1,740	1,756	1,882
Corporate adjustments	4,598	2,427	1,101	2,816	5,805	1,899	1,364	2,601
Income tax effect on adjustments	(8,940)	(8,089)	(6,274)	(8,068)	(9,905)	(8,194)	(8,253)	(8,704)
Adjusted Net Income Attributable to Paycor HCM, Inc	<u>\$ 5,620</u>	<u>\$ 5,688</u>	<u>\$ 7,216</u>	<u>\$ 10,979</u>	<u>\$ 11,210</u>	<u>\$ 8,617</u>	<u>\$ 9,317</u>	<u>\$ 15,500</u>

Liquidity and Capital Resources

General

As of March 31, 2021 and June 30, 2020, our principal sources of liquidity were cash and cash equivalents totaling \$19.4 and \$0.8 million, respectively, which was held for working capital purposes, as well as available commitments under our 2019 Revolving Credit Facility, described further below. As of March 31, 2021 and June 30, 2020, our cash and cash equivalents principally included demand deposit accounts. During the nine months ended March 31, 2021 and the fiscal year ended June 30, 2020, our positive cash flows from operations enabled us to make continued investments to support the growth of our business. On June 11, 2021, we entered into the New Credit Facility and used the proceeds therefrom to repay in full all amounts under the 2019 Revolving Credit Facility and the Headquarters Loan, and for working capital and other general corporate purposes. As of June 30, 2021, we had \$50.9 million of commitments available to be drawn under our New Credit Facility, and there were no outstanding letters of credit. Following the completion of this offering, we expect that our operating cash flows 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 financed our operations primarily through cash received from operations and debt financing. We believe our existing cash and cash equivalents, our New 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.

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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 nonrefundable upfront fees related to implementation services are typically included on the client's first invoice. As of March 31, 2021 and June 30, 2020, we had deferred revenue of \$16.5 million and \$15.9 million, respectively, of which \$11.7 million and \$10.2 million, respectively, 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.

Midco Redeemable Preferred Stock

In connection with the Apax Acquisition, Pride Midco issued \$200 million in aggregate initial liquidation preference of Redeemable Preferred Stock, which is reflected as a redeemable noncontrolling interest in our consolidated balance sheets. The Midco Redeemable Preferred Stock accrues dividends at a rate of LIBOR plus 8.875%, which rate will decrease to LIBOR plus 8.375% beginning November 3, 2021. The dividends are payable, or are 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 Midco Redeemable Preferred Stock. From November 2, 2020 to November 2, 2021, we are required pay 50% of the accrued dividends in cash. After November 2, 2021, we will be required to pay 100% of the accrued dividends in cash. If the Midco Redeemable Preferred Stock remains outstanding after May 2, 2022, we are required to pay 0.50% of the initial liquidation preference to the holders of the Midco Redeemable Preferred Stock in cash. Additionally, the Company may, at its option, redeem for cash any or all of the then outstanding Midco Redeemable Preferred Stock, in whole at any time or in part from time to time, at (i) a redemption price per share equal to 101.0% prior to and including November 1, 2021; and 100.0% on November 2, 2021 and thereafter, plus (ii) the amount of all accrued dividends for the then current and all prior dividend payment periods.

The holders of the Midco Redeemable Preferred Stock have the ability to redeem the shares upon the occurrence of certain events such as a change in control, an IPO, on or after the sixth anniversary of the issue date, or a trigger event, etc. often involving a premium. Upon an IPO, we will be required to redeem any outstanding shares of the Midco Redeemable Preferred Stock at (i) a redemption price per share equal to 101.0% prior to and including November 1, 2021; and 100.0% on November 2, 2021 and thereafter, plus (ii) the amount of all accrued dividends for the then current and all prior dividend payment periods. Upon the successful completion of this offering, we intend to use a portion of the proceeds to redeem any outstanding shares of the Midco Redeemable Preferred Stock. Assuming we had redeemed the Midco Redeemable Preferred Stock on March 31, 2021, we would have paid approximately \$255.3 million, which represents the initial liquidation preference, accrued but unpaid dividends, and the redemption premium.

2019 Senior Secured Credit Facilities

In November 2018, we entered in a credit agreement with Wells Fargo Bank, N.A. and certain other lenders (the "2019 Credit Agreement") which provides for revolving loan commitments of up to \$50.0 million (the "2019 Revolving Credit Facility"). The \$0.4 million and \$5.0 million of borrowings under the 2019 Revolving Credit Facility as of March 31, 2021 and June 30, 2020, respectively, bear interest, at our option, at a rate equal to: (i) LIBOR (subject to 1.0% floor) plus 3.0% margin or (ii) the greatest of (a) the Federal Funds Rate plus 0.5% (b) LIBOR rate plus 1.0%, or (c) the Lender's prime rate, plus 2.0% margin. The 2019 Revolving Credit Facility matures on November 2, 2023. As of March 31, 2021 and June 30, 2020, we had approximately \$49.6 million and \$45.0 million, respectively, of borrowing capacity under this facility, subject to liquidity covenants.

Borrowings under the 2019 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.

On September 2, 2020, we amended the 2019 Credit Agreement to also provide for a \$25.0 million term loan (the "2019 Term Loan"). The proceeds from the 2019 Term Loan were used for general corporate purposes

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and our acquisition of Paltech Solutions (doing business as 7Geese) in September 2020. The 2019 Term Loan bears interest, at our option, at a rate equal to: (i) LIBOR (subject to 1.0% floor) plus 4.25% margin prior to the third anniversary or 4.0% after the third anniversary or (ii) the greatest of (a) the Federal Funds Rate plus 0.5% (b) LIBOR rate plus 1.0%, or (c) the Lender's prime rate, plus 3.25% margin prior to the third anniversary or 3.0% after the third anniversary. The 2019 Term Loan requires quarterly principal repayments of \$62,500 beginning December 31, 2020 and matures on November 2, 2023. As a result of the amendment, the interest rate on the 2019 Revolving Credit Facility was adjusted to bear interest at the same rate as the 2019 Term Loan. As of March 31, 2021, the interest rate was 5.25% and we had approximately \$24.9 million of outstanding debt relating to our 2019 Term Loan.

The 2019 Credit Agreement contains financial covenants, which are reviewed for compliance on a quarterly basis, including a minimum liquidity covenant, a minimum trailing twelve-month recurring revenue covenant, a minimum EBITDA covenant, that, upon our election, requires us to maintain a total leverage ratio of no greater than the greater of (i) 7.50:1.00 and (ii) the ratio that is equal to 130% of the total leverage ratio as of the date of such election. As of June 30, 2020, we were in compliance with all covenants.

On June 11, 2021, we entered into the New Credit Agreement and used the proceeds therefrom to repay in full all amounts outstanding under the 2019 Revolving Credit Facility, including the 2019 Term Loan, among other things.

Headquarters Loan

As of March 31, 2021 and June 30, 2020, we had approximately \$18.9 million and \$19.5 million, respectively, of outstanding debt relating to our headquarters loan, which bears interest payable monthly at a rate of LIBOR plus 1.75% (1.86% as of March 31, 2021 and 1.91% as of June 30, 2020) through the November 14, 2022 maturity date.

On June 11, 2021, we entered into the New Credit Agreement and used the proceeds therefrom to repay in full the Headquarters Loan, among other things.

New Senior Secured Credit Facilities

On June 11, 2021, we entered into the New Credit Agreement, providing the \$100.0 million New Credit Facility, of which 44.5 million was initially drawn at the closing date. The New Credit Facility includes an "accordion" feature that allows us, under certain circumstances following an initial public offering, to increase the size of the New Credit Facility by an amount up to \$300.0 million. For more information, see the section titled "Description of Certain Indebtedness and Other Obligations—New Senior Secured Credit Facilities."

Equity Issuance and Share Repurchase

In December 2020 and January 2021, we completed private placements of 7,715 shares of Series A preferred stock with certain institutional investors, which generated net proceeds of approximately \$270 million. Each share of Series A preferred stock has an initial liquidation preference of \$35,000, subject to adjustment in accordance with our Amended and Restated Certificate of Incorporation. The Series A preferred stock, unless converted earlier at the option of the holder of the Series A preferred stock, automatically converts into shares of Common Stock upon (i) the closing of an underwritten public offering of our Common Stock, (ii) the direct listing of our Common Stock on a nationally-recognized securities exchange, or (iii) a merger involving a special purpose acquisition vehicle, commonly referred to as a SPAC transaction (in each instance, subject to certain listing and valuation and dollar threshold requirements). The Series A preferred stock is initially convertible into shares of Common Stock on a one-to-one basis, subject to adjustment in certain circumstances. The Series A preferred stock is not subject to redemption except in the case of certain sale or change of control events. Holders of Series A preferred stock are entitled to vote as a single class together with holders of our Common Stock on an as-converted basis.

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Subsequent to our December 2020 Series A preferred stock issuance, we used the proceeds from the issuance and a promissory note of approximately \$65.0 million with Pride Aggregator L.P. to repurchase 7,000 shares of our Common Stock at a price of \$35,000 per share for approximately \$245 million. We repaid the \$65.0 million promissory note with proceeds from the January 2021 Series A preferred stock issuance.

Cash Flows

The following table presents a summary of our consolidated cash flows from operating, investing and financing activities for the periods presented.

(in thousands)	Successor				Predecessor
	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020	Fiscal Year Ended June 30, 2020	Period from November 2, 2018 to June 30, 2019	Period from July 1, 2018 to November 1, 2018
Net cash provided by (used in) operating activities	\$ 26,185	\$ (1,791)	\$ 88	\$ (11,584)	\$ (1,003)
Net cash (used in) provided by investing activities	(43,810)	(24,194)	121,529	(772,039)	90,100
Net cash provided by (used in) financing activities	202,049	126,526	(20,880)	1,152,334	(283,506)
Impact of foreign exchange on cash and cash equivalents	(35)	—	—	—	—
Net increase (decrease) in cash and cash equivalents	184,389	100,541	100,737	368,711	(194,409)
Cash and cash equivalents at beginning of period	546,448	445,711	445,711	77,000	271,409
Cash and cash equivalents at end of period	<u>\$ 730,837</u>	<u>\$ 546,252</u>	<u>\$ 546,448</u>	<u>\$ 445,711</u>	<u>\$ 77,000</u>

Operating Activities

Net cash provided by (used in) operating activities was \$26.2 million and \$(1.8) million for the nine months ended March 2021 and 2020, respectively. The increase in net cash provided by operating activities for the nine months ended March 31, 2021 reflects an increase in adjustments to add back non-cash items. Net cash provided by (used in) operating activities was \$0.1 million, \$(11.6) million and \$(1.0) million for the fiscal year ended June 30, 2020, Successor 2019 Period, and Predecessor 2019 Period, respectively. The increase in net cash provided by operating activities for the fiscal year ended June 30, 2020 reflects an improvement in net loss and adjustments to add back non-cash items.

Investing Activities

Net cash used in investing activities was \$(43.8) million and \$(24.2) million for the nine months ended March 2021 and 2020, respectively. The increase in net cash used by investing activities for the nine months ended March 31, 2021 reflects the use of cash to effect the acquisitions of intangible assets, and of Paltech Solutions, Inc. (doing business as 7Geese) in September 2020 and intangible assets in February 2021. Net cash provided by (used in) investing activities was \$121.5 million, \$(772.0) million, and \$90.1 million for the fiscal year ended June 30, 2020, Successor 2019 Period, and Predecessor 2019 Period, respectively. The increase in net cash provided by investing activities for the fiscal year ended June 30, 2020 was primarily attributable to consideration paid in the Apax Acquisition and in the acquisition of Nimble, both of which occurred in 2019, as well as timing of proceeds and purchases within our client funds portfolio.

Financing Activities

Net cash provided by financing activities was \$202.0 million and \$126.5 million for the nine months ended March 2021 and 2020, respectively. The increase in net cash provided by financing activities for the nine months

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ended March 31, 2021 reflects an increase in funds held to satisfy client funds obligations as well as proceeds from the issuance of preferred stock, net of cash used for the repurchase of common stock. Net cash provided by (used in) financing activities was \$(20.9) million, \$1,152.3 million and \$(283.5) million for the year ended June 30, 2020, Successor 2019 Period, and Predecessor 2019 Period. The decrease in net cash provided by financing activities for the fiscal year ended June 30, 2020 was primarily attributable to capital contributions from third parties through the Apax Acquisition as well as proceeds received from the issuance of Midco Redeemable Preferred Stock by Pride Midco, in each case in 2019.

Contractual Obligations and Commitments

The following table sets forth the amounts of our significant contractual obligations and commitments with definitive payment terms as of June 30, 2020:

(in thousands)	Payments due by Period				
	Total	Less than 1 Year	1-3 years	3-5 Years	More than 5 years
2019 Revolving Credit Facility(1)	\$ 5,201	\$ 5,201	\$ —	\$ —	\$ —
Headquarters Loan(1)	20,368	1,213	19,155	—	—
Operating lease obligations	33,556	6,238	11,487	7,126	8,705
Purchase obligations(2)	19,796	9,170	9,227	1,399	—
Total	<u>\$ 78,921</u>	<u>\$ 21,822</u>	<u>\$ 39,869</u>	<u>\$ 8,525</u>	<u>\$ 8,705</u>

- (1) Represents principal and variable interest payments due under our revolving credit agreement and the loan agreement for our corporate headquarters facility as of June 30, 2020. Interest payments are approximately as follows: \$0.6 million for less than 1 year and \$0.5 million for 1—3 years. Variable interest payments were calculated using interest rates as of June 30, 2020. Does not reflect the \$25.0 million 2019 Term Loan we entered into in September 2020, which matures on November 2, 2023, and is further described in Footnote 9, Debt Agreements and Letters of Credit in notes to the unaudited condensed consolidated financial statements. See “—Liquidity and Capital Resources—Senior Secured Credit Facilities.”

On June 11, 2021, we entered into the New Credit Agreement and borrowed \$44.5 million thereafter to repay in full all amounts outstanding under the 2019 Revolving Credit Facility and the Headquarters Loan, and for working capital and other general corporate purposes. See “Description of Certain Indebtedness and Other Obligations—New Senior Secured Credit Facilities.”

- (2) Purchase obligations include our estimate of the minimum outstanding commitments under purchase orders to buy goods and services and legally binding contractual arrangements with future payment obligations. These obligations primarily include software licensing and support services.

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.

Indemnification Agreements

In the ordinary course of business, we enter into agreements of varying scope and terms pursuant to which we agree to indemnify customers, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by us or from intellectual property infringement claims made by third parties. In addition, in connection with the completion of this offering we intend to enter into indemnification

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agreements with our directors and certain officers and Associates that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or Associates. No demands have been made upon us to provide indemnification under such agreements and there are no claims that we are aware of that could have a material effect on our consolidated balance sheets, consolidated statements of operations and comprehensive loss, or consolidated statements of cash flows.

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 consolidated financial statements, which have been prepared in accordance with 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 below. Refer to Note 2 to our consolidated financial statements: “Summary of Significant Accounting Policies” included elsewhere in this prospectus for more detailed information regarding our critical accounting policies.

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to clients in an amount that reflects the consideration we are entitled to for those goods or services. We derive our revenue from contracts predominantly from recurring and non-recurring service fees. The majority of our agreements are generally cancellable by the client on 30 days’ notice.

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Recurring fees are derived from payroll, workforce management, and HR-related cloud-based computing services. The majority of our recurring fees are satisfied over time as the services are provided during each client's payroll period. The performance obligations related to payroll services are delivered based upon the payroll frequency of the client with the fee charged and collected based on a per-employee-per-month or per employee-per-payroll basis. The performance obligations related to workforce management and HR-related services are generally satisfied each month with the fee charged and collected based on a per-employee-per-month basis. For subscription-based fees, which can include payroll, workforce management, and HR-related services, we recognize the applicable recurring fees each month with the fee charged and collected based on a per-employee-per-month basis.

Non-recurring service fees consist mainly of nonrefundable implementation fees. The implementation activities involve setting the client up and loading data into our cloud-based modules. We have determined that the nonrefundable upfront fees provide certain clients with a material right to renew the contract beyond the normal 30-day contractual period without payment of an additional upfront implementation fee. Implementation fees are deferred and recognized as revenue over the 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.

Goodwill and Intangible Assets, Net

An impairment of goodwill is recognized when the carrying amount of assets exceeds their implied fair value. The process of evaluating the potential impairment is subjective and requires the application of judgment. We perform an annual impairment review of goodwill in our fiscal fourth quarter and additional impairment reviews when events and circumstances indicate it is more likely than not that an impairment may have occurred.

In evaluating goodwill for impairment, we have the option to first perform a qualitative assessment to determine whether further impairment testing is necessary or to perform a quantitative assessment by comparing the fair value of our single reporting unit to its carrying amount, including goodwill. Under the qualitative assessment, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. Qualitative factors include macroeconomic conditions, industry and market conditions, cost factors, and overall financial performance, among others.

If under the quantitative assessment, the fair value of a reporting unit is less than its carrying amount, then goodwill is written down for the amount by which the carrying amount exceeds the fair value. Fair values of the reporting units are estimated using a weighted methodology considering the output from both the income and market approaches. The income approach incorporates the use of a discounted cash flow ("DCF") analysis. A number of significant assumptions and estimates are involved in the application of the DCF model to forecast operating cash flows, including markets and market shares, sales volumes and prices, costs to produce, tax rates, capital spending, discount rate, weighted average cost of capital, terminal values and working capital changes. The cash flow forecasts are based on approved strategic operating plans. The market approach is performed using the Guideline Public Companies method which is based on earnings multiple data.

We elected to perform a quantitative assessment during fiscal 2020 and a qualitative assessment during fiscal 2019 and determined for both periods that it is not more likely than not that the fair value is less than its carrying amount.

We evaluate other intangible assets, principally consisting of acquired software, customer relationships and trade names, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Events or changes in circumstances that could result in an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for our overall business,

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and significant negative industry or economic trends. If an event occurs that would cause us to revise our estimates and assumptions used in analyzing the value of our other intangible assets, the revision could result in a non-cash impairment charge that could have a material impact on our financial results.

Stock-Based Compensation

We recognize stock-based compensation expense in accordance with the provisions of Accounting Standards Codification 718, Compensation—Stock Compensation (“ASC 718”). ASC 718 requires compensation expense for all stock-based compensation awards made to Associates and directors to be measured and recognized based on the grant date fair value of the awards. Stock-based compensation expense for time-based awards is determined based on the grant-date fair value and is recognized on a straight-line basis over the requisite service period of the award, which is typically the vesting term of the award. Stock-based compensation expense for awards subject to market and performance conditions is determined based on the grant-date fair value and is recognized on a graded vesting basis over the term of the award once it is probable that the performance conditions will be met.

To estimate the grant date fair value of our time-based awards, we use a Monte Carlo simulation model, which utilizes multiple inputs to estimate the probability that market conditions will be achieved. The model involves inherent uncertainties and require the following highly subjective assumptions as inputs:

- Risk-free rate: We base the risk-free interest rate on the implied yield currently available on U.S. Treasury securities with a remaining term commensurate with the estimated expected term.
- Expected term: For awards subject to market and performance conditions, the expected term represents the period of time that the options granted are expected to be outstanding.
- Dividend yield: We estimate the dividend yield at zero, as we do not currently issue dividends and have no plans to issue dividends in the foreseeable future.
- Volatility: Since we do not have a trading history of our common stock, expected volatility is estimated based on the historical volatility of peer companies over the period commensurate with the estimated expected term.
- Fair value: Prior to our initial public offering, our common stock was not publicly traded, and thus, the fair value of the shares of common stock was established by the Board using various inputs. Following our initial public offering, our common stock will be traded in the public market, and accordingly we will use the applicable closing price of our common stock to determine fair value.

The following assumptions were used for the awards subject to performance and market conditions that we granted during the years ended June 30, 2020 and Successor 2019 Period:

Risk-Free Rate	0.19% - 1.66%
Expected Term	1.25 - 1.75 years
Dividend Yield	—
Volatility	42.5% - 60.0%
Weighted-Average Grant Date Fair Value of Options Granted during the Period	\$535 - \$685

Adoption of Accounting Pronouncements

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

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 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 nine months ended March 31, 2021 and fiscal year ended June 30, 2020, a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our consolidated financial statements.

Interest Rate Risk

As of March 31, 2021 and June 30, 2020, we have cash and cash equivalents totaling \$19.4 million and \$0.8 million, respectively, and funds held for clients of \$823.1 million and \$614.1 million, respectively. 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 March 31, 2021 and June 30, 2020.

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 New Credit Facility and the New Loans carry interest at LIBOR, as administered by the Intercontinental Exchange (“CE”) Benchmark Administration for deposits in dollar, plus the applicable margin.

At March 31, 2021, we had total outstanding debt of \$18.9 million, \$24.9 million and \$0.4 million under our Headquarters Loan, 2019 Term Loan and 2019 Revolving Credit Facility, respectively. At June 30, 2020, we had total outstanding debt of \$19.5 million and \$5.0 million under our Headquarters Loan and 2019 Revolving Credit Facility, respectively. Based on the amounts outstanding, a 100-basis point increase or decrease in market interest rates over a twelve-month period would result in an immaterial change to interest expense.

BUSINESS

Mission

Paycor empowers leaders to develop winning teams.

Overview

Paycor is a leading Software-as-a-Service 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 HCM and payroll 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 offers award-winning ease-of-use with an intuitive user experience and deep third-party integrations, and all augmented by industry-specific domain expertise. Over 28,000 customers across all 50 states trust Paycor to help their leaders develop winning teams.

People management has evolved significantly over the last 30 years from an administrative, payroll-centric cost center to a highly strategic function focused on talent management and employee engagement. To be competitive in today's environment, organizations are increasingly reliant on this function as they seek to leverage people analytics to identify trends and track performance across their workforce. However, most existing HCM solutions lack the comprehensive functionality, ease-of-use, and integration capabilities needed to facilitate effective people management. These limitations are particularly problematic for SMBs which often lack the technical, financial, and people resources of larger organizations.

Our unified, cloud-native platform is purpose-built to provide business leaders with the tools they need to optimize all aspects of people management, including:

- **Core HCM and Payroll.** A powerful calculation engine that enables real-time changes to drive fast and accurate payroll processing. Robust workflows and approval capabilities assist leaders with expediting and automating their most common tasks.
- **Workforce Management.** Flexible time entry, overtime calculations, and scheduling capabilities with real-time payroll synchronization allowing leaders to manage costs and increase productivity.
- **Benefits Administration.** Advanced decision support to help leaders streamline and optimize their company's benefits administration and spend with superior carrier connectivity and the ability to setup complex plans.
- **Talent Management.** Integrated compensation and performance management capabilities, including advanced goal management paired with employee-manager one-on-ones, empowering leaders to drive employee professional growth and corporate alignment.
- **Employee Engagement.** Interactive learning tools and AI-powered surveys that use natural language processing to surface actionable, easy-to-understand insights from feedback allowing leaders to solve issues like turnover and low morale.

Our easy-to-use platform incorporates intuitive analytics functionality, enabling SMBs to automate and simplify mission-critical people management processes and enhance visibility into their business operations. Our platform is architected for extensibility and features an open API led interoperability engine that allows customers to easily connect their people data with third-party applications to create a seamlessly integrated digital ecosystem. Our products are supported by a differentiated implementation process and vibrant community of users, which together ensure customers can take full advantage of our platform.

We market and sell our solutions through direct sales teams, leveraging our strong demand generation engine and broker partnerships. Our highly efficient and multi-pronged go-to-market strategy is a key driver of

our growth, which is evidenced by our LTV/CAC of 5.0x for the nine months ended March 31, 2021 and of 3.8x as of the twelve months ending June 30, 2020. We primarily target companies with 10 to 1,000 employees, with such segment of the SMB market accounting for 81% of our recurring billing for the fiscal year ended June 30, 2020. For this ‘target segment’ of our customer base the LTV / CAC was 5.6x for the nine months ended March 31, 2021. We intend to grow our customer base by accelerating the expansion of our sales coverage and broker networks in both new and existing markets, with a focus on Tier 1 markets where we see substantial opportunity. We also intend to grow our customer base through our industry focused product and go-to-market strategy. We market our products via a bundled pricing strategy where we charge customers on a per-employee-per-month (“PEPM”) basis and have demonstrated success at driving growth through the expansion of our Core HCM and Payroll product bundle. We intend to continue to expand our product suite and further cross-sell products into our existing customer base.

During the nine months ended March 31, 2021 and 2020, our revenues were \$264.8 million and \$254.5 million, respectively, representing year-over-year growth in revenues of 4%. During the nine months ended March 31, 2021 and 2020, our recurring and other revenues were \$263.4 million and \$245.4 million, respectively, representing 99% and 96% of our total revenue, respectively. During the nine months ended March 31, 2021 and 2020, we generated net losses of \$46.2 million and \$47.2 million, respectively, and losses from operations of \$57.0 million and \$64.8 million, respectively, representing operating margins of (21.5)% and (25.5)%, respectively. During the nine months ended March 31, 2021 and 2020, we generated Adjusted Operating Income of \$47.8 million and \$34.9 million, respectively, representing margins of 18.0% and 13.7%, respectively. See the “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” section for additional information on our non-GAAP metrics.

During the fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 Period, our revenues were \$327.9 million, \$201.9 million, and \$89.6 million, respectively, representing year-over-year growth in revenues of 13%. During the fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 Period, our recurring and other revenues were \$317.6 million, \$191.9 million and \$86.3 million, respectively, representing 97%, 95% and 96% of our total revenue, respectively. During the fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 Period, we generated net losses of \$67.3 million, \$72.8 million, and \$14.9 million, respectively, and losses from operations of \$94.7 million, \$88.7 million and \$16.6 million, respectively, representing operating margins of (28.9)%, (43.9)% and (18.5)%, respectively. During the fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 Period, we generated Adjusted Operating Income of \$46.3 million, \$36.9 million and \$5.0 million, respectively, representing margins of 14.1%, 18.3%, and 5.6%, respectively. See the “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” section for additional information on our non-GAAP metrics.

Industry Background

Human capital management is an evolving necessity for organizations, with several key trends that have shaped today’s environment.

The Evolution of People Management

Over the last 30 years, the demands of business leaders, employees, and people management strategies have significantly evolved in response to shifting demographics, employee expectations, and technological capabilities. As a result, the importance of people management has been elevated from a payroll-centric cost center to a highly strategic function focused on talent management as a critical component of business competitiveness. The COVID-19 pandemic has further reinforced this strategic shift. The HR function has been pivotal as companies strive to maintain morale and productivity for remote workforces. Considering these evolving demands, HCM technology has been forced to transform to replace manual processes with strategic platforms that surface business insights, enabling leaders to make data-driven decisions.

In the late 2000s, the emergence of SaaS brought about two key developments: HCM solutions shifting to focus on digitizing old processes and organizations increasingly using point solutions. This led to more system fragmentation, an overcomplicated user experience, and increased total costs. At the same time, the separation between work and life began to blur, driving an increased need for employee engagement tools. A 2018 study conducted by Gallup highlighted this need persists today, noting that 66% of employees in the U.S. were either not engaged or were actively disengaged.

To address this lack of engagement, many HCM solution providers targeted their product development efforts at enhancing the employee experience. Such providers did this by developing employee portals to drive engagement, similar to social media platforms, but found that employees were not seeking this from their employers. Other unsuccessful attempts to drive engagement included adding gamification attributes to influence behavior, such as encouraging employees to complete compliance training. These product features overlooked the importance of business leaders as the primary users of HCM platforms and as the people most influential in achieving positive employee engagement. A Gallup study reported that managers account for at least 70% of the variance in employee engagement scores across business units. In addition, a 2019 Gartner study showed employee engagement to be the need least met by existing HCM solutions. Business leaders need tools to effectively strengthen engagement, manage career development, and enhance the employee experience.

Complex Regulatory Environment

The ever-evolving regulatory landscape continues to place a burden on small businesses. For example, the 2020 CARES Act has required small businesses to quickly adapt to complex requirements. In addition, businesses are forced to navigate thousands of state and local tax codes and industry-specific labor laws. As a result, businesses continue to demand HCM platforms that enable them to maintain a robust compliance framework and abstract the complexity of regulatory changes, such as responding to special employee leave provisions.

Growing Importance of People Analytics

In recent years, businesses have begun to appreciate the value they could derive from stronger data analytics capabilities. SMB leaders are increasingly willing to invest in data-driven decision-making tools to improve their business performance. An IDC survey found that analyzing data and employee engagement had the highest level of third-party investment. In addition, a survey by Gartner showed that 64% of participants ranked improvement of reporting quality and people analytics as their main HR objective when evaluating HCM solutions. SMBs have a particular need for all-in-one solutions considering their unique capacity constraints, such as single person HR departments and limited in-house legal and IT support.

Unique Needs of SMBs

SMBs demand solutions that have the following key characteristics:

- ***Ease of Implementation.*** The ability to get mission critical solutions up and running seamlessly and successfully without overburdening company resources.
- ***Ease of Use.*** Intuitive design and simple workflows for leaders and their teams.
- ***Full Suite of Solutions.*** Fully integrated platform to serve as a single system of record for all HCM functions with built-in critical capabilities such as compliance, mobility, analytics, and security.
- ***Highly Scalable Cloud-based Platform.*** Flexible solutions built to meet the needs of organizations as they grow in size and complexity.
- ***Industry-specific Focus.*** Solutions, integrations, and support tailored to unique industry needs.

Limitations of Existing Solutions

The vast majority of SMBs still rely on legacy solutions to fulfill their HCM technology requirements. These offerings are typically provided by national and regional payroll service bureaus or in-house solutions built on top of generic enterprise resource planning (“ERP”) systems. In addition to these legacy solutions, advancements in cloud technology have led to the emergence of other competing SaaS-based HCM offerings. Both legacy and other competing SaaS offerings possess significant limitations in addressing the full HCM needs of SMBs. These limitations include:

- **Incomplete HCM Solutions Lacking in Product Breadth and Depth.** Many existing HCM platforms offer incomplete product suites that deliver only a portion of the capabilities required by SMBs or offer ‘full suites’ comprised of products with limited functionality, capable of addressing only the most basic use cases. Often these solutions rely on archaic technologies such as batch processing engines and lack robust compliance and security features. Users of these incomplete platforms are often forced to use multiple products from multiple vendors or continue to manage processes manually outside of their HCM solution.
- **Lack a Unified Approach.** Many existing HCM ‘suites’ are comprised of a patchwork of stand-alone applications with limited integration. This lack of unification inhibits the real-time synchronization of data across multiple HCM applications and makes it difficult for SMBs to maintain a single, uniform system of record for employee data. As a result, SMBs are forced to rely on manual, redundant, and error-prone processes to manage and track employee data, which can often lead to untimely payroll, poor employee engagement, and significant compliance issues such as incomplete reporting, and inadequate data security.
- **Difficult to Integrate with Third-Party Systems.** Most existing HCM solutions are built on inflexible, closed technology architectures, and are not designed to communicate with external applications. These rigid systems make it difficult for SMBs to integrate HCM tools with other key systems of record such as ERP and POS applications and often require significant manual work to extract and port data to execute routine functions. This inhibits organizations’ ability to establish flexible digital ecosystems capable of addressing the evolving needs of a growing business.
- **Lack Robust Analytics Capabilities.** Existing SMB solutions lack tools which are both sophisticated and easy-to-use to access, aggregate, analyze, and act on employee data in real-time. As a result, SMBs are unable to efficiently derive actionable workforce insights and make critical, informed decisions to improve the way they hire, manage, and develop people, such as uncovering turnover trends based on demographics, location, and tenure.
- **‘One Size Fits All’ Approach.** Certain industry verticals have unique people management requirements, such as job costing for manufacturing companies and blended overtime calculations for healthcare employees who work shifts at different pay rates. However, most existing HCM solutions provide generic out-of-the-box functionality and limited configurability, with professional service teams that often lack vertical expertise. As a result, SMBs struggle to address evolving industry-specific people management needs and reporting requirements with existing HCM solutions.
- **Difficult to Use.** Many existing solutions have arcane, inflexible user interfaces that lack the intuitive, consumer-like feel of modern SaaS applications. These solutions are often difficult for both employees and leaders to use effectively without significant training. Additionally, many existing HCM suites typically lack consistent functionality and user experience across different devices, and typically require multiple logins to traverse between applications. As a result, people leaders are often forced to revert to time-consuming manual processes to execute simple HR tasks and assist with tedious employee troubleshooting.
- **Not Designed for Business Leaders.** Many existing HCM solutions were built with engagement functionality specifically designed for employees, not business leaders who have the most influence

over employee engagement. These solutions often lack the end-to-end functionality and powerful analytics required by business leaders for effective people management. As a result, business leaders are incapable of fully leveraging their HCM solution to hire and retain the right talent, optimize routine functions, and transform people management into a strategic driver of business performance.

Our Solution and Key Strengths



We offer a unified, cloud-native platform, purpose-built to address the comprehensive people management needs of SMB leaders. Our intuitive, easy-to-use platform enables SMBs to easily automate and simplify the most mission-critical people management processes and enhance visibility into organizations' human capital to drive employee engagement and data-driven decisions. The key strengths of our platform include:

- **Comprehensive Suite of HCM Solutions Architected to Meet the Full Range of an SMB's Needs.** Our comprehensive HCM suite delivers industry-leading functionality. This empowers business leaders to achieve strategic goals through differentiated people management. The key components of our HCM solutions include:
 - **Core HCM and Payroll.** A powerful calculation engine that enables real-time changes to drive fast and accurate payroll processing. Robust workflows and approval capabilities assist leaders with expediting and automating their most common tasks.
 - **Workforce Management.** Flexible time entry, overtime calculations, and scheduling capabilities with real-time payroll synchronization allowing leaders to manage costs and increase productivity.
 - **Benefits Administration.** Advanced decision support to help leaders streamline and optimize their company's benefits administration and spend with superior carrier connectivity and the ability to setup complex plans.
 - **Talent Management.** Integrated compensation and performance management capabilities, including advanced goal management paired with employee-manager one-on-ones, empowering leaders to drive employee professional growth and corporate alignment.

- **Employee Engagement.** Interactive learning tools and AI-powered surveys that use natural language processing to surface actionable, easy-to-understand insights from feedback allowing leaders to solve issues like turnover and low morale.
- **Uniquely Unified Platform Enabling Differentiated Analytics.** Our platform leverages a modern cloud architecture and robust API led interoperability engine. We deliver a unified user and data experience that serves as the single source of truth for our customers' employee data. Our platform allows for seamless access to people data across applications and the visibility to extract meaningful business insights from employee information in real-time. This unified data architecture automates error-prone manual processes, empowering business leaders to shift their focus to strategic initiatives that drive long term business value.
- **Open, Cloud-native Architecture Enables Differentiated Platform Extensibility.** Our SaaS platform is flexible, scalable, and extensible, allowing us to continuously expand the breadth and depth of our product suite without compromising the unified user experience for both employers and employees. Our single instance, multitenant deployment enables us to deliver frequent, silent updates to maintain a consistent user experience on the latest version of our software. The extensibility of our platform allows for easy integrations to various technologies both within and outside of the HCM ecosystem, such as connections to benefits platforms to support our broker partnerships and integrations to industry-specific ERP systems.
- **Industry-specific Functionality and Expertise.** We provide SMBs with a combination of industry-specific product configurations, pre-built integrations with sought-after third-party solutions, and served by professionals with industry-specific training. Our HCM platform is configurable and flexibly designed to address a broad cross-section of vertical-specific use cases. Our solutions are supported by a proprietary implementation program and vibrant community of users, which together ensure customers can take full advantage of our industry-specific functionality.
- **Powerful Analytics to Deliver Actionable Insights.** We enable real-time visibility into an organization's people data through a comprehensive set of out-of-the-box analytics capabilities. Our powerful analytics allow SMBs to cost-effectively transform data into trends and predictions to benchmark, understand, and easily report on their workforce. With predictive analytics and robust benchmarking tools, our platform enables SMBs to make strategic, data-driven decisions to improve recruiting, labor cost management, employee performance, diversity and inclusion, and employee retention.
- **Designed for Business Leaders.** Effective business leadership is critical to maximizing employee engagement and successful business performance. Our platform is purpose-built to provide business leaders with the tools they need to optimize every aspect of people management. With our end-to-end HCM functionality and deep analytics capabilities, business leaders can streamline people management functions, surface actionable insights, facilitate successful hiring, meaningfully engage their employees, and focus people management on strategic initiatives that drive business value.

Our Market Opportunity

We estimate our current annual recurring market opportunity is \$26 billion in the U.S. and we expect the opportunity to grow as the number of SMBs increases and we continue to expand our product portfolio. To estimate our market opportunity, we identified the number of companies in the U.S. with an employee count between 10 and 1,000. Based on data from the U.S. Bureau of Labor Statistics last modified as of January 27, 2021, there were over 1.3 million businesses with between 10 to 1,000 employees, totaling 61.2 million employees within our target demographic. We then applied our \$35 total list PEPM rate as of June 30, 2020 for our full suite of products including Core HCM and Payroll, Workforce Management, Benefits Administration, Talent Management, and Employee Engagement to derive our current total addressable market opportunity of \$26 billion.

Growth Strategy

We intend to capitalize on our market opportunity with the following key growth strategies:

- **Expand Sales Coverage.** We believe there is substantial opportunity to continue to broaden our customer base. As of March 31, 2021, we had approximately 28,200 customers, which represent a small percentage of the U.S. market for HCM and payroll solutions. Our sales coverage in Tier 1 markets, which encompass 33% of the U.S. population, is 18%, compared to 29% and 48% in Tier 2 and Tier 3 markets, respectively. There is a substantial opportunity to continue to grow our sales coverage and customer base in Tier 1 markets. As a result of our historical footprint, a significant majority of our revenue is derived from the Great Lakes and Southeast regions of the United States. We intend to drive new customer additions by expanding our sales coverage in the markets where we have a sales presence and into new markets over the next two years. We believe that our go-to-market engine positions us well to scale our business efficiently and effectively into these markets.
- **Accelerate Broker Channel Partnerships.** Benefits brokers are trusted advisors to SMBs and are influential in the HCM selection process. We will continue to work with our existing broker partners and intend to expand our broker network through regional and national partnerships to drive customer acquisition.
- **Expand Industry-specific Functionality and Leadership.** SMBs in certain industries require unique functionality for their people management needs. We designed our platform to be easily configurable for industry-specific applications in key verticals such as manufacturing, healthcare, and restaurants. We will continue to expand our solutions and expertise in both existing and new key industries.
- **Expand Product Penetration within Existing Customer Base.** Our PEPM is increasing as we continue to grow our HCM product bundle. Our customers typically start with our core HR and payroll solution, eventually expanding their usage of our platform over time. We intend to accelerate this trend going forward and have a significant opportunity to further penetrate our existing customer base.
- **Continue to Innovate and Add New Solutions.** Given our customer centric approach, we collaborate with our customers in expanding our product offerings. We have a robust product roadmap that is specifically focused on enhancing our ability to address the unmet needs of our customers and prospective customers. We intend to continue to invest significantly in research and development, particularly regarding the functionality of our platform, to sustain and advance our product leadership.
- **Pursue Strategic M&A.** We have successfully acquired and integrated several businesses that complement and enhance our software and technology capabilities. We will continue to take a disciplined approach to identifying and evaluating potential acquisitions, ensuring we pursue strategies that expand the depth of our product portfolio and drive revenue synergies through cross sale opportunities. Our focused M&A strategy will help us to continue to drive growth and expand our market footprint and product leadership.

Our Products

Our comprehensive portfolio of SaaS based people management products includes:

Core HCM and Payroll Suite

- **Onboarding:** Enables customers to digitize the onboarding process by helping them to automate the collection of necessary new employee data, complete compliance forms, set up direct deposit, acknowledge company documents, and engage their new hires with necessary content such as training videos. Additionally, employees can complete WOTC tax credit information, and use electronic signatures to complete the onboarding process. Provides business leaders visibility into the new employee onboarding process through analytics and reporting tools.
- **HR:** Includes functionality allowing leaders to set up and manage the organizational structure such as company departments and locations; employee lifecycle actions such as promotions, transfers, and terminations; create a dynamic and digital company organizational chart; workflows and approvals; and document storage.
- **Payroll:** Fully-featured payroll and tax compliance engine with federal, state, and local tax support. Enables users to manage the entire payroll process including setup, payroll processing, reporting, direct deposit, check print, pay cards, and on-demand pay access. Provides payroll administrators with flexibility to make updates on the fly to current and future payroll cycles and see the results in real time. The solution is accompanied by services to assist leaders with filing compliance forms with multiple levels of government to fulfill company obligations.
- **Recognition:** *Shoutouts* enables employees to engage with their peers by recognizing great work and giving them a public “shout out” for their achievements.
- **Time Off Manager:** Enables customers to manage time off administration with functionality for key users. Administrators can set up and monitor accrual policies while empowering employees to request time off and view balances directly from the web or mobile app. Managers can approve time off via the web or mobile app and see a holistic view of their team via a time off dashboard and calendar view.
- **Mobile:** Native iOS and Android app designed for employees and managers to have access to the HCM system from their preferred mobile device. Includes the ability for managers and employees to process workflow approvals, manage time and attendance, view paystubs, manage benefits, provide peer recognition, access company learning, access company news, view the employee directory, and view employee documents.
- **ACA:** Reporting and filing tool to ensure customer compliance with the Affordable Care Act to help business leaders understand workforce compliance, comply with measurement periods, and both generate and file necessary forms.
- **Reporting:** Provides customers with a robust library of standard reports for their most common needs including federal and state compliance, employee rosters, and payroll reporting, such as pre and post journals. Additionally, the reporting engine gives customers the ability to do ad hoc reporting by enabling business leaders to query their people data and design reports to suit their own needs.
- **Analytics:** Provides real-time data insights to help leaders make critical business decisions. It provides a broad set of templates including retention, compensation, diversity, benchmarking capabilities, predictive insights, and comparison tools. Leaders can run what-if analyses, create easily accessible, personalized dashboards of key business metrics, and create presentations on their people data.

Workforce Management

- **Scheduling:** Enables business leaders to plan and optimize schedules to budgets and easily create schedules based on templates. Employees can set their own availability, see when they are scheduled to work, and swap shifts with other employees, facilitated by built in chat capabilities.

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- **Time and Labor Management:** Delivers a unified system of record with HR and Payroll. Facilitates time punching, timecard entry, timecard submittal, and timecard approval. Managers can proactively monitor hours and overtime via dashboards, providing business leaders the visibility needed to control labor costs. Employees can interact with the software via the web, their phone, or a timeclock device. The software is designed to handle the various overtime, scheduling, and break rules required across the jurisdictions where employees work.

Benefits Administration

- **Benefits:** Benefits Advisor is a rules-based platform that simplifies benefit administration tasks while empowering employees to make smart, cost effective decisions. The tool provides benefit administration capabilities for plan setup and management, open enrollment with built in decision support for employees, life event-based enrollment for employees, and carrier connectivity to seamlessly pass enrollment information to benefit carriers.

Talent Management

- **Recruiting:** Helps customers to streamline the recruiting process by fully managing both the requisition and candidate lifecycles. Recruiting allows leaders to communicate with candidates the way they want via both text message and email, schedule interviews, extend offers, and seamlessly begin the employee onboarding experience. Additionally, recruiters can gamify the referral process and reward employees who make referrals via our Gravity referral app. Recruiting allows customers to create a fully branded careers site that matches the look and feel of their main corporate site.
- **Performance Management and Goal Setting:** Enables leaders to improve the quality of work by facilitating meaningful conversation and coaching that allow employees to feel heard, helping them better understand what they need to do to succeed. Customers can build customizable reviews for both the ongoing review process and the annual process, enable peer to peer feedback, and keep parties up to date with event and approver notifications and workflows. The performance review cycle is fully integrated with Compensation Management so that reviews can drive the merit process. Additionally, specific, measurable, achievable, relevant and time-bound goals and objectives and key results can be created, tracked, and managed throughout the year, enabling regular manager-employee one-on-one check-ins to ensure goal alignment, progress, and completion.
- **Compensation Management:** Facilitates compensation strategy to reduce turnover and reward the right talent by automating compensation events in one system, taking the complexity out of planning. The tool enables leaders to create salary plans and associated budgets, distribute salary worksheets to managers for planning and what-if scenarios within defined budgets, view calculations and compensation metrics (such as compa-ratios), roll up plans for executive approval, and create new pay records upon completion – all fully integrated with performance management.

Employee Engagement

- **Learning Management:** Combines virtual, classroom, mobile, and social capabilities on one platform, so employees can learn at their own pace – whether in a curated course or in a self-paced, on demand environment. It includes a robust delivered content library, a course builder for customers to create their own content and learning assessments, quizzes to ensure learner proficiency, and real-time course-completion data for leaders.
- **Employee Surveys:** Pulse, the employee survey tool, gives leaders an accurate way to gather and convert employee feedback into insights for actionable plans. Designed to help leaders regularly gauge what employees are thinking and feeling in real time, the tools facilitates both light-weight pulse surveys and in-depth engagement surveys through a combination of quantitative and qualitative questions. Results are put through the natural language processing and sentiment analysis engines that use the power of AI to quickly categorize unstructured feedback by theme and positive/negative sentiment, so leaders do not have to spend precious time manually parsing results.

Our Technology



Paycor’s technology is based on a multi-tenant Software-as-a-Service framework and utilizes automated build-and-deploy processes to release updates to customers. This gives us an advantage over many disparate traditional systems which are less flexible and require longer and costly development and upgrade cycles. Our technology is powered by a hybrid cloud configuration leveraging geographically dispersed co-located data centers hosted through Microsoft Azure and Amazon Web Services. Our platform is designed to be flexible, scalable, and highly configurable and is built on a layer of cloud-native micro services, which supports the platform’s ability to easily integrate with other technologies in our customers’ digital ecosystems. In addition, customer data is stored in a modern database layer and accessed through a unified reporting system.

The platform is designed with security as a top consideration and employs a defense-in-depth strategy through administrative, physical, and technical safeguards to ensure the protection, confidentiality, and integrity of our customers’ data. Paycor is NACHA certified, a voluntary accreditation program from the National Automated Clearing House Association which governs the nations ACH network and payment system. We also routinely complete SOC 1 and SOC 2 examinations. Service Organization Controls (“SOC”), are standards established by the American Institute of Certified Public Accountants for reporting on internal control environments implemented within an organization. We continuously monitor our network and endpoint-based security threats along with antivirus software to guard against trojans, worms, viruses, and other malware.

Our Customers

As of March 31, 2021, Paycor serves over 44,400 clients from approximately 28,200 parent customers. Our target customers are companies with 10 to 1,000 employees and we specialize in the key industries of manufacturing, healthcare, and food and beverage. We currently have more than 1.9 million active employees on our platform.

The Donaldson Group

- *Situation:* The Donaldson Group is a full-service real estate management group based in Rockville, MD with more than 240 reported employees. Donaldson found it challenging to get past tedious administrative tasks that were directly related to the inadequate HRIS system they were using. Their

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payroll, time and benefits solutions were disconnected, leading to errors, duplicate entries and manual work that took time away from strategic initiatives. The onboarding process was completely manual. Employees spent hours filling out paperwork, preventing them from hitting the ground running. With multiple offices, employees are often moved around to different locations and as a result, HR was forced to take the employee's data out of the old system, plug it into a spreadsheet, then upload the data to the new location's system before manually deleting the old profile.

- **Solution:** Donaldson partnered with Paycor to provide one hub for all employee data saving Donaldson time and eliminating errors by no longer forcing administrators to switch platforms, log-in to multiple systems, re-key information, or open multiple spreadsheets to access data. Donaldson now leverages Paycor's Recruiting, Onboarding, Payroll, Time, HR, Benefits Advisor, LMS, Analytics, and ACA solutions.
- **Key Benefits:** With Paycor Onboarding, their HR administrators can now streamline the entire process by having employees sign documents, set up direct deposit and answer important questions before an employee's first day. Donaldson onboards approximately 60 new hires annually and we estimate that Paycor saved Donaldson's administrators approximately 80 hours a year by reducing manual tasks. Paycor Time empowers Donaldson to create schedules, manage time-off requests, and control labor expenses. And because employee hours flow directly from the time system to Paycor Payroll, managers can ensure employees are paid accurately and on time. Before Paycor, Donaldson reported spending approximately 18 hours a week processing payroll by hand and now they report saving approximately 524 hours annually with Paycor Payroll.

What If Syndicate

- **Situation:** In 2015, What If Syndicate opened their flagship restaurant—Maple & Ash in Chicago, IL. In just five years, their portfolio of restaurants was at the center of a growing hospitality industry with locations spanning from Scottsdale, AZ and Dallas, TX. With such rapid growth, What If Syndicate needed an HR and payroll provider that streamlined tedious tasks such as new hire paperwork, reviewing time sheets, and employee training. Unfortunately, their previous provider was unable to meet their demands and provide solutions to help them grow. Prior to Paycor, What If Syndicate estimated that its paper onboarding processes took twenty hours per week to complete. Employee documents were kept in filing cabinets, records were lost, and updating employee information was difficult and tedious. To make matters worse, subpar customer service and support left them in the dark when they had questions about their solutions or when they needed HR assistance.
- **Solution:** What If Syndicate partnered with Paycor in October of 2018 for Onboarding, Payroll, HR, Analytics, LMS and Benefits Advisor.
- **Key Benefits:** Instead of new hires spending their first day completing paperwork, Paycor Onboarding allows them to sign important documents, set up direct deposit, and connect and engage with their peers right out of the gate. Now, Paycor estimates What If Syndicate's onboarding processes takes less than six hours a week, saving them 14 hours each time a new cohort is onboarded. What If Syndicate stated it was able to hire nearly 600 employees in an eight-month period because of Paycor Onboarding. Today, Paycor Payroll & Time empower HR administrators to automate tasks around approvals, tracking, and reporting employee hours. Employees can now view their paystubs online—reducing tedious tasks for business leaders. With Paycor Learning Management, HR can virtually train their employees nationwide on company policies, compliance and more instead of relying on in-person classes.

Pure Dental Brands

- **Situation:** Pure Dental Brands has more than 500 employees across 56 locations in eight states, according to its HR team. At Pure Dental Brands, HR oversees everything from hiring and training to

compensation, compliance, and engagement. For years, they used an HR and payroll provider that offered little flexibility where platform upgrades and additional implementations were required, leading to significant issues like losing employee data.

- *Solution:* Pure Dental Brands partnered with Paycor in 2016 for Recruiting, Onboarding, Payroll, Time, HR, Benefits and Reporting.
- *Key Benefits:* According to Pure Dental Brands, Paycor’s software is extremely user friendly for both administrators and employees, offering one central location to access all HR information. Administrators are not spending time switching between systems or relying on manual processes. And now that open enrollment and ACA management has been automated, the HR team can focus on enhancing employee communications and engagement during the pandemic. Instead of relying on spreadsheets to manage open enrollment, Pure Dental Brands uses Paycor Benefits Advisor to automate the entire process. Employees can view benefits comparisons to make informed decisions, and administrators no longer spend time manually entering plan information for each employee. Before Paycor, accessing and sharing reports was a lengthy and frustrating process that required HR to contact their previous provider for support. Now, the HR team can easily run reports and share them with others in the organization.

Sales and Marketing

We sell our solutions through a direct sales team, comprised of field sales, insides sales and client sales, each organized by customer size, geography, and industry. Our field sales team focuses on generating new sales to prospects with more than 40 employees, while our inside sales team drives new sales to organizations with less than 40 employees. Our client sales team cross-sells additional bundles to existing customers. Our sales professionals are trained to take a consultative approach to uncover the specific challenges and industry-specific nuances faced by customers and ensure the right solutions are provided. Our sales footprint has historically been concentrated in Tier 2 and Tier 3 markets. We believe there is an attractive opportunity to grow our sales teams in Tier 1 markets.

A core component of our sales and marketing strategy is our partnerships with key centers of influence (“COIs”), which include benefits brokers, financial advisors, financial institutions, and HR consultants. These partnerships enhance our sales motion by generating high quality referrals and providing credibility to our offerings.

We generate customer leads, accelerate sales opportunities, and build brand awareness through our direct marketing programs and robust network of COIs. We believe that our sales success is attributable to our differentiated unified platform, our ability to generate high customer return on investment, and our reputation for superior customer service. Our principal marketing efforts consist of paid, owned, and earned marketing strategies, including robust organic search engine optimization, paid digital media, account based marketing, channel partner marketing, and live and virtual events. Additionally, our HR Center of Excellence is an award-winning resource hub that provides existing and prospective customers with white papers, webinars, and industry research to help organizations optimize human capital management.

As of March 31, 2021, our sales and marketing organization included approximately 274 mid-market field sales professionals.

Research and Development

We invest significantly in research and development to continuously introduce new applications, technologies, features, and functionality. We are organized in small product-centric teams that utilize an agile development methodology. We focus our efforts on developing new applications and core technologies as well as further enhancing the usability, functionality, reliability, performance, and flexibility of existing applications.

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We expensed research and development costs through our consolidated statements of operations of \$26.5 million, \$35.9 million, \$45.9 million, \$28.4 million, and \$12.7 million for the nine months ended March 31, 2021 and 2020, the fiscal year ended June 30, 2020, Successor 2019 Period, and Predecessor 2019 Period, respectively. Additionally, we capitalized research and development costs on our consolidated balance sheets of \$15.1 million, \$14.8 million, \$18.8 million, \$12.1 million, and \$6.7 million for the nine months ended March 31, 2021 and 2020, the fiscal year ended June 30, 2020, Successor 2019 Period, and Predecessor 2019 Period, respectively. Our research and development personnel are principally located in Ohio and Texas, although our associates are currently primarily operating virtually as a result of the COVID-19 pandemic. We seek to hire highly experienced personnel wherever they are located.

Our Service Model

GUIDE Implementation Model

- GUIDE is Paycor's differentiated implementation methodology, where we work to Gather, Understand, Import, Deliver, and Evaluate ("GUIDE"), ensuring a successful and seamless transition to our products.
- GUIDE Elite is a service that offers our larger prospective customers and all clients of broker partners a project manager who serves as the single point of contact and go-to implementation expert throughout the process. With GUIDE Elite, customers are offered extended implementation support of between six weeks to six months following product activation with a focus on training, utilization, and adoption to maximize the value of Paycor's technology and expertise.

Personalized Support Model

- Paycor's personalized support model is based on matching customers with the specialist that has the skillset needed to answer their inquiry. Our customer experience team is based in the United States and delivers a responsive, consultative customer service experience. Our larger customers are assigned a dedicated Customer Success Manager who is focused on driving the value of existing solutions, conducting Executive Business Reviews for strategic planning, and serving as a trusted advisor.

Intellectual Property

Our success is dependent, in part, on our ability to protect our proprietary technology and other intellectual property rights. We rely on a combination of laws and intellectual property rights, including trade secrets, copyrights, and trademarks, as well as contractual protections to establish and protect our intellectual property rights. We require our associates and other employees, consultants and other third parties to enter into confidentiality and proprietary rights agreements and control access to software, documentation, and other proprietary information. In addition, we believe that factors such as the technological and creative skills of our personnel, creation of new modules, features and functionality and frequent enhancements to our applications are also essential to establishing and maintaining our technology leadership position in our industry.

Despite our efforts to protect our proprietary technology and our intellectual property rights, unauthorized parties may attempt to misappropriate our rights or to copy or obtain and use our proprietary technology to develop applications with the same functionality as our applications. Policing unauthorized use of our technology and intellectual property rights is difficult and costly, and we may not be successful in detecting or preventing unauthorized activities.

We expect that providers of HCM and payroll solutions such as ours may be subject to third-party infringement claims as the market and the number of competitors grows and the functionality of applications in different industry segments overlaps. Any of our competitors or other third parties might make a claim of infringement against us, which would require us to defend ourselves regardless of the merits of such claim, and could divert the attention of management and cause us to incur costs.

Competition

The market for HCM and payroll solutions is fragmented, highly competitive, and rapidly changing. Our competitors vary for each of our solutions and include both enterprise and micro-focused software providers, such as legacy payroll service bureaus (ADP, Paychex), cloud HCM software providers (Paycom, Paylocity, Ultimate Software), and other regional service bureaus and ERP software providers that offer limited functionality.

We believe the principal competitive factors in our market include the following:

- Benefits of a cloud-based technology platform.
- Breadth and depth of product functionality.
- Configurability and ease of use of our solutions.
- Modern, intuitive user experience.
- Ability to innovate and respond to customer needs rapidly.
- Domain expertise in HCM and payroll.
- Ease of implementation.
- Quality of implementation and customer service.
- Real-time web-based payroll processing.
- Integration with a wide variety of third-party applications and systems.

We believe that we compete favorably on these factors within the SMB market. We believe our ability to remain competitive will depend on the success of our continued investment in sales and marketing, research and development, and implementation and customer services.

Facilities

We own our corporate headquarters in Cincinnati, Ohio, which occupies 135,577 square feet. We also lease offices in Florida, Ohio, and Texas as well as an office in Belgrade, Serbia. We believe that these facilities are suitable for our current operations and upon the expiration of the terms of the leases we believe we could renew these leases or find suitable space elsewhere on acceptable terms.

Associates

As of March 31, 2021, we had a total of 1,945 Associates, primarily located in the United States. We add temporary workers for business peaks and engage consultants for specialized functions. Our Associates are not represented by labor unions, nor have we experienced a work stoppage.

We are a winner of the 2021 Top Workplace USA award by Energage, LLC. We encourage Associates to have a strong, active voice in shaping our work environment, and in problem solving for customers. We believe the whole person comes to work, so we strive for an environment of belonging and inclusivity. At our core, we believe when Associates know we care, they push for their personal and professional bests and delight our customers.

We are committed to diversity, equity and inclusion. For us, that means strategic education, transparency, thriving employee resource groups, equity and equality, and purpose for the work. We embrace the diverse mosaic of our Associates and build high-performing teams dedicated to success and belonging.

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Giving back is in our DNA. We empower our Associates to make a difference in a way that is meaningful to them. Our Community Partners program is a grassroots organization funded by Associates who choose to give their own time and resources to serve. We dedicate several days each year for Paycor It Forward, where our Associates give back to the communities where we live and work. We established the Paycor Community Impact Fund in 2019, which provides project grants to local philanthropic organizations. Collectively, our Associates have raised nearly \$2 million for our community.

Our Guiding Principles

At Paycor, our culture is built on 30 years of valuing the power of relationships. Our culture is driven by performance, service, and growth. We believe in a spirit of service and humanity that includes every community and everyone our business touches. We grow and perform together. We learn about each other and our customers. We innovate together so that we can succeed together.

- ***Take Care of Customers First.*** Our customers are our heroes. When they win, we win.
- ***Take Care of Each Other.*** We accept and look out for each other, always.
- ***Do the Right Thing.*** It's not always the easy way—but it's what really matters.
- ***Think Big, Dream Big.*** Never say never! Solve problems, invent a better way, disrupt the status quo.
- ***Compete to Win.*** We don't sit back and wait for success. Together, we use our strengths to excel to new levels year after year.
- ***Have Fun Along the Way.*** Buckle up, it's a fast-paced business! That's why we celebrate the wins, laugh in the face of adversity, and enjoy the ride.

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.

MANAGEMENT

Below is a list of the names, ages as of June 28, 2021, positions and a brief account of the business experience of the individuals who serve as (i) our executive officers, (ii) our directors and (iii) persons who are expected to become directors prior to completion of this offering. Upon the completion of this offering, eight directors are anticipated to be elected to our Board.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Raul Villar Jr.	53	Chief Executive Officer and Director
Adam Ante	40	Chief Financial Officer
Alice Geene	49	Chief Legal Officer and Secretary
Charles Mueller	51	Chief Revenue Officer
Ryan Bergstrom	42	Chief Product Officer
Whitney Bouck	55	Director
Kathleen Burke	40	Director
Steven Collins	56	Director
Jonathan Corr	54	Director
Umang Kajaria	38	Director
Scott Miller	60	Director
Jason Wright	49	Director

Raul Villar Jr. has served as our Chief Executive Officer since July 2019 and was appointed a Director on our Board in January 2021. Previously, Mr. Villar Jr. served as the Chief Executive Officer of AdvancedMD from September 2015 to July 2019. He held numerous leadership roles at Automatic Data Processing Inc. (“ADP”), including President, ADP AdvancedMD, SVP Sales Major Accounts, and SVP Sales Small Business. Mr. Villar Jr. earned a Bachelor of Science from Bryant University and a Master of Business Administration from the University of Connecticut. We believe Mr. Villar Jr.’s industry expertise and his insight into our business as our Chief Executive Officer qualifies him to serve as a director of our Board.

Adam Ante has served as our Chief Financial Officer since September 2019, previously serving as the Deputy Chief Financial Officer from February 2019 to September 2019, and the Senior Vice President of Financial Planning and Analysis and Corporate Development from April 2017 to February 2019. Prior to joining Paycor, Mr. Ante held various finance related senior leadership roles from October 2009 to March 2017 at Vantiv, a payment processor, previously a line of business within Fifth Third Bank, and a division of Worldpay. Mr. Ante earned a Bachelor of Business Administration in Finance and International Business from the University of Cincinnati and a Master of Business Administration from Xavier University.

Alice Geene has served as our Chief Legal Officer and Secretary since October 2020. Ms. Geene was previously Chief Legal and People Officer at Rewards Network, a fintech company serving SMBs, from April 2018 to September 2020 and served as Senior Vice President of Corporate Affairs, General Counsel and Secretary from April 2014 to April 2018. Ms. Geene earned a Bachelor of Arts from Harvard College, a Juris Doctor from Harvard Law School, and has over 20 years of technology industry experience.

Charles (“Chuck”) Mueller has served as our Chief Revenue Officer, leading our Sales and Marketing teams, since February 2020. Mr. Mueller has thirty years of experience in the HCM industry. Previously, Mr. Mueller served as the Executive Vice President, Sales at Fleetcor from January 2019 to January 2020. Mr. Mueller also served in various senior sales roles at ADP, including General Manager for the Northeast Region, from June 1992 to January 2019. Mr. Mueller earned a Bachelor of Science from Georgia Southern University.

Ryan Bergstrom has served as our Chief Product Officer, leading Paycor’s strategy for its HCM product suite, since February 2018. He has nearly twenty years of product experience in the HCM industry. Previously, Mr. Bergstrom served as Vice President, Product Management at Ultimate Software, a global HCM company,

from August 2016 to January 2018. He has also held product development and leadership roles at Epicor and SPECTRUM. Mr. Bergstrom earned a Bachelor of Science with special attainments in commerce, business administration from Washington & Lee University.

Whitney (“Whit”) Bouck has served as a member of our Board since September 2020. Ms. Bouck has been the Chief Operating Officer of HelloSign from 2016 to the present, including through Dropbox’s 2019 acquisition of HelloSign. Ms. Bouck currently serves on the board of directors of Ekata. Previously, Ms. Bouck served on the board of directors of Association for Information and Image Management. Prior to joining HelloSign, Ms. Bouck held various senior leadership roles at Box, Inc., EMC, Oracle Corporation and Sybase Inc. Ms. Bouck earned a Bachelor of Arts from Claremont McKenna College. We believe Ms. Bouck is qualified to serve on our Board due to her extensive technology experience.

Kathleen (“Katie”) Burke has served as a member of our Board since September 2020. Ms. Burke is the Chief People Officer at HubSpot, Inc., a customer relationship management company recognized globally for its culture. Under her leadership, HubSpot has been named the #1 Best Place to Work by Glassdoor and has been recognized globally as an innovator in culture and employee engagement. Ms. Burke joined HubSpot in December 2012 and held several positions before serving as Chief People Officer, including Vice President of Culture and Experience and Director for Talent and Culture. In addition to her work as Chief People Officer at HubSpot, Ms. Burke is alum of Bates College and MIT’s Sloan School of Management. We believe Ms. Burke is qualified to serve on our Board due to her B2B and SaaS industry experience.

Steven (“Steve”) Collins has served as a member of our Board since January 2019. Mr. Collins currently serves on the board of directors, audit committee and compensation committee of Sprout Social and the board of directors and audit committee of nCino, Inc. Previously, Mr. Collins served on the board of directors, audit committee and compensation committee of Instructure, Inc., from May 2014 to March 2020, the board of directors and audit committee of Shopify Inc., from June 2014 to May 2019, and the board of directors and audit committee of MuleSoft, LLC, from July 2014 to May 2018. From July 2011 to February 2014, Mr. Collins served as Executive Vice President and Chief Financial Officer of ExactTarget, a provider of digital marketing automation and analytics software and services, which was acquired by Salesforce in 2013. Mr. Collins earned a Bachelor of Science from Iowa State University and a Master of Business Administration from the Wharton School of the University of Pennsylvania. We believe Mr. Collins is qualified to serve on our Board due to his extensive technology and finance experience.

Jonathan Corr has served as a member of our Board since April 2021. Mr. Corr served as Chief Executive Officer of Ellie Mae, Inc. from February 2015 through October 2020, as its President from February 2013 through October 2020, and as its Chief Operating Officer from November 2011 through February 2013. Following his retirement from Ellie Mae in October 2020, Mr. Corr acted as Executive Advisor to ICE Mortgage Technology through March 2021. Prior to joining Ellie Mae, Mr. Corr served in executive and management positions at PeopleSoft, Inc., Netscape Communications Corporation, KANA Software, Inc., BroadBase Software, Inc., and Rubric Inc. Mr. Corr holds a Bachelor’s degree in Engineering from Columbia University and a Master of Business Administration from the Stanford University Graduate School of Business. Mr. Corr is on the board of directors and audit committee of the Mortgage Bankers Association, the board of directors of Independence Holdings Corp. and the board of directors of Reggora, Inc. We believe Mr. Corr is qualified to serve on our Board due to his extensive experience in technology, corporate strategy and acquisitions.

Umang Kajaria has served as a member of our Board since November 2018. Mr. Kajaria is a Partner in the Tech & Telco team and joined Apax in 2012. Mr. Kajaria currently serves on the board of directors of MyCase and Azentio Software. Previously, Mr. Kajaria served on the board of directors of Duck Creek Technologies, from April 2016 to August 2020, the board of directors and the audit committee of ECi Software Solutions Inc. from August 2017 to December 2020, the board of directors and the audit committee of Aptos Technology, Inc., from March 2016 to January 2020, and the board of directors and the audit committee of Paradigm, which was acquired by Emerson Electric Co. in 2017, from March 2016 to November 2017. Prior to joining Apax, Mr. Kajaria worked at Silver Lake Partners from 2008 to 2010 and Goldman Sachs & Co. from 2006 to 2008.

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Mr. Kajaria holds a degree in Computer Science and Business Administration from Carnegie Mellon University and a Master of Business Administration from Harvard Business School. We believe that Mr. Kajaria is qualified to serve on our Board due to his extensive finance industry experience.

Scott Miller has served as a member of our Board, and our predecessor Paycor, Inc., since 2006. Mr. Miller is a director and investor in the technology industry, with emphasis in SaaS, serving on the board of directors of NaviStone, Inc. and the board of advisors of NLign Analytics. Mr. Miller is an original investor in Paycor, Inc. and previously led the Board's oversight of the Company's information security council. Mr. Miller was the founder and Chief Executive Officer of Treadstone Group, before it was acquired by Exact Software. Mr. Miller received a Bachelor of Science in Accountancy from Miami University. We believe that Mr. Miller is qualified to serve on our Board due to his extensive technology experience.

Jason Wright has served as a member of our Board since November 2018. He is a Partner in the Apax Tech & Telco team and joined Apax in March 2000. Mr. Wright currently serves on the board of directors of MyCase, Verint Systems, ECI Software Solutions, TIVIT and Realpage. Mr. Wright is the chairman of the board of directors of Duck Creek Technologies. He has previously been on the boards of Aptos, Exact Software, Trizetto, Epicor Software, Paradigm, Plex Systems, Planview, Spectrum Labs and Webclients. Prior to joining Apax, Mr. Wright served in a variety of roles at GE Capital from 1995 to 1998, including principal investing on behalf of GE Ventures. Previously, he worked at Accenture from 1994 to 1998 designing and implementing systems for the financial services and pharmaceutical industries. Mr. Wright received a Bachelor of Arts in Economics from Tufts University and a Master of Business Administration in Finance from the Wharton School of the University of Pennsylvania. We believe that Mr. Wright is qualified to serve on our Board due to his extensive technology and finance industry experience.

Family Relationships

There are no family relationships between any of our executive officers or directors.

Corporate Governance

Board Composition and Director Independence

Our business and affairs are managed under the direction of our Board. In connection with this offering, we will amend and restate our certificate of incorporation and bylaws, and following completion of this offering, our Board will be composed of eight directors. Our certificate of incorporation will provide that the authorized number of directors may be changed only by resolution of our Board and with the prior written consent of Apax Partners for so long as it holds director nomination rights.

Our certificate of incorporation will also provide that our Board will be divided into three classes of directors, with the classes as nearly equal in number as possible. Subject to any earlier resignation or removal in accordance with the terms of our certificate of incorporation and bylaws:

- Our Class I directors will be Ms. Bouck, Mr. Miller, and Mr. Wright and will serve until the first annual meeting of shareholders following the completion of this offering.
- Our Class II directors will be Ms. Burke, Mr. Collins, and Mr. Kajaria and will serve until the second annual meeting of shareholders following the completion of this offering.
- Our Class III directors will be Mr. Villar and Mr. Corr and will serve until the third annual meeting of shareholders following the completion of this offering.

Upon completion of this offering, we expect that each of our directors will serve in the classes as indicated above. In addition, our certificate of incorporation will provide that our directors may be removed with or without cause by the affirmative vote of at least a majority of the voting power of our outstanding shares of stock

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entitled to vote thereon, voting together as a single class for so long as Apax Partners beneficially owns 40% or more of the total number of shares of our common stock then outstanding. If Apax Partners' beneficial ownership falls below 40% of the total number of shares of our common stock outstanding, then our directors may be removed only for cause upon the affirmative vote of at least 66 $\frac{2}{3}$ % of the voting power of our outstanding shares of stock entitled to vote thereon. Our bylaws will provide that Apax Partners will have the right to designate the Chair of the Board for so long as Apax Partners beneficially owns at least 30% or more of the voting power of the then outstanding shares of our capital stock then entitled to vote generally in the election of directors. Following this offering, Jason Wright will be the Chair of our Board. Further, our bylaws will provide that Apax Partners will have the right to designate the Chairman of the Board for so long as Apax Partners beneficially owns at least 30% or more of the voting power of the then outstanding shares of our capital stock then entitled to vote generally in the election of directors. In addition, we will enter into a Director Nomination Agreement with Apax Partners that provides Apax Partners the right to designate nominees for election to our Board for so long as Apax Partners beneficially owns 10% or more of the Original Amount. See "Certain Relationships and Related Party Transactions—Director Nomination Agreement" for more details with respect to the Director Nomination Agreement.

The listing standards of Nasdaq require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and governance committees be independent and that audit committee members also satisfy independence criteria set forth in Rule 10A-3 under the Exchange Act.

We anticipate that, prior to our completion of this offering, the Board will determine that Ms. Bouck, Ms. Burke, Mr. Collins, Mr. Corr and Mr. Miller meet the Nasdaq requirements to be independent directors. In making this determination, our Board considered the relationships that each such non-employee director has with the Company and all other facts and circumstances that our Board deemed relevant in determining their independence, including beneficial ownership of our common stock.

Controlled Company Status

After completion of this offering, Apax Partners, through its control of Pride Aggregator, will continue to control a majority of our outstanding common stock. As a result, we will be a "controlled company." Under Nasdaq rules, a company of which more than 50% of the voting power for the election of directors is held by an individual, group, or another company is a "controlled company" and may elect not to comply with certain Nasdaq corporate governance requirements, including the requirements that, within one year of the date of the listing of our common stock:

- We have a board that is composed of a majority of "independent directors," as defined under the rules of such exchange.
- We have a compensation committee that is composed entirely of independent directors.
- We have a nominating and corporate governance committee that is composed entirely of independent directors.

Following this offering, we intend to rely on this exemption. As a result, we may not have a majority of independent directors on our Board. In addition, our Compensation & Benefits and Nominating & Governance Committees may not consist entirely of independent directors and/or may not be subject to annual performance evaluations. Accordingly, you may not have the same protections afforded to shareholders of companies that are subject to all of the Nasdaq corporate governance requirements.

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Board Committees

Upon completion of this offering, our Board will have an Audit Committee, a Compensation & Benefits Committee (the “Compensation Committee”), and a Nominating & Governance Committee. The composition, duties and responsibilities of these committees will be as set forth below. In the future, our Board may establish other committees, as it deems appropriate, to assist it with its responsibilities.

Board Member	Audit Committee	Compensation Committee	Nominating & Governance Committee
Whitney Bouck	X		X
Kathleen Burke		X	
Steve Collins	X		X
Jonathan Corr	X		
Umang Kajaria			
Scott Miller		X	
Raul Villar Jr.			
Jason Wright	X	X	X

Audit Committee

Following this offering, our Audit Committee will be composed Mr. Collins, Mr. Corr, Ms. Bouck, and Mr. Wright, with Mr. Collins serving as chair of the committee. We intend to comply with the audit committee requirements of the SEC and Nasdaq, which require that the Audit Committee be composed of at least one independent director at the closing of this offering, a majority of independent directors within 90 days following this offering and all independent directors within one year following this offering. We anticipate that, prior to the completion of this offering, our Board will determine that Mr. Collins, Mr. Corr and Ms. Bouck meet the independence requirements of Rule 10A-3 under the Exchange Act and the applicable listing standards of Nasdaq. We anticipate that, prior to our completion of this offering, our Board will determine that Mr. Collins and Mr. Corr are “audit committee financial experts” within the meaning of SEC regulations and applicable listing standards of Nasdaq. The Audit Committee’s responsibilities upon completion of this offering will include:

- Appointing, approving the compensation of, and assessing the qualifications, performance, and independence of our independent registered public accounting firm.
- Pre-approving audit and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm.
- Reviewing our policies on risk assessment and risk management.
- Reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures as well as critical accounting policies and practices used by us.
- Reviewing the adequacy of our internal control over financial reporting.
- Establishing policies and procedures for the receipt and retention of accounting-related complaints and concerns.
- Recommending, based upon the Audit Committee’s review and discussions with management and the independent registered public accounting firm, whether our audited financial statements shall be included in our Annual Report on Form 10-K.
- Monitoring our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters.

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- Preparing the Audit Committee report required by the rules of the SEC to be included in our annual proxy statement.
- Reviewing all related party transactions for potential conflict of interest situations and approving all such transactions.
- Reviewing and discussing with management and our independent registered public accounting firm our earnings releases and scripts.

Compensation Committee

Following this offering, our Compensation Committee will be composed of Ms. Burke, Mr. Miller, and Mr. Wright, with Ms. Burke serving as chair of the committee. The Compensation Committee's responsibilities upon completion of this offering will include:

- Annually reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer.
- Evaluating the performance of our chief executive officer in light of such corporate goals and objectives and determining and approving the compensation of our chief executive officer.
- Reviewing and approving the compensation of our other executive officers.
- Appointing, compensating and overseeing the work of any compensation consultant, legal counsel, or other advisor retained by the compensation committee.
- Conducting the independence assessment outlined in Nasdaq rules with respect to any compensation consultant, legal counsel, or other advisor retained by the compensation committee.
- Annually reviewing and reassessing the adequacy of the committee charter in its compliance with the listing requirements of Nasdaq.
- Reviewing and establishing our overall management compensation, philosophy and policy.
- Overseeing and administering our compensation and similar plans.
- Reviewing and making recommendations to our Board with respect to director compensation.
- Reviewing and discussing with management the compensation discussion and analysis to be included in our annual proxy statement or Annual Report on Form 10-K.

Nominating & Governance Committee

Following this offering, our Nominating and Governance Committee will be composed of Mr. Wright, Ms. Bouck, and Mr. Collins, with Mr. Wright serving as chair of the committee. The Nominating and Governance Committee's responsibilities upon completion of this offering will include:

- Developing and recommending to our Board criteria for board and committee membership.
- Developing and recommending to our Board best practices and corporate governance principles.
- Subject to the rights of Apax under the Director Nomination Agreement as described in "Certain Relationships and Related Party Transactions—Related Party Transactions—Director Nomination Agreement", identifying and recommending to our Board the persons to be nominated for election as directors and to each of our Board's committees.
- Developing and recommending to our Board a set of corporate governance guidelines.
- Reviewing and recommending to our Board the functions, duties and compositions of the committees of our Board.

Compensation Committee Interlocks and Insider Participation

None of our executive officers currently serves, or in the past fiscal year has served, as a member of the Board or compensation committee of any entity that has one or more executive officers serving on our Board or Compensation Committee.

Risk Oversight

Our Board will oversee the risk management activities designed and implemented by our management. Our Board will execute its oversight responsibility for risk management both directly and through its committees. The full Board will also consider specific risk topics, including risks associated with our strategic plan, business operations and capital structure. In addition, our Board will receive detailed regular reports from members of our senior management and other personnel that include assessments and potential mitigation of the risks and exposures involved with their respective areas of responsibility.

Our Board will delegate to the Audit Committee oversight of our risk management process. Our other committees of our Board will also consider and address risk as they perform their respective committee responsibilities. All committees will report to the full Board as appropriate, including when a matter rises to the level of a material or enterprise level risk.

Code of Business Conduct and Ethics

Prior to completion of this offering, we intend to adopt a code of business conduct and ethics that applies to all of our employees, officers, and directors, including those officers responsible for financial reporting. Upon the closing of this offering, our code of business conduct and ethics will be available on our website. We intend to disclose any amendments to the code, or any waivers of its requirements, on our website.

EXECUTIVE COMPENSATION

As an “emerging growth company,” within the meaning of the Securities Act, for purposes of the SEC’s executive compensation disclosure rules, we have opted to comply with the executive compensation disclosure rules applicable to “emerging growth companies.” In accordance with such rules, we are required to provide a Summary Compensation Table and an Outstanding Equity Awards at Fiscal Year-End Table, as well as specified narrative disclosures regarding executive compensation for our last completed fiscal year. This section discusses the material components of the executive compensation program for our Chief Executive Officer and our two other most highly compensated officers for the fiscal year ending June 30, 2021 who we collectively refer to as our “Named Executive Officers.” For the fiscal year ended June 30, 2021, our Named Executive Officers and their positions were as follows:

- Raul Villar Jr., Chief Executive Officer and Director;
- Adam Ante, Chief Financial Officer; and
- Chuck Mueller, Chief Revenue Officer.

This discussion may contain forward-looking statements that are based on our current plans, considerations, expectations, and determinations regarding future compensation programs. Actual compensation programs that we adopt in the future may differ materially from the currently planned programs summarized in this discussion.

Summary Compensation Table

Name and Principal Position	Fiscal Year Ended June 30	Salary	Bonus(1)	Stock Awards(2)	Option Awards(3)	Nonequity Incentive Plan Compensation(4)	All Other Compensation(5)	Total
Raul Villar Jr., <i>Chief Executive Officer</i>	2021	\$476,924	N/A	—	—	N/A	\$ 11,811	\$ 488,735
	2020	\$478,847	\$530,000	—	\$7,656,875	\$ 220,000	\$ 322,872	\$9,208,594
Adam Ante, <i>Chief Financial Officer</i>	2021	\$339,039	N/A	\$716,550	—	N/A	\$ 18,686	\$1,074,275
	2020	\$327,308	\$ 15,750	—	\$1,645,313	\$ 115,500	\$ 7,429	\$2,111,300
Chuck Mueller, <i>Chief Revenue Officer</i>	2021	\$367,692	\$600,000	—	—	N/A	\$ 14,115	\$ 981,807
	2020	\$144,615	\$595,840	—	\$2,548,200	\$ 72,160	\$ 119,639	\$3,480,454

- (1) The amount in this column represents (a) signing bonuses paid to Messrs. Villar Jr. and Mueller and (b) discretionary bonuses above performance to each of our Named Executive Officers.
- (2) The amount reported in the “Stock Awards” column reflects the aggregate grant date fair value based on the probable outcome of the applicable performance conditions as of the date of grant, computed in accordance with FASB ASC Topic 718, of LTIP Units granted to Mr. Ante during the 2021 Fiscal Year. The LTIP Units are participation interests in a phantom pool of Class B Units in Pride Aggregator (the “Class B Units”). For more information regarding these LTIP Units, see “Narrative Disclosure to Summary Compensation Table—Equity Incentives” below.
- (3) Amounts reported in the “Option Awards” column reflect the aggregate grant date fair value based on the probable outcome of the applicable performance conditions as of the date of grant, computed in accordance with FASB ASC Topic 718, of Class B Units of Pride Aggregator granted to Messrs. Villar Jr., Ante and Mueller during the 2020 Fiscal Year. The grant date fair value for the Class B Units if they vested at the maximum level is as follows: for the 2021 Fiscal Year (a) for Mr. Villar Jr., \$8,372,500; (b) for Mr. Ante,

\$1,722,708; and (c) for Mr. Mueller, \$2,553,000. The Class B Units represent membership interests in Pride Aggregator that are intended to constitute profits interests for federal income tax purposes. Despite the fact that the Class B Units do not require the payment of an exercise price, they are most similar economically to stock options. Accordingly, they are classified as “options” under the definition provided in Item 402(a)(6)(i) of Regulation S-K as an instrument with an “option-like feature.” Please see Note 14 “Equity Compensation Plans” in the Paycor HCM, Inc. and subsidiaries consolidated financial statements for the fiscal year ended June 30, 2020 for additional details regarding these awards.

- (4) The Company maintains a cash-based annual bonus plan with a one-year performance period that ends June 30, 2021. As of the date of this filing, performance against the applicable performance targets has not been determined, so no bonus determination has been made by our Compensation Committee. We will report the amounts earned by our Named Executive Officers through a Form 8-K filing once these amounts are determined.
- (5) Amounts shown in this column represent the following: for the 2021 Fiscal Year (a) for Mr. Villar Jr., \$1,961 for cell phone expenses, \$8,850 in 401(k) employer contributions, and \$1,000 in HSA employer contributions, (b) for Mr. Ante, \$1,440 for cell phone expenses, \$6,975 in 401(k) employer contributions, \$1,000 in HSA employer contributions, and \$9,271 in retention pool payments pursuant to Mr. Ante’s share of the total value of forfeited options under our previous stock option plan, and (c) for Mr. Mueller, \$1,440 for cell phone expenses and \$12,675 in 401(k) employer contributions; and for the 2020 Fiscal Year (a) for Mr. Villar Jr., \$7,550 for travel expenses for spouse to attend annual sales trip, \$2,580 for cell phone expenses, \$307,107 related to one-time relocation expenses to Cincinnati, Ohio, including moving expenses, expenses relating to the sale of his former residence and rent for temporary housing, \$4,750 in 401(k) employer contributions, and \$885 in HSA employer contributions, (b) for Mr. Ante, \$1,080 for cell phone expenses, \$5,349 in 401(k) employer contributions, and \$1,000 in HSA employer contributions, and (c) for Mr. Mueller, \$4,706 for travel expenses for spouse to attend annual sales trip, \$480 for cell phone expenses, and \$114,453 related to one-time relocation expenses, including moving expenses.

Narrative Disclosure to Summary Compensation Table

The compensation of our Named Executive Officers generally consists of base salaries, performance-based annual cash bonus opportunities, long-term incentive compensation in the form of profits interests and other benefits, as described below.

Base Salary

Each of our Named Executive Officers is paid a base salary commensurate with his position, experience, skills, duties and responsibilities. At the commencement of fiscal year 2021, Messrs. Villar Jr.’s, Ante’s, and Mueller’s annualized base salaries were \$500,000, \$350,000, and \$400,000, respectively. However, on April 26, 2020, due to the economic impacts of the COVID-19 pandemic, Messrs. Villar Jr.’s, Ante’s, and Mueller’s annualized base salaries were reduced to \$425,000, \$297,500, and \$340,000, respectively, and remained at those rates through January 4, 2021, at which point they reverted to their pre-reduction level. Messrs. Villar Jr.’s and Ante’s base salaries were increased to \$550,000 and \$400,000, respectively, in February of 2021.

Non-Equity Incentive Compensation—Performance Based Annual Cash Incentive Awards

Each of our Named Executive Officers has a performance-based annual cash bonus opportunity that pays out based upon the Named Executive Officer achieving individual performance goals and the Company meeting predetermined corporate performance objectives, which for fiscal year 2021 included objectives related to bookings, revenue, adjusted EBITDAC and gross retention. Messrs. Villar Jr.’s, Ante’s, and Mueller’s target annual bonuses are 100%, 80%, and 100% of their annualized base salaries, respectively. Our Compensation Committee has awarded the bonuses shown with respect to fiscal year 2020 in the Summary Compensation Table, above, based on its assessment of the individual performance of each of our Named Executive Officers and the Company’s expected performance against pre-established performance metrics.

Employment and Change in Control Severance Agreements

In 2019, the Company entered into employment agreements with each of the Named Executive Officers that memorialize their base salary, target bonus opportunity, reimbursement of reasonable business expenses and eligibility to participate in the Company's benefit plans generally. The material terms of the employment agreements are summarized below. These summaries are qualified by reference to the actual text of the agreements, which are filed as exhibits to the registration statement of which this prospectus forms a part. In addition to the key terms summarized below, each employment agreement provides for certain severance benefits upon a resignation by such Named Executive Officer, for "good reason," or upon a termination by the Company without "cause." Please see the section entitled "Potential Payments Upon Termination or Change in Control" below for more details regarding the severance benefits each Named Executive Officer is eligible to receive.

Villar Jr. Employment Agreement

Mr. Villar Jr. entered into an employment agreement with Paycor, Inc., dated July 1, 2019 (the "Villar Agreement"). The Villar Agreement provides for an initial three-year term, subject to successive one-year extensions thereafter, unless either party elects not to permit such automatic non-renewal with at least 90 days' prior written notice. Under the Villar Agreement, Mr. Villar Jr. is entitled to receive an annual base salary of \$500,000, is eligible to receive an annual bonus (targeted at 100% of his annual base salary), based upon the achievement of predetermined performance parameters, and is eligible to participate in employee benefit plans maintained from time to time by us. Under the Villar Agreement, Mr. Villar Jr. was paid a one-time signing bonus of \$500,000 in 2019. The Villar Agreement also provides for an initial one-time grant of 12,500 Class B Units under the 2019 Paycor Equity Incentive Plan. Please see the section entitled "Equity Incentives" below for more details regarding the Class B Units. The Villar Agreement also subjects Mr. Villar Jr. to customary confidentiality, non-competition, and non-solicitation covenants.

Ante Employment Agreement

Mr. Ante entered into an employment agreement with Paycor, Inc., dated September 3, 2019 (the "Ante Agreement"). The Ante Agreement provides for an initial three-year term, subject to successive one-year extensions thereafter, unless either party elects not to permit such automatic non-renewal with at least 90 days' prior written notice. Under the Ante Agreement, Mr. Ante is entitled to receive an annual base salary of \$350,000, is eligible to receive an annual bonus (targeted at 75% of his annual base salary), based upon the achievement of predetermined performance parameters, and is eligible to participate in employee benefit plans maintained from time to time by us. The Ante Agreement also provides for an initial one-time grant of 3,510 Class B Units under the 2019 Paycor Equity Incentive Plan. Please see the section entitled "Equity Incentives" below for more details regarding the Class B Units. The Ante Agreement also subjects Mr. Ante to customary confidentiality, non-competition, and non-solicitation covenants.

Mueller Employment Agreement

Mr. Mueller entered into an employment agreement with Paycor, Inc., dated September 30, 2019 (the "Mueller Agreement"). The Mueller Agreement provides for an initial three-year term, subject to successive one-year extensions thereafter, unless either party elects not to permit such automatic non-renewal with at least 90 days' prior written notice. Under the Mueller Agreement, Mr. Mueller is entitled to receive an annual base salary of \$400,000, is eligible to receive an annual bonus (targeted at 100% of his annual base salary), based upon the achievement of predetermined performance parameters, and is eligible to participate in employee benefit plans maintained from time to time by us. Under the Mueller Agreement, Mr. Mueller was paid the following one-time signing payments: (i) \$85,000 (grossed up for taxes) in relocation expense fees; (ii) a one-time payment equal to \$186,000 paid within 90 days of employment; and (iii) \$1,000,000 as a sign on bonus (payable in five (5) equal installments following 90 days of employment). The Mueller Agreement also provides for an initial one-time grant of 6,000 Class B Units under the 2019 Paycor Equity Incentive Plan. Please see the

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section entitled “Equity Incentives” below for more details regarding the Class B Units. The Mueller Agreement also subjects Mr. Mueller to customary confidentiality, non-competition, and non-solicitation covenants.

Equity Incentives

Class B Units

Each Named Executive Officer has been granted long-term incentives in the form of Class B Units pursuant to the 2019 Paycor Equity Incentive Plan and an underlying grant agreement. The Class B Units are intended to be profits interests for federal income tax purposes and represent the right to receive distributions from Pride Aggregator after the members of Pride Aggregator have received their contributed capital and specified return of their contributed capital. The Class B Units are 50% time-vesting and 50% performance-vesting. The time-vesting Class B Units vest over a four-year period, with 25% of the time-vesting Class B Units vesting on the first anniversary of the specified vesting commencement date and the remaining 75% vesting in equal installments on each quarterly anniversary thereafter, subject to the Class B Unit holder’s continuous service with us through each applicable vesting date. The performance-vesting Class B Units vest in incremental one-third (1/3) installments on the achievement of three (3) specified sponsor return and internal rate of return (“IRR”) metrics, subject to the Class B Unit holder’s continuous service with us through the applicable vesting date (with a three-month vesting tail period if the applicable Class B Unit holder were to be terminated by the Company without cause, due to death or disability or due to his resignation for good reason).

Consummation of this offering, by itself, will not accelerate the vesting of Class B Units and the Class B Units will continue to be subject to the foregoing vesting terms following consummation of this offering.

LTIP

In April 2021, Mr. Ante was granted 500 LTIP Units under the Company’s Top Talent Equity Incentive Plan. These LTIP Units represent a participation interest in a phantom pool of Class B Units, which is quantified and paid on certain determination dates. Consummation of this offering is a determination date under the LTIP Plan, so that Mr. Ante’s LTIP Units will be converted into a number of shares of our common equal to the value of Mr. Ante’s LTIP Units. Twenty percent (20%) of these shares will vest on consummation of this offering with the balance of these shares vesting in equal installments on the six, twelve, eighteen and twenty-four month anniversary of consummation of this offering.

401(k) Plan

We maintain a tax-qualified retirement plan that provides eligible employees with an opportunity to save for retirement on a tax-advantaged basis. Under our 401(k) plan, participants may elect to defer a portion of their compensation on a pre or post-tax basis and have it contributed to the plan subject to applicable annual limits under the Internal Revenue Code. Pre-tax contributions are allocated to each participant’s individual account and are then invested in selected investment alternatives according to the participants’ directions. Employee elective deferrals are 100% vested at all times. We have the ability to make discretionary matching and profit sharing contributions to the 401(k) plan, and such match is issued on a per pay period basis (65% of eligible pay up to 6% maximum). We made the following employer matching contributions with respect to the 2021 fiscal year to Messrs. Villar Jr., Ante and Mueller: \$8,850, \$6,975 and \$12,675, respectively. As a U.S. tax-qualified retirement plan, pre-tax contributions to the 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan and all contributions are deducted by us when made.

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Health and Welfare Plans

Our Named Executive Officers are eligible to participate in employee benefit plans, including medical, life, and disability benefits on the same basis as other eligible employees. These benefits include:

- health, dental and vision insurance;
- vacation, paid holidays and sick days;
- life insurance and supplemental life insurance; and
- short-term and long-term disability.

We believe these benefits are generally consistent with those offered by other companies and specifically with those companies with which we compete for employees.

Outstanding Equity Awards at Fiscal Year End

The following table summarizes, for each of the Named Executive Officers, the number of shares of our common stock underlying outstanding stock options held as of June 30, 2021.

Name	Grant Date	Vesting Commencement Date	Option Awards(1)					Stock Awards(5)				
			Number of Securities Underlying Unexercised Options (#) Exercisable(2)	Number of Securities Underlying Unexercised Options (#) Unexercisable(2)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)(2)	Option Exercise Price (\$)(3)	Option Expiration Date(4)	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights that have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights that have not Vested (\$)	
Raul Villar Jr.	8/22/2019	7/1/2019	0	6,250	6,250	N/A	N/A	N/A	N/A	N/A	N/A	
Adam Ante	4/1/2019	11/2/2018	94	151	245	N/A	N/A	N/A	N/A	N/A	N/A	
Adam Ante	11/20/2019	10/1/2019	0	1,755	1,755	N/A	N/A	N/A	N/A	N/A	N/A	
Adam Ante	4/1/2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	500	\$716,550	
Chuck Mueller	2/20/2020	1/1/2020	0	3,000	3,000	N/A	N/A	N/A	N/A	N/A	N/A	

- (1) This section of the table reflects information regarding Class B Units granted to our Named Executive Officers that were outstanding as of June 30, 2021. Despite the fact that the Class B Units do not require the payment of an exercise price, they are most similar economically to stock options. Accordingly, they are classified as “options” under the definition provided in the Item 402(a)(6)(i) of Regulation S-K as an instrument with an “option-like feature.” For more information on these Class B Units, see “Narrative Disclosure to Summary Compensation Table—Equity Incentives” above.
- (2) The Class B Units are 50% time-vested and 50% performance-vested. The time-vesting Class B Units vest over a four-year period, with 25% of the time-vesting Class B Units vesting on the first anniversary of the specified vesting commencement date and the remaining 75% vesting in equal installments on each quarterly anniversary thereafter, subject to the Class B Unit holder’s continuous service with us through the applicable vesting date. The performance-vesting Class B Units vest in incremental one-third (1/3) installments on the achievement of three (3) specified sponsor return and IRR metrics, subject to the Class B Unit holder’s continuous service with us through the applicable vesting date (with a three-month vesting tail period if the applicable Class B Unit holder was terminated by the Company without cause, due to death or disability or due to his resignation for good reason).
- (3) The Class B Units are not traditional options, and therefore, there is no exercise price, but rather the Class B Units participate in distributions attributable to the appreciation in the fair market value of Pride Aggregator, or profits of Pride Aggregator, after their respective dates of grant.
- (4) Class B Units have no expiration date.
- (5) This section of the table reflects information regarding 500 LTIP Units granted to Mr. Ante that were outstanding as of June 30, 2021. The LTIP Units represent a participation interest in a phantom pool of Class B Units that is quantified and paid on defined determination dates. Consummation of this offering will constitute a determination date, so that Mr. Ante’s LTIP Units will be converted into a number of shares of our common stock having a value equal to Mr. Ante’s LTIP Units. These shares of stock will vest 20% on the consummation of the offering and 20% on each of the six, twelve, eighteen and twenty-four month anniversary of the consummation of the offering, subject to Mr. Ante’s continued employment through such dates. For more information regarding these LTIP Units, see “Narrative Disclosure to Summary Compensation Table—Equity Incentives” above. The value for Mr. Ante’s LTIP Units represents the estimated value of these LTIP Units on June 30, 2021.

Emerging Growth Company Status

As an emerging growth company we will be exempt from certain requirements related to executive compensation, including the requirements to hold a nonbinding advisory vote on executive compensation and to provide information relating to the ratio of total compensation of our Chief Executive Officer to the median of the annual total compensation of all of our employees, each as required by the Investor Protection and Securities Reform Act of 2010, which is part of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Potential Payments upon Termination or Change in Control

The employment agreements for the Named Executive Officers provide that upon a termination of their employment by the Company without “cause” or by the Named Executive Officer with “good reason,” each as defined therein and provided below, subject to their execution of a fully effective release of claims in favor of the Company and continued compliance with applicable restrictive covenants, the Named Executive Officer is eligible to receive (i) twelve (12) months’ worth of his base salary plus 50% of his then-target bonus (payable within 30 days of termination), and (ii) twelve (12) months of continued premium payments under the Company’s group health plans pursuant to COBRA.

For each of the Named Executive Officers’ employment agreement, “cause” generally means any one or more of the following: (i) any material failure, refusal, or inability by the employee to perform his duties under the employment agreement (other than by reason of the employee’s death or disability which continues after written notice to the employee that such failure or refusal will result in a termination of the employment of the employee for Cause); (ii) any intentional act of fraud or embezzlement by the employee in connection with his duties under his employment agreement or in the course of his employment under his employment agreement, or the admission or conviction of, or entering of a plea of *nolo contendere* by, the employee of any felony or any lesser crime involving moral turpitude, fraud, embezzlement or theft; (iii) any gross negligence, willful misconduct or personal dishonesty of the employee resulting, in the good faith determination of the Company, in a loss to the Company or any of its parent or subsidiary corporations, or affiliates or in damage to the reputation of the Company or any of its parent or subsidiary corporations, affiliates, successors or assigns; (iv) any material breach by the employee of any of the covenants contained in his employment agreement; or (v) any failure of the employee to comply with Company policies or procedures, provided that, in each case, from clauses (i) through (v), the employee shall have been given written notice from the Company describing in reasonable detail the event or circumstance the Company believes gives rise to a right to terminate the employee for Cause within 30 days of its initial existence, the employee shall have 30 days to remedy the condition to the satisfaction of the Company. The employee’s failure to cure within those 30 days shall result in the termination of the employee for Cause.

For each of the Named Executive Officers’ employment agreement, “good reason” generally means: (i) a material breach of the employment agreement by the Company; (ii) a reduction in or failure to pay the employee his compensation payable under the employment agreement or a material reduction in benefits payable under the employment agreement or any amounts otherwise vested and/or due under the Company’s employee benefit plans or employee benefit programs; (iii) a reduction in the percentages described under the employment agreement with respect to the target bonus and bonus without the written consent of the employee; (iv) the assignment of additional or reduction of duties or responsibilities to the employee which are inconsistent in a material and adverse respect with the employee’s position as Chief Executive Officer, Chief Financial Officer or Chief Revenue Officer (as applicable) of the Company without the written consent of the employee; or (v) the relocation of the Company’s principal place of business more than 75 miles from the current location without the written consent of the employee.

Executive Compensation Arrangements to be Adopted in Connection with this Offering

Equity Award Grants

In connection with this offering, we intend to grant awards under the 2021 Plan to certain executives consisting of options to purchase shares of common stock with an aggregate value of approximately

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\$10.6 million and RSUs with an aggregate value of approximately \$10.6 million. The options will have an exercise price equal to the initial public offering price. We also intend to grant approximately \$1.2 million of RSU awards to our independent directors and approximately \$6.1 million of RSU awards to members of our IPO transaction team and certain senior employees of the Company. In addition, we intend to make a grant of RSUs to each Paycor employee as of the date of this offering, for an aggregate of approximately 200,000 RSUs (approximately \$3.9 million in RSUs assuming an initial public offering price of \$19.50 per share). We expect to recognize compensation expense equal to the aggregate dollar value of such awards over their three year vesting term. These awards are one-time grants solely related to this offering. The options described above will be granted at the pricing of this offering and the RSUs described above will be granted upon the filing of our registration statement on Form S-8 relating to the 2021 Plan. Each award will be subject to the terms and conditions of the 2021 Plan and an award agreement that we will enter into with the applicable grantee.

New Employment Agreements

It is anticipated that each of the NEOs will enter into a new employment agreement, which will be effective upon the closing of this offering (the “New Employment Agreements”) and will supersede each Named Executive Officer’s senior management agreement. The material terms and conditions set forth in each Named Executive Officer’s New Employment Agreement are anticipated to be substantially similar to those set forth in each Named Executive Officer’s existing agreement and described herein.

Annual Bonus Plan

In connection with this offering, we intend to adopt the Paycor HCM, Inc. Annual Bonus Plan (the “Bonus Plan”), pursuant to which employees of the Company may be granted annual cash incentives that generally will be paid based on the achievement of certain performance objectives as determined by the Compensation Committee and continued employment. The Compensation Committee will administer and will have authority to interpret the terms of the Bonus Plan and determine eligibility of participants.

Change in Control Severance Plan

In addition to the potential severance benefits under the employment agreements described above under the heading “—Narrative Disclosure to Summary Compensation Table—Employment and Change in Control Severance Arrangements,” the Board intends to adopt the Paycor HCM, Inc. Change in Control Severance Plan (the “CIC Severance Plan”), under which certain executives, including the NEOs, are eligible for severance benefits under certain circumstances. Specifically, if during the period beginning three months prior to a change of control through or within the 12 month period following a change of control, we terminate a participating executive other than (a) for cause or (b) on account of such executive’s disability, or such executive resigns for good reason, then such executive will receive, in addition to any accrued obligations and subject to the execution and non-revocation of a release of claims:

- in the case of the Chief Executive Officer, cash severance equal to 1.5 times the sum of the Chief Executive Officer’s annual base salary and target bonus; in the case of the Chief Financial Officer and Chief Revenue Officer, cash severance equal to 1 times the sum of (a) annual base salary and (b) the product of (i) such executive’s target bonus and (ii) 75%; and in the case of all other designated executives, cash severance equal to 0.75 times annual base salary, in each case, payable in installments over 9, 12 or 18 months, as applicable;
- reimbursement for the employer cost of health insurance continuation coverage under the U.S. Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”), for 9, 12 or 18 months, as applicable; and
- to the extent the participating executive holds any unvested equity incentive awards granted under the 2021 Plan that vest solely based on continued employment, such awards will accelerate and vest.

Executive Severance Plan

In addition to the potential severance benefits under the employment agreements and the CIC Severance Plan described above, the Board intends to adopt the Paycor HCM, Inc. Executive Severance Plan, under which 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, such as the NEOs), and any other key employee of the Company designated by the Compensation Committee are eligible for severance benefits under certain circumstances. Specifically, if we terminate an applicable executive other than (a) for cause or (b) on account of such executive's disability, then such executive will receive, in addition to any accrued obligations and subject to the execution and non-revocation of a release: (a) cash severance equal to 0.5 times the sum of annual base salary and target bonus, payable in a lump sum; and (b) reimbursement for the employer cost of health insurance continuation coverage under COBRA for 6 months.

2021 Employee Stock Purchase Plan

In order to incentivize employees of the Company, its designated affiliates and subsidiaries (the Designated Companies), we anticipate that our board of directors will adopt, and our shareholders will approve, the ESPP, the material terms of which are summarized below, prior to the completion of this offering. This summary is not a complete description of all of the provisions of the ESPP and is qualified in its entirety by reference to the ESPP, a copy of which will be filed as an exhibit to the registration statement of which this prospectus forms a part. Defined terms used in this section that are not otherwise defined herein will have the meaning set forth in the ESPP.

The ESPP includes two components: a "Section 423 Component" and a "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 will be administered, interpreted and construed in a manner consistent with the requirements of Section 423 of the Code. In addition, the ESPP will authorize 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 will be granted pursuant to separate offerings containing such sub-plans, appendices, rules or procedures as may be adopted by the administrator of the ESPP and designed to achieve tax, securities laws or other objectives for eligible employees and any Designated Company in locations outside of the United States. Except as otherwise provided or determined by the ESPP 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 ESPP administrator at or prior to the time of such Offering.

Shares Available for Awards; Administration

A total of 3.1 million shares of our common stock will initially be reserved for issuance under the ESPP. In addition, the number of shares available for issuance under the ESPP will be increased annually on January 1 of each calendar year beginning in 2022 and ending in and including 2031, by an amount equal to the lesser of (A) 1.0% of the shares outstanding on the final day of the immediately preceding calendar year and (B) such smaller number of shares as is determined by our Board. Our Board or the Compensation Committee will administer and will have authority to interpret the terms of the ESPP and determine eligibility of participants.

Eligibility

We expect that all of our employees and employees of any Designated Company will be eligible to participate in the ESPP, with certain exclusions as determined by the ESPP administrator. However, an employee may not be granted rights to purchase stock under our ESPP if the employee, immediately after the grant, would own (directly or through attribution) stock possessing 5% or more of the total combined voting power of all classes of our stock.

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Grant of Rights

Under the ESPP, participants will be offered the option to purchase shares of our common stock at a discount during one or more offering periods, which may be successive or overlapping and will be selected by the ESPP administrator in its sole discretion with respect to which options shall be granted to participants. No Offering will commence prior to the date on which our registration statement on Form S-8 is filed with the SEC in respect of the ESPP. The ESPP administrator will designate the terms and conditions of each offering in writing, including the Offering Period and the Purchase Period, and may change the duration and timing of offering periods in its discretion. However, in no event may an Offering Period be longer than 27 months in length.

Option Price

The option purchase price will be 85% of the lesser of the fair market value of a share of our common stock on (a) the applicable grant date and (b) the applicable exercise date, or such other price determined by the administrator.

ESPP Amendment and Termination

The Board may amend, suspend or terminate the ESPP at any time. However, stockholder approval will be obtained for any amendment that increases the aggregate number or changes the type of shares that may be sold pursuant to rights under the ESPP or changes the corporations or classes of corporations whose employees are eligible to participate in the ESPP.

Paycor HCM, Inc. 2021 Omnibus Incentive Plan

Prior to the consummation of this offering, we anticipate that our Board will adopt, and our shareholders will approve, the 2021 Plan, pursuant to which employees, consultants and directors of our company and our affiliates performing services for us, including our executive officers, will be eligible to receive awards. We anticipate that the 2021 Plan will provide for the grant 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 our shareholders. The following description of the 2021 Plan is based on the form we anticipate will be adopted, but since the 2021 Plan has not yet been adopted, the provisions remain subject to change. As a result, the following description is qualified in its entirety by reference to the final 2021 Plan once adopted, a copy of which in substantially final form has been filed as an exhibit to the registration statement of which this prospectus is a part.

Share Reserve

In connection with its approval by the Board and adoption by our shareholders, we will reserve 13.8 million shares of our common stock for issuance under the 2021 Plan, which amount shall be increased on the first day of each fiscal year during the term of the 2021 Plan commencing with the 2022 fiscal year by (i) 5.0% of the total number of shares outstanding on the last day of the immediately preceding fiscal year, or (ii) a lesser amount determined by the Company's board. In addition, the following shares of our common stock will again be available for grant or issuance under the 2021 Plan:

- shares subject to awards granted under the 2021 Plan that are subsequently forfeited or cancelled;
- shares subject to awards granted under the 2021 Plan that otherwise terminate without shares being issued; and
- shares surrendered, cancelled, or exchanged for cash (but not shares surrendered to pay the exercise price or withholding taxes associated with the award).

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Administration

The 2021 Plan will be administered by our Compensation Committee. The Compensation Committee has the authority to construe and interpret the 2021 Plan, grant awards and make all other determinations necessary or advisable for the administration of the 2021 Plan. Awards under the 2021 Plan may be made subject to “performance conditions” and other terms.

Eligibility

Our employees, consultants and directors, and employees, consultants and directors of our affiliates, will be eligible to receive awards under the 2021 Plan. The Compensation Committee will determine who will receive awards, and the terms and conditions associated with such award.

Term

The 2021 Plan will terminate ten years from the date our Board approves the plan, unless it is terminated earlier by our Board.

Award Forms and Limitations

The 2021 Plan authorizes the granting of stock awards, performance awards, and other cash-based awards. An aggregate of 13.8 million shares will be available for issuance under awards granted pursuant to the 2021 Plan. For stock options that are intended to qualify as incentive stock options, or ISOs, under Section 422 of the Code, the maximum number of shares subject to ISO awards shall be 13.8 million.

Stock Options

The 2021 Plan provides for the grant of ISOs only to our employees. All options other than ISOs may be granted to our employees, directors and consultants. The exercise price of each option to purchase stock must be at least equal to the fair market value of our common stock on the date of grant. The exercise price of ISOs granted to 10% or more shareholders must be at least equal to 110% of that value. Options granted under the 2021 Plan may be exercisable at such times and subject to such terms and conditions as the Compensation Committee determines. The maximum term of options granted under the 2021 Plan is 10 years (five years in the case of ISOs granted to 10% or more shareholders). A participant may pay the exercise price due upon exercise of a Stock Option with cash or check or by way of a “cashless exercise”.

Stock Appreciation Rights

Stock appreciation rights provide for a payment, or payments, in cash or common stock, to the holder based upon the difference between the fair market value of our common stock on the date of exercise and the stated exercise price of the stock appreciation right. The exercise price must be at least equal to the fair market value of our common stock on the date the stock appreciation right is granted. Stock appreciation rights may vest based on time or achievement of performance conditions, as determined by the Compensation Committee in its discretion.

Restricted Stock

The Compensation Committee may grant awards consisting of shares of our common stock subject to restrictions on sale and transfer. The price (if any) paid by a participant for a restricted stock award will be determined by the Compensation Committee. Unless otherwise determined by the Compensation Committee at the time of award, vesting will cease on the date the participant no longer provides services to us and unvested shares will be forfeited to or repurchased by us. The Compensation Committee may condition the grant or vesting of shares of restricted stock on the achievement of performance conditions and/or the satisfaction of a time-based vesting schedule.

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Performance Awards

A performance award is an award that becomes payable upon the attainment of specific performance goals. A performance award may become payable in cash or in shares of our common stock. These awards are subject to forfeiture prior to settlement due to termination of a participant's employment or failure to achieve the performance conditions.

Other Cash-Based Awards

The Compensation Committee may grant other cash-based awards to participants in amounts and on terms and conditions determined by them in their discretion. Cash-based awards may be granted subject to vesting conditions or awarded without being subject to conditions or restrictions.

Additional Provisions

Awards granted under the 2021 Plan may not be transferred in any manner other than by will or by the laws of descent and distribution, or as determined by the Compensation Committee. Unless otherwise restricted by our Compensation Committee, awards that are non-ISOs or SARs may be exercised during the lifetime of the optionee only by the optionee, the optionee's guardian or legal representative, or a family member of the optionee who has acquired the non-ISOs or SARs by a permitted transfer. Awards that are ISOs may be exercised during the lifetime of the optionee only by the optionee or the optionee's guardian or legal representative.

In the event of a change of control (as defined in the 2021 Plan), the Compensation Committee may, in its discretion, provide for any or all of the following actions: (a) awards may be continued, assumed or substituted with new rights, (b) awards may be purchased for cash equal to the excess (if any) of the highest price per share of common stock paid in the change in control transaction over the aggregate exercise price of such awards, (c) outstanding and unexercised stock options and stock appreciation rights may be terminated prior to the change in control (in which case holders of such unvested awards would be given notice and the opportunity to exercise such awards), or (d) vesting or lapse of restrictions may be accelerated. All awards will be equitably adjusted in the case of the division of stock and similar transactions.

Non-Employee Director Compensation

The following table presents the total compensation for each person who served as a non-employee member of our Board during the fiscal year ended June 30, 2021. Other than as set forth in the table and described more fully below, we did not pay any compensation, reimburse any expense of, make any equity awards or non-equity awards to, or pay any other compensation to any of the other non-employee members of our Board in fiscal year 2021. Employee directors do not receive any separate compensation for their Board activities.

<u>Name</u>	<u>Fees earned or paid in cash \$(1)</u>	<u>Option Awards(2)</u>	<u>All Other Compensation</u>	<u>Total</u>
Scott Miller	\$ 53,125	N/A	N/A	\$ 53,125
Steve Collins	\$ 60,417	N/A	N/A	\$ 60,417
Whitney Bouck	\$ 45,972	\$ 120,315	N/A	\$166,287
Kathleen Burke	\$ 45,972	\$ 120,315	N/A	\$166,287
Jonathan Corr	\$ 18,333	N/A	N/A	\$ 18,333

(1) Mr. Miller, Mr. Collins, Ms. Bouck, Ms. Burke and Mr. Corr are entitled to annual cash retainers, in the amounts of \$50,000 each, with some directors earning additional fees for serving as the Chair or a member of one of our committees.

(2) Amounts reported in the "Option Awards" column reflect the aggregate grant date fair value based on the probable outcome of the applicable performance conditions as of the date of grant, computed in accordance

with FASB ASC Topic 718, of Class B Units of Pride Aggregator granted to Mmes. Bouck and Burke during the 2021 Fiscal Year. The grant date fair value for the Class B Units if they vested at the maximum level is \$120,315 each. The Class B Units represent membership interests in Pride Aggregator that are intended to constitute profits interests for federal income tax purposes. Despite the fact that the Class B Units do not require the payment of an exercise price, they are most similar economically to stock options. Accordingly, they are classified as “options” under the definition provided in Item 402(a)(6)(i) of Regulation S-K as an instrument with an “option-like feature.” Please see Note 14 “Equity Compensation Plan” in the Paycor HCM, Inc. and subsidiaries consolidated financial statements for the fiscal year ended June 30, 2021 for additional details regarding these awards.

Non-Employee Director Compensation Policy

On January 27, 2021, our Compensation Committee approved a new non-employee director compensation policy to apply following this offering, which will consist of: (i) a board retainer of \$50,000 (plus an additional \$50,000 for the Non-Executive Board Chair); (ii) a committee member retainer (\$10,000 for the Audit Committee, \$7,500 for the Compensation Committee and \$5,000 for the Nominating & Governance Committee); (iii) a committee chair retainer (\$20,000 for the Audit Committee, \$15,000 for the Compensation Committee and \$10,000 for the Nominating & Governance Committee); and (iv) an equity grant in the form of \$170,000 in restricted stock units with a one-year vesting term. Additionally, we expect to award \$555,000 of RSUs to Jonathan Corr on or following the IPO under the 2021 Plan.

PRINCIPAL SHAREHOLDERS

The following table sets forth information about the beneficial ownership of our common stock as of June 30, 2021, after giving effect to the Reorganization Transactions and as adjusted to reflect the sale of the common stock in this offering, for

- Each person or group known to us who beneficially owns more than 5% of our common stock immediately prior to this offering.
- Each of our directors.
- Each of our Named Executive Officers.
- All of our directors and executive officers as a group.

Each shareholder's percentage ownership before the offering is based on common stock outstanding as of June 30, 2021 after giving effect to the Reorganization Transactions. Each shareholder's percentage ownership after the offering is based on common stock outstanding immediately after the completion of this offering. We have granted the underwriters an option to purchase up to 2,775,000 additional shares of common stock.

Beneficial ownership for the purposes of the following table is determined in accordance with the rules and regulations of the SEC. These rules generally provide that a person is the beneficial owner of securities if such person has or shares the power to vote or direct the voting thereof, or to dispose or direct the disposition thereof, or has the right to acquire such powers within 60 days. Common stock subject to options that are currently exercisable or exercisable within 60 days of July 12, 2021, are deemed to be outstanding and beneficially owned by the person holding the options. These shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Except as disclosed in the footnotes to this table and subject to applicable community property laws, we believe that each shareholder identified in the table possesses sole voting and investment power over all common stock shown as beneficially owned by the shareholder.

Unless otherwise noted below, the address of each beneficial owner listed on the table is c/o 4811 Montgomery Road, Cincinnati, Ohio 45212. Beneficial ownership representing less than 1% is denoted with an asterisk (*).

Name of Beneficial Owner	Shares Beneficially Owned Prior to this Offering		Shares Beneficially Owned After this Offering		
	Number of Shares	Percentage	Number of Shares	No Exercise of Underwriters' Option Percentage	Full Exercise of Underwriters' Option Percentage
5% Stockholders	141,097,740	92.3%	141,097,740	82.4%	81.1%
Pride Aggregator(1)					
Directors and Named Executive Officers:					
Raul Villar Jr.	—	—	—	—	—
Adam Ante	—	—	—	—	—
Chuck Mueller	—	—	—	—	—
Whit Bouck	—	—	—	—	—
Katie Burke	—	—	—	—	—
Steve Collins	—	—	—	—	—
Jonathan Corr	—	—	—	—	—
Umang Kajaria	—	—	—	—	—
Scott Miller	—	—	—	—	—
Jason Wright	—	—	—	—	—
Directors and executive officers as a group (12 individuals)	—	—	—	—	—

(1) Pride GP, Inc. is the general partner of Pride Aggregator and Apax IX GP Co. Limited ("Apax IX GP") is the sole shareholder of Pride GP, Inc. Apax IX GP is the investment manager of the relevant investment

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vehicles in the fund known as Apax IX and is controlled by a board of directors consisting of Simon Cresswell, Andrew Guille, Martin Halusa, Paul Meader and David Staples. The registered address for Apax IX is Third Floor Royal Bank Place, 1 Gategny Esplanade, St Peter Port, Guernsey GY1 2HJ. The amounts set forth in the table above do not give effect to any transfer of common stock from Pride Aggregator to the holders of Series A preferred stock upon the completion of this offering. Pride Aggregator expects to transfer approximately 198,900 shares of common stock (based on an initial public offering price of \$19.50, which is the midpoint of the range set forth on the cover of this prospectus) to the former holders of the Series A preferred stock for no additional consideration upon the completion of this offering. The actual number of shares of common stock to be transferred by Pride Aggregator to the holders of the Series A preferred stock is based on the anti-dilution formula in the designations relating to the Series A preferred stock in our existing certificate of incorporation.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Policies for Approval of Related Party Transactions

Prior to completion of this offering, we intend to adopt a policy with respect to the review, approval, and ratification of related party transactions. Under the policy, our Audit Committee is responsible for reviewing and approving related person transactions. In the course of its review and approval of related party transactions, our Audit Committee will consider the relevant facts and circumstances to decide whether to approve such transactions. In particular, our policy requires our Audit Committee to consider, among other factors it deems appropriate:

- The related person's relationship to us and interest in the transaction.
- The material facts of the proposed transaction, including the proposed aggregate value of the transaction.
- The impact on a director's independence in the event the related person is a director or an immediate family member of the director.
- The benefits to us of the proposed transaction.
- If applicable, the availability of other sources of comparable products or services.
- An assessment of whether the proposed transaction is on terms that are comparable to the terms available to an unrelated third party or to employees generally.

The Audit Committee may only approve those transactions that are in, or are not inconsistent with, our best interests and those of our shareholders, as the Audit Committee determines in good faith.

In addition, under our code of business conduct and ethics, which will be adopted prior to the consummation of this offering, our employees and directors will have an affirmative responsibility to disclose any transaction or relationship that reasonably could be expected to give rise to a conflict of interest.

All of the transactions described below were entered into prior to the adoption of the Company's written related party transactions policy (which policy will be adopted prior to the consummation of this offering), but all were approved by our Board considering similar factors to those described above.

Related Party Transactions

Other than compensation arrangements for our directors and named executive officers, which are described in the section entitled "Executive Compensation," below we describe transactions since January 1, 2018 to which we were a participant or will be a participant, in which:

- The amounts involved exceeded or will exceed \$120,000.
- Any of our directors, executive officers, or holders of more than 5% of our capital stock, or any member of the immediate family of, or person sharing the household with, the foregoing persons, had or will have a direct or indirect material interest.

Director Nomination Agreement

In connection with this offering, we will enter into a Director Nomination Agreement with Apax Partners that provides Apax Partners the right to designate nominees for election to our Board for so long as Apax Partners beneficially owns 5% or more of the total number of shares of our common stock that it owns as of the completion of this offering. Apax Partners may also assign its designation rights under the Director Nomination Agreement to an affiliate.

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The Director Nomination Agreement will provide Apax Partners the right to designate: (i) all of the nominees for election to our Board for so long as Apax Partners beneficially owns at least 40% of the total number of shares of our common stock beneficially owned by Apax Partners upon completion of this offering, as adjusted for any reorganization, recapitalization, stock dividend, stock split, reverse stock split or similar changes in the Company's capitalization, or the Original Amount; (ii) 40% of the nominees for election to our Board for so long as Apax Partners beneficially owns less than 40% but at least 30% of the Original Amount; (iii) 30% of the nominees for election to our Board for so long as Apax Partners beneficially owns less than 30% but at least 20% of the Original Amount; (iv) 20% of the nominees for election to our Board for so long as Apax Partners beneficially owns less than 20% but at least 10% of the Original Amount; and (v) one of the nominees for election to our Board for so long as Apax Partners beneficially owns at least 5% of the Original Amount. Apax Partners' nominees must comply with applicable law and stock exchange rules. If Pride Aggregator, the investment vehicle through which Apax Partners holds its investment, is dissolved after this offering, then Apax Partners will be permitted to nominate (i) up to three directors so long as it owns at least 25% of the Original Amount, (ii) up to two directors so long as it owns at least 15% of the Original Amount and (iii) one director so long as it owns at least 5% of the Original Amount. Apax Partners will agree in the Director Nomination Agreement to vote any shares of our common stock and any other securities held by it in favor of the election to our Board of the directors so designated. At any time when Apax Partners has the right to designate at least one nominee for election to our Board, Apax Partners will also have the right to have one of its nominated directors hold one seat on each Board committee, subject to satisfying any applicable stock exchange rules or regulations regarding the independence of Board committee members. In addition, Apax Partners shall be entitled to designate the replacement for any of its Board designees whose Board service terminates prior to the end of the director's term regardless of Apax Partners' beneficial ownership at such time. The Director Nomination Agreement will also provide for certain consent rights for Apax Partners so long as it owns at least 5% of the Original Amount, including for any increase to the size of our Board. Additionally, the Director Nomination Agreement will also prohibit us from increasing or decreasing the size of our Board without the prior written consent of Apax Partners for so long as Apax Partners holds at least 5% of the total outstanding voting power. This agreement will terminate at such time as Apax Partners owns less than 5% of our outstanding common stock.

Registration Rights Agreement

We are party to a registration rights agreement with Pride Aggregator and the Preferred Holders (as defined therein) of Registrable Securities (as defined below). Pride Aggregator is entitled to request that we register Pride Aggregator's shares on a long-form or short-form registration statement on one or more occasions in the future, which registrations may be "shelf registrations." Pride Aggregator is also entitled to participate in certain of our registered offerings, subject to the restrictions in the registration rights agreement. We will pay Pride Aggregator's expenses in connection with Pride Aggregator's exercise of these rights. Pride Aggregator and the Preferred Holders are also entitled to customary "piggyback" registration rights. In addition, on the first anniversary of this offering or as promptly as practicable thereafter, so long as the Company is then-eligible to use any applicable short-form registration, the Company will use its reasonable best efforts to cause a registration statement for the sale or distribution by the Preferred Holders, and any other holders approved by Pride Aggregator, of the Registrable Securities held by such holders on a delayed or continuous basis pursuant to Rule 415 (the "Resale Shelf Registration"), to be filed and declared effective under the Securities Act.

The registration rights described in the above paragraph apply to (i) shares of common stock held by Pride Aggregator or any of its affiliates (ii) shares of common stock held by any Preferred Holder or any of its affiliates, (iii) shares of common stock held by any Other Investors (as defined in the registration rights agreement) or any of their affiliates, and (iv) any equity securities of the Company or any subsidiary issued or issuable with respect to the common stock described in clauses (i), (ii), or (iii) with respect to any dividend, distribution, recapitalization, reorganization, or certain other corporate transactions, or Registrable Securities (clauses (i) through (iv) collectively referred to as "Registrable Securities"). These registration rights are also for the benefit of any subsequent holder of Registrable Securities; provided that any particular securities will cease to be Registrable Securities when they have been sold in a registered public offering, sold in compliance with

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Rule 144 of the Securities Act of 1933, as amended (the “Securities Act”), or repurchased by us or our subsidiaries. In addition, following the consummation of this offering, any Registrable Securities held by a person other than Pride Aggregator or its affiliates that may be sold under Rule 144(b)(1)(i) without limitation under any of the other requirements of Rule 144 will cease to be Registrable Securities.

Indemnification of Officers and Directors

Upon completion of this offering, we intend to enter into indemnification agreements with each of our executive officers and directors. The indemnification agreements will provide the executive officers and directors with contractual rights to indemnification, expense advancement, and reimbursement, to the fullest extent permitted under the DGCL. Additionally, we may enter into indemnification agreements with any new directors or officers that may be broader in scope than the specific indemnification provisions contained in Delaware law.

Redemption Agreement and Intercompany Promissory Note with Pride Aggregator

In December 2020 and January 2021, we completed private placements of our Series A preferred stock that generated aggregate net proceeds of approximately \$270 million. In connection with the December 2020 private placement closing, we entered into a Redemption Agreement with Pride Aggregator, pursuant to which we used \$180 million from the proceeds from the private placement, together with a \$65 million Intercompany Promissory Note issued to Pride Aggregator (the “Intercompany Note”), to repurchase 7,000 outstanding shares of common stock held by Pride Aggregator. In connection with the January 2021 private placement closing, we repaid the Intercompany Note in full. The Intercompany Note was payable on demand and accrued interest at a rate of 0.15% per annum.

Midco Redeemable Preferred Stock

On November 2, 2018 in connection with the Apax Acquisition, Pride Midco, our direct wholly-owned subsidiary, issued 200,000 shares of Midco Redeemable Preferred Stock to certain institutional investors. We intend to redeem all of the outstanding Midco Redeemable Preferred Stock in connection with the consummation of this offering. An affiliate of Apax Partners owns \$25 million of the Midco Redeemable Preferred Stock and expects to receive \$32.5 million in proceeds upon the redemption of the Midco Redeemable Preferred Stock in connection with the consummation of this offering. The Midco Redeemable Preferred Stock is reflected as a redeemable noncontrolling interest in our consolidated balance sheets. See “Description of Certain Indebtedness and Other Obligations—Midco Redeemable Preferred Stock” for more information about the Midco Redeemable Preferred Stock.

Directed Share Program

At our request, the underwriters have reserved up to 740,000 shares of common stock, or 4% of the shares of common stock to be offered by this prospectus for sale, at the initial public offering price, through a directed share program.

DESCRIPTION OF CERTAIN INDEBTEDNESS AND OTHER OBLIGATIONS

Set forth below is a summary of the terms of the credit agreement governing certain of our outstanding indebtedness and the terms governing the Midco Redeemable Preferred Stock.

New Senior Secured Credit Facilities

On June 11, 2021, we entered into the New Credit Agreement with PNC Bank, National Association (“PNC”), as administrative agent and collateral agent, providing a \$100.0 million senior secured revolving credit facility, of which 44.5 million was initially drawn at the closing date. The New Credit Facility includes an “accordion” feature that allows us, under certain circumstances following an initial public offering, to increase the size of the New Credit Facility by an amount up to \$300.0 million.

Interest Rates and Fees

The New Loans have variable interest rates. The interest rate on the New 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 an initial public offering, (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 an initial public offering, (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.

We pay a quarterly unused fee on the New Credit Facility 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.

Voluntary Prepayments

Loans under the New Credit Facility may be voluntarily prepaid in whole, or in part, in each case without premium or penalty.

Final Maturity and Amortization

The New Credit Facility commitments will mature on the earlier of (i) August 3, 2024 and (ii) the occurrence of a mandatory redemption event under the Midco Redeemable Preferred Stock. If the Midco Redeemable Preferred Stock is redeemed in full prior to August 3, 2024, the maturity date will automatically extend to June 11, 2026. We intend to redeem all of the outstanding Midco Redeemable Preferred Stock in connection with the consummation of this offering.

Guarantors

All obligations under the New Credit Facility are unconditionally guaranteed by our wholly-owned subsidiary Pride Guarantor, Inc. (“Holdings”), and substantially all of its existing and future direct and indirect wholly-owned domestic subsidiaries, other than certain excluded subsidiaries.

Security

The obligations under the New Credit Agreement are secured by substantially all the assets of Holdings, Paycor, Inc. (the “Borrower”), a direct subsidiary of Holdings, and certain of the Borrower’s subsidiaries’ (together with, Holdings, the “Guarantors”), subject to permitted liens and other exceptions, on a first lien basis.

Certain Covenants, Representations and Warranties

The New Credit Agreement contains customary representations and warranties, affirmative covenants, reporting obligations, and negative covenants. The negative covenants restrict our and our subsidiaries' ability, among other things, to (subject to certain exceptions set forth in the New Credit Agreement):

- Incur additional indebtedness or other contingent obligations.
- Create liens.
- Make investments, acquisitions, loans, and advances.
- Consolidate, merge, liquidate, or dissolve.
- Sell, transfer, or otherwise dispose of its assets, including capital stock of its subsidiaries.
- Pay dividends on its equity interests or make other payments in respect of capital stock.
- Engage in transactions with affiliates.
- Make payments in respect of subordinated debt.
- Modify organizational documents in a manner that is materially adverse to the lenders under the applicable New Credit Agreement.
- Enter into certain agreements with negative pledge clauses.

Financial Covenants

The New Credit Facility is subject to 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, each of which will be tested quarterly for compliance.

Events of Default

The lenders under the New Credit Agreement are permitted to accelerate the loans and terminate commitments thereunder or exercise other remedies upon the occurrence of certain customary events of default, subject to certain grace periods and exceptions. These events of default include, among others, payment defaults, cross-defaults to certain material indebtedness covenant defaults, material inaccuracy of representations and warranties, certain events of bankruptcy, material judgments, material defects with respect to lenders' perfection on the collateral, invalidity of the guarantees, and changes of control.

Midco Redeemable Preferred Stock

On November 2, 2018, Pride Midco, our direct wholly-owned subsidiary, issued 200,000 shares (the "Midco Redeemable Preferred Stock") of Series A Redeemable Preferred Stock to certain institutional investors. We intend to redeem all of the outstanding Midco Redeemable Preferred Stock in connection with the consummation of this offering. See "Use of Proceeds."

Liquidation Preference and Dividend Rates

The Midco Redeemable Preferred Stock was issued with an initial liquidation preference of \$1,000 per share. The Midco Redeemable Preferred Stock accrues dividends at a rate of LIBOR plus 8.875%, which rate will decrease to LIBOR plus 8.375% beginning November 3, 2021. The dividends are payable, or are 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 Redeemable Preferred Stock. From November 2, 2020 to November 2, 2021, we are required pay 50% of the accrued dividends in cash. After November 2, 2021, we will be required to pay 100% of the accrued dividends in

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cash. If the Midco Redeemable Preferred Stock remains outstanding after May 2, 2022, we are required to pay 0.50% of the initial liquidation preference to the holders of the Midco Redeemable Preferred Stock in cash.

Optional and Mandatory Redemption

We may voluntarily redeem the Midco Redeemable Preferred Stock at an amount equal to the liquidation preference of such Midco Redeemable Preferred Stock times the applicable percentage set forth below, plus any accrued dividends:

<u>Redemption Date</u>	<u>Redemption Price</u>
May 2, 2020—November 1, 2020	102%
November 2, 2020—November 1, 2021	101%
November 2, 2021 and thereafter	100%

We will be required, at the option of the holders of at least a majority of the Midco Redeemable Preferred Stock, to redeem the Midco Redeemable Preferred Stock at the above redemption prices upon the occurrence of: (1) a change of control, (2) an initial public offering, (3) upon at least 90 days' prior notice by the holders of at least a majority of the Midco Redeemable Preferred Stock, on or after November 2, 2024, or (4) certain other trigger events, including material breaches of the terms of the Midco Redeemable Preferred Stock.

Certain Covenants

The certificate of designation governing the Midco Redeemable Preferred Stock contains certain affirmative covenants, reporting obligations and negative covenants. The negative covenants restrict Pride Midco's and its subsidiaries' ability, among other things, to (subject to certain exceptions):

- Incur additional indebtedness or other contingent obligations, or issue preferred stock.
- Make investments, acquisitions, loans, and advances.
- Consolidate, merge, liquidate, or dissolve.
- Sell, transfer, or otherwise dispose of its assets, including capital stock of its subsidiaries.
- Pay dividends on its equity interests or make other payments in respect of capital stock.
- Engage in transactions with its affiliates.
- Modify Pride Midco's certificate of incorporation, including the certificate of designation that governs the terms of the Midco Redeemable Preferred Stock.

Financial Covenant

On and after November 2, 2021, the Midco Redeemable Preferred Stock will require us to achieve recurring revenue of at least \$250 million and EBITDA of at least \$10 million, in each case tested on a quarterly basis.

DESCRIPTION OF CAPITAL STOCK

General

Upon completion of this offering, our authorized capital stock will consist of 500,000,000 shares of common stock, par value \$0.001 per share, and 50,000,000 shares of undesignated preferred stock, par value \$0.001 per share. As of March 31, 2021, we had 93,000 shares of common stock outstanding held by one shareholder of record and 7,715 shares of preferred stock outstanding. After the Reorganization Transactions and consummation of this offering and the use of proceeds therefrom, we expect to have 171,302,784 shares of our common stock outstanding, assuming no exercise by the underwriters of their option to purchase additional shares, and no shares of preferred stock outstanding. The following description of our capital stock is intended as a summary only and is qualified in its entirety by reference to our certificate of incorporation and bylaws to be in effect at the closing of this offering, which are filed as exhibits to the registration statement of which this prospectus forms a part, and to the applicable provisions of the DGCL.

Common Stock

Dividend Rights

Subject to preferences that may apply to shares of preferred stock outstanding at the time, holders of outstanding shares of common stock will be entitled to receive dividends out of assets legally available at the times and in the amounts as our Board may determine from time to time.

Voting Rights

Each outstanding share of common stock will be entitled to one vote on all matters submitted to a vote of shareholders. Holders of shares of our common stock shall have no cumulative voting rights.

Preemptive Rights

Our common stock will not be entitled to preemptive or other similar subscription rights to purchase any of our securities.

Conversion or Redemption Rights

Our common stock will be neither convertible nor redeemable.

Liquidation Rights

Upon our liquidation, the holders of our common stock will be entitled to receive pro rata our assets that are legally available for distribution, after payment of all debts and other liabilities and subject to the prior rights of any holders of preferred stock then outstanding.

Preferred Stock

Our Board may, without further action by our shareholders, from time to time, direct the issuance of shares of preferred stock in series and may, at the time of issuance, determine the designations, powers, preferences, privileges, and relative participating, optional or special rights, as well as the qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption, and liquidation preferences, any or all of which may be greater than the rights of the common stock. Satisfaction of any dividend preferences of outstanding shares of preferred stock would reduce the amount of funds available for

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the payment of dividends on shares of our common stock. Holders of shares of preferred stock may be entitled to receive a preference payment in the event of our liquidation before any payment is made to the holders of shares of our common stock. Under certain circumstances, the issuance of shares of preferred stock may render more difficult or tend to discourage a merger, tender offer, or proxy contest, the assumption of control by a holder of a large block of our securities or the removal of incumbent management. Upon the affirmative vote of a majority of the total number of directors then in office, our Board, without shareholder approval, may issue shares of preferred stock with voting and conversion rights which could adversely affect the holders of shares of our common stock and the market value of our common stock.

Anti-Takeover Effects of Our Certificate of Incorporation and Our Bylaws

Our certificate of incorporation, bylaws and the DGCL will contain provisions, which are summarized in the following paragraphs that are intended to enhance the likelihood of continuity and stability in the composition of our Board. These provisions are intended to avoid costly takeover battles, reduce our vulnerability to a hostile change of control, and enhance the ability of our Board to maximize shareholder value in connection with any unsolicited offer to acquire us. However, these provisions may have an anti-takeover effect and may delay, deter, or prevent a merger or acquisition of the Company by means of a tender offer, a proxy contest or other takeover attempt that a shareholder might consider in its best interest, including those attempts that might result in a premium over the prevailing market price for the shares of common stock held by shareholders.

These provisions include:

Classified Board

Our certificate of incorporation will provide that our Board will be divided into three classes of directors, with the classes as nearly equal in number as possible, and with the directors serving three-year terms. As a result, approximately one-third of our Board will be elected each year. The classification of directors will have the effect of making it more difficult for shareholders to change the composition of our Board. Our certificate of incorporation will also provide that, subject to any rights of holders of preferred stock to elect additional directors under specified circumstances, the number of directors will be fixed exclusively pursuant to a resolution adopted by our Board. Upon completion of this offering, we expect that our Board will have nine members.

Shareholder Action by Written Consent

Our certificate of incorporation will preclude shareholder action by written consent at any time when Apex Partners beneficially owns, in the aggregate, less than 35% in voting power of the stock of the Company entitled to vote generally in the election of directors.

Special Meetings of Shareholders

Our certificate of incorporation and bylaws will provide that, except as required by law, special meetings of our shareholders may be called at any time only by or at the direction of our Board or the chairman of our Board; provided, however, at any time when Apex Partners beneficially owns, in the aggregate, at least 35% in voting power of the stock of the Company entitled to vote generally in the election of directors, special meetings of our shareholders shall also be called by our Board pursuant to a written resolution adopted by the affirmative vote of the majority of the total number of directors that would have if there were no vacancies or the chairman of our Board at the request of Apex Partners. Our bylaws will prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting. These provisions may have the effect of deferring, delaying, or discouraging hostile takeovers, or changes in control or management of the Company.

Advance Notice Procedures

Our bylaws will establish an advance notice procedure for shareholder proposals to be brought before an annual meeting of our shareholders, including proposed nominations of persons for election to our Board; provided, however, at any time when Apax Partners beneficially owns, in the aggregate, at least 5% in voting power of the stock of the Company entitled to vote generally in the election of directors, such advance notice procedure will not apply to Apax Partners. Shareholders at an annual meeting will only be able to consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our Board or by a shareholder who was a shareholder of record on the record date for the meeting, who is entitled to vote at the meeting, and who has given our Secretary timely written notice, in proper form, of the shareholder's intention to bring that business before the meeting. Although the bylaws will not give our Board the power to approve or disapprove shareholder nominations of candidates or proposals regarding other business to be conducted at a special or annual meeting, the bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed or may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of the Company. These provisions do not apply to nominations by Apax Partners pursuant to the Director Nomination Agreement. See "Certain Relationships and Related Party Transactions—Related Party Transactions—Director Nomination Agreement" for more details with respect to the Director Nomination Agreement.

Removal of Directors; Vacancies

Our certificate of incorporation will provide that directors may be removed with or without cause upon the affirmative vote of a majority in voting power of all outstanding shares of stock entitled to vote thereon, voting together as a single class; provided, however, at any time when Apax Partners beneficially owns, in the aggregate, less than 40% in voting power of the stock of the Company entitled to vote generally in the election of directors, directors may only be removed for cause, and only by the affirmative vote of holders of at least 66 $\frac{2}{3}$ % in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class. In addition, our certificate of incorporation will provide that, subject to the rights granted to one or more series of preferred stock then outstanding, any newly created directorship on our Board that results from an increase in the number of directors and any vacancies on our Board will be filled only by the affirmative vote of a majority of the remaining directors, even if less than a quorum, by a sole remaining director, or by the shareholders; provided, however, at any time when Apax Partners beneficially owns, in the aggregate, less than 40% in voting power of the stock of the Company entitled to vote generally in the election of directors, any newly created directorship on our Board that results from an increase in the number of directors and any vacancy occurring on our Board may only be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director (and not by the shareholders).

Supermajority Approval Requirements

Our certificate of incorporation and bylaws will provide that our Board is expressly authorized to make, alter, amend, change, or repeal, in whole or in part, our bylaws without a shareholder vote in any matter not inconsistent with the laws of the State of Delaware and our certificate of incorporation. For as long as Apax Partners beneficially owns, in the aggregate, at least 50% in voting power of the stock of the Company entitled to vote generally in the election of directors, any amendment, alteration, rescission, or repeal of our bylaws by our shareholders will require the affirmative vote of a majority in voting power of the outstanding shares of our stock entitled to vote on such amendment, alteration, change, addition, rescission, or repeal. At any time when Apax Partners beneficially owns, in the aggregate, less than 50% in voting power of all outstanding shares of the stock of the Company entitled to vote generally in the election of directors, any amendment, alteration, rescission, or repeal of our bylaws by our shareholders will require the affirmative vote of the holders of at least 66 $\frac{2}{3}$ % in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class.

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The DGCL provides generally that the affirmative vote of a majority of the outstanding shares entitled to vote thereon, voting together as a single class, is required to amend a corporation's certificate of incorporation, unless the certificate of incorporation requires a greater percentage.

Our certificate of incorporation will provide that at any time when Apax Partners beneficially owns, in the aggregate, less than 50% in voting power of the stock of the Company entitled to vote generally in the election of directors, the following provisions in our certificate of incorporation may be amended, altered or repealed only by the affirmative vote of the holders of at least 66 $\frac{2}{3}$ % (as opposed to a majority threshold that would apply if Apax Partners beneficially owns, in the aggregate, 50% or more) in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class:

- The provision requiring a 66 $\frac{2}{3}$ % supermajority vote for shareholders to amend our bylaws.
- The provisions providing for a classified Board (the election and term of our directors).
- The provisions regarding resignation and removal of directors.
- The provisions regarding entering into business combinations with interested shareholders.
- The provisions regarding shareholder action by written consent.
- The provisions regarding calling special meetings of shareholders.
- The provisions regarding filling vacancies on our Board and newly created directorships.
- The provisions eliminating monetary damages for breaches of fiduciary duty by a director.
- The amendment provision requiring that the above provisions be amended only with a 66 $\frac{2}{3}$ % supermajority vote.

The combination of the classification of our Board, the lack of cumulative voting, and the supermajority voting requirements will make it more difficult for our existing shareholders to replace our Board as well as for another party to obtain control of us by replacing our Board. Because our Board has the power to retain and discharge our officers, these provisions could also make it more difficult for existing shareholders or another party to effect a change in management.

Authorized but Unissued Shares

Our authorized but unissued shares of common stock and preferred stock will be available for future issuance without shareholder approval, subject to stock exchange rules. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions, and employee benefit plans. One of the effects of the existence of authorized but unissued common stock or preferred stock may be to enable our Board to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest, or otherwise, and thereby protect the continuity of our management and possibly deprive our shareholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

Business Combinations

Upon completion of this offering, we will not be subject to the provisions of Section 203 of the DGCL. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested shareholder" for a three-year period following the time that the person becomes an interested shareholder, unless the business combination is approved in a prescribed manner. A "business combination" includes, among other things, a merger, asset, or stock sale or other transaction resulting in a financial benefit to the interested shareholder. An "interested shareholder" is a person who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested shareholder status, 15% or more of the corporation's voting stock.

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Under Section 203, a business combination between a corporation and an interested shareholder is prohibited unless it satisfies one of the following conditions: (1) before the shareholder became an interested shareholder, the board of directors approved either the business combination or the transaction which resulted in the shareholder becoming an interested shareholder; (2) upon consummation of the transaction which resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans, in some instances; or (3) at or after the time the shareholder became an interested shareholder, the business combination was approved by the board of directors and authorized at an annual or special meeting of the shareholders by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested shareholder.

A Delaware corporation may “opt out” of these provisions with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a shareholders’ amendment approved by at least a majority of the outstanding voting shares.

We will opt out of Section 203; however, our certificate of incorporation will contain similar provisions providing that we may not engage in certain “business combinations” with any “interested shareholder” for a three-year period following the time that the shareholder became an interested shareholder, unless:

- Prior to such time, our Board approved either the business combination or the transaction which resulted in the shareholder becoming an interested shareholder.
- Upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding certain shares.
- At or subsequent to that time, the business combination is approved by our Board and by the affirmative vote of holders of at least 66 $\frac{2}{3}$ % of our outstanding voting stock that is not owned by the interested shareholder.

Under certain circumstances, this provision will make it more difficult for a person who would be an “interested shareholder” to effect various business combinations with the Company for a three-year period. This provision may encourage companies interested in acquiring the Company to negotiate in advance with our Board because the shareholder approval requirement would be avoided if our Board approves either the business combination or the transaction which results in the shareholder becoming an interested shareholder. These provisions also may have the effect of preventing changes in our Board and may make it more difficult to accomplish transactions which shareholders may otherwise deem to be in their best interests.

Our certificate of incorporation will provide that Apex Partners, and any of its direct or indirect transferees and any group as to which such persons are a party, do not constitute “interested shareholders” for purposes of this provision.

Dissenters’ Rights of Appraisal and Payment

Under the DGCL, with certain exceptions, our shareholders will have appraisal rights in connection with a merger or consolidation of us. Pursuant to the DGCL, shareholders who properly request and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery.

Shareholders’ Derivative Actions

Under the DGCL, any of our shareholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the shareholder bringing the action is a holder of our

shares at the time of the transaction to which the action relates or such shareholder's stock thereafter devolved by operation of law.

Exclusive Forum

Our certificate of incorporation will provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the United States District Court for the District of Delaware) will be the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our shareholders, (3) any action asserting a claim against the Company or any director or officer of the Company arising pursuant to any provision of the DGCL, our certificate of incorporation, or our bylaws, (4) any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or bylaws (5) any other action asserting a claim against the Company or any director or officer of the Company that is governed by the internal affairs doctrine, or (6) any action asserting an "internal corporate claim" as that term is defined in Section 115 of the DGCL; provided that for the avoidance of doubt, the forum selection provision that identifies the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation, including any "derivative action," will not apply to suits to enforce a duty or liability created by the Securities Act, the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Our certificate of incorporation will also provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and to have consented to the provisions of our certificate of incorporation described above. Although we believe these provisions benefit us by providing increased consistency in the application of Delaware law or the Securities Act, as applicable, for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against us or our directors and officers. Alternatively, if a court were to find any of the forum selection provisions contained in our certificate of incorporation to be inapplicable or unenforceable, we may incur additional costs associated with having to litigate such action in other jurisdictions, which could have an adverse effect on our business, financial condition, results of operations, cash flows, and prospects and result in a diversion of the time and resources of our employees, management, and Board.

Conflicts of Interest

Delaware law permits corporations to adopt provisions renouncing any interest or expectancy in certain opportunities that are presented to the corporation or its officers, directors, or shareholders. Our certificate of incorporation will, to the maximum extent permitted from time to time by Delaware law, renounce any interest or expectancy that we have in, or right to be offered an opportunity to participate in, specified business opportunities that are from time to time presented to certain of our officers, directors, or shareholders or their respective affiliates, other than those officers, directors, shareholders, or affiliates who are our or our subsidiaries' employees. Our certificate of incorporation will provide that, to the fullest extent permitted by law, none of Apax Partners or any director who is not employed by us (including any non-employee director who serves as one of our officers in both his director and officer capacities) or his or her affiliates will have any duty to refrain from (1) engaging in a corporate opportunity in the same or similar lines of business in which we or our affiliates now engage or propose to engage or (2) otherwise competing with us or our affiliates. In addition, to the fullest extent permitted by law, in the event that Apax Partners or any non-employee director acquires knowledge of a potential transaction or other business opportunity which may be a corporate opportunity for itself or himself or its or his affiliates or for us or our affiliates, such person will have no duty to communicate or offer such transaction or business opportunity to us or any of our affiliates and they may take any such opportunity for themselves or offer it to another person or entity. Our certificate of incorporation will not renounce our interest in any business opportunity that is expressly offered to a non-employee director solely in his or her capacity as a director or officer of the Company. To the fullest extent permitted by law, no business opportunity will be

deemed to be a potential corporate opportunity for us unless we would be permitted to undertake the opportunity under our certificate of incorporation, we have sufficient financial resources to undertake the opportunity, and the opportunity would be in line with our business.

Limitations on Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties, subject to certain exceptions. Our certificate of incorporation will include a provision that eliminates the personal liability of directors for monetary damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. The effect of these provisions will be to eliminate the rights of us and our shareholders, through shareholders' derivative suits on our behalf, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior. However, exculpation will not apply to any director if the director has acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions, or derived an improper benefit from his or her actions as a director.

Our bylaws will provide that we must indemnify and advance expenses to our directors and officers to the fullest extent authorized by the DGCL. We also will be expressly authorized to carry directors' and officers' liability insurance providing indemnification for our directors, officers, and certain employees for some liabilities. We believe that these indemnification and advancement provisions and insurance will be useful to attract and retain qualified directors and officers.

The limitation of liability, indemnification, and advancement provisions that will be included in our certificate of incorporation and bylaws may discourage shareholders from bringing a lawsuit against directors for breaches of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our shareholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers, or employees for which indemnification is sought.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC. The transfer agent's address is 6201 15th Avenue, Brooklyn, NY 11219 and its phone number is (718) 921-8200.

Listing

We have applied to list our common stock on the Nasdaq Global Select Market under the symbol "PYCR."

SHARES ELIGIBLE FOR FUTURE SALE

Before this offering, there has been no public market for our common stock. As described below, only a limited number of shares currently outstanding will be available for sale immediately after this offering due to contractual and legal restrictions on resale. Nevertheless, future sales of substantial amounts of our common stock, including shares issued upon the exercise of outstanding options, in the public market after this offering, or the perception that those sales may occur, could cause the prevailing market price for our common stock to fall or impair our ability to raise capital through sales of our equity securities.

Upon the closing of this offering, based on the number of shares of our common stock outstanding as of June 30, 2021, we will have 171,302,784 outstanding shares of our common stock, after giving effect to the Reorganization Transactions and issuance of shares of our common stock in this offering, assuming no exercise by the underwriters of their option to purchase additional shares.

Of the 171,302,784 shares that will be outstanding immediately after the closing of this offering, we expect that the shares to be sold in this offering will be freely tradable without restriction under the Securities Act unless purchased by our “affiliates,” as that term is defined in Rule 144 under the Securities Act. Shares purchased by our affiliates may not be resold except pursuant to an effective registration statement or an exemption from registration, including the safe harbor under Rule 144 of the Securities Act described below.

The remaining 152,802,784 shares of our common stock outstanding after this offering will be “restricted securities,” as that term is defined in Rule 144 of the Securities Act, and we expect that substantially all of these restricted securities will be subject to the lock-up agreements described below. These restricted securities may be sold in the public market only if the sale is registered or pursuant to an exemption from registration, such as Rule 144 or Rule 701 of the Securities Act, which are summarized below.

We intend to file with the SEC a registration statement on Form S-8 covering the shares of common stock reserved for issuance under our 2021 Plan. Such registration statement is expected to be filed and become effective as soon as practicable after completion of this offering. Upon effectiveness, the shares of common stock covered by this registration statement will generally be eligible for sale in the public market, subject to certain contractual and legal restrictions summarized below.

Lock-up Agreements

We, each of our directors and executive officers and other shareholders owning substantially all of our common stock and options to acquire common stock, have agreed that, without the prior written consent of Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC on behalf of the underwriters, we and they will not, subject to limited exceptions, directly or indirectly sell or dispose of any shares of common stock or any securities convertible into or exchangeable or exercisable for shares of common stock for a period of 180 days after the date of this prospectus. The lock-up restrictions and specified exceptions are described in more detail under “Underwriting.”

Prior to the consummation of the offering, certain of our employees, including our executive officers, and/or directors may enter into written trading plans that are intended to comply with Rule 10b5-1 under the Exchange Act. Sales under these trading plans would not be permitted until the expiration of the lock-up agreements relating to the offering described above.

Following the lock-up periods set forth in the agreements described above, and assuming that the representatives of the underwriters do not release any parties from these agreements, all of the shares of our common stock that are restricted securities or are held by our affiliates as of the date of this prospectus will be eligible for sale in the public market in compliance with Rule 144 under the Securities Act.

Registration Rights Agreement

Pursuant to the registration rights agreement, we have granted Pride Aggregator and Preferred Holders of Registrable Securities the right to cause us, in certain instances, at our expense, to file a Resale Shelf Registration statement or to piggyback on registered offerings initiated by us in certain circumstances. Further, on the first anniversary of this offering or as promptly as practicable thereafter, so long as the Company is then-eligible to use any applicable short-form registration, the Company will use its reasonable best efforts to cause a Resale Shelf Registration statement to be filed and declared effective under the Securities Act for the sale or distribution by the Preferred Holders, and any other holders approved by Pride Aggregator, of the Registrable Securities. See “Certain Relationships and Related Party Transactions—Related Party Transactions—Registration Rights Agreement.” These shares will represent 89.2% of our outstanding common stock after this offering, or 87.8% if the underwriters exercise their option to purchase additional shares in full.

Rule 144

In general, under Rule 144, beginning 90 days after we become subject to the public company reporting requirements of the Exchange Act, any person who is not our affiliate, who was not our affiliate at any time during the preceding three months, and who has held their shares for at least six months, including the holding period of any prior owner other than one of our affiliates, may sell shares without restriction, subject to the availability of current public information about us and subject to applicable lock-up restrictions. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than one of our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

Beginning 90 days after we become subject to the public company reporting requirements of the Exchange Act and subject to applicable lock-up restrictions, a person who is our affiliate or who was our affiliate at any time during the preceding three months and who has beneficially owned restricted securities for at least six months, including the holding period of any prior owner other than one of our affiliates, is entitled to sell a number of shares within any three-month period that does not exceed the greater of: (1) 1% of the number of shares of our common stock outstanding, which will equal approximately shares immediately after this offering; and (2) the average weekly trading volume of our common stock on the Nasdaq Global Select Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 by our affiliates are also subject to certain manner of sale provisions, notice requirements, and to the availability of current public information about us.

Rule 701

In general, under Rule 701, any of our employees, directors, or officers who acquired shares from us in connection with a compensatory stock or option plan or other compensatory written agreement before the effective date of this offering are, subject to applicable lock-up restrictions, eligible to resell such shares in reliance upon Rule 144 beginning 90 days after the date of this prospectus. If such person is not an affiliate and was not our affiliate at any time during the preceding three months, the sale may be made subject only to the manner-of-sale restrictions of Rule 144. If such a person is an affiliate, the sale may be made under Rule 144 without compliance with the holding period requirements under Rule 144, but subject to the other Rule 144 restrictions described above.

Equity Incentive Plans

Following this offering, we intend to file with the SEC a registration statement on Form S-8 under the Securities Act covering the shares of common stock that are subject to outstanding options and other awards issuable pursuant to our 2021 Plan and our ESPP. Shares covered by such registration statement will be available for sale in the open market following its effective date, subject to certain Rule 144 limitations applicable to affiliates and the terms of lock-up agreements applicable to those shares.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following discussion is a summary of the material U.S. federal income tax consequences to Non-U.S. Holders (as defined below) of the purchase, ownership, and disposition of our common stock issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects to such holders. The effects of other U.S. federal tax laws, such as estate and gift tax laws, the Medicare tax on net investment income and any applicable state, local, or non-U.S. tax laws are not discussed. This discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), Treasury regulations promulgated thereunder, or Treasury Regulations, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (the “IRS”), in each case as in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a Non-U.S. Holder of our common stock. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to those discussed below regarding the tax consequences of the purchase, ownership, and disposition of our common stock.

This discussion is limited to Non-U.S. Holders that hold our common stock as a “capital asset” within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a Non-U.S. Holder’s particular circumstances or the effects of other U.S. federal tax laws, such as estate and gift tax laws, the Medicare tax on net investment income, and any applicable state, local, or non-U.S. tax law. In addition, it does not address consequences relevant to Non-U.S. Holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States.
- Persons subject to the alternative minimum tax.
- Persons holding our common stock as part of a hedge, straddle, or other risk reduction strategy or as part of a conversion transaction or other integrated investment.
- Banks, insurance companies, and other financial institutions.
- Real estate investment trusts or regulated investment companies.
- Brokers, dealers, or traders in securities.
- “Controlled foreign corporations,” “passive foreign investment companies,” and corporations that accumulate earnings to avoid U.S. federal income tax.
- Partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein).
- Tax-exempt organizations or governmental organizations.
- Persons deemed to sell our common stock under the constructive sale provisions of the Code.
- Persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation.
- Persons that own, or are deemed to own, more than five percent of our capital stock (except to the extent specifically set forth below).
- “Qualified foreign pension funds” (within the meaning of Section 897(1)(2)) of the Code and entities, all of the interests of which are held by qualified foreign pension funds.
- Tax-qualified retirement plans.

If any partnership or other entity or arrangement classified as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will depend on the status of

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the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding our common stock and partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR THE MEDICARE TAX ON NET INVESTMENT INCOME OR UNDER THE LAWS OF ANY STATE, LOCAL, OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Definition of a Non-U.S. Holder

For purposes of this discussion, a “Non-U.S. Holder” is any beneficial owner of our common stock that is neither a “United States person” nor a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes. A United States person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- An individual who is a citizen or resident of the United States.
- A corporation, or an entity treated as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state thereof, or the District of Columbia.
- An estate, the income of which is subject to U.S. federal income tax regardless of its source.
- A trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more “United States persons” (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

Distributions

As described in the section entitled “Dividend Policy,” we do not anticipate declaring or paying dividends to holders of our common stock in the foreseeable future. However, if we do make distributions of cash or property on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and first be applied against and reduce a Non-U.S. Holder’s adjusted tax basis in its common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below under “Sale or Other Taxable Disposition.”

Subject to the discussion below on effectively connected income, backup withholding, and the Foreign Account Tax Compliance Act, dividends paid to a Non-U.S. Holder of our common stock will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes to us or our paying agent prior to the payment of dividends a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) certifying qualification for the lower treaty rate). A Non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

If dividends paid to a Non-U.S. Holder are effectively connected with the Non-U.S. Holder’s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S.

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Holder maintains a permanent establishment in the United States to which such dividends are attributable), the Non-U.S. Holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption, the Non-U.S. Holder must furnish to the applicable withholding agent a valid IRS Form W-8ECI, certifying that the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States.

Any such effectively connected dividends will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on its effectively connected earnings and profits (as adjusted for certain items), which will include such effectively connected dividends. Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different treatment.

Sale or Other Taxable Disposition

Subject to the discussion below on backup withholding and the Foreign Account Tax Compliance Act, a Non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

- The gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such gain is attributable).
- The Non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met.
- Our common stock constitutes a U.S. real property interest ("USRPI"), by reason of our status as a U.S. real property holding corporation, or USRPHC, for U.S. federal income tax purposes at any time within the shorter of (1) the five-year period preceding the Non-U.S. Holder's disposition of our common stock and (2) the Non-U.S. Holder's holding period for our common stock. Generally, a domestic corporation is a USRPHC if the fair market value of its USRPIs equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in its trade or business.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on its effectively connected earnings and profits (as adjusted for certain items), which will include such effectively connected gain.

A Non-U.S. Holder described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on any gain derived from the disposition, which may generally be offset by U.S. source capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we currently are not, and do not anticipate becoming, a USRPHC. Because the determination of whether we are a USRPHC depends, however, on the fair market value of our USRPIs relative to the fair market value of our non-U.S. real property interests and our other business assets, there can be no assurance that we currently are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition by a Non-U.S. Holder of our common stock will not be subject to U.S. federal income tax if our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, and such

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Non-U.S. Holder owned, actually and constructively, five percent or less of our common stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder's holding period. If we were to become a USRPHC and our common stock were not considered to be "regularly traded" on an established securities market during the calendar year in which the relevant disposition by a Non-U.S. holder occurs, such Non-U.S. holder (regardless of the percentage of stock owned) would be subject to U.S. federal income tax on a sale or other taxable disposition of our common stock and a 15% withholding tax would apply to the gross proceeds from such disposition.

Non-U.S. Holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different treatment.

Information Reporting and Backup Withholding

Payments of dividends on our common stock generally will not be subject to backup withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the Non-U.S. Holder is a United States person and the Non-U.S. Holder either certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E, or W-8ECI, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on our common stock paid to the Non-U.S. Holder, regardless of whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of our common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such Non-U.S. Holder is a United States person, or the Non-U.S. Holder otherwise establishes an exemption. If a Non-U.S. Holder does not provide the certification described above or the applicable withholding agent has actual knowledge or reason to know that such Non-U.S. Holder is a United States person, payments of dividends or of proceeds of the sale or other taxable disposition of our common stock may be subject to backup withholding at a rate currently equal to 24% of the gross proceeds of such dividend, sale, or taxable disposition. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Non-U.S. Holders should consult their tax advisors regarding information reporting and backup withholding.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act (the "FATCA")), on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or gross proceeds from the sale or other disposition of, our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code) (including, in some cases, when such foreign financial institution or non-financial foreign entity is acting as an intermediary), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the

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non-financial foreign entity either certifies it does not have any “substantial United States owners” (as defined in the Code) or furnishes identifying information regarding each direct and indirect substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain “specified United States persons” or “United States-owned foreign entities” (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to noncompliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the Code, applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on our common stock. On December 13, 2018, the U.S. Department of the Treasury released proposed regulations (which may be relied upon by taxpayers until final regulations are issued), which eliminate FATCA withholding on the gross proceeds from a sale or other disposition of our common stock. Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our common stock.

UNDERWRITING

We are offering the shares of common stock described in this prospectus through a number of underwriters. Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC are acting as representatives of the underwriters. We have entered into an underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of shares of common stock listed next to its name in the following table:

<u>Name</u>	<u>Number of Shares</u>
Goldman Sachs & Co. LLC	
J.P. Morgan Securities LLC	
Jefferies LLC	
Credit Suisse Securities (USA) LLC	
Deutsche Bank Securities Inc.	
Robert W. Baird & Co. Incorporated	
Cowen and Company, LLC	
JMP Securities, LLC	
Needham & Company, LLC	
Raymond James & Associates, Inc.	
Stifel, Nicolaus & Company, Incorporated	
Truist Securities, Inc.	
Fifth Third Securities, Inc.	
Roberts & Ryan Investments, Inc.	
Total	<u>18,500,000</u>

The underwriters are committed to purchase all the shares of common stock offered by us if they purchase any shares. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated.

The underwriters propose to offer the shares of common stock directly to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of \$ _____ per share. After the initial offering of the shares to the public, if all of the shares of common stock are not sold at the initial public offering price, the underwriters may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part. Sales of shares made outside of the United States may be made by affiliates of the underwriters.

The underwriters have an option to buy up to 2,775,000 additional shares of common stock from us to cover sales of shares by the underwriters which exceed the number of shares specified in the table above. The underwriters have 30 days from the date of this prospectus to exercise this option to purchase additional shares. If any shares are purchased with this option to purchase additional shares, the underwriters will purchase shares in approximately the same proportion as shown in the table above. If any additional shares of common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

The underwriting fee is equal to the public offering price per share of common stock less the amount paid by the underwriters to us per share of common stock. The underwriting fee is \$ _____ per share. The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

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	Paid by us	
	Without option to purchase additional shares exercise	With full option to purchase additional shares exercise
Per Share	\$	\$
Total	\$	\$

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees, and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be approximately \$5.2 million. We have also agreed to reimburse the underwriters for certain of their expenses in connection with this offering in an amount up to \$40,000.

A prospectus in electronic format may be made available on the web sites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

We have agreed that for a period of 180 days after the date of this prospectus, we will not (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, or submit to, or file with, the Commission a registration statement under the Securities Act relating to, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock, or publicly disclose the intention to undertake any of the foregoing, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common stock or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of common stock or such other securities, in cash or otherwise, without the prior written consent of Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC.

The restrictions on our actions, as described above, do not apply to certain transactions, including (i) the shares of common stock to be sold in this offering; (ii) the issuance of shares of common stock or securities convertible into or exercisable for shares of common stock pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options (including net exercise) or the settlement of RSUs (including net settlement), in each case outstanding on the date of this prospectus; (iii) grants of stock options, stock awards, restricted stock, RSUs or other equity awards and the issuance of shares of common stock or securities convertible into or exercisable or exchangeable for shares of common stock (whether upon the exercise of stock options or otherwise) to the Company's employees, officers, directors, advisors or consultants pursuant to the terms of an equity compensation plan in effect as of the closing of this offering and described herein, provided that such recipients enter into a lock-up agreement with the underwriters described below; (iv) the issuance of up to 7.5% of the shares of common stock issued and outstanding immediately following the consummation of this offering, in acquisitions or other similar strategic transactions, provided that such recipients enter into a lock-up agreement with the underwriters described below; and (v) the filing of any registration statement on Form S-8 relating to securities granted or to be granted pursuant to any plan in effect on the date of this prospectus and described herein or any assumed benefit plan pursuant to an acquisition or similar strategic transaction.

Our directors and executive officers and certain other shareholders will enter into lock-up agreements with the underwriters prior to the commencement of this offering (the "Lock-Up Agreements") pursuant to which each of these persons or entities, subject to certain exceptions, during the period beginning on the date set forth in the Lock-Up Agreements and ending at the close of business 180 days after the date of this prospectus (such period, the "Restricted Period") may not, without the prior written consent of Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose

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of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock (including without limitation, common stock or such other securities which may be deemed to be beneficially owned by the security holder in accordance with the rules and regulations of the Commission and securities which may be issued upon exercise of a stock option or warrant) (collectively with the common stock, the "Lock-Up Securities"), (ii) enter into any hedging, swap, or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the Lock-Up Securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Lock-Up Securities, in cash or otherwise, (iii) make any demand for, or exercise any right with respect to, the registration of any Lock-Up Securities, or (iv) publicly disclose the intention to do any of the foregoing, *provided* that, for the avoidance of doubt, subject to the Company's obligations under the underwriting agreement, to the extent the lock-up party has demand and/or piggyback registration rights, the foregoing shall not prohibit the lock-up party from notifying us privately that it is or will be exercising its demand and/or piggyback registration rights following the expiration of the Restricted Period so long as such demands or exercises do not involve any public disclosure or filing during the Restricted Period (provided that, subject to our obligations under the underwriting agreement, (i) we shall provide written notice to Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC at least three business days prior to any confidential or non-public submission of a registration statement made during the Restricted Period, and (ii) no such confidential or non-public submission made shall become a publicly filed registration statement during the Restricted Period unless otherwise agreed by Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC.

The restrictions described in the immediately preceding paragraph and contained in the lock-up agreements do not apply, subject in certain cases to various conditions, to certain transactions, including the following:

- (i) transfers as a bona fide gift or gifts, or for bona fide estate planning purposes;
- (ii) transfers to any immediate family member of the lock-up party;
- (iii) transfers by will, other testamentary document or intestacy;
- (iv) transfers to any trust for the direct or indirect benefit of the lock-up party or the immediate family of the lock-up party, or if the lock-up party is a trust, to a trustor or beneficiary of the trust or to the estate of a beneficiary of such trust;
- (v) transfers to a corporation, partnership, limited liability company, trust or other entity of which the lock-up party, or the immediate family of the lock-up party, are the legal and beneficial owner of all of the outstanding equity securities or similar interests;
- (vi) transfers to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under (i) through (v) above;
- (vii) if the lock-up party is a corporation, partnership, limited liability company, trust or other business entity, transfers (A) to another corporation, partnership, limited liability company, trust or other business entity that is an affiliate of the lock-up party, or to any investment fund or other entity controlling, controlled by, managing or managed by or under common control with the lock-up party or affiliates of the lock-up party, or (B) as part of a distribution to members, shareholders, partners or other equityholders of the lock-up party;
- (viii) transfers by operation of law, or pursuant to an order of court;
- (ix) transfers to the Company from an employee of the Company upon death, disability or termination of employment, in each case, of such employee;
- (x) as part of a transfer or disposition of the lock-up party's Lock-Up Securities acquired in open market transactions after the closing of this offering;
- (xi) transfers to the Company in connection with the vesting, settlement, or exercise of restricted stock units, options, warrants or other rights to purchase shares of common stock (including, in each case, by

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way of “net” or “cashless” exercise), including for the payment of exercise price and tax and remittance payments due as a result of the vesting, settlement, or exercise of such restricted stock units, options, warrants or rights, provided that any such shares of common stock received upon such exercise, vesting or settlement is subject to the terms of the lock-up agreement, and provided further that any such restricted stock units, options, warrants or rights are held by the lock-up party pursuant to an agreement or equity awards granted under a stock incentive plan or other equity award plan described in this prospectus;

- (xii) transfers pursuant to a bona fide third-party tender offer, merger, consolidation or other similar transaction that is approved by the Board and made to all holders of the Company’s capital stock involving a change of control of the Company, provided that in the event that such tender offer, merger, consolidation or other similar transaction is not completed, the lock-up party’s Lock-Up Securities remains subject to the provisions of the lock-up agreement;
- (xiii) as part of a transfer or disposition of the lock-up party’s Lock-Up Securities acquired as part of this offering;
- (xiv) in the case of a certain lock-up party, any pledge, hypothecation or other grant of a security interest in any Lock-Up Securities to one or more lending institutions as collateral or security for any loan, advance or extension of credit and the transfer of such Lock-Up Securities to such lending institution upon foreclosure of such Lock-Up Securities; provided that in the case of any such transfer, the transferee agrees to be bound in writing by the terms of the lock-up agreement at the time of such transfer;
- (xv) in the case of Pride Aggregator, transfers to the holders of Series A Preferred Stock as described in this prospectus;

provided that:

- (A) in the case of any transfer or distribution pursuant to (i), (ii), (iii), (iv), (v), (vi), (vii), (viii) and (xv) above, such transfer does not involve a disposition for value and each donee, devisee, transferee or distributee executes and delivers to Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC a lock-up agreement, provided that with respect to any related series of transfers or distributions to transferees or distributees otherwise permitted under (iv), (v) and (vii) above that are deemed to occur simultaneously, only the ultimate transferee or distributee in such series is required to execute and deliver such lock-up agreement (provided that, in each case, the same number or amount of Lock-Up Securities so transferred by the initial transferor remains subject to such lock-up agreement after giving effect such simultaneous transfers or distributions);
- (B) in the case of any transfer or distribution pursuant to (i), (ii), (iii), (iv), (v), (vi), (x) and (xi) above, no filing by any party under the Exchange Act, or other public announcement is required or is made voluntarily in connection with such transfer or distribution during the Restricted Period in connection with such transfer (other than, with respect to clause (x), filings or disclosures pursuant to Rule 13f-1 of the Exchange Act, including a filing on Form 13F, other filings required by applicable law and disclosures on the undersigned’s website required by the undersigned’s internal policy); and
- (C) in the case of any transfer or distribution pursuant to (viii), (ix) and (xi) above, it is a condition to such transfer that no public filing, report or announcement is voluntarily made, and if any filing under Section 16(a) of the Exchange Act, or other public filing, report or announcement reporting a reduction in beneficial ownership of shares of common stock in connection with such transfer or distribution is legally required during the Restricted Period, such filing, report or announcement clearly indicates in the footnotes thereto the nature and conditions of such transfer.

If a lock-up party is a party to the registration rights agreement, any release or waiver of the restrictions referred to above in connection with a transfer of shares of Lock-Up Securities held by any director, officer, party

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to the registration rights agreement or other stockholder of the Company shall apply pro rata to all parties to the registration rights agreement on the basis of shares of common stock held; provided that all such releases must be on the same terms and for the same purposes and, if applicable, pursuant to the same offering.

Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC, in their sole discretion and subject to certain provisions, may release the securities subject to any of the lock-up agreements with the underwriters described above, in whole or in part at any time.

Subject to certain customary limitations, we have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

We have applied to list our common stock on the Nasdaq Global Select Market under the symbol “PYCR.”

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling shares of common stock in the open market for the purpose of preventing or retarding a decline in the market price of the common stock while this offering is in progress. These stabilizing transactions may include making short sales of the common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering, and purchasing shares of common stock on the open market to cover positions created by short sales. Short sales may be “covered” shorts, which are short positions in an amount not greater than the underwriters’ option to purchase additional shares referred to above, or may be “naked” shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their option to purchase additional shares, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the common stock, including the imposition of penalty bids. This means that if the representatives of the underwriters purchase common stock in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock, and, as a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on Nasdaq, in the over-the-counter market or otherwise.

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined by negotiations between us and the representatives of the underwriters. In determining the initial public offering price, we and the representatives of the underwriters expect to consider a number of factors including:

- The information set forth in this prospectus and otherwise available to the representatives.
- Our prospects and the history and prospects for the industry in which we compete.
- An assessment of our management.
- Our prospects for future earnings.

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- The general condition of the securities markets at the time of this offering.
- The recent market prices of, and demand for, publicly traded common stock of generally comparable companies.
- Other factors deemed relevant by the underwriters and us.

Neither we nor the underwriters can assure investors that an active trading market will develop for our common stock, or that the shares of our common stock will trade in the public market at or above the initial public offering price.

Other relationships

Certain of the underwriters and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking, and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses. For example, an affiliate of Fifth Third Securities, Inc., an underwriter in this offering, is a lender under the New Credit Facility.

Directed share program

At our request, the underwriters have reserved up to 740,000 shares of common stock, or 4% of the shares of common stock to be offered by this prospectus for sale, at the initial public offering price, through a directed share program. Shares purchased through the directed share program will not be subject to a lock-up restriction, except in the case of shares purchased by any of our directors or officers. The number of shares of common stock available for sale to the general public will be reduced to the extent these individuals purchase such reserved shares. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered by this prospectus. The underwriters will receive the same discount from such reserved shares as they will from other shares of our common stock sold to the public in this offering. We have agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act, in connection with sales of the reserved shares.

Selling restrictions

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Notice to prospective investors in the European Economic Area

In relation to each Member State of the European Economic Area (each, a “Relevant Member State”), an offer to the public of any shares of common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of common stock may be made at any time under the following exemptions under the Prospectus Regulation:

- (a) to any legal entity which is a “qualified investor” as defined under the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than “qualified investors” as defined under the Prospectus Regulation), subject to obtaining the prior consent of the underwriters for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of shares of common stock shall result in a requirement for us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplemental prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires any shares of common stock or to whom any offer is made will be deemed to have represented, warranted, and agreed to and with each of the underwriters and us that it is a qualified investor within the meaning of Article 2(e) of the Prospectus Regulation.

In the case of any shares being offered to a financial intermediary as that term is used in Article 1(4) of the Prospectus Regulation, each financial intermediary will also be deemed to have represented, warranted, and agreed that the share of common stock acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares of common stock to the public, other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the underwriters has been obtained to each such proposed offer or resale.

We, the underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, warranties, and agreements. Notwithstanding the above, a person who is not a “qualified investor” and who has notified the underwriters of such fact in writing may, with the prior consent of the underwriters, be permitted to acquire shares of common stock in the offering.

For the purposes of this provision, the expression an “offer to the public” in relation to any shares of common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of common stock to be offered so as to enable an investor to decide to purchase or subscribe for any shares of common stock, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

Notice to prospective investors in the United Kingdom

An offer to the public of any shares of common stock may not be made in the United Kingdom, except that an offer to the public in the United Kingdom of any shares of common stock may be made at any time under the following exemptions under the UK Prospectus Regulation:

- (a) to any legal entity which is a “qualified investor” as defined under the UK Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than “qualified investors” as defined under the UK Prospectus Regulation), subject to obtaining the prior consent of the underwriters for any such offer; or
- (c) in any other circumstances falling within section 86 of the Financial Services and Markets Act 2000 (as amended, “FSMA”),

provided that no such offer of shares of common stock shall result in a requirement for us or any underwriter to publish a prospectus pursuant to section 85 of the FSMA or a supplemental prospectus pursuant to Article 23 of

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the UK Prospectus Regulation and each person who initially acquires any shares of common stock or to whom any offer is made will be deemed to have represented, warranted, and agreed to and with each of the underwriters and us that it is a qualified investor within the meaning of Article 2 of the UK Prospectus Regulation.

In the case of any shares of common stock being offered to a financial intermediary as that term is used in Article 1(4) of the UK Prospectus Regulation, each financial intermediary will also be deemed to have represented, warranted, and agreed that the shares of common stock acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares of common stock to the public, other than their offer or resale in the United Kingdom to qualified investors as so defined or in circumstances in which the prior consent of the underwriters has been obtained to each such proposed offer or resale.

We, the underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, warranties, and agreements. Notwithstanding the above, a person who is not a “qualified investor” and who has notified the underwriters of such fact in writing may, with the prior consent of the underwriters, be permitted to acquire shares of common stock in the offering.

For the purposes of this provision, the expression an “offer to the public” in relation to any shares of common stock in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of common stock to be offered so as to enable an investor to decide to purchase or subscribe for any shares of common stock, and the expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Additional notice to prospective investors in the United Kingdom

In the United Kingdom, this prospectus and any other material in relation to the shares of common stock are being distributed only to, and are directed only at, persons who are “qualified investors” (as defined in the UK Prospectus Regulation) who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Order”), or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) persons to whom it would otherwise be lawful to distribute them, all such persons together being referred to as “Relevant Persons”. In the United Kingdom, the Shares are only available to, and any invitation, offer, or agreement to subscribe, purchase, or otherwise acquire such Shares will be engaged in only with, Relevant Persons. This prospectus and its contents are confidential and should not be distributed, published, or reproduced (in whole or in part) or disclosed by any recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this prospectus or its contents.

Notice to prospective investors in Canada

The shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

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Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (“NI 33-105”), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to prospective investors in Japan

The shares have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the shares nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any “resident” of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations, and ministerial guidelines of Japan in effect at the relevant time.

Notice to prospective investors in Hong Kong

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”) of Hong Kong and any rules made thereunder; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “CO”) or which do not constitute an offer to the public within the meaning of the CO. No advertisement, invitation, or document relating to the shares of common stock has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made thereunder.

Notice to prospective investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (2) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

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securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Solely for the purposes of its obligations pursuant to Section 309B of the SFA, we have determined, and hereby notify all relevant persons (as defined in the CMP Regulations 2018), that the shares are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA N-16: Notice on Recommendations on Investment Products).

LEGAL MATTERS

The validity of the issuance of our common stock offered in this prospectus will be passed upon for us by Kirkland & Ellis LLP, Chicago, Illinois. Certain partners of Kirkland & Ellis LLP are members of limited partnerships that are investors in one or more investment funds affiliated with Apax Partners. Kirkland & Ellis LLP represents entities affiliated with Apax Partners in connection with legal matters. Certain legal matters will be passed upon for the underwriters by Simpson Thacher & Bartlett LLP, New York, New York.

EXPERTS

The consolidated financial statements of Paycor HCM, Inc. and Subsidiaries at June 30, 2020 and 2019, and the year ended June 30, 2020, the period from November 2, 2018 through June 30, 2019 (Successor Period), and the period from July 1, 2018 through November 1, 2018 (Predecessor Period), appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP (“EY”), independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

From March 2019 to April 2021, a member firm of Ernst & Young Global Limited in India (“EY India”) provided a legal/expert service to an entity that is an affiliate of the Company by virtue of being under common control (“Sister Affiliate”) by funds controlled by our equity sponsor, Apax Partners. The EY India engagement involved the provision of a legal/expert service in relation to a tax court matter that is not material to the Sister Affiliate. This service is inconsistent with the auditor independence rules of the SEC and the Public Company Accounting Oversight Board (United States). The tax court matter and related service have no impact on the operations or the consolidated financial statements of the Company or EY’s related audit procedures and judgments. The total fee received by EY India for this service was approximately \$16,000 and is not material to the Sister Affiliate or EY India. None of the professionals who provided this service have been or will be members of the EY audit engagement team for the Company.

After careful consideration of the facts and circumstances and the applicable independence rules, EY has concluded that (i) the aforementioned matter does not impair EY’s ability to exercise objective and impartial judgment in connection with its audits of the Company’s consolidated financial statements, and (ii) a reasonable investor with knowledge of all relevant facts and circumstances would reach the same conclusion. After considering this matter, our Audit Committee concurred with EY’s conclusions.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act to register our common stock being offered in this prospectus. This prospectus, which forms part of the registration statement, does not contain all of the information included in the registration statement and the attached exhibits. You will find additional information about us and our common stock in the registration statement. References in this prospectus to any of our contracts, agreements, or other documents are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contracts, agreements or documents. The SEC maintains an Internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

On the closing of this offering, we will be subject to the information reporting requirements of the Exchange Act, and we will file reports, proxy statements, and other information with the SEC. These reports, proxy statements, and other information will be available for inspection and copying at the website of the SEC referred to above.

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We also maintain a website at www.paycor.com. Information contained in, or accessible through, our website is not a part of this prospectus, and the inclusion of our website address in this prospectus is only as an inactive textual reference.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors of Paycor HCM, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Paycor HCM, Inc. and Subsidiaries (the “Company”) as of June 30, 2020 and 2019, the related consolidated statements of operations, comprehensive loss, stockholder’s equity and cash flows for the year ended June 30, 2020, the period from November 2, 2018 through June 30, 2019 (Successor period), and the period from July 1, 2018 through November 1, 2018 (Predecessor period) and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2020 and 2019, and the results of its operations and its cash flows for the year ended June 30, 2020, the period from November 2, 2018 through June 30, 2019 (Successor period), and the period from July 1, 2018 through November 1, 2018 (Predecessor period) in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

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

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

/s/ Ernst & Young LLP

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

Cincinnati, Ohio
February 25, 2021

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

	June 30, 2020	June 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 828	\$ 9,989
Restricted cash and short-term investments	12,017	20,592
Accounts receivable, net	10,019	7,994
Deferred contract costs	14,015	5,386
Prepaid expenses	4,928	5,263
Other current assets	3,819	5,943
Current assets before funds held for clients	45,626	55,167
Funds held for clients	614,115	660,953
Total current assets	659,741	716,120
Property and equipment, net	44,011	38,661
Goodwill	733,801	733,733
Intangible assets, net	462,527	579,460
Capitalized software	23,106	11,154
Long-term deferred contract costs	57,907	24,964
Other long-term assets	26,690	35,896
Total assets	<u>\$ 2,007,783</u>	<u>\$ 2,139,988</u>
Liabilities, Redeemable Noncontrolling Interest and Stockholder's Equity		
Current liabilities:		
Accounts payable	\$ 12,029	\$ 12,404
Accrued expenses and other current liabilities	10,296	10,489
Accrued payroll and payroll related expenses	16,215	21,535
Liability incentive awards	11,842	17,744
Deferred revenue	10,223	4,723
Revolving line-of-credit	5,001	—
Current portion of long-term debt	849	597
Current liabilities before client fund obligations	66,455	67,492
Client fund obligations	613,151	659,680
Total current liabilities	679,606	727,172
Deferred income taxes	104,770	133,666
Other long-term liabilities	18,162	9,139
Long-term debt, net	18,585	20,996
Total liabilities	821,123	890,973
Commitments and contingencies (Note 18)		
Redeemable noncontrolling interest	233,335	210,445
Stockholder's equity:		
Common stock \$0.001 par value per share, 200,000 shares authorized, 100,000 shares issued and outstanding at June 30, 2020 and 2019	—	—
Additional paid in capital	1,129,368	1,124,462
Accumulated deficit	(178,813)	(88,518)
Accumulated other comprehensive income	2,770	2,666
Total stockholder's equity before noncontrolling interest	953,325	1,038,610
Noncontrolling interest	—	(40)
Total stockholder's equity	953,325	1,038,570
Total liabilities, redeemable noncontrolling interest and stockholder's equity	<u>\$ 2,007,783</u>	<u>\$ 2,139,988</u>

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

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

	<u>Successor</u> Year ended June 30, 2020	<u>Successor</u> November 2, 2018-June 30, 2019	<u>Predecessor</u> July 1, 2018- November 1, 2018
Revenues:			
Recurring and other revenue	\$ 317,620	\$ 191,881	\$ 86,262
Interest income on funds held for clients	10,289	9,977	3,343
Total revenues	327,909	201,858	89,605
Cost of revenues			
	139,683	77,566	31,939
Gross profit	188,226	124,292	57,666
Operating expenses:			
Sales and marketing	99,998	56,660	30,479
General and administrative	137,071	127,862	31,069
Research and development	45,866	28,428	12,695
Total operating expenses	282,935	212,950	74,243
Loss from operations	(94,709)	(88,658)	(16,577)
Other income (expense):			
Interest expense	(1,780)	(1,119)	(1,036)
Other	9,004	423	175
Loss before benefit for income taxes	(87,485)	(89,354)	(17,438)
Income tax benefit	(20,182)	(16,531)	(2,517)
Net loss	(67,303)	(72,823)	(14,921)
Less: Net loss attributable to noncontrolling interests	—	(5)	—
Less: Accretion of redeemable noncontrolling interests	22,890	15,700	—
Net loss attributable to Paycor HCM, Inc.	<u>\$ (90,193)</u>	<u>\$ (88,518)</u>	<u>\$ (14,921)</u>
Basic and diluted net loss attributable to Paycor HCM, Inc. per share	\$ (901.93)	\$ (885.18)	
Weighted-average common shares outstanding:			
Basic and diluted	100,000	100,000	

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

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

	<u>Successor</u> Year ended June 30, 2020	<u>Successor</u> Period from November 2, 2018-June 30, 2019	<u>Predecessor</u> Period from July 1, 2018- November 1, 2018
Net loss	\$ (67,303)	\$ (72,823)	\$ (14,921)
Other comprehensive income (loss), net of tax:			
Unrealized gains (losses) on available for sale securities, net of tax	104	2,666	(186)
Other comprehensive income (loss), net of tax	104	2,666	(186)
Comprehensive loss	(67,199)	(70,157)	(15,107)
Less: Comprehensive loss attributable to noncontrolling interest	—	(5)	—
Less: Comprehensive income attributable to redeemable noncontrolling interests	22,890	15,700	—
Comprehensive loss attributable to Paycor HCM, Inc.	<u>\$ (90,089)</u>	<u>\$ (85,852)</u>	<u>\$ (15,107)</u>

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

Paycor HCM, Inc. and Subsidiaries
Consolidated Statements of Stockholder's Equity
(in thousands, except share amounts)

	Redeemable Convertible Preferred Stock	Common Stock, par value of \$0.001 per share				Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholder's Equity before Noncontrolling Interest	Noncontrolling Interest	Total Stockholder's Equity
		Amount	Shares	Common Stock Amount	Treasury Stock						
Predecessor:											
Balance, June 30, 2018	\$ 160,605	25,622,613	\$ 222	\$ (7)	\$ 11,741	\$ (50,128)	\$ (2,369)	\$ 120,064	\$ (27)	\$ 120,037	
Net loss	—	—	—	—	—	(14,921)	—	(14,921)	—	(14,921)	
Other comprehensive income	—	—	—	—	—	—	(186)	(186)	—	(186)	
Stock-based compensation expense	—	—	—	—	6,548	—	—	6,548	—	6,548	
Other	—	—	—	—	—	121	—	121	—	121	
Balance, November 1, 2018	<u>\$ 160,605</u>	<u>25,622,613</u>	<u>\$ 222</u>	<u>\$ (7)</u>	<u>\$ 18,289</u>	<u>\$ (64,928)</u>	<u>\$ (2,555)</u>	<u>\$ 111,626</u>	<u>\$ (27)</u>	<u>\$ 111,599</u>	
Successor:											
Balance, November 2, 2018	\$ —	100,000	\$ —	\$ —	\$ 1,120,678	\$ —	\$ —	\$ 1,120,678	\$ (27)	\$ 1,120,651	
Net loss	—	—	—	—	—	(88,518)	—	(88,518)	(5)	(88,523)	
Issuance of stock for Nimble Acquisition, net	—	—	—	—	3,784	—	—	3,784	—	3,784	
Other comprehensive income	—	—	—	—	—	—	2,666	2,666	—	2,666	
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	(8)	(8)	
Balance, June 30, 2019	<u>—</u>	<u>100,000</u>	<u>—</u>	<u>—</u>	<u>1,124,462</u>	<u>(88,518)</u>	<u>2,666</u>	<u>1,038,610</u>	<u>(40)</u>	<u>1,038,570</u>	
Net Loss	—	—	—	—	—	(90,193)	—	(90,193)	—	(90,193)	
Other comprehensive income	—	—	—	—	—	—	104	104	—	104	
Stock-based compensation expense	—	—	—	—	4,906	—	—	4,906	—	4,906	
Other	—	—	—	—	—	(102)	—	(102)	40	(62)	
Balance June 30, 2020	<u>\$ —</u>	<u>100,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,129,368</u>	<u>\$ (178,813)</u>	<u>\$ 2,770</u>	<u>\$ 953,325</u>	<u>\$ —</u>	<u>\$ 953,325</u>	

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

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

	Successor		Predecessor
	Year Ended June 30, 2020	November 2, 2018- June 30, 2019	July 1, 2018- November 1, 2018
Cash flows from operating activities:			
Net loss	\$ (67,303)	\$ (72,823)	\$ (14,921)
Adjustments to reconcile net loss to net cash provided / (used) by operating activities:			
Depreciation	5,462	3,347	1,827
Amortization of intangible assets and software	127,755	80,523	5,048
Amortization of deferred contract costs	10,206	1,963	8,673
Stock-based compensation expense	4,906	—	6,548
Amortization of debt acquisition costs	620	854	604
Deferred tax benefit	(20,181)	(16,557)	(2,544)
Bad debt expense	1,812	525	71
Gain on sale of investments	(2,513)	—	—
Gain on forgiveness of indebtedness	(6,240)	—	—
Changes in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(2,584)	(2,227)	(81)
Prepaid expenses and other current assets	1,238	(1,180)	(1,027)
Other long-term assets	(240)	(46)	(767)
Accounts payable	(1,407)	4,015	(916)
Accrued liabilities	(13,973)	9,785	10,167
Deferred revenue	5,500	10,158	820
Other long-term liabilities	8,808	2,392	—
Deferred contract costs	(51,778)	(32,313)	(14,505)
Net cash provided / (used) by operating activities	<u>88</u>	<u>(11,584)</u>	<u>(1,003)</u>
Cash flows from investing activities:			
Purchases of client fund available for sale securities	(571,385)	(341,396)	(12,120)
Proceeds from sale and maturities of client fund available for sale securities	722,588	494,775	109,492
Purchase of property and equipment	(7,833)	(1,378)	(571)
Acquisition of intangible assets	(2,995)	—	—
Acquisition of Paycor, Inc.	—	(901,407)	—
Acquisition of Nimble Software Systems, Inc., net of cash acquired	—	(10,550)	—
Internally developed software costs	(18,846)	(12,083)	(6,701)
Net cash provided / (used) by investing activities	<u>121,529</u>	<u>(772,039)</u>	<u>90,100</u>
Cash flows from financing activities:			
Net change in cash and cash equivalents held to satisfy client funds obligations	(29,803)	190,206	(291,320)
Capital contribution (to)/ from Apax Transaction	(63)	770,659	—
Proceeds from line-of-credit	114,127	204	39,000
Repayments of line-of-credit	(109,126)	(204)	(31,000)
Proceeds from debt	20,000	—	—
Repayments of debt	(15,886)	(376)	(186)
Proceeds from issuance of noncontrolling interest	—	194,745	—
Other financing activities	(129)	(2,900)	—
Net cash (used) / provided by financing activities	<u>(20,880)</u>	<u>1,152,334</u>	<u>(283,506)</u>
Net change in cash, cash equivalents, restricted cash and short-term investments, and funds held for clients	100,737	368,711	(194,409)
Cash, cash equivalents, restricted cash and short-term investments, and funds held for clients, beginning of year	445,711	77,000	271,409
Cash, cash equivalents, restricted cash and short-term investments, and funds held for clients, end of year	<u>\$ 546,448</u>	<u>\$ 445,711</u>	<u>\$ 77,000</u>
Supplemental disclosure of non-cash investing, financing and other cash flow information:			
Capital expenditures in accounts payable	\$ 1,032	\$ 2,025	\$ 192
Cash paid during the year for interest	\$ 823	\$ 728	\$ 331
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	\$ 828	\$ 9,989	\$ 6,157
Restricted cash and short-term investments	12,017	20,592	—
Funds held for clients	533,603	415,130	70,843
Total cash, cash equivalents, restricted cash and short-term investments, and funds held for clients	<u>\$ 546,448</u>	<u>\$ 445,711</u>	<u>\$ 77,000</u>

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

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

1. ORGANIZATION AND DESCRIPTION OF BUSINESS:

Paycor HCM, Inc. (“Paycor HCM”) 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 and 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, the acquisition date. Paycor HCM is owned and controlled by Pride Aggregator, L.P. which is controlled by a syndication led by Apax Partners LLP (“Apax”), a private equity firm, with a noncontrolling interest of a subsidiary company held by accredited individuals (as defined by SEC rules and regulations). As a result of the Apax Acquisition, Paycor’s outstanding preferred stock prior to acquisition was converted to common stock and Paycor is an indirect controlled subsidiary of Paycor HCM.

As a result of the Apax Acquisition, which is discussed further in Note 4 – Business Combinations, Paycor HCM was determined to be the accounting acquirer and Paycor’s historical assets and liabilities are reflected at fair value as of November 2, 2018. The financial information for the period after November 2, 2018, represents the consolidated financial information of the “Successor” company. Prior to November 2, 2018, the consolidated financial statements include the accounts of the “Predecessor” company. References to the “Successor 2019 Period” refer to the period from November 2, 2018 through June 30, 2019. References to the “Predecessor 2019 Period” refer to the period from July 1, 2018 through November 1, 2018. Due to the change in the basis of accounting resulting from the application of the acquisition method of accounting, the Predecessor’s consolidated financial statements and the Successor’s consolidated financial statements are not comparable.

Unless the context otherwise indicates, the term “Company” and other similar terms mean (a) prior to the Apax Acquisition, Paycor and its subsidiaries and (b) after the Apax Acquisition, Paycor HCM and its subsidiaries, including Paycor.

On December 2, 2020, the Company executed a 1,000 for 1 share stock split (“Stock Split”) relating to its common stock. In connection with the Stock Split, the Company increased its common stock share authorization from 100,000 shares to 200,000 shares. As a result of the Stock Split, the Company had 100,000 common shares outstanding, with a par value of \$0.001 per share. All share and per-share amounts have been retroactively adjusted in the Successor periods to reflect the Stock Split.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of presentation and consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The accompanying financial statements are presented on a consolidated basis for all periods presented. All intercompany transactions and balances have been eliminated in consolidation.

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Use of estimates

The preparation of 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.

The Company utilizes estimates and assumptions in determining the fair value of its common stock, which is a significant input in determining the fair value of stock-based compensation. The Board of Directors has determined the estimated fair value of the Company's common stock contemporaneous with grants of stock-based compensation based on a number of objective and subjective factors, including external market conditions, the enterprise value of the business at the time of acquisition by Apax, and the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Company. Fair value is estimated using the guideline public company method. Valuation methodologies include estimates and assumptions that require the Company's judgment. These estimates include assumptions regarding future performance. Significant changes to the key assumptions used in the valuations could result in different fair values of common stock at each valuation date.

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 global outbreak of the novel coronavirus (COVID-19). 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.

Concentrations of risk

The Company regularly maintains deposits in banks which may, at times, exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Company mitigates exposure to credit risk by placing cash and cash equivalents with highly rated financial institutions. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. No individual client represents more than 1% of total revenues. The majority of all revenues are generated by clients in the United States.

Cash and cash equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original issue maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value given the short-term maturity of those instruments.

Restricted cash and short-term investments

The Company has designated a portion of cash received from the Apax Acquisition as restricted within the consolidated balance sheets since the cash and short-term investments are being held for the settlement of the cash-based compensation awards by the employees upon vesting. The short-term investments consist of U.S. Treasury Notes, direct obligations of U.S. government agencies and high-grade corporate bonds.

Funds held for clients

The Company obtains funds from clients in advance of performing payroll and payroll tax filing services on behalf of those clients. Funds held for clients consist of cash and cash equivalents and debt-security investments. Debt-security investments are classified as available for sale and are recorded at fair value, and consist of U.S. Treasury Notes, direct obligations of U.S. government agencies such as the Federal Home Loan Bank, the

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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. At June 30, 2020 and 2019, all the Company's corporate bond investments are rated investment grade or better. The Company has classified funds held for clients as a current asset since these funds are held solely for the purposes of satisfying client obligations to remit funds relating to payroll and payroll tax filing services. Unrealized gains and losses, net of applicable income taxes, are reported as other comprehensive income (loss) in the consolidated statements of comprehensive loss. Realized gains and losses on the sale of securities are determined by specific identification of the security's cost basis.

Client fund obligations

Client fund obligations represent the Company's contractual obligations to remit funds to satisfy clients' payroll and tax payment obligations and are recorded in the accompanying consolidated balance sheets at the time the Company obtains the funds from clients. The client fund obligations represent the liabilities that will be remitted to the appropriate client employees, taxing authorities and other parties within one year of the balance sheet date.

Accounts receivable, net

Accounts receivable balances are shown on the consolidated balance sheets net of the allowance for doubtful accounts of \$1,217 and \$517 as of June 30, 2020 and 2019, 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.

Property and equipment, net

Property and equipment are recorded at cost. Depreciation on the property and equipment is computed using the straight-line method over the following estimated useful lives:

Computers, equipment and software	3 to 5 years
Office equipment	5 to 7 years
Furniture and fixtures	7 years
Leasehold improvements	Over lease term
Land improvements	15 years
Building	30 years

The Company capitalizes interest and interest related costs directly related to construction.

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for impairment, the Company first compares the undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques. No impairment was recorded for any periods presented.

Goodwill and intangible assets, net

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Company performs an annual

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impairment review of goodwill in its fiscal fourth quarter and additional impairment reviews when events and circumstances indicate it is more likely than not that an impairment may have occurred. The Company assesses goodwill for impairment at the consolidated level, which represents its single reporting unit.

In evaluating goodwill for impairment, the Company has the option to first perform a qualitative assessment to determine whether further impairment testing is necessary or to perform a quantitative assessment by comparing the fair value of its single reporting unit to its carrying amount, including goodwill. Under the qualitative assessment, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. Qualitative factors include macroeconomic conditions, industry and market conditions, cost factors, and overall financial performance, among others.

Under a quantitative assessment, fair value of the Company's single reporting unit is estimated using a weighted methodology considering the output from both the income and market approaches. The income approach incorporates the use of a discounted cash flow ("DCF") analysis. A number of judgments are involved in the application of the DCF model, including projections of business performance, weighted average cost of capital, and terminal values. The market approach is performed using the Guideline Public Companies method which is based on earnings multiple data derived from publicly traded peer group companies.

The Company elected to perform a quantitative assessment during fiscal 2020 and a qualitative assessment during fiscal 2019 and determined for both periods that the fair value of the Company exceeded its carrying amount.

Other intangible assets principally consist of acquired software, customer relationships and trade names and are carried at cost, less accumulated amortization. These intangible assets are amortized on a straight-line basis over their estimated useful lives. The Company tests intangible assets for potential impairment in a manner consistent with other long-lived assets when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. No impairment was recorded for any periods presented.

Capitalized software, net

The Company has developed payroll and human resources software to provide its clients with the Company's services. Capitalized costs include external direct costs of materials and services associated with developing or obtaining internal-use computer software and certain payroll and payroll-related costs for employees who are directly associated with internal-use computer software projects. Expenditures for software purchases and software developed or obtained for internal-use are capitalized and amortized on a straight-line basis over the estimated product life, which is generally three years. Costs associated with preliminary project stage activities, training, maintenance and all other post-implementation stage activities are expensed as incurred.

Revenue recognition

Revenues are recognized when control of the promised goods or services is transferred to clients in an amount that reflects the consideration the Company is entitled to for those goods or services. The Company derives its revenue from contracts predominantly from recurring and non-recurring service fees. The majority of its agreements are generally cancellable by the client on 30 days' notice.

Recurring fees are derived from payroll, workforce management, and HR-related cloud-based computing services. The majority of the Company's recurring fees are satisfied over time as the services are provided during each client's payroll period. The performance obligations related to payroll services are delivered based upon the payroll frequency of the client with the fee charged and collected based on a per-employee-per-month or per-employee-per-payroll basis. The performance obligations related to workforce management and HR-related services are generally satisfied each month with the fee charged and collected based on a per-employee-per-

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month basis. For subscription-based fees, which can include payroll, workforce management, and HR-related services, the Company recognizes the applicable recurring fees each month with the fee charged and collected based on a per-employee-per-month basis.

Non-recurring service fees consist mainly of nonrefundable implementation fees. The implementation activities involve setting the client up and loading data into the Company's cloud-based modules. The Company has determined that the nonrefundable upfront fees provide certain clients with a material right to renew the contract beyond the normal 30-day contractual period without payment of an additional upfront implementation fee. Implementation fees are deferred and recognized as revenue over the 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.

Sales taxes collected from clients and remitted to governmental authorities where applicable are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of operations.

Interest on funds held for clients is earned primarily on funds that are collected from clients before due dates for payroll tax administration services and for employee payment services and invested until remittance to the applicable tax or regulatory agencies or client employees. The interest earned on these funds is included in total revenue within the consolidated statements of operations because the collecting, holding, and remitting of these funds are components of providing these services.

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 the Company's payroll and other HCM solutions. These costs primarily consist of expenses relating to associates who service customers, including employee-related costs, as well as third-party processing fees, delivery costs, hosting costs, and bank fees associated with client fund transfers.

The Company capitalizes costs to fulfill a contract related to its products if they are identifiable, generate or enhance resources used to satisfy future performance obligations and are expected to be recovered. The Company utilizes the portfolio approach based on the period in which the costs are incurred to account for the cost of fulfilling a contract. Capitalized costs to fulfill a contract are amortized over the expected period of benefit, which is generally six years based on the Company's average client life, derived from analyzing client attrition rates using historical data as well as other qualitative factors, including rate of technological changes. The expected period of benefit has been determined to be the average client life primarily because the Company does not incur any additional costs to fulfill contracts upon renewal. The Company recognizes 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. The Company continues to expense certain costs to fulfill a contract if those costs do not meet the capitalization criteria.

Sales and marketing

Sales and marketing expenses consist primarily of employee-related expenses for 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 \$14,874, \$10,964 and \$3,777 for the year ended June 30, 2020, Successor 2019 Period and Predecessor 2019 Period, respectively.

The Company defers certain commission costs that meet the capitalization criteria. The Company utilizes the portfolio approach based on the period in which the commissions are incurred to account for the cost of obtaining a contract. Capitalized costs to obtain a contract are amortized over the expected period of benefit, which is

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generally six years based on the Company's average client life, derived from analyzing client attrition rates using historical data as well as other qualitative factors, including rate of technological changes. The expected period of benefit approximates the average client life primarily because the Company does not incur any additional costs to obtain contracts upon renewal.

General and administrative

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

Research and development

Research and development expenses consist primarily of employee-related expenses for the Company's 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 the Company's 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.

The Company capitalizes a portion of its development costs related to internal-use software, which are amortized over a period of three years into cost of revenues. The timing of the Company's 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 fiscal year ended June 30, 2020, the Successor 2019 Period, and the Predecessor 2019 Period:

	<u>Successor</u>	<u>Successor</u>	<u>Predecessor</u>
	<u>Year Ended</u>	<u>Period from</u>	<u>Period from</u>
	<u>June 30,</u>	<u>November 2, 2018-</u>	<u>July 1, 2018-</u>
	<u>2020</u>	<u>June 30, 2019</u>	<u>November 1,</u>
			<u>2018</u>
Capitalized software	\$ 18,846	\$ 12,083	\$ 6,701
Research and development expenses	45,866	28,428	12,695

Interest expense

Interest expense consists primarily of interest payments and accruals relating to outstanding borrowings.

Other income (expense)

Other income (expense) generally consists of other income and expense items outside of the Company's 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 the Company's financing arrangements.

Stock-based compensation

The Company recognizes all employee and director stock-based compensation as a cost in the consolidated financial statements. Equity-classified awards are measured at the grant date fair value of the award and expense is recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award. The Company estimates grant date fair value using a Monte Carlo simulation model that uses assumptions including expected volatility, expected term, and the expected risk-free rate of return. The Company has determined that the Monte Carlo simulation model, as well as the underlying assumptions used in its application, is appropriate in estimating the fair value of its award grants.

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Loss per share

Basic loss per share is computed by dividing net loss attributable to Paycor HCM, Inc. by the weighted-average number of common shares outstanding during the period. Diluted loss per share is computed by dividing net loss attributable to Paycor HCM, Inc. by the weighted-average number of common shares outstanding during the period and the impact of securities that would have a dilutive effect, if any. See Note 15—Net Loss Per Share for further discussion.

Income taxes

The Company accrues income taxes payable or refundable and recognizes deferred tax assets and liabilities based on differences between the book and tax basis of assets and liabilities. The Company measures deferred tax assets and liabilities using enacted rates in effect for the years in which the differences are expected to reverse and recognizes the effect of a change in enacted rates in the period of enactment.

Valuation allowances are provided, if, based upon the weight of available evidence, it is more likely than not that some or all the deferred tax assets will not be realized.

When uncertain tax positions exist, the Company recognizes the benefit of tax positions to the extent that the benefit will be more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position, as well as consideration of the available facts and circumstances. Interest associated with uncertain tax positions are recognized as a component of income tax expense.

The Company's income tax filings are subject to audit by various taxing authorities. The Internal Revenue Service ("IRS") examined Paycor's federal income tax return for the year ended June 30, 2014 with no adjustments. Periods for the Company open to examination by the IRS include tax years ended June 30, 2019, 2018, 2017, 2016 and 2015 and a stub period ended November 2, 2018.

Segments

Operating segments are defined as components of an enterprise engaging in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company manages its business as a single operating segment at the consolidated level.

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 is in the preliminary stages of gathering data and assessing the impact of the new lease standard. The Company anticipates that the adoption of this standard will materially affect the consolidated balance sheet and may require changes to the processes used to account for leases. The Company is evaluating the transition methods and will adopt this new standard in the fiscal year beginning July 1, 2022 based on its status as an emerging growth company.

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

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currently evaluating this standard and the potential effects of these changes to its consolidated financial statements and will adopt this new standard in the fiscal year beginning July 1, 2023 based on its status as an emerging growth company.

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:

	<u>Successor</u> Year ended June 30, 2020	<u>Successor</u> Period from November 2, 2018- June 30, 2019	<u>Predecessor</u> Period from July 1, 2018- November 1, 2018
Recurring fees	\$ 309,948	\$ 190,436	\$ 83,043
Implementation services and other	7,672	1,445	3,219
Total revenues from contracts	<u>\$ 317,620</u>	<u>\$ 191,881</u>	<u>\$ 86,262</u>

Deferred revenue

The timing of revenue recognition for recurring revenue is consistent with the timing of invoicing as they occur simultaneously upon the client payroll processing period or by month. As such, the Company does not recognize contract assets or liabilities related to recurring revenue.

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 these nonrefundable upfront fees:

Balance as of July 1, 2018	<u>\$ 11,753</u>
Deferral of revenue	3,560
Revenue recognized	(2,740)
Balance as of November 1, 2018	<u>\$ 12,573</u>
Balance as of November 2, 2018	<u>\$ 2,364</u>
Deferral of revenue	8,169
Revenue recognized	(375)
Balance as of June 30, 2019	10,158
Deferral of revenue	10,042
Revenue recognized	(4,284)
Balance as of June 30, 2020	<u>\$ 15,916</u>

Deferred revenue related to nonrefundable upfront fees is recorded within deferred revenue and other long-term liabilities on the consolidated balance sheets. The Company will recognize deferred revenue of \$10,223 in 2021, \$4,986 in 2022, and \$707 thereafter.

[Table of Contents](#)**Deferred contract costs**

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

	Predecessor		
	Cost to obtain a contract	Cost to fulfill a contract	Total
Balance, July 1, 2018	\$40,769	\$51,203	\$91,972
Capitalization of costs	6,816	7,689	14,505
Amortization	(3,955)	(4,718)	(8,673)
Balance, November 1, 2018	<u>\$43,630</u>	<u>\$54,174</u>	<u>\$97,804</u>

	Successor		
	Cost to obtain a contract	Cost to fulfill a contract	Total
Balance, November 2, 2018	\$ —	\$ —	\$ —
Capitalization of costs	14,195	18,118	32,313
Amortization	(838)	(1,125)	(1,963)
Balance, June 30, 2019	13,357	16,993	30,350
Capitalization of costs	23,425	28,353	51,778
Amortization	(4,549)	(5,657)	(10,206)
Balance, June 30, 2020	<u>\$32,233</u>	<u>\$39,689</u>	<u>\$ 71,922</u>

Deferred contract costs are recorded within deferred contract costs and long-term deferred contract costs on the 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 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.

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4. BUSINESS COMBINATIONS:

Paycor HCM, Inc. Acquisition of Paycor, Inc.

As discussed in Note 1, Paycor HCM acquired Paycor on November 2, 2018 for total consideration of \$1,251,427. The acquisition was funded with \$901,407 of cash consideration from Apax on behalf of Paycor HCM and \$350,020 in equity. The acquisition was accounted for as a business combination under ASC 805, Business Combinations (“ASC 805”). The primary items that generated goodwill are the value of the newly formed relationship between Paycor and Apax, the controlling stockholder of Paycor HCM, allowing Paycor to leverage Paycor HCM’s resources creating significant opportunities and incremental growth along with the acquired workforce, neither of which qualifies as an amortizable intangible asset. Goodwill attributable to the Apax Acquisition is not deductible for tax purposes. The final purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair value at the date of the acquisition, as follows:

	<u>Apax Acquisition</u>
Cash consideration	\$ 901,407
Fair value of equity issued	350,020
Fair value of total consideration	<u>1,251,427</u>
Cash acquired	(6,157)
Net purchase price	<u>\$ 1,245,270</u>
Assets acquired:	
Accounts receivable	\$ 9,833
Prepaid expenses	6,440
Funds held for clients	473,095
Property and equipment	38,371
Customer relationships	424,730
Technology	123,480
Trade name	105,650
Other long-term assets	36,774
Total identifiable assets acquired	<u>1,218,373</u>
Liabilities assumed:	
Accounts payable	(6,485)
Current portion of long-term debt	(573)
Accrued expenses	(39,272)
Client fund obligation	(475,128)
Long-term debt	(21,328)
Other long-term liabilities	(154,242)
Total identifiable liabilities assumed	<u>(697,028)</u>
Goodwill	723,925
Fair value of total consideration transferred	<u>\$ 1,245,270</u>

Intangible assets primarily consist of customer relationship assets, technology and a trade name with weighted average estimated useful lives of 6 years, 3 years and 15 years, respectively.

The Company incurred transaction costs of \$11,642 and \$14,498 related to the Apax Acquisition during the Successor 2019 Period and Predecessor 2019 Period, respectively. These costs were expensed as incurred in general and administrative expenses on the accompanying consolidated statements of operations.

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Acquisition of Nimble Software Systems, Inc.

On May 17, 2019, the Company acquired Nimble Software Systems, Inc. (“Nimble”) a provider of workforce management and scheduling software services. The Company acquired 100% of the voting interests in connection with this purchase. The total purchase price was \$14,500, consisting of cash consideration of \$10,600 and 2,260 units of Pride Aggregator, LP, with an estimated fair value of \$3,900 (the “Nimble Acquisition”). The cash consideration was funded using available cash.

The acquisition was accounted for as a business combination under ASC 805. 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, none of which is deductible for tax purposes. Goodwill consists primarily of the acquired workforce and growth opportunities, neither of which qualify as an intangible asset. The factors contributing to the recognition of goodwill were based on several strategic benefits that are expected to be realized from the Nimble 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 or sold as a stand-alone product. The final purchase price is as follows:

	<u>Nimble Acquisition</u>
Cash consideration	\$ 10,600
Fair value of equity issued	3,900
Fair value of total consideration	<u>14,500</u>
Cash acquired	(50)
Net purchase price	<u>\$ 14,450</u>
Assets acquired:	
Accounts receivable	\$ 25
Prepaid expenses	22
Intangible assets	5,145
Total identifiable assets acquired	5,192
Liabilities assumed:	
Accounts payable	(70)
Accrued expenses	(329)
Other long-term liabilities	(219)
Total identifiable liabilities assumed	(618)
Goodwill	9,876
Fair value of total consideration	<u>\$ 14,450</u>

Intangible assets primarily consist of technology with a weighted average estimated useful life of 3 years.

The Company incurred transaction costs of \$49 and \$315 related to the Nimble Acquisition during the year ended June 30, 2020 and Successor 2019 Period, respectively. These costs were expensed as incurred in general and administrative expenses on the accompanying consolidated statements of operations.

[Table of Contents](#)**5. FUNDS HELD FOR CLIENTS:**

Funds held for clients are as follows:

	June 30, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Demand deposit accounts and other cash equivalents	\$533,603	\$ —	\$ —	\$533,603
U.S. Treasury and direct obligations of U.S. government agencies	23,081	137	—	23,218
Corporate bonds	49,274	2,259	(10)	51,523
Other securities	5,387	391	(7)	5,771
	<u>\$611,345</u>	<u>\$ 2,787</u>	<u>\$ (17)</u>	<u>\$614,115</u>

	June 30, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Demand deposit accounts and other cash equivalents	\$415,130	\$ —	\$ —	\$415,130
U.S. Treasury and direct obligations of U.S. government agencies	172,419	1,305	(740)	172,984
Corporate bonds	65,710	2,029	(216)	67,523
Other securities	5,028	296	(8)	5,316
	<u>\$658,287</u>	<u>\$ 3,630</u>	<u>\$ (964)</u>	<u>\$660,953</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 year ended June 30, 2020, Successor 2019 Period and Predecessor 2019 Period were approximately \$722,588, \$494,775 and \$109,492, respectively. Realized gains and losses were not material in any period.

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 of client fund assets are as follows:

Due within one year	\$ 573,194
Due after one year to two years	11,559
Due after two years to three years	19,583
Due after three years	9,779
Total	<u>\$ 614,115</u>

6. PROPERTY AND EQUIPMENT, NET:

Property and equipment at cost and accumulated depreciation as of June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 3,680	\$ 3,680
Land improvements	910	910
Building and improvements	22,845	22,845
Computer, equipment and software	9,271	4,598
Furniture and fixtures	4,777	4,332
Office equipment	1,142	517
Leasehold improvements	3,541	3,040
Construction in progress	6,030	1,811
	<u>52,196</u>	<u>41,733</u>
Accumulated depreciation and amortization	(8,185)	(3,072)
Property and equipment, net	<u>\$44,011</u>	<u>\$38,661</u>

Depreciation of property and equipment was approximately \$5,462, \$3,347 and \$1,827 for the year ended June 30, 2020, Successor 2019 Period and Predecessor 2019 Period, respectively.

7. CAPITALIZED SOFTWARE, NET:

Components of capitalized software as of June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Capitalized software	\$30,977	\$12,132
Accumulated amortization	(7,871)	(978)
Capitalized software, net	<u>\$23,106</u>	<u>\$11,154</u>

Amortization expense for capitalized software was approximately \$6,893, \$978 and \$4,540 for the year ended June 30, 2020, Successor 2019 Period and Predecessor 2019 Period, respectively.

The following is a schedule of future amortization expense as of June 30, 2020:

2021	\$ 10,289
2022	9,348
2023	3,433
2024	36
2025	—
	<u>\$ 23,106</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.

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The following details the changes in goodwill during the year ended June 30, 2020 and 2019:

Beginning goodwill balance as of November 2, 2018	\$ —
Apax Acquisition	723,925
Nimble Acquisition	9,808
Goodwill balance as of June 30, 2019	\$ 733,733
Nimble Acquisition adjustment	68
Goodwill balance as of June 30, 2020	<u>\$ 733,801</u>

As a result of the Apax Acquisition (see Note 4 – Business Combinations), the carrying value of the Company’s goodwill was eliminated and goodwill related to the Apax Acquisition was recorded in the Successor 2019 Period.

During the year ended June 30, 2020, the Company recorded certain adjustments to current assets and liabilities resulting in an increase to goodwill within the measurement period of the Nimble Acquisition.

Components of intangible assets as of June 30 are as follows:

	2020	2019
Technology	\$ 131,625	\$ 128,625
Customer relationships	425,659	424,730
Trade name	105,650	105,650
Total carrying amount	<u>\$ 662,934</u>	<u>\$ 659,005</u>
Accumulated amortization:		
Technology	\$ (70,533)	\$ (27,657)
Customer relationships	(118,135)	(47,192)
Trade name	(11,739)	(4,696)
Total accumulated amortization	<u>\$(200,407)</u>	<u>\$ (79,545)</u>
Intangible assets, net	<u>\$ 462,527</u>	<u>\$ 579,460</u>

Amortization expense for intangible assets was approximately \$120,862, \$79,545 and \$508 for the year ended June 30, 2020, Successor 2019 Period and Predecessor 2019 Period, respectively.

The following is a schedule of future amortization expense as of June 30, 2020:

2021	\$ 122,017
2022	94,357
2023	78,987
2024	77,832
2025	30,639
Thereafter	58,695
	<u>\$ 462,527</u>

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9. DEBT AGREEMENTS AND LETTERS OF CREDIT:

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

	June 30,	
	2020	2019
Refinanced loan	\$19,517	\$ —
New Market Tax Credit Debt ("NMTC")	—	21,643
Less: Unamortized debt issuance costs	(83)	(50)
Total long-term debt (including current portion)	19,434	21,593
Less: Current portion	(849)	(597)
Total long-term debt, net	<u>\$18,585</u>	<u>\$20,996</u>

In December 2012, the Company, through a subsidiary, secured NMTC financing for the construction, development and maintenance of its new headquarters building in Norwood, Ohio. The NMTC financing was in the form of qualified low-income community investment loans (QLICI Loans) from Stonehenge Community Development LXXXII, LLC ("SCD LXXXII") and PNC CDE 21, LP ("PNC CDE") for a total of \$20,000 and a direct loan ("Direct Loan") with PNC Bank, National Association ("PNC Bank") in an amount of up to \$4,240 (together the "NMTC Debt").

The QLICI Loans were as follows:

Note	Lender	Original Principal Amount	Original Maturity Date
SCD LXXXII Note A	SCD LXXXII	\$10,320	December 20, 2019
SCD LXXXII Note B	SCD LXXXII	\$4,680	December 20, 2042
PNC CDE Note A	PNC CDE	\$3,440	December 20, 2019
PNC CDE Note B	PNC CDE	\$1,560	December 20, 2042

The QLICI Loans bore interest payable quarterly at a rate of monthly LIBOR plus 2.25% multiplied by 68.806881% through their respective maturity dates. Monthly payments of principal and interest on the Direct Loan began in May 2014. The QLICI Note A loans and the Direct Loan were repaid in December 2019. The QLICI Note B loans had no scheduled principal payments until December 20, 2019, after which monthly principal payments were scheduled until maturity on December 20, 2042.

On November 15, 2019, the Company closed on a refinancing of the debt related to its headquarters ("Refinanced Loan"). The Refinanced Loan amount was for \$20,000 and requires monthly principal and interest payments over a three-year period beginning in December 2019, with a final balloon payment for the balance due in November 2022. As part of the refinancing transaction, the QLICI Note B loans totaling \$6,240 were forgiven and recognized as a gain on the extinguishment of debt within the Successor 2019 Period. The gain is included in other income (expense)—other on the consolidated statement of operations.

The Refinanced Loan bears interest payable monthly at a rate of LIBOR plus 1.75% through maturity. As of June 30, 2020 and 2019, the LIBOR rate in effect was 0.16% and 2.40%, respectively.

The Refinanced Loan is secured by a mortgage on the land, building, building improvements and all related property, real and personal. The Refinanced Loan is subject to certain affirmative financial covenants relating to the debt service coverage ratio, liquidity amounts and other items. As of June 30, 2020, the Company was in compliance with all covenants related to the Refinanced Loan.

The Company incurred costs related to the Refinanced Loan and the NMTC debt such as closing costs, legal fees and origination fees. These costs have been deferred and recorded as a direct deduction from the carrying amount of the debt liability. The costs are amortized into interest expense over the term of the related debt using the effective interest method.

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Scheduled debt maturities for the Refinanced Loan as of June 30, 2020 are as follows:

2021	\$ 849
2022	885
2023	17,783
	<u>\$ 19,517</u>

In November 2018, the Company entered into a credit agreement with Wells Fargo National Association (the "Credit Agreement") providing a five-year senior secured \$50,000 revolving credit facility (the "Revolver"). The Revolver matures on November 2, 2023 and borrowings on the line of credit bear interest, at the option of the Company, at either: (i) LIBOR (subject to 1.0% floor) plus 3.0% margin or (ii) the greatest of (a) the Federal Funds Rate plus 0.5% (b) LIBOR rate plus 1.0%, or (c) the Lender's prime rate, plus 2.0% margin. The interest rate as of June 30, 2020 was 4.0%. Outstanding borrowings on this revolving line-of-credit were \$5,001 and \$0 as of June 30, 2020 and 2019, respectively. As of June 30, 2020, the Company had approximately \$45,000 of borrowing capacity remaining under the Revolver, subject to liquidity covenants.

All obligations under the Credit Agreement are unconditionally guaranteed by the Company's wholly owned subsidiary Pride Guarantor, Inc. ("Holdings"), and substantially all of its existing and future direct and indirect wholly owned domestic subsidiaries, other than certain excluded subsidiaries. The obligations under the Credit Agreement are secured by all of Holdings, Paycor, Inc.'s (the "Borrower"), a direct subsidiary of Holdings, and certain of the Borrower's subsidiaries' (together with Holdings, the "Guarantors") assets, subject to permitted liens and other exceptions, on a first lien basis. The Credit Agreement contains customary representations and warranties, affirmative covenants, reporting obligations and negative covenants. The negative covenants include restrictions regarding the incurrence of liens and indebtedness, substantial changes in the general nature of the business and the subsidiary companies (taken as a whole), certain merger transactions, certain sales of assets and other matters, all subject to certain exceptions. In addition, the Credit Agreement restricts dividends from the Guarantors to Paycor HCM, Inc. to no more than \$10,000 in any calendar year, subject to other conditions and limitations.

The Credit Agreement requires compliance with certain financial covenants:

- A liquidity covenant that requires the Borrower and its subsidiaries to maintain liquidity, defined as the sum of the amount of undrawn commitments under the Revolving Credit Facility plus the amount of the Borrower's unrestricted cash and cash equivalents, of at least (i) prior to November 2, 2021, \$22,500 and (ii) after November 2, 2021, \$17,500.
- A recurring revenue covenant that requires the Borrower and its subsidiaries to achieve recurring revenue of at least (i) prior to November 2, 2021, \$200,000 and (ii) after November 2, 2021, \$250,000.
- An EBITDA covenant that requires the Borrower and its subsidiaries to achieve trailing twelve-month EBITDA (as defined in the Credit Agreement) following November 2, 2021 of at least \$10,000, as measured at the end of each fiscal quarter.
- Upon our election (if certain conditions are met), a total leverage covenant that requires the Borrower and its Subsidiaries to maintain a total leverage ratio (as calculated pursuant to the Credit Agreement) of no greater than the greater of (i) 7.50:1.00 and (ii) the ratio that is equal to 130% of the total leverage ratio as of the date of such election.

The Company was in compliance with all applicable covenants in the Credit Agreement at June 30, 2020.

The Company had an outstanding letter of credit for \$500 as of June 30, 2019 that was terminated in November 2019. The Company has no outstanding letters of credit as of June 30, 2020.

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10. LEASES:

The Company leases office space (except for its headquarters) and equipment under operating leases expiring on various dates through June 2030, with voluntary renewal options that can extend the term at the Company's discretion. The following is a schedule of future annual minimum lease payments required under operating leases as of June 30, 2020:

2021	\$ 6,238
2022	6,108
2023	5,379
2024	3,917
2025	3,209
Thereafter	8,705
	<u>\$ 33,556</u>

Rent expense for operating leases is accounted for on a straight-line basis. To the extent the rent expense exceeds actual rent payments, the Company records a lease escalation liability. Once the rent payments exceed the straight-line rent expense, the liability is reduced. At June 30, 2020 and 2019, the lease escalation liability was approximately \$5,023 and \$2,864, respectively. Rent expense for the year ending June 30, 2020, Successor 2019 Period, and Predecessor 2019 Period was approximately \$5,285, \$2,720 and \$1,337, respectively.

11. 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 June 30, 2020 and 2019, because of the relatively short maturity of these instruments. Additionally, the Company believes the fair value of the amounts outstanding under the Company's Refinanced Loan and New Market Tax Credit Debt approximate carrying value as of June 30, 2020 and 2019 because their variable interest rate terms correspond to the current market terms.

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The following table presents information on the Company's financial assets and liabilities measured at fair value on a recurring basis as of June 30 for each fiscal year:

	2020			Total
	Level 1	Level 2	Level 3	
Funds held for clients—cash and cash equivalents:				
Demand deposit accounts and other cash equivalents	\$533,603	\$ —	\$ —	\$533,603
Funds held for clients—available for sale:				
U.S. Treasury and direct obligations of U.S government agencies	—	23,218	—	23,218
Corporate bonds	—	51,523	—	51,523
Other securities	—	5,771	—	5,771
	<u>\$533,603</u>	<u>\$80,512</u>	<u>\$ —</u>	<u>\$614,115</u>
	2019			Total
	Level 1	Level 2	Level 3	
Funds held for clients—cash and cash equivalents:				
Demand deposit accounts and other cash equivalents	\$415,130	\$ —	\$ —	\$415,130
Funds held for clients—available for sale:				
U.S. Treasury and direct obligations of U.S government agencies	—	172,984	—	172,984
Corporate bonds	—	67,523	—	67,523
Other securities	—	5,316	—	5,316
	<u>\$415,130</u>	<u>\$245,823</u>	<u>\$ —</u>	<u>\$660,953</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.

12. REDEEMABLE NONCONTROLLING INTERESTS:

In connection with the Apax Acquisition, a subsidiary of the Company, issued 200,000 shares of Series A Redeemable Preferred Stock (“Redeemable Preferred Stock”) to certain institutional investors, including Apax Partners and/or affiliates, a related party, and received proceeds of approximately \$194,745, net of \$5,255 in issuance costs. Dividends associated with the Redeemable Preferred Stock begin accruing daily at the issuance date and are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. From the issuance date to the second anniversary of the issuance date, the Company has the option to pay the accrued dividends in cash on the applicable dividend payment date or to have such dividends accrue and be added to the then prevailing liquidation preference. Additionally, from the day after the second anniversary of the issuance date through the third anniversary of the issuance date, the Company shall pay at least 50% of the accrued dividends for the applicable dividend payment period in cash. Further, from the day after the third anniversary of the issuance date, the Company shall pay 100% of the accrued dividends for the applicable dividend payment period in cash. There is a noncompliance penalty if the Company does not meet certain requirements resulting in the prevailing dividend rate automatically increasing by 2.00% per year and increasing by 1.00% each six months thereafter until all of the issued and outstanding shares of Redeemable Preferred Stock are redeemed or the event of noncompliance ceases.

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If on the 42-month anniversary of the issuance date, there are any shares of the Redeemable Preferred Stock outstanding, the Company shall pay an amount equal to 0.50% of the initial liquidation preference of each of the shares outstanding.

The dividends accrue based on a prevailing dividend rate, which is 3-month LIBOR plus a margin and adjusts accordingly. At any point in time, 3-month LIBOR shall not be less than 1%. The dividend rate is 3-month LIBOR plus 8.875% from the day after the issuance date to the third anniversary of the issuance date. From the day after the third anniversary of the issuance date until there are no shares of Redeemable Preferred Stock outstanding, the dividend rate is 3-month LIBOR plus 8.375%. In the event that from the day after the second anniversary of the issuance date through the third anniversary of the issuance date the Company elects to pay 100% of the accrued dividend for the applicable dividend payment in cash, the prevailing dividend rate is 3-month LIBOR plus 8.375%.

The Redeemable Preferred Stock may be redeemed by the Company at any point in time, although payment of a premium may be required.

Additionally, the Company may, at its option, redeem for cash any or all of the then outstanding Redeemable Preferred Stock, in whole at any time or in part from time to time, on or after May 2, 2020, at (i) a redemption price per share equal to 102.0% for the period of May 2, 2020 – November 1, 2020; 101.0% for the period November 2, 2020—November 1, 2021; and 100.0% for the period November 2, 2021 and thereafter, plus (ii) the amount of all accrued dividends for the then current and all prior dividend payment periods.

The holders of the Redeemable Preferred Stock have the ability to redeem the stock upon the occurrence of certain events such as a change in control, an initial public offering (“IPO”), on or after the sixth anniversary of the issue date, or a trigger event, etc. often involving a premium. The Company analyzed the embedded call and put options and concluded they are closely associated with the debt host and therefore do not require bifurcation. Outside of the events mentioned, there is not a mandatory redemption date for the Redeemable Preferred Stock and as a result, the Company concluded that the sixth anniversary of the issuance date is the most probable redemption date at June 30, 2020 and 2019 Successor period. The Company will continue to monitor the redemption date for any changes and adjust accordingly for any changes.

Upon any voluntary or involuntary liquidation, dissolution or winding-up of the Company, before any distribution or payment shall be made to, or set aside for, holders of any junior stock, each holder shall be entitled to receive full, out of the assets of the Company or proceeds thereof (whether capital or surplus), an amount per share of Redeemable Preferred Stock held by such holder equal to the liquidation preference, plus the amount of accrued and unpaid dividends thereon, without duplication, through the date of liquidation.

Classification

The preferred shares issued and outstanding are accounted for as a redeemable noncontrolling interest in the mezzanine section on the Company’s consolidated balance sheet due to the shares being issued by a subsidiary of the Company and redemption features including a put option with the passage of time.

Initial and Subsequent Measurement

The Company recorded the preferred shares at their issuance date fair value of \$194,745, net of issuance costs. The carrying value as of June 30, 2020 and 2019 is determined based upon the most probable redemption event on the six-year anniversary of the closing accreted using the effective interest method to the redemption value. Accretion of redeemable noncontrolling interests for the years ended June 30, 2020 and Successor 2019 Period includes \$22,890 and \$15,700 of adjustments, respectively, relating to the redemption accretion value adjustments from the closing date to the end of each reportable period. The Company elected to pay distributions for the period ending June 30, 2020 and Successor 2019 Period in-kind to preferred shareholders. These in-kind distributions increase the liquidation preference on each preferred share.

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As of the reporting date, there are no triggering, change of control, early redemption or monetization events that are probable that would require us to revalue the preferred shares.

If the preferred shares were redeemed on the reporting date of June 30, 2020 and 2019, the required redemption values would be \$243,070 and \$236,750.

The following table shows the change in the Company's redeemable noncontrolling interests from initial measurement at November 2, 2018 to June 30, 2020:

	As of and for the Year Ended June 30, 2020
Issuance of Redeemable Preferred Stock	<u>\$200,000</u>
Issuance costs	(5,255)
Accretion of Redeemable Preferred Stock	<u>15,700</u>
Balance as of June 30, 2019	210,445
Accretion of Redeemable Preferred Stock	<u>22,890</u>
Balance as of June 30, 2020	<u><u>\$233,335</u></u>

13. CAPITAL STOCK:

Upon the Stock Split, the Company is authorized to issue 200,000 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.

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.

As of June 30, 2020 and 2019, there were 100,000 shares of common stock outstanding.

14. EQUITY COMPENSATION PLANS:

Liability incentive awards

Prior to the Apax Acquisition, the Company had issued stock-based compensation awards to employees and outside directors under a plan that provided for the granting of stock options, stock appreciation rights, restricted stock, restricted share units, incentive stock options and other stock-based awards to attract and retain directors, consultants and employees. As part of the Apax Acquisition, vested awards were settled after the closing date at fair value. Unvested awards were cancelled and replaced with cash-based liability awards. Under the terms of the new awards, 50% of the unvested awards were accelerated to vest as of the Apax Acquisition and were paid after the closing date. The remaining 50% of unvested awards are earned and paid to holders according to the vesting dates of the replacement awards. During the year ended June 30, 2020, Successor 2019 Period and Predecessor 2019 Period, \$8,957, \$60,400 and \$0 was paid, respectively.

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The Company accounted for the cancellation and replacement of the unvested stock-based compensation awards as a modification, as the classification of the awards was changed from equity to a liability. This modification required an assessment of the fair value of the replacement awards based upon the settlement value. The settlement value of the unvested awards was allocated between the Apax Acquisition purchase price and future compensation expense based upon the pre-acquisition service as a percentage of the greater of the total service period or the original service period of the acquiree's replaced award. Amounts allocated for future compensation are recognized as compensation costs over the remaining requisite service period and are recorded to general and administrative expense on the consolidated statement of operations.

The Company recognized compensation costs related to these liability incentive awards for the year ending June 30, 2020 and Successor 2019 Period of \$3,055 and \$29,047, respectively. At June 30, 2020 and 2019, the Company maintains a liability for these awards of \$11,842 and \$17,744, respectively.

There is \$71 and \$3,126 of unamortized compensation expense as of June 30, 2020 and 2019, respectively.

Equity awards

Subsequent to the Apax Acquisition, the Company established three stock-based compensation plans (the "2019 Plans") which provide for grants of incentive units to persons who are associates, officers or directors of the Company or any of its subsidiaries. The 2019 Plans include Pride Aggregator, L.P. Management Equity Plan ("MEP") and two cash Long Term Incentive Plans ("LTIPs").

The Company has granted Long Term Incentive Plan units ("LTIP Units") under its Pride Aggregator, L.P. Top Talent Incentive Plan and Sales Top Talent Incentive Plan ("LTIP Participants"). The LTIP Units are phantom awards providing for, at the Company's discretion, a cash or stock payment ("LTIP Payment") to participants on certain determination dates, if an IPO occurs and if the LTIP Participant remains employed by the Company on such date. An IPO transaction will result in a determination date, for which each LTIP Participant will be 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 determination dates six, twelve, eighteen and 24 months following the IPO date. The LTIP Payment is determined based on the IPO price in a share settlement and is calculated based on the average closing price per IPO Company share for the 5-day trading period ending on the day prior to the applicable payment date in a cash settlement. Units of both LTIP plans vest only upon a liquidity event and therefore no compensation expense has been recognized for the year ended June 30, 2020, Successor 2019 Period and Predecessor 2019 Period.

Each individual Incentive Unit Grant Agreement specifies the number of awards, vesting terms, floor amount and timing of awards. The maximum number of units that may be issued under the 2019 Plans is 124,545. Each unit granted and not forfeited or terminated, reduces the number of units available for future awards. The units represent membership interests in Pride Aggregator, L.P.

Under the terms of the MEP, one half of the profits interest units vest based on an associate's service time. The units vest 25% on the first anniversary and thereafter in equal installments on each subsequent quarterly anniversary of the vesting commencement date. Upon a change in control all unvested time-based incentive units fully vest. Upon an IPO all time-vesting incentive units continue to vest based upon their original vesting schedule. 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 units exceed the floor amount. The MEP incentive units are accounted for as equity awards and the compensation expense recognized is based upon the fair market value of the MEP incentive units at the grant date. The Company estimates the fair value of the MEP incentive units using the Monte Carlo simulation method.

The second half of the MEP incentive units vest upon the Company attaining a rate of return (market condition), as defined in the 2019 Plans, triggered by either a distribution, a liquidity event or IPO (implied performance condition). Since a liquidity event or IPO was not deemed probable or did not commence, no compensation

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expense has been recognized for the year ended June 30, 2020, Successor 2019 Period and Predecessor 2019 Period.

Key inputs and assumptions used to estimate the fair value of the incentive units include the exercise price, the option term, the risk-free interest rate over the option's expected term, and the expected volatility. The Company's expected stock price volatility assumption was determined based upon the historical volatility of publicly traded companies similar in nature to the Company. The risk-free interest rate is based on the market yield for a U.S. Treasury security over the expected life. The expected life of the MEP incentive units was an estimated time to a liquidity event. Estimates of fair value are not intended to predict actual future events or the value realized by persons who receive option awards. The assumptions used in the Monte Carlo simulation method are set forth in the following table.

Expected volatility range of stock	42.5%–60.0%
Expected life of option, range in years	1.25–1.75
Risk-free interest range rate	0.19%–1.66%
Expected dividend yield on stock	0%

The MEP unit incentive activity was as follows:

	Number of Units	Weighted Average Floor Price	Weighted Average Fair Value of Time- Based Units
Outstanding at June 30, 2018	—	\$ —	\$ —
Granted	38,199	—	685
Forfeited	(6,349)	—	685
Outstanding at June 30, 2019	31,850	—	685
Granted	43,277	675	535
Forfeited	(8,858)	120	668
Outstanding at June 30, 2020	<u>66,269</u>	<u>\$ 425</u>	<u>\$ 589</u>

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

At June 30, 2020 and 2019, the number of vested units were 3,065 and 0, respectively. The weighted average grant date fair value of units vested during the year ending June 30, 2020 was \$685. The Company recognized stock-based compensation costs for the year ending June 30, 2020 of \$4,906. As of June 30, 2020, there was \$16,700 of unrecognized compensation expense for the unvested time-based awards that will be recognized over a weighted average period of 3.2 years. As of June 30, 2020, the unrecognized compensation expense related to the performance-based awards was \$18,276.

15. 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

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period and the impact of securities that would have a dilutive effect. The Company has no potentially dilutive securities at June 30, 2020 or 2019 as the Company's stock-based compensation awards represent membership interest units in Pride Aggregator, L.P.

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):

	<u>Successor</u> <u>Year</u> <u>Ended</u> <u>June 30,</u> <u>2020</u>	<u>Successor</u> <u>November 2,</u> <u>2018-</u> <u>June 30,</u> <u>2019</u>
Net Loss Attributable to Paycor HCM, Inc.	\$ (90,193)	\$ (88,518)
Weighted-average outstanding shares:		
Basic and diluted	100,000	100,000
Basic and diluted net loss per share	\$ (901.93)	\$ (885.18)

16. PROFIT SHARING PLAN:

The Company has a 401(k)-profit sharing plan for the benefit of its employees, substantially all of whom are eligible to participate after meeting minimum age and service requirements. The Company makes matching contributions to the 401(k) plan on behalf of participating employees up to 50% of the first 6% of eligible wages or 3% of their eligible wages. Effective January 1, 2019, the Company increased the Company match to 65% of the first 6% of eligible wages. For the year ended June 30, 2020, Successor 2019 Period and Predecessor 2019 Period, the Company expensed contributions to the plan of approximately \$3,907, \$3,091, and \$940, respectively.

17. INCOME TAXES:

The components of income tax benefit for the following periods are as follows:

	<u>Successor</u> <u>Year ended</u> <u>June 30,</u> <u>2020</u>	<u>Successor</u> <u>Period from</u> <u>November 2,</u> <u>2018 -</u> <u>June 30,</u> <u>2019</u>	<u>Predecessor</u> <u>Period from</u> <u>July 1, 2018 -</u> <u>November 1,</u> <u>2018</u>
Federal:			
Current provision	\$ —	\$ —	\$ 1
Deferred provision	(16,950)	(14,660)	(1,591)
Federal tax benefit	(16,950)	(14,660)	(1,590)
State:			
Current (benefit) provision	(1)	26	26
Deferred provision	(3,231)	(1,897)	(953)
State tax benefit	(3,232)	(1,871)	(927)
Total tax benefit	<u>\$ (20,182)</u>	<u>\$ (16,531)</u>	<u>\$ (2,517)</u>

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of June 30 are presented below.

	<u>2020</u>	<u>2019</u>
Deferred tax assets:		
Stock-based compensation	\$ 1,355	\$ 2,928
Accrued expenses	2,562	1,723
Net operating loss carryforwards	33,895	32,115
Deferred rent	1,199	770
Deferred revenue	4,929	2,796
Tax credits	3,714	3,736
Other items	835	716
Total deferred tax assets	48,489	44,784
Valuation allowance	(118)	(748)
Net deferred tax assets	48,371	44,036
Deferred tax liabilities:		
Software development costs	(5,228)	(2,180)
Deferred contract costs	(17,263)	(7,285)
Property and equipment	(4,002)	(959)
Goodwill and other intangibles	(106,087)	(135,629)
Other	(874)	(3,213)
Total deferred liabilities	(133,454)	(149,266)
Net deferred tax liabilities	<u>\$ (85,083)</u>	<u>\$ (105,230)</u>

The Company is in a cumulative three-year loss position. The realization of deferred tax assets is dependent upon the generation of future taxable income. After giving appropriate consideration to the sources of taxable income through the scheduled reversal of deferred tax liabilities, the Company concluded that some valuation allowance was required for its net deferred tax assets.

The Company has net operating loss ("NOL") carryforwards for federal income tax purposes of approximately \$142,503 and NOL carryforwards for state income tax purposes of approximately \$135,711 at June 30, 2020. The federal NOLs not subject to expiration total \$88,729 at June 30, 2020 with the remainder beginning to expire in 2034. The state NOL carryforwards generally expire from 2021 to 2040, except for one state for which NOLs do not expire. The Company also has gross federal research and development tax credit carryforwards of approximately \$3,714 at June 30, 2020, which begin expiring in 2033. At June 30, 2020 and 2019 there are no material unrecognized tax benefits related to uncertain tax positions.

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A reconciliation of the U.S. federal statutory tax rate to the Company's effective income tax rate for the following periods is presented below:

	<u>Successor</u>	<u>Successor</u>	<u>Predecessor</u>
	<u>Year ended</u>	<u>Period from</u>	<u>Period from</u>
	<u>June 30,</u>	<u>November 2,</u>	<u>July 1, 2018 -</u>
	<u>2020</u>	<u>2018 -</u>	<u>November 1,</u>
		<u>June 30,</u>	<u>2018</u>
		<u>2019</u>	
Federal statutory rate	21.0%	21.0%	21.0%
Research tax credits	0.0%	0.0%	-2.1%
State income taxes, net of federal tax benefit	2.9%	1.8%	10.1%
Stock-based compensation	-1.3%	-1.3%	47.9%
Transaction costs	0.0%	-2.6%	0.6%
Other permanent differences	-0.2%	-0.6%	-1.6%
Valuation allowance	0.7%	0.2%	-61.5%
Effective income tax rate	<u>23.1%</u>	<u>18.5%</u>	<u>14.4%</u>

18. 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 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.

19. CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY ONLY)

Paycor HCM, Inc. and Subsidiaries
Parent Company Only
Condensed Balance Sheets
(in thousands)

	<u>June 30,</u>	<u>June 30,</u>
	<u>2020</u>	<u>2019</u>
Assets		
Investment in subsidiary	\$ 953,325	\$ 1,038,570
Total assets	<u>\$ 953,325</u>	<u>\$ 1,038,570</u>
Liabilities and Stockholder's Equity		
Total liabilities	\$ —	\$ —
Total stockholder's equity	953,325	1,038,570
Total liabilities and stockholder's equity	<u>\$ 953,325</u>	<u>\$ 1,038,570</u>

Paycor HCM, Inc. and Subsidiaries
Parent Company Only
Condensed Statements of Operations and Comprehensive Loss
(in thousands)

	<u>Successor</u> Year ended June 30, 2020	<u>Successor</u> November 2, 2018- June 30, 2019
Equity in net loss of subsidiary	\$ (90,193)	\$ (88,518)
Net loss attributable to Paycor HCM, Inc.	<u>\$ (90,193)</u>	<u>\$ (88,518)</u>
Other comprehensive income, net of tax:		
Subsidiaries' other comprehensive income	104	2,666
Total other comprehensive income	<u>104</u>	<u>2,666</u>
Comprehensive loss attributable to Paycor HCM, Inc.	<u>\$ (90,089)</u>	<u>\$ (85,852)</u>

Description of Business

Paycor HCM, which is controlled by Pride Aggregator L.P., is the indirect controlling shareholder of Paycor. Pride Aggregator L.P. is controlled by a syndication led by Apax.

Paycor HCM was incorporated in Delaware in 2018 and became the ultimate parent of Paycor through the Apax Acquisition. Paycor HCM is a holding company and conducts substantially all of its activities through its subsidiaries and has no operations or significant assets or liabilities other than its investment in its subsidiaries, including Paycor. Accordingly, Paycor HCM is dependent upon distributions from Paycor and other subsidiaries to fund its limited, non-significant activities. However, Paycor's ability to pay dividends or lend to Paycor HCM is limited under the terms of the Credit Agreement with Wells Fargo, National Association. All obligations under the Credit Agreement are guaranteed by Pride Guarantor, Inc. and by Paycor. The Credit Agreement contains covenants limiting Pride Guarantor, Inc.'s and its subsidiaries', including Paycor, ability to, among other things: incur additional indebtedness or other contingent obligations, create liens, make investments, acquisitions, loans and advances; consolidate, merge, liquidate or dissolve; sell, transfer or otherwise dispose of its assets, including capital stock of its subsidiaries; pay dividends on its equity interests or make other payments in respect of capital stock; engage in transactions with affiliates; make payments in respect of subordinated, unsecured, or junior secured debt; modify organizational documents in a manner that is materially adverse to the lenders under the applicable Credit Agreement; enter into certain agreements with negative pledge clauses. These covenants are subject to certain exceptions and qualifications as described in the Credit Agreement. For a discussion of the Credit Agreement, see Note 9 – Debt Agreements and Letters of Credit.

Basis of Presentation

These condensed financial statements have been presented on a "parent-only" basis. Under a parent-only presentation, Paycor HCM's investments in subsidiaries are presented under the equity method of accounting. A condensed statement of cash flows was not presented because Paycor HCM has no material operating, investing, or financing cash flow activities for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. As such, these parent-only statements should be read in conjunction with the notes to accompanying consolidated financial statements.

20. SUBSEQUENT EVENTS:

The Company executed an amendment of its Revolver on September 2, 2020 whereby the Company entered into an additional term loan of \$25,000 (the "Term Loan"). The Term Loan requires quarterly principal repayments of

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approximately \$63 beginning December 31, 2020. The Company is required to pay any remaining unpaid principal balance and all accrued and unpaid interest on the maturity date of November 2, 2023. The Term Loan bears interest, at the Company's option, at a rate equal to: (i) LIBOR (subject to 1.0% floor) plus 4.25% margin prior to the third anniversary or 4.0% after the third anniversary or (ii) the greatest of (a) the Federal Funds Rate plus 0.5%, (b) LIBOR rate plus 1.0%, or (c) the Lender's prime rate, plus 3.25% margin prior to the third anniversary or 3.0% after the third anniversary. As a result of the amendment, the interest rate on the Revolver was adjusted to bear interest at the same rate as the Term Loan. The proceeds from the term loan are to be used for general corporate purposes including permitted acquisitions and investments.

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. The Company acquired 100% of the equity interests for a total purchase price of \$22,599. The acquisition enables the Company to expand its current service offerings.

On December 29, 2020, the Company executed an agreement for the authorization of up to 10,000 shares of Series A Preferred Stock ("Series A Preferred Stock"), \$0.001 par value. On that same date, the Company completed a private placement of 7,715 shares of Series A Preferred Stock with certain institutional investors, which generated net proceeds of approximately \$270,000. Each share of Series A Preferred Stock has an initial liquidation preference of \$35,000 per share, subject to adjustment in accordance with the Company's Amended and Restated Certificate of Incorporation. The Series A Preferred Stock, unless converted earlier at the option of the holder of the Series A Preferred Stock, automatically converts into shares of Common Stock upon (i) the closing of an underwritten public offering of the Company's Common Stock, (ii) the direct listing of the Company's Common Stock on a nationally-recognized securities exchange, or (iii) a merger involving a special purpose acquisition vehicle, commonly referred to as a special purpose acquisition company transaction (in each instance, subject to certain listing and valuation and dollar threshold requirements). The Series A Preferred Stock is initially convertible into shares of Common Stock on a one-to-one basis, subject to adjustment in certain circumstances. The Series A Preferred Stock is not subject to redemption except in the case of certain sale or change of control events. Holders of Series A Preferred Stock are entitled to vote as a single class together with holders of the Company's Common Stock on an as-converted basis.

Subsequent to the Company's Series A Preferred Stock issuance, the Company used the proceeds from the Series A Preferred Stock issuance to repurchase 7,000 shares of its Common Stock at a price of \$35,000 per share for approximately \$245,000.

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

	March 31, 2021 (Unaudited)	June 30, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,364	\$ 828
Restricted cash and short-term investments	6,076	12,017
Accounts receivable, net	14,662	10,019
Deferred contract costs	21,535	14,015
Prepaid expenses	7,908	4,928
Other current assets	1,678	3,819
Current assets before funds held for clients	71,223	45,626
Funds held for clients	823,123	614,115
Total current assets	894,346	659,741
Property and equipment, net	40,812	44,011
Goodwill	750,417	733,801
Intangible assets, net	387,372	462,527
Capitalized software	28,993	23,106
Long-term deferred contract costs	81,904	57,907
Other long-term assets	25,397	26,690
Total assets	<u>\$ 2,209,241</u>	<u>\$ 2,007,783</u>
Liabilities, Redeemable Noncontrolling Interest and Stockholder's Equity		
Current liabilities:		
Accounts payable	\$ 9,930	\$ 12,029
Accrued expenses and other current liabilities	18,674	10,296
Accrued payroll and payroll related expenses	28,747	16,215
Liability incentive awards	6,659	11,842
Deferred revenue	11,703	10,223
Revolving line-of-credit	390	5,001
Current portion of long-term debt	1,126	849
Current liabilities before client fund obligations	77,229	66,455
Client fund obligations	822,551	613,151
Total current liabilities	899,780	679,606
Deferred income taxes	92,426	104,770
Other long-term liabilities	17,532	18,162
Long-term debt, net	42,253	18,585
Total liabilities	1,051,991	821,123
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interest	245,041	233,335
Stockholder's equity:		
Common stock, \$0.001 par value per share 200,000 shares authorized, 93,000 shares outstanding at March 31, 2021 and 100,000 shares outstanding as of June 30, 2020, respectively	—	—
Treasury stock, at cost, 7,000 and 0 shares at March 31, 2021 and June 30, 2020, respectively	(245,074)	—
Preferred stock, \$0.001 par value, 10,000 shares authorized, 7,715 and 0 shares outstanding at March 31, 2021 and June 30, 2020, respectively	262,772	—
Additional paid in capital	1,134,676	1,129,368
Accumulated deficit	(242,923)	(178,813)
Accumulated other comprehensive income	2,758	2,770
Total stockholder's equity	912,209	953,325
Total liabilities, redeemable noncontrolling interest and stockholder's equity	<u>\$ 2,209,241</u>	<u>\$ 2,007,783</u>

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

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

	Nine Months Ended	
	March 31, 2021	March 31, 2020
	(Unaudited)	
Revenues:		
Recurring and other revenue	\$ 263,372	\$245,357
Interest income on funds held for clients	1,392	9,192
Total revenues	264,764	254,549
Cost of revenues	112,506	105,501
Gross profit	152,258	149,048
Operating expenses:		
Sales and marketing	75,864	74,970
General and administrative	106,914	102,964
Research and development	26,507	35,918
Total operating expenses	209,285	213,852
Loss from operations	(57,027)	(64,804)
Other income (expense):		
Interest expense	(1,847)	(1,403)
Other	320	6,438
Loss before benefit for income taxes	(58,554)	(59,769)
Income tax benefit	(12,344)	(12,619)
Net loss	(46,210)	(47,150)
Less: Accretion of redeemable noncontrolling interests	17,900	17,781
Net loss attributable to Paycor HCM, Inc.	\$ (64,110)	\$ (64,931)
Basic and diluted net loss attributable to Paycor HCM, Inc. per share	\$ (656.70)	\$ (649.31)
Weighted-average common shares outstanding:		
Basic and diluted	97,624	100,000

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

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

	Nine Months Ended	
	March 31, 2021 (Unaudited)	March 31, 2020
Net loss	\$ (46,210)	\$(47,150)
Other comprehensive income (loss), net of tax:		
Unrealized gain on foreign currency translation	335	—
Unrealized (losses) gains on available for sale securities	(347)	622
Other comprehensive (loss) income, net of tax	(12)	622
Comprehensive loss	(46,222)	(46,528)
Less: Comprehensive income attributable to redeemable noncontrolling interests	17,900	17,781
Comprehensive loss attributable to Paycor HCM, Inc.	<u>\$ (64,122)</u>	<u>\$(64,309)</u>

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

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

	Preferred Stock, par value of \$0.001 per share		Common Stock, par value of \$0.001 per share			Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholder's Equity
	Shares	Amount	Shares	Common Stock Amount	Treasury Stock				
Balance, June 30, 2020	—	\$ —	100,000	\$ —	\$ —	\$1,129,368	\$ (178,813)	\$ 2,770	\$ 953,325
Net loss	—	—	—	—	—	—	(64,110)	—	(64,110)
Stock-based compensation expense	—	—	—	—	—	5,308	—	—	5,308
Issuance of preferred stock, net	7,715	262,772	—	—	—	—	—	—	262,772
Repurchase of common stock, at cost	—	—	(7,000)	—	(245,074)	—	—	—	(245,074)
Other comprehensive income	—	—	—	—	—	—	—	(12)	(12)
Balance March 31, 2021	<u>7,715</u>	<u>\$262,772</u>	<u>93,000</u>	<u>\$ —</u>	<u>\$(245,074)</u>	<u>\$1,134,676</u>	<u>\$ (242,923)</u>	<u>\$ 2,758</u>	<u>\$ 912,209</u>

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

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

	<u>Common Stock, par value of \$0.001 per share</u>			Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholder's Equity before Noncontrolling Interest	Noncontrolling Interest	Total Stockholder's Equity
	Shares	Common Stock Amount	Treasury Stock						
Balance, June 30, 2019	100,000	\$ —	\$ —	\$ 1,124,462	\$ (88,518)	\$ 2,666	\$ 1,038,610	\$ (40)	\$ 1,038,570
Net loss	—	—	—	—	(64,931)	—	(64,931)	—	(64,931)
Other	—	—	—	—	(127)	—	(127)	40	(87)
Other comprehensive income	—	—	—	—	—	622	622	—	622
Balance March 31, 2020	<u>100,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,124,462</u>	<u>\$ (153,576)</u>	<u>\$ 3,288</u>	<u>\$ 974,174</u>	<u>\$ —</u>	<u>\$ 974,174</u>

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

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

	Nine Months Ended	
	March 31, 2021	March 31, 2020
Cash flows from operating activities:		
Net loss	\$ (46,210)	\$ (47,150)
Adjustments to reconcile net loss to net cash provided / (used) by operating activities:		
Depreciation	5,073	4,009
Amortization of intangible assets and software	103,091	95,118
Stock-based compensation expense	5,308	—
Amortization of deferred contract costs	13,641	6,836
Amortization of debt acquisition costs	511	474
Deferred tax benefit	(12,344)	(12,618)
Bad debt expense	1,005	605
Gain on sale of investments	(70)	(78)
Gain on foreign currency exchange	(571)	—
Gain on forgiveness of indebtedness	—	(6,240)
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(5,144)	(3,420)
Prepaid expenses and other current assets	(526)	(2,546)
Other long-term assets	868	182
Accounts payable	(2,159)	(104)
Accrued liabilities	9,453	(2,081)
Deferred revenue	(826)	5,222
Other long-term liabilities	243	722
Deferred contract costs	(45,158)	(40,722)
Net cash provided / (used) by operating activities	<u>26,185</u>	<u>(1,791)</u>
Cash flows from investing activities:		
Purchases of client fund available for sale securities	(174,962)	(318,464)
Proceeds from sale and maturities of client fund available for sale securities	174,561	318,478
Purchase of property and equipment	(2,141)	(6,443)
Acquisition of intangible assets	(9,252)	(2,988)
Acquisition of Paltech Solutions, Inc, net of cash acquired	(16,592)	—
Internally developed software costs	(15,424)	(14,777)
Net cash used by investing activities	<u>(43,810)</u>	<u>(24,194)</u>
Cash flows from financing activities:		
Net change in cash and cash equivalents held to satisfy client funds obligations	172,311	118,147
Payment of contingent consideration	(1,000)	—
Proceeds from promissory note with related party	64,989	—
Repayment of promissory note with related party	(64,989)	—
Proceeds from line-of-credit	56,217	77,376
Repayments of line-of-credit	(60,828)	(73,126)
Proceeds from debt	25,000	20,000
Repayments of debt	(758)	(15,679)
Proceeds from issuance of preferred stock, net	262,772	—
Purchase of treasury stock at cost	(245,074)	—
Dividends paid to noncontrolling interests	(6,194)	—
Other financing activities	(397)	(192)
Net cash provided by financing activities	<u>202,049</u>	<u>126,526</u>
Impact of foreign exchange on cash and cash equivalents	(35)	—
Net change in cash, cash equivalents, restricted cash and short-term investments, and funds held for clients	184,389	100,541
Cash, cash equivalents, restricted cash and short-term investments, and funds held for clients, beginning of year	546,448	445,711
Cash, cash equivalents, restricted cash and short-term investments, and funds held for clients, end of year	<u>\$ 730,837</u>	<u>\$ 546,252</u>
Supplemental disclosure of non-cash investing, financing and other cash flow information:		
Capital expenditures in accounts payable	\$ 28	\$ 1,188
Cash paid during the year for interest	\$ 510	\$ 649
Reconciliation of cash, cash equivalents, restricted cash and short-term investments, and funds held for clients to the Condensed Consolidated Balance Sheets		
Cash and cash equivalents	\$ 19,364	\$ 197
Restricted cash and short-term investments	6,076	13,240
Funds held for clients	705,397	532,815
Total cash, cash equivalents, restricted cash and short-term investments, and funds held for clients	<u>\$ 730,837</u>	<u>\$ 546,252</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 (Unaudited)
(all amounts in thousands, except share and per share data)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION:

Description of Business

Paycor HCM, Inc. (“Paycor HCM”) 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.

Basis of Presentation and Consolidation

The accompanying interim unaudited condensed consolidated financial statements of Paycor HCM, Inc. and its subsidiaries (the “Company”) were prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). These should be read in conjunction with the audited consolidated financial statements and related notes for the year ended June 30, 2020. The unaudited condensed consolidated financial statements for interim periods do not include all disclosures required by GAAP for annual financial statements and are not necessarily indicative of results for the full year or any subsequent period. 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.

On December 2, 2020, the Company executed a 1,000 for 1 share stock split (“Stock Split”) relating to its common stock. In connection with the Stock Split, the Company increased its common stock share authorization from 100,000 shares to 200,000 shares. As a result of the Stock Split, the Company had 100,000 common shares outstanding, with a par value of \$0.001 per share. All share and per-share amounts have been retroactively adjusted to reflect the Stock Split.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Use of estimates

The preparation of the 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.

The Company utilizes estimates and assumptions in determining the fair value of its common stock, which is a significant input in determining the fair value of stock-based compensation. The Board of Directors has determined the estimated fair value of the Company’s common stock contemporaneous with grants of stock-based compensation based on a number of objective and subjective factors, including external market conditions, the enterprise value of the business at the time of acquisition by Apax, and the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Company. Fair value is estimated using the guideline public company method. Valuation methodologies include estimates and assumptions that require the Company’s judgment. These estimates include assumptions regarding future performance. Significant changes to the key assumptions used in the valuations could result in different fair values of common stock at each valuation date.

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 global outbreak of the novel coronavirus (COVID-19). Economic conditions, such as

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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.

Accounts receivable, net

Accounts receivable balances are shown on the condensed consolidated balance sheets net of the allowance for doubtful accounts of \$1,791 and \$1,217 as of March 31, 2021 and June 30, 2020, 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 primarily of employee-related expenses for 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 \$11,520 and \$11,521, for the nine months ended March 31, 2021 and 2020, respectively.

Income taxes

Income tax benefit for the nine months ended March 31, 2021 and 2020 was a benefit of \$12,344 and \$12,619, respectively, reflecting an effective tax rate of 21.1% for the nine month periods ended March 31, 2021 and 2020.

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 is in the preliminary stages of gathering data and assessing the impact of the new lease standard. The Company anticipates that the adoption of this standard will materially affect the consolidated balance sheet and may require changes to the processes used to account for leases. The Company is evaluating the transition methods and will adopt this new standard in the fiscal year beginning July 1, 2022 based on its status as an emerging growth company.

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 consolidated financial statements and will adopt this new standard in the fiscal year beginning July 1, 2023 based on its status as an emerging growth company.

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:

	Nine Months Ended March 31,	
	2021	2020
Recurring fees	\$ 252,743	\$ 240,226
Implementation services and other	10,629	5,131
Total revenues from contracts	<u>\$ 263,372</u>	<u>\$ 245,357</u>

Deferred revenue

The timing of revenue recognition for recurring revenue is consistent with the timing of invoicing as they occur simultaneously upon the client payroll processing period or by month. As such, the Company does not recognize contract assets or liabilities related to recurring revenue.

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 these nonrefundable upfront fees:

	Nine Months Ended March 31,	
	2021	2020
Balance, beginning of period	\$ 15,916	\$ 10,158
Deferred revenue acquired	1,374	—
Deferral of revenue	9,767	9,139
Revenue recognized	(10,582)	(3,284)
Impact of foreign exchange	74	—
Balance, end of period	<u>\$ 16,549</u>	<u>\$ 16,013</u>

Deferred revenue related to nonrefundable upfront fees is recorded within deferred revenue and other long-term liabilities on the condensed consolidated balance sheets. The Company will recognize deferred revenue of \$3,772 in the remainder of 2021, \$9,339 in 2022, \$2,871 in 2023, and \$567 thereafter.

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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 Nine Months Ended March 31, 2021			
	Beginning Balance	Capitalization of Costs	Amortization	Ending Balance
Costs to obtain a contract	\$ 32,233	\$ 21,069	\$ (6,210)	\$ 47,092
Costs to fulfill a contract	39,689	24,089	(7,431)	56,347
Total	\$ 71,922	\$ 45,158	\$ (13,641)	\$ 103,439

	As of and for the Nine Months Ended March 31, 2020			
	Beginning Balance	Capitalization of Costs	Amortization	Ending Balance
Costs to obtain a contract	\$ 13,357	\$ 18,226	\$ (3,047)	\$ 28,536
Costs to fulfill a contract	16,993	22,496	(3,789)	35,700
Total	\$ 30,350	\$ 40,722	\$ (6,836)	\$ 64,236

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 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 enables the Company to expand its current service offerings. The cash consideration was funded using proceeds for the issuance of the September 2020 Term Loan discussed in Note 9 – Debt Agreements and Letters of Credit.

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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, none of which is deductible for tax purposes. Goodwill consists primarily of the acquired workforce and growth opportunities, neither of which qualify as an intangible asset. 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 preliminary purchase price is as follows:

	7Geese Acquisition
Cash consideration	\$ 16,699
Contingent consideration	3,000
Deferred consideration	2,900
Fair value of total consideration	<u>22,599</u>
Cash acquired	(107)
Net purchase price	<u>\$ 22,492</u>
Assets acquired:	
Accounts receivable	\$ 477
Other current assets	295
Fixed assets	64
Technology	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	15,645
Fair value of total consideration	<u>\$ 22,492</u>

Intangible assets primarily consist of technology with a weighted average estimated useful life of three 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 contingent consideration liability will be re-measured at fair value at each reporting date with the change in fair value recognized in earnings as other income (expense). The Company made a milestone payment of \$1,000 in March 2021.

The deferred consideration related to the 7Geese Acquisition consists of a one-time payment due in October 2021.

The Company incurred transaction costs of approximately \$500 related to the 7Geese Acquisition during the nine months ended March 31, 2021. These costs were expensed as incurred in general and administrative expenses on the accompanying condensed consolidated statements of operations.

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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 includes 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 twelve-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 March 31, 2021, the weighted average amortization period for these intangible assets was approximately 2.8 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:

	March 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Demand deposit accounts and other cash equivalents	\$705,397	\$ —	\$ —	\$705,397
U.S. Treasury and direct obligations of U.S. government agencies	32,548	120	—	32,668
Corporate bonds	47,271	2,059	(307)	49,023
Commercial paper	25,640	5	(5)	25,640
Other securities	9,843	633	(81)	10,395
	<u>\$820,699</u>	<u>\$ 2,817</u>	<u>\$ (393)</u>	<u>\$823,123</u>

	June 30, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Demand deposit accounts and other cash equivalents	\$533,603	\$ —	\$ —	\$533,603
U.S. Treasury and direct obligations of U.S. government agencies	23,081	137	—	23,218
Corporate bonds	49,274	2,259	(10)	51,523
Other securities	5,387	391	(7)	5,771
	<u>\$611,345</u>	<u>\$ 2,787</u>	<u>\$ (17)</u>	<u>\$614,115</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 nine months ended March 31, 2021 and 2020 were approximately \$174,561 and \$318,478, respectively. Realized gains and losses were not material in any period.

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.

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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 of client fund assets as of March 31, 2021 are as follows:

Due within one year	\$ 772,890
Due after one year to two years	17,070
Due after two years to three years	21,988
Due after three years	11,175
Total	<u>\$ 823,123</u>

6. PROPERTY AND EQUIPMENT, NET:

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

	March 31, 2021	June 30, 2020
Land	\$ 3,680	\$ 3,680
Land improvements	910	910
Building and improvements	22,845	22,845
Computer, equipment and software	12,136	9,271
Furniture and fixtures	4,183	4,777
Office equipment	1,213	1,142
Leasehold improvements	8,178	3,541
Construction in progress	697	6,030
	<u>53,842</u>	<u>52,196</u>
Accumulated depreciation and amortization	<u>(13,030)</u>	<u>(8,185)</u>
Property and equipment, net	<u>\$ 40,812</u>	<u>\$ 44,011</u>

Depreciation and amortization of property and equipment was approximately \$5,073 and \$4,009 for the nine months ended March 31, 2021 and 2020, respectively.

7. CAPITALIZED SOFTWARE, NET:

Components of capitalized software are as follows:

	March 31, 2021	June 30, 2020
Capitalized software	\$ 46,402	\$30,977
Accumulated amortization	<u>(17,409)</u>	<u>(7,871)</u>
Capitalized software, net	<u>\$ 28,993</u>	<u>\$23,106</u>

Amortization expense for capitalized software was approximately \$9,538 and \$4,547 for the nine months ended March 31, 2021 and 2020, respectively.

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The following is a schedule of future amortization expense as of March 31, 2021:

2021 (remaining 3 months)	\$ 3,866
2022	14,486
2023	8,571
2024	2,070
2025	—
	<u>\$ 28,993</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 from June 30, 2020 to March 31, 2021:

Balance, beginning of period	\$ 733,801
7Geese Acquisition	15,645
Impact of foreign exchange	971
Balance, end of period	<u>\$ 750,417</u>

Components of intangible assets are as follows:

	March 31, 2021	June 30, 2020
Technology	\$ 140,665	\$ 131,625
Customer relationships	434,996	425,659
Trade name	105,671	105,650
Total carrying amount	<u>\$ 681,332</u>	<u>\$ 662,934</u>
Accumulated amortization:		
Technology	\$(104,946)	\$ (70,533)
Customer relationships	(171,987)	(118,135)
Trade name	(17,027)	(11,739)
Total accumulated amortization	<u>\$(293,960)</u>	<u>\$(200,407)</u>
Intangible assets, net	<u>\$ 387,372</u>	<u>\$ 462,527</u>

Amortization expense for intangible assets was approximately \$93,553 and \$90,571 for the nine months ended March 31, 2021 and 2020, respectively.

The following is a schedule of future amortization expense as of March 31, 2021:

2021 (remaining 3 months)	\$ 32,038
2022	100,491
2023	85,113
2024	80,391
2025	30,642
Thereafter	58,697
	<u>\$ 387,372</u>

9. DEBT AGREEMENTS AND LETTERS OF CREDIT:

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

	<u>Interest Rate as of March 31, 2021</u>	<u>March 31, 2021</u>	<u>June 30, 2020</u>	<u>Maturity Date</u>
Refinanced loan	1.86%	\$ 18,884	\$19,517	November 2022
Term Loan	5.25%	24,875	—	November 2023
Less: Unamortized debt issuance costs		(380)	(83)	
Total long-term debt (including current portion)		43,379	19,434	
Less: Current portion		(1,126)	(849)	
Total long-term debt, net		<u>\$ 42,253</u>	<u>\$18,585</u>	

Refinanced Loan

On November 15, 2019, the Company closed on a refinancing of the debt related to its headquarters ("Refinanced Loan"). The Refinanced Loan amount was for \$20,000 and requires monthly principal and interest payments over a three-year period beginning in December 2019, with a final balloon payment for the balance due in November 2022. As part of the refinancing transaction, the previously outstanding Qualified Low-Income Community Investment Loans ("QLICI") Note B loans obtained under New Market Tax Credit financing were forgiven and \$6,240 was recognized as a gain on the extinguishment of debt within the nine months ended March 31, 2020. The gain is included in other income (expense)—other on the condensed consolidated statement of operations.

The Refinanced Loan bears interest payable monthly at a rate of LIBOR plus 1.75% through maturity, and is secured by a mortgage on the land, building, building improvements and all related property, real and personal. The Refinanced Loan is subject to certain affirmative financial covenants relating to the debt service coverage ratio, liquidity amounts and other items. As of March 31, 2021 and June 30, 2020, the Company was in compliance with all covenants related to the Refinanced Loan.

Credit Agreement and Term Loan

In November 2018, the Company entered into a credit agreement with Wells Fargo National Association (the "Credit Agreement") providing a five-year senior secured \$50,000 revolving credit facility (the "Revolver"). Outstanding borrowings on the revolving line-of-credit were \$390 and \$5,001 as of March 31, 2021 and June 30, 2020, respectively. As of March 31, 2021, the Company had approximately \$49,610 of borrowing capacity remaining under the Revolver, subject to liquidity covenants.

The Company executed an amendment of its Credit Agreement on September 2, 2020 whereby the Company entered into an additional term loan of \$25,000 (the "Term Loan"). The Company incurred \$397 of costs related to the Term Loan such as closing costs, legal fees and origination fees. These costs have been deferred and recorded as a direct deduction from the carrying amount of the debt liability. The costs are amortized into interest expense over the term of the related debt using the effective interest method. The Term Loan requires quarterly principal repayments of approximately \$63 beginning December 31, 2020. The Company is required to pay any remaining unpaid principal balance and all accrued and unpaid interest on the maturity date of November 2, 2023. The Term Loan bears interest, at the Company's option, at a rate equal to: (i) LIBOR (subject to 1.0% floor) plus 4.25% margin prior to the third anniversary or 4.0% after the third anniversary or (ii) the greatest of (a) the Federal Funds Rate plus 0.5%, (b) LIBOR rate plus 1.0%, or (c) the Lender's prime rate, plus 3.25% margin prior to the third anniversary or 3.0% after the third anniversary. As a result of the amendment, the interest rate on the Revolver was adjusted to bear interest at the same rate as the Term Loan. The proceeds from the term loan were used for general corporate purposes including permitted acquisitions and investments.

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The Company was in compliance with all applicable covenants in the Credit Agreement at March 31, 2021 and June 30, 2020.

Promissory Note with Related Party

In December 2020, in connection with the share repurchase discussed further in Note 12 – Capital Stock, the Company entered into a promissory note for approximately \$65,000 with Pride Aggregator L.P. (“the Intercompany Promissory Note”). The Intercompany Promissory Note was payable on demand and accrued interest at a rate of 0.15% per annum. The Company repaid the Intercompany Promissory Note in full in January 2021, concurrent with the closing of the January 2021 issuance of preferred stock.

Scheduled debt maturities for the Company’s debt, excluding amounts outstanding under the Revolver, as of March 31, 2021 are as follows:

	Refinanced Loan	Term Loan	Total
2021 (remaining three months)	\$ 216	\$ 63	\$ 279
2022	885	250	1,135
2023	17,783	250	18,033
2024	—	24,312	24,312
	<u>\$ 18,884</u>	<u>\$24,875</u>	<u>\$43,759</u>

The Company has no outstanding letters of credit as of March 31, 2021 or June 30, 2020.

10. FAIR VALUE MEASUREMENTS:

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, and accounts payable approximated fair value as of March 31, 2021 and June 30, 2020, because of the relatively short maturity of these instruments. Additionally, the Company believes the fair value of the amounts outstanding under the Company’s Refinanced Loan and New Market Tax Credit Debt approximate carrying value as of March 31, 2021 and June 30, 2020 because their variable interest rate terms correspond to the current market terms.

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The following table presents information on the Company's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2021 and June 30, 2020:

	March 31, 2021			Total
	Level 1	Level 2	Level 3	
Funds held for clients—cash and cash equivalents:				
Demand deposit accounts and other cash equivalents	\$705,397	\$ —	\$ —	\$705,397
Funds held for clients—available for sale:				
U.S. Treasury and direct obligations of U.S government agencies	—	32,668	—	32,668
Corporate bonds	—	49,023	—	49,023
Commercial Paper	—	25,640	—	25,640
Other securities	—	10,395	—	10,395
	<u>\$705,397</u>	<u>\$117,726</u>	<u>\$ —</u>	<u>\$823,123</u>
	June 30, 2020			Total
	Level 1	Level 2	Level 3	Total
Funds held for clients—cash and cash equivalents:				
Demand deposit accounts and other cash equivalents	\$533,603	\$ —	\$ —	\$533,603
Funds held for clients—available for sale:				
U.S. Treasury and direct obligations of U.S government agencies	—	23,218	—	23,218
Corporate bonds	—	51,523	—	51,523
Other securities	—	5,771	—	5,771
	<u>\$533,603</u>	<u>\$ 80,512</u>	<u>\$ —</u>	<u>\$ 614,115</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:

Initial and Subsequent Measurement

The Company recorded the preferred shares at their issuance date fair value of \$194,745, net of issuance costs. The carrying value as of March 31, 2021 and June 30, 2020 is determined based upon the most probable redemption event on the six-year anniversary of the closing, accreted using the effective interest method to the redemption value. Accretion of redeemable noncontrolling interests for the nine months ended March 31, 2021 and 2020 includes \$17,900 and \$17,781 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 December 31, 2020 and March 31, 2021 dividend payment dates were paid in cash with the remaining 50% in-kind to preferred shareholders. The Company elected to pay distributions for all dividend payment dates falling within the nine months ending March 31, 2020 in-kind to preferred shareholders. All in-kind distributions increase the liquidation preference on each preferred share.

As of the reporting date, there are no triggering, change of control, early redemption or monetization events that are probable that would require us to revalue the preferred shares.

If the preferred shares were redeemed on the reporting date of March 31, 2021 and June 30, 2020, the required redemption values would be \$255,294 and \$243,070.

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The following table shows the change in the Company's redeemable noncontrolling interests from June 30, 2020 to March 31, 2021:

Balance, beginning of period	\$233,335
Accretion of Redeemable Preferred Stock	17,900
Dividends paid	(6,194)
Balance, end of period	<u>\$245,041</u>

12. CAPITAL STOCK:

Upon the Stock Split, the Company is authorized to issue 200,000 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.

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.

On December 29, 2020, the Company executed an agreement for the authorization of up to 10,000 shares of Series A Preferred Stock ("Series A Preferred Stock"), \$0.001 par value. On that same date, the Company completed a private placement of 5,143 shares of Series A Preferred Stock with certain institutional investors, which generated proceeds of approximately \$180,005. Each share of Series A Preferred Stock has an initial liquidation preference of \$35,000, subject to adjustment in accordance with the Company's Amended and Restated Certificate of Incorporation. The Series A Preferred Stock, unless converted earlier at the option of the holder of the Series A Preferred Stock, automatically converts into shares of common stock upon (i) the closing of an underwritten public offering of the Company's common stock, (ii) the direct listing of the Company's common stock on a nationally-recognized securities exchange, or (iii) a merger involving a special purpose acquisition vehicle, commonly referred to as a special purpose acquisition company transaction (in each instance, subject to certain listing and valuation and dollar threshold requirements). The Series A Preferred Stock is initially convertible into shares of common stock on a one-to-one basis, subject to adjustment in certain circumstances. The Series A Preferred Stock is not subject to redemption except in the case of certain sale or change of control events. Holders of Series A Preferred Stock are entitled to vote as a single class together with holders of the Company's common stock on an as-converted basis.

Subsequent to the Company's Series A Preferred Stock issuance, the Company used the proceeds from the Series A Preferred Stock issuance and the Intercompany Promissory Note of approximately \$65,000 with Pride Aggregator L.P. to repurchase 7,000 shares of its common stock at a price of \$35,000 per share for approximately \$245,000.

On January 20, 2021, the Company completed a follow-on private placement of 2,572 shares of Series A Preferred Stock with certain institutional investors, which generated proceeds of approximately \$90,020. The Company incurred approximately \$7,253 of expenses associated with both the December 2020 and January 2021 private placements, which were netted against the \$270,025 of proceeds received.

As of March 31, 2021 and June 30, 2020, there were 93,000 and 100,000 shares of common stock outstanding, respectively.

13. 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. The Company has no potentially dilutive securities at March 31, 2021 or June 30, 2020 as the Company's stock-based compensation awards represent membership interest units in Pride Aggregator, L.P. Additionally, as a result of the net loss for the nine months ended March 31, 2021, the preferred stock convertible to common stock has also been excluded from the denominator in computing dilutive net loss per share.

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):

	Nine Months Ended	
	March 31,	
	2021	2020
Net loss attributable to Paycor HCM, Inc.	\$ (64,110)	\$ (64,931)
Weighted-average outstanding shares:		
Basic and diluted	97,624	100,000
Basic and diluted net loss per share	<u>\$ (656.70)</u>	<u>\$ (649.31)</u>

14. 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 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.

15. SUBSEQUENT EVENT:

On June 11, 2021, the Company entered into a new credit agreement (the "New Credit Agreement") with PNC Bank providing a senior secured \$100,000 revolving credit facility (the "New Credit Facility" and the loans thereunder, the "New Loans"), of which \$44,500 was initially drawn at the closing date. The New Credit Facility includes an "accordion" feature that allows the Company, under certain circumstances following an initial public offering, to increase the size of the New Credit Facility by an amount up to \$300,000. In connection with the entry into the New Credit Agreement, the Company used the proceeds therefrom to repay in full all amounts outstanding under the Credit Agreement with Wells Fargo National Association, which includes both the Revolver and Term Loan, to repay the Refinanced Loan, and for working capital and other general corporate purposes. The New Credit Agreement matures on the earlier of (i) August 3, 2024 and (ii) the occurrence of a mandatory redemption event under the Redeemable Preferred Stock; provided, however, if the Redeemable Preferred Stock is redeemed in full prior to August 3, 2024, the maturity date will automatically be extended to June 11, 2026.

18,500,000 Shares

Common Stock



PRELIMINARY PROSPECTUS

(Lead bookrunners listed in alphabetical order)

Goldman Sachs & Co. LLC

J.P. Morgan

**Jefferies
Credit Suisse
Deutsche Bank Securities
Baird
Cowen
JMP Securities
Needham & Company
Raymond James
Stifel
Truist Securities
Fifth Third Securities
Roberts & Ryan**

Through and including _____, 2021 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth all costs and expenses, other than the underwriting discounts and commissions payable by us, in connection with the offer and sale of the securities being registered. All amounts shown are estimates except for the Securities and Exchange Commission, or SEC, registration fee and the FINRA filing fee.

SEC registration fee	\$ 48,743.15
FINRA filing fee	52,016.25
Nasdaq listing fee	295,000.00
Printing expenses	500,000.00
Legal fees and expenses	2,500,000.00
Accounting fees and expenses	1,500,000.00
Transfer agent fees and registrar fees	20,000.00
Miscellaneous expenses	250,000.00
Total expenses	<u>\$ 5,165,759.40</u>

Item 14. Indemnification of Directors and Officers.

Section 102(b)(7) of the Delaware General Corporation Law, or DGCL, allows a corporation to provide in its certificate of incorporation that a director of the corporation will not be personally liable to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except where the director breached the duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend, or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit. Our certificate of incorporation will provide for this limitation of liability.

Section 145 of the DGCL, or Section 145, provides that a Delaware corporation may indemnify any person who was, is or is threatened to be made, party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee, or agent of such corporation or is or was serving at the request of such corporation as a director, officer, employee, or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit, or proceeding, provided such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was illegal. A Delaware corporation may indemnify any persons who are, were or are a party to any threatened, pending, or completed action or suit by or in the right of the corporation by reason of the fact that such person is or was a director, officer, employee, or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, provided such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation's best interests, provided that no indemnification is permitted without judicial approval if the officer, director, employee, or agent is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses which such officer or director has actually and reasonably incurred.

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Section 145 further authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation or enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would otherwise have the power to indemnify him under Section 145.

Our bylaws will provide that we will indemnify our directors and officers to the fullest extent authorized by the DGCL and must also pay expenses incurred in defending any such proceeding in advance of its final disposition upon delivery of an undertaking, by or on behalf of an indemnified person, to repay all amounts so advanced if it should be determined ultimately that such person is not entitled to be indemnified under this section or otherwise.

Upon completion, of this offering we intend to enter into indemnification agreements with each of our executive officers and directors. The indemnification agreements will provide the executive officers and directors with contractual rights to indemnification, expense advancement, and reimbursement, to the fullest extent permitted under the DGCL.

The indemnification rights set forth above shall not be exclusive of any other right which an indemnified person may have or hereafter acquire under any statute, provision of our certificate of incorporation or bylaws, agreement, vote of shareholders or disinterested directors, or otherwise.

We will maintain standard policies of insurance that provide coverage (1) to our directors and officers against loss arising from claims made by reason of breach of duty or other wrongful act and (2) to us with respect to indemnification payments that we may make to such directors and officers. The proposed form of Underwriting Agreement to be filed as Exhibit 1.1 to this Registration Statement provides for indemnification of our directors and officers by the underwriters party thereto against certain liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") or otherwise.

Item 15. Recent Sales of Unregistered Securities.

Set forth below is information regarding securities sold by us within the past three years that were not registered under the Securities Act. Also included is the consideration, if any, received by us for such securities and information relating to the section of the Securities Act, or rule of the SEC, under which exemption from registration was claimed.

Since January 1, 2018, we have made sales of the following unregistered securities:

- On August 24, 2018, Paycor HCM, Inc. issued 100 shares of common stock to Pride Aggregator, L.P. for nominal consideration in connection with the anticipated acquisition of Paycor, Inc. by affiliates of Paycor HCM, Inc.
- On December 29, 2020, Paycor HCM, Inc. issued 7,715 shares of its Series A preferred stock to certain institutional investors for an aggregate amount of \$270,025,000.

The offers and sales of the above securities were deemed to be exempt from registration under the Securities Act of 1933 in reliance upon Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, as transactions by an issuer not involving any public offering. The recipients of the above securities represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof. Appropriate legends were placed upon any stock certificates issued in these transactions.

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Item 16. Exhibits and Financial Statement Schedules.

(i) Exhibits

Exhibit Number	Description
1.1	Form of Underwriting Agreement
3.1*	Form of Second Amended and Restated Certificate of Incorporation of Paycor HCM, Inc., to be in effect upon the closing of this offering
3.2*	Form of Amended and Restated Bylaws of Paycor HCM, Inc., to be in effect upon the closing of this offering
4.1*	Registration Rights Agreement
5.1	Opinion of Kirkland & Ellis LLP
10.1	Credit Agreement, dated as of June 11, 2021, by and between Pride Guarantor, Inc., Paycor, Inc., the lenders party thereto and PNC Bank, National Association, as administrative agent and collateral agent, as amended from time to time
10.2+*	Form of Paycor HCM, Inc. 2021 Omnibus Incentive Plan
10.3+*	Form of Incentive Stock Option Agreement
10.4+*	Form of Nonqualified Stock Option Agreement
10.5+*	Form of Restricted Stock Unit Agreement
10.6+*	Form of Indemnification Agreement
10.7	Form of Director Nomination Agreement
10.8+*	Form of Executive Employment Agreement
10.9*	Midco Redeemable Preferred Stock Certificate of Designation
10.10+*	Executive Severance Plan
10.11+*	Executive Change in Control Severance Plan
10.12+*	Annual Bonus Plan
10.13+*	Paycor HCM, Inc. 2021 Employee Stock Purchase Plan
21.1*	List of subsidiaries of Paycor HCM, Inc.
23.1	Consent of Kirkland & Ellis LLP (included in Exhibit 5.1)
23.2	Consent of Ernst & Young LLP
24.1*	Powers of attorney

* Indicates previously filed.

+ Indicates a management contract or compensatory plan or arrangement.

(ii) Financial statement schedules

No financial statement schedules are provided because the information called for is not applicable or is shown in the financial statements or notes.

Item 17. Undertakings.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the registrant pursuant to the provisions referenced in Item 14 of this Registration Statement, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered hereunder, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in the form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Cincinnati, State of Ohio, on July 12, 2021.

Paycor HCM, Inc.

By: /s/ Raul Villar Jr.

Name: Raul Villar Jr.

Title: Chief Executive Officer and Director

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Raul Villar Jr.</u> Raul Villar Jr.	Chief Executive Officer and Director (Principal Executive Officer)	July 12, 2021
<u>/s/ Adam Ante</u> Adam Ante	Chief Financial Officer (Principal Financial and Accounting Officer)	July 12, 2021
* <u>Whitney Bouck</u>	Director	July 12, 2021
* <u>Kathleen Burke</u>	Director	July 12, 2021
* <u>Steve Collins</u>	Director	July 12, 2021
* <u>Jonathan Corr</u>	Director	July 12, 2021
* <u>Umang Kajaria</u>	Director	July 12, 2021
* <u>Scott Miller</u>	Director	July 12, 2021
* <u>Jason Wright</u>	Director	July 12, 2021
* By: <u>/s/ Raul Villar Jr.</u> Name: Raul Villar Jr., Attorney-in-fact		

Paycor HCM, Inc.

[●] Shares of Common Stock

Underwriting Agreement

[●], 2021

Goldman Sachs & Co. LLC
J.P. Morgan Securities LLC
As Representatives of the
several Underwriters listed
in Schedule 1 hereto

c/o Goldman Sachs & Co. LLC
200 West Street
New York, New York 10282

c/o J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179

Ladies and Gentlemen:

Paycor HCM, Inc., a Delaware corporation (the “Company”), proposes to issue and sell to the several underwriters listed in Schedule 1 hereto (the “Underwriters”), for whom you are acting as representatives (the “Representatives”), an aggregate of [●] shares of common stock, par value \$0.001 per share (“Common Stock”), of the Company (the “Underwritten Shares”). In addition, the Company proposes to issue and sell, at the option of the Underwriters, up to an additional [●] shares of Common Stock of the Company (the “Option Shares”). The Underwritten Shares and the Option Shares are herein referred to as the “Shares.” The shares of Common Stock of the Company to be outstanding after giving effect to the sale of the Shares are referred to herein as the “Stock.”

J.P. Morgan Securities LLC (the “Directed Share Underwriter”) has agreed to reserve a portion of the Underwritten Shares to be purchased by it under this Agreement, up to [●] Underwritten Shares, for sale to the Company’s directors, officers[, and certain employees and other parties] related to the Company (collectively, “Participants”), as set forth in the Prospectus (as hereinafter defined) under the heading “Underwriting” (the “Directed Share Program”). The Underwritten Shares to be sold by the Directed Share Underwriter and its affiliates pursuant to the Directed Share Program are referred to hereinafter as the “Directed Shares.” Any Directed Shares not orally confirmed for purchase by any Participant by [●] [A/P].M., New York City time on the business day on which this Agreement is executed will be offered to the public by the Underwriters as set forth in the Prospectus.

The Company hereby confirms its agreement with the several Underwriters concerning the purchase and sale of the Shares, as follows:

1. Registration Statement. The Company has prepared and filed with the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the “Securities Act”), a registration statement (File No. 333-255498), including a prospectus, relating to the Shares. Such registration statement, as amended at the time it became effective, including the information, if any, deemed pursuant to Rule 430A, 430B or 430C under the Securities Act to be part of the registration statement at the time of its effectiveness (“Rule 430 Information”), is referred to herein as the “Registration Statement;” and as used herein, the term “Preliminary Prospectus” means each prospectus included in such registration statement (and any amendments thereto) before effectiveness, any prospectus filed with the Commission pursuant to Rule 424(a) under the Securities Act and the prospectus included in the Registration Statement at the time of its effectiveness that omits Rule 430 Information, and the term “Prospectus” means the prospectus in the form first used (or made available upon request of purchasers pursuant to Rule 173 under the Securities Act) in connection with confirmation of sales of the Shares. If the Company has filed an abbreviated registration statement pursuant to Rule 462(b) under the Securities Act (the “Rule 462 Registration Statement”), then any reference herein to the term “Registration Statement” shall be deemed to include such Rule 462 Registration Statement. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Registration Statement and the Prospectus.

At or prior to the Applicable Time (as defined below), the Company had prepared the following information (collectively with the pricing information set forth on Annex A, the “Pricing Disclosure Package”): a Preliminary Prospectus dated [●], 2021 and each “free-writing prospectus” (as defined pursuant to Rule 405 under the Securities Act) listed on Annex A hereto.

“Applicable Time” means [●] [A/P].M., New York City time, on [●], 2021.

2. Purchase of the Shares. (a) The Company agrees to issue and sell the Underwritten Shares to the several Underwriters as provided in this underwriting agreement (this “Agreement”), and each Underwriter, on the basis of the representations, warranties and agreements set forth herein and subject to the conditions set forth herein, agrees, severally and not jointly, to purchase at a price per share of \$[●] (the “Purchase Price”) from the Company the respective number of Underwritten Shares set forth opposite such Underwriter’s name in Schedule 1 hereto.

In addition, the Company agrees to issue and sell the Option Shares to the several Underwriters as provided in this Agreement, and the Underwriters, on the basis of the representations, warranties and agreements set forth herein and subject to the conditions set forth herein, shall have the option to purchase, severally and not jointly, from the Company the Option Shares at the Purchase Price less an amount per share equal to any dividends or distributions declared by the Company and payable on the Underwritten Shares but not payable on the Option Shares. If any Option Shares are to be purchased, the number of Option Shares to be purchased by each Underwriter shall be the number of Option Shares which bears the same ratio to the aggregate number of Option Shares being purchased as the number of Underwritten Shares set

forth opposite the name of such Underwriter in Schedule 1 hereto (or such number increased as set forth in Section 10 hereof) bears to the aggregate number of Underwritten Shares being purchased from the Company by the several Underwriters, subject, however, to such adjustments to eliminate any fractional Shares as the Representatives in their sole discretion shall make.

The Underwriters may exercise the option to purchase Option Shares at any time in whole, or from time to time in part, on or before the thirtieth day following the date of the Prospectus, by written notice from the Representatives to the Company. Such notice shall set forth the aggregate number of Option Shares as to which the option is being exercised and the date and time when the Option Shares are to be delivered and paid for, which may be the same date and time as the Closing Date (as hereinafter defined) but shall not be earlier than the Closing Date nor later than the tenth full business day (as hereinafter defined) after the date of such notice (unless such time and date are postponed in accordance with the provisions of Section 10 hereof). Any such notice shall be given at least two business days prior to the date and time of delivery specified therein.

(b) The Company understands that the Underwriters intend to make a public offering of the Shares, and initially to offer the Shares on the terms set forth in the Pricing Disclosure Package. The Company acknowledges and agrees that the Underwriters may offer and sell Shares to or through any affiliate of an Underwriter.

(c) Payment for the Shares shall be made by wire transfer in immediately available funds to the accounts specified by the Company, to the Representatives in the case of the Underwritten Shares, at the offices of Simpson Thacher & Bartlett LLP at 10:00 A.M. New York City time on [●], 2021, or at such other time or place on the same or such other date, not later than the fifth business day thereafter, as the Representatives and the Company may agree upon in writing or, in the case of the Option Shares, on the date and at the time and place specified by the Representatives in the written notice of the Underwriters' election to purchase such Option Shares. The time and date of such payment for the Underwritten Shares is referred to herein as the "Closing Date," and the time and date for such payment for the Option Shares, if other than the Closing Date, is herein referred to as the "Additional Closing Date."

Payment for the Shares to be purchased on the Closing Date or the Additional Closing Date, as the case may be, shall be made against delivery to the Representatives for the respective accounts of the several Underwriters of the Shares to be purchased on such date or the Additional Closing Date, as the case may be, with any transfer taxes payable in connection with the sale of such Shares duly paid by the Company. Delivery of the Shares shall be made through the facilities of The Depository Trust Company ("DTC") unless the Representatives shall otherwise instruct.

(d) The Company acknowledges and agrees that the Representatives and the other Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Company with respect to the offering of Shares contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Company or any other person. Additionally, neither the Representatives nor any other Underwriter is advising the Company or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Company shall consult with its own

advisors concerning such matters and each shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and neither the Representatives nor any other Underwriter shall have any responsibility or liability to the Company with respect thereto. Any review by the Representatives and the other Underwriters of the Company, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Representatives and the other Underwriters and shall not be on behalf of the Company.

3. Representations and Warranties of the Company. The Company represents and warrants to each Underwriter that:

(a) *Preliminary Prospectus.* No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus included in the Pricing Disclosure Package, at the time of filing thereof, complied in all material respects with the Securities Act, and no Preliminary Prospectus, at the time of filing thereof, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation or warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in any Preliminary Prospectus, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 7(b) hereof.

(b) *Pricing Disclosure Package.* The Pricing Disclosure Package as of the Applicable Time did not, and as of the Closing Date and as of the Additional Closing Date, as the case may be, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation or warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in such Pricing Disclosure Package, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 7(b) hereof. No statement of material fact included in the Prospectus has been omitted from the Pricing Disclosure Package and no statement of material fact included in the Pricing Disclosure Package that is required to be included in the Prospectus has been omitted therefrom.

(c) *Issuer Free Writing Prospectus.* Other than the Registration Statement, the Preliminary Prospectus and the Prospectus, the Company (including its agents and representatives, other than the Underwriters in their capacity as such) has not prepared, made, used, authorized, approved or referred to and will not prepare, make, use, authorize, approve or refer to any “written communication” (as defined in Rule 405 under the Securities Act) that constitutes an offer to sell or solicitation of an offer to buy the Shares (each such communication by the Company or its agents and representatives

(other than a communication referred to in clause (i) below) an “Issuer Free Writing Prospectus”) other than (i) any document not constituting a prospectus pursuant to Section 2(a)(10)(a) of the Securities Act or Rule 134 under the Securities Act or (ii) the documents listed on Annex A hereto, each electronic road show and any other written communications approved in writing in advance by the Representatives. Each such Issuer Free Writing Prospectus complies in all material respects with the Securities Act, has been or will be (within the time period specified in Rule 433) filed in accordance with the Securities Act (to the extent required thereby) and does not conflict with the information contained in the Registration Statement or the Pricing Disclosure Package, and, when taken together with the Preliminary Prospectus accompanying, or delivered prior to delivery of, such Issuer Free Writing Prospectus, did not, and as of the Closing Date and as of the Additional Closing Date, as the case may be, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation or warranty with respect to any statements or omissions made in each such Issuer Free Writing Prospectus or Preliminary Prospectus in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in such Issuer Free Writing Prospectus or Preliminary Prospectus, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 7(b) hereof.

(d) *Emerging Growth Company.* From the time of the initial confidential submission of the Registration Statement to the Commission (or, if earlier, the first date on which the Company engaged directly or through any person authorized to act on its behalf in any Testing-the-Waters Communication undertaken in reliance on Section 5(d) of the Securities Act) through the date hereof, the Company has been and is an “emerging growth company,” as defined in Section 2(a) of the Securities Act (an “Emerging Growth Company”). “Testing-the-Waters Communication” means any oral or written communication with potential investors undertaken in reliance on either Section 5(d) of, or Rule 163B under, the Securities Act.

(e) *Testing-the-Waters Materials.* The Company (i) has not alone engaged in any Testing-the-Waters Communications other than Testing-the-Waters Communications with the consent of the Representatives (x) with entities that are qualified institutional buyers (“QIBs”) within the meaning of Rule 144A under the Securities Act or institutions that are accredited investors within the meaning of Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act (“IAIs”) and otherwise in compliance with the requirements of Section 5(d) of the Securities Act or (y) with entities that the Company reasonably believed to be QIBs or IAIs and otherwise in compliance with the requirements of Rule 163B under the Securities Act and (ii) has not authorized anyone other than the Representatives to engage in Testing-the-Waters Communications. The Company reconfirms that the Representatives have been authorized to act on its behalf in undertaking Testing-the-Waters Communications by virtue of a writing substantially in the form of Exhibit A hereto. The Company has not distributed or approved for distribution any Written Testing-the-Waters Communications other than those listed on

Annex B hereto. "Written Testing-the-Waters Communication" means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Securities Act. Any individual Written Testing-the-Waters Communication does not conflict with the information contained in the Registration Statement or the Pricing Disclosure Package, complied in all material respects with the Securities Act, and when taken together with the Pricing Disclosure Package as of the Applicable Time, did not, and as of the Closing Date and as of the Additional Closing Date, as the case may be, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) *Registration Statement and Prospectus.* The Registration Statement has been declared effective by the Commission. No order suspending the effectiveness of the Registration Statement has been issued by the Commission, and no proceeding for that purpose or pursuant to Section 8A of the Securities Act against the Company or related to the offering of the Shares has been initiated or, to the Company's knowledge, threatened by the Commission; as of the applicable effective date of the Registration Statement and any post-effective amendment thereto, the Registration Statement and any such post-effective amendment complied and will comply in all material respects with the Securities Act, and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; and as of the date of the Prospectus and any amendment or supplement thereto and as of the Closing Date and as of the Additional Closing Date, as the case may be, the Prospectus will comply in all material respects with the Securities Act and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation or warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in the Registration Statement and the Prospectus and any amendment or supplement thereto, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 7(b) hereof.

(g) *Financial Statements.* The financial statements (including the related notes thereto) of the Company and its consolidated subsidiaries included in the Registration Statement, the Pricing Disclosure Package and the Prospectus comply in all material respects with the applicable requirements of the Securities Act and present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of the dates indicated and the results of their operations and the changes in their cash flows for the periods specified; such financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States applied on a consistent basis throughout the periods covered thereby, and any supporting schedules included in the Registration Statement present fairly, in all material respects, the information required to be stated therein; the other financial information included in the Registration Statement, the Pricing Disclosure Package and the Prospectus has been derived from the accounting records of the Company and its consolidated subsidiaries

and presents fairly, in all material respects, the information shown thereby; and all disclosures included in the Registration Statement, the Pricing Disclosure Package and the Prospectus regarding “non-GAAP financial measures” (as such term is defined by the rules and regulations of the Commission) comply with Regulation G of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder (collectively, the “Exchange Act”) and Item 10 of Regulation S-K of the Securities Act, to the extent applicable.

(h) *No Material Adverse Change.* Since the date of the most recent financial statements of the Company included in the Registration Statement, the Pricing Disclosure Package and the Prospectus, (i) there has not been any change in the capital stock (other than the issuance of shares of Common Stock upon exercise of stock options and warrants described as outstanding in, and the grant of options and awards under existing equity incentive plans described in, the Registration Statement, the Pricing Disclosure Package and the Prospectus), short-term debt or long-term debt of the Company or any of its subsidiaries (other than borrowings described in or expressly contemplated by the Registration Statement, the Pricing Disclosure Package and the Prospectus), or any dividend or distribution of any kind declared, set aside for payment, paid or made by the Company on any class of capital stock, or any material adverse change, or any development that would reasonably be expected to result in a prospective material adverse change, in or affecting the business, properties, management, financial position, stockholders’ equity, results of operations or prospects of the Company and its subsidiaries taken as a whole; (ii) neither the Company nor any of its subsidiaries has entered into any transaction or agreement (whether or not in the ordinary course of business) that is material to the Company and its subsidiaries taken as a whole or incurred any liability or obligation, direct or contingent, that is material to the Company and its subsidiaries taken as a whole; and (iii) neither the Company nor any of its subsidiaries has sustained any loss or interference with its business that is material to the Company and its subsidiaries taken as a whole and that is either from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority, except in each case as otherwise disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(i) *Organization and Good Standing.* The Company and each of its subsidiaries have been duly organized and are validly existing and in good standing under the laws of their respective jurisdictions of organization, are duly qualified to do business and are in good standing in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification, and have all power and authority necessary to own or hold their respective properties and to conduct the businesses in which they are engaged, except where the failure to be so qualified or in good standing or have such power or authority would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, properties, management, financial position, stockholders’ equity, results of operations or prospects of the Company and its subsidiaries taken as a whole or on the performance by the Company of its obligations under this Agreement (a “Material Adverse Effect”). The subsidiaries listed in Exhibit 21.1 to the Registration Statement are the only “significant subsidiaries” of the Company.

(j) *Capitalization.* The Company has an authorized capitalization as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus under the heading “Capitalization”; all the outstanding shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable and are not subject to any pre-emptive or similar rights; except as described in or expressly contemplated by the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no outstanding rights (including, without limitation, pre-emptive rights), warrants or options to acquire, or instruments convertible into or exchangeable for, any shares of capital stock or other equity interest in the Company or any of its subsidiaries, or any contract, commitment, agreement, understanding or arrangement of any kind relating to the issuance of any capital stock of the Company or any such subsidiary, any such convertible or exchangeable securities or any such rights, warrants or options; the capital stock of the Company conforms in all material respects to the description thereof contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and all the outstanding shares of capital stock or other equity interests of each subsidiary owned, directly or indirectly, by the Company have been duly and validly authorized and issued, are fully paid and non-assessable (except as otherwise described in the Registration Statement, the Pricing Disclosure Package and the Prospectus), and are owned directly or indirectly by the Company, free and clear of any lien, charge, encumbrance, security interest, restriction on voting or transfer or any other claim of any third party, except for such lien, charge, encumbrance, security interest, restriction on voting or transfer or any other claim of any third party as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(k) *Stock Options.* With respect to the stock options (the “Stock Options”) and other equity awards granted pursuant to the stock-based compensation plans of the Company and its subsidiaries (the “Company Stock Plans”), (i) each Stock Option intended to qualify as an “incentive stock option” under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”) so qualifies, (ii) each such grant was duly authorized no later than the date on which the grant of such Stock Option was by its terms to be effective (the “Grant Date”) by all necessary corporate action, including, as applicable, approval by the board of directors of the Company (or a duly constituted and authorized committee thereof) and any required stockholder approval by the necessary number of votes or written consents, and the award agreement governing such grant (if any) was duly executed and delivered by each party thereto, (iii) each such grant was made in accordance with the terms of the Company Stock Plans, the Exchange Act and all other applicable laws and regulatory rules or requirements, including the rules of The Nasdaq Stock Market and any other exchange on which Company securities are traded, and (iv) each such grant was properly accounted for in accordance with GAAP in the financial statements (including the related notes) of the Company. The Company has not knowingly granted, and there is no and has been no policy or practice of the Company of granting, Stock Options or other equity awards prior to, or otherwise coordinating the grant of Stock Options or other equity awards with, the release or other public announcement of material information regarding the Company or its subsidiaries or their results of operations or prospects.

(l) *Due Authorization.* The Company has full right, power and authority to execute and deliver this Agreement and to perform its obligations hereunder; and all action required to be taken for the due and proper authorization, execution and delivery by it of this Agreement and the consummation by it of the transactions contemplated hereby has been duly and validly taken.

(m) *Underwriting Agreement.* This Agreement has been duly authorized, executed and delivered by the Company.

(n) *The Shares.* The Shares to be issued and sold by the Company hereunder have been duly authorized by the Company and, when issued and delivered and paid for as provided herein, will be duly and validly issued, will be fully paid and nonassessable and will conform in all material respects to the descriptions thereof in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and the issuance of the Shares is not subject to any preemptive or similar rights.

(o) *Descriptions of the Underwriting Agreement.* This Agreement conforms in all material respects to the description thereof contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(p) *No Violation or Default.* Neither the Company nor any of its subsidiaries is (i) in violation of its charter or by-laws or similar organizational documents; (ii) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any property or asset of the Company or any of its subsidiaries is subject; or (iii) in violation of any law or statute applicable to the Company or any of its subsidiaries or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority having jurisdiction over the Company or any of its subsidiaries, except, in the case of clauses (ii) and (iii) above, for any such default or violation that would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(q) *No Conflicts.* The execution, delivery and performance by the Company of this Agreement, the issuance and sale of the Shares by the Company and the consummation by the Company of the transactions contemplated by this Agreement or the Pricing Disclosure Package and the Prospectus will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, result in the termination, modification or acceleration of, or result in the creation or imposition of any lien, charge or encumbrance upon any property, right or asset of the Company or any of its subsidiaries pursuant to, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to

which any property, right or asset of the Company or any of its subsidiaries is subject, (ii) result in any violation of the provisions of the charter or by-laws or similar organizational documents of the Company or any of its subsidiaries or (iii) result in the violation of any law or statute applicable to the Company or any of its subsidiaries or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority having jurisdiction over the Company or any of its subsidiaries, except, in the case of clauses (i) and (iii) above, for any such conflict, breach, violation, default, lien, charge or encumbrance that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(r) *No Consents Required.* No consent, approval, authorization, order, registration or qualification of or with any court or arbitrator or governmental or regulatory authority is required for the execution, delivery and performance by the Company of this Agreement, the issuance and sale by the Company of the Shares and the consummation of the transactions contemplated by this Agreement, except for the registration of the Shares under the Securities Act and such consents, approvals, authorizations, orders and registrations or qualifications as have already been obtained, made or waived or as may be required by the Financial Industry Regulatory Authority, Inc. (“FINRA”) and under applicable state securities laws in connection with the purchase and distribution of the Shares by the Underwriters.

(s) *Legal Proceedings.* Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no legal, governmental or regulatory investigations, actions, demands, claims, suits, arbitrations, inquiries or proceedings (“Actions”) pending or, to the Company’s knowledge, threatened, to which the Company or any of its subsidiaries is or may reasonably be expected to become a party or to which any property of the Company or any of its subsidiaries is or may reasonably be expected to become the subject that, individually or in the aggregate, if determined adversely to the Company or any of its subsidiaries, would reasonably be expected to have a Material Adverse Effect; to the knowledge of the Company, no such Actions are threatened or contemplated by any governmental or regulatory authority or threatened by others; and (i) there are no current or pending Actions that are required under the Securities Act to be described in the Registration Statement, the Pricing Disclosure Package or the Prospectus that are not so described in the Registration Statement, the Pricing Disclosure Package and the Prospectus and (ii) there are no statutes, regulations or contracts or other documents that are required under the Securities Act to be filed as exhibits to the Registration Statement or described in the Registration Statement, the Pricing Disclosure Package or the Prospectus that are not so filed as exhibits to the Registration Statement or described in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(t) *Independent Accountants.* Ernst & Young LLP, who have certified certain financial statements of the Company and its subsidiaries, is an independent registered public accounting firm with respect to the Company and its subsidiaries within the applicable rules and regulations adopted by the Commission and the Public Company Accounting Oversight Board (United States) and as required by the Securities Act.

(u) *Title to Real and Personal Property.* The Company and its subsidiaries have good and marketable title in fee simple to, or have valid rights to lease or otherwise use, all items of real and personal property that are material to the respective businesses of the Company and its subsidiaries, taken as a whole, in each case free and clear of all liens, encumbrances, claims and defects and imperfections of title except those that (i) do not materially interfere with the use made and proposed to be made of such property by the Company and its subsidiaries, taken as a whole, or (ii) would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(v) *Intellectual Property.* (i) The Company and its subsidiaries own or have the right to use all patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, domain names and other source indicators, copyrights (including copyrights in software) and copyrightable works, know-how, trade secrets, systems, procedures, proprietary or confidential information and all other worldwide intellectual property, industrial property and proprietary rights (collectively, "Intellectual Property") used in the conduct of their respective businesses as currently conducted; (ii) the Company's and its subsidiaries' conduct of their respective businesses does not infringe, misappropriate or otherwise violate any Intellectual Property of any person; (iii) the Company and its subsidiaries have not received any written notice of any claim relating to Intellectual Property; and (iv) to the knowledge of the Company, the Intellectual Property of the Company and its subsidiaries is not being infringed, misappropriated or otherwise violated by any person. The Company and its subsidiaries have taken commercially reasonable measures to maintain in confidence all trade secrets and confidential information comprising any part of the Intellectual Property used in the current conduct of their respective businesses. No third party has possession of, or any current or contingent right to access or possess, any material proprietary source code of the Company or any of its subsidiaries. To the Company's knowledge, neither the Company nor any of its subsidiaries has used or distributed any software or other materials distributed under a "free," "copyleft," "open source," or similar licensing model in any manner that requires, purports to require or has required (i) the Company or any of its subsidiaries to permit reverse-engineering of any products or services, or any material software code or other technology owned or purported to be owned by, the Company or any of its subsidiaries; or (ii) any products or services of the Company or any of its subsidiaries, or any material software code or other technology owned or purported to be owned by the Company or any of its subsidiaries, to be (A) disclosed or distributed in source code form, (B) licensed for the purpose of making derivative works or (C) redistributable at no charge.

(w) *No Undisclosed Relationships.* No relationship, direct or indirect, exists between or among the Company or any of its subsidiaries, on the one hand, and the directors, officers, stockholders, customers, suppliers or other affiliates of the Company or any of its subsidiaries, on the other, that is required by the Securities Act to be described in each of the Registration Statement and the Prospectus and that is not so described in such documents and in the Pricing Disclosure Package.

(x) *Investment Company Act.* The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof received by the Company as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, will not be required to register as an “investment company” or an entity “controlled” by an “investment company” within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission thereunder (collectively, the “Investment Company Act”).

(y) *Taxes.* Except as would not have a Material Adverse Effect, the Company and its subsidiaries have paid all federal, state, local and foreign taxes and filed all tax returns required to be paid or filed through the date hereof; and except as otherwise disclosed in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus, there is no tax deficiency that has been, or to the knowledge of the Company could reasonably be expected to be, asserted against the Company or any of its subsidiaries or any of their respective properties or assets.

(z) *Licenses and Permits.* The Company and its subsidiaries possess all licenses, sub-licenses, certificates, permits and other authorizations issued by, and have made all declarations and filings with, the appropriate federal, state, local or foreign governmental or regulatory authorities that are necessary for the ownership or lease of their respective properties or the conduct of their respective businesses as described in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus, except where the failure to possess or make the same would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect; and except as described in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus, neither the Company nor any of its subsidiaries has received notice of any revocation or modification of any such license, sub-license, certificate, permit or authorization or has any reason to believe that any such license, sub-license, certificate, permit or authorization will not be renewed in the ordinary course, except where such revocation, modification or nonrenewal would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(aa) *No Labor Disputes.* No labor disturbance by or dispute with employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is contemplated or threatened, and the Company is not aware of any existing or imminent labor disturbance by, or dispute with, the employees of any of its or its subsidiaries’ principal suppliers, contractors or customers, except as would not reasonably be expected to have a Material Adverse Effect. Neither the Company nor any of its subsidiaries is party to any collective bargaining agreement.

(bb) *Certain Environmental Matters.* (i) The Company and its subsidiaries (x) are in compliance with all, and have not violated any, applicable federal, state, local and foreign laws (including common law), rules, regulations, requirements, decisions, judgments, decrees, orders and other legally enforceable requirements relating to pollution or the protection of human health or safety, the environment, natural resources, hazardous or toxic substances or wastes, pollutants or contaminants (collectively, “Environmental Laws”); (y) have received and are in compliance with all, and have not violated any, permits, licenses, certificates or other authorizations or approvals required of them under any Environmental Laws to conduct their respective businesses; and (z)

have not received notice of any actual or potential liability or obligation under or relating to, or any actual or potential violation of, any Environmental Laws, including for the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, and have no knowledge of any event or condition that would reasonably be expected to result in any such notice; (ii) there are no costs or liabilities associated with Environmental Laws of or relating to the Company or its subsidiaries, except in the case of each of (i) and (ii) above, for any such matter as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and (iii) except as described in each of the Pricing Disclosure Package and the Prospectus, (x) there is no proceeding that is pending, or that is known to be contemplated, against the Company or any of its subsidiaries under any Environmental Laws in which a governmental entity is also a party, other than such proceeding regarding which it is reasonably believed no monetary sanctions of \$300,000 or more will be imposed, (y) the Company and its subsidiaries are not aware of any facts or issues regarding compliance with Environmental Laws, or liabilities or other obligations under Environmental Laws or concerning hazardous or toxic substances or wastes, pollutants or contaminants, that would reasonably be expected to have a material effect on the capital expenditures, earnings or competitive position of the Company and its subsidiaries, and (z) none of the Company or any of its subsidiaries anticipates material capital expenditures relating to any Environmental Laws.

(cc) *Compliance with ERISA.* (i) Each employee benefit plan, within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), for which the Company or any member of its “Controlled Group” (defined as any entity, whether or not incorporated, that is under common control with the Company within the meaning of Section 4001(a)(14) of ERISA or any entity that would be regarded as a single employer with the Company under Section 414(b), (c), (m) or (o) of the Code) would have any liability (each, a “Plan”) has been maintained in compliance with its terms and the requirements of any applicable statutes, orders, rules and regulations, including but not limited to ERISA and the Code; (ii) no prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any Plan, excluding transactions effected pursuant to a statutory or administrative exemption; (iii) for each Plan that is subject to the funding rules of Section 412 of the Code or Section 302 of ERISA, no Plan has failed (whether or not waived), or is reasonably expected to fail, to satisfy the minimum funding standards (within the meaning of Section 302 of ERISA or Section 412 of the Code) applicable to such Plan; (iv) no Plan is, or is reasonably expected to be, in “at risk status” (within the meaning of Section 303(i) of ERISA) and no “multiemployer plan” (within the meaning of Section 4001(a)(3) of ERISA) to which the Company or any member of its Controlled Group contributes or has an obligation to contribute (a “Multiemployer Plan”) is in “endangered status” or “critical status” (within the meaning of Sections 304 and 305 of ERISA); (v) the fair market value of the assets of each Plan exceeds the present value of all benefits accrued under such Plan (determined based on those assumptions used to fund such Plan); (vi) no “reportable event” (within the meaning of Section 4043(c) of ERISA and the regulations promulgated thereunder) has occurred or is reasonably expected to occur; (vii) each Plan that is intended to be qualified under Section 401(a) of the Code is so qualified, and nothing has occurred, whether by action or by failure to act,

which would cause the loss of such qualification; (viii) neither the Company nor any member of the Controlled Group has incurred, nor reasonably expects to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the Pension Benefit Guarantee Corporation, in the ordinary course and without default) in respect of a Plan or Multiemployer Plan; and (ix) none of the following events has occurred or is reasonably likely to occur: (A) a material increase in the aggregate amount of contributions required to be made to all Plans by the Company or its Controlled Group affiliates in the current fiscal year of the Company and its Controlled Group affiliates compared to the amount of such contributions made in the Company's and its Controlled Group affiliates' most recently completed fiscal year; or (B) a material increase in the Company's and its subsidiaries' "accumulated post-retirement benefit obligations" (within the meaning of Accounting Standards Codification Topic 715-60) compared to the amount of such obligations in the Company's and its subsidiaries' most recently completed fiscal year, except in each case with respect to the events or conditions set forth in (i) through (ix) hereof, as would not, individually or in the aggregate, have a Material Adverse Effect.

(dd) *Disclosure Controls*. The Company and its subsidiaries maintain an effective system of "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Exchange Act) that complies with the requirements of the Exchange Act and that has been designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, including controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

(ee) *Accounting Controls*. The Company and its subsidiaries maintain systems of "internal control over financial reporting" (as defined in Rule 13a-15(f) of the Exchange Act) that comply with the requirements of the Exchange Act and have been designed by, or under the supervision of, their respective principal executive and principal financial officers, or persons performing similar functions, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company and its subsidiaries on a consolidated basis maintain internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no material weaknesses in the internal controls of the Company and its subsidiaries on a consolidated basis (it being understood that this subsection shall not require the Company to comply with Section 404 of the Sarbanes-Oxley Act (as defined herein) as of an earlier date than it would otherwise be required to so comply under applicable law). The Company's

auditors and the Audit Committee of the Board of Directors of the Company have been advised of: (i) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which have adversely affected or are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

(ff) *Insurance.* The Company and its subsidiaries have insurance covering their respective properties, operations, personnel and businesses, including business interruption insurance, which insurance is in amounts and insures against such losses and risks as the Company reasonably believes are adequate to protect the Company and its subsidiaries and their respective businesses; and neither the Company nor any of its subsidiaries has (i) received notice from any insurer or agent of such insurer that material capital improvements or other material expenditures are required or necessary to be made in order to continue such insurance or (ii) any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage at reasonable cost from similar insurers as may be necessary to continue its business.

(gg) *Cybersecurity; Data Protection.* The Company and its subsidiaries' information technology assets and equipment, computers, systems, networks, hardware, software, websites, applications, and databases (collectively, "IT Systems") are adequate for, and operate and perform in all material respects as required in connection with the operation of the business of the Company and its subsidiaries as currently conducted, and, to the Company's knowledge, free and clear of all material bugs, errors, defects, Trojan horses, time bombs, malware and other corruptants. The Company and its subsidiaries have implemented and maintained commercially reasonable controls, policies, procedures, and safeguards to maintain and protect their material confidential information and the privacy, confidentiality, integrity, availability, continuous operation, redundancy and security of all IT Systems and data (including all personal, personally identifiable, sensitive, confidential or regulated data and all Protected Health Information, as defined in 45 C.F.R. § 160.103 ("Personal Data")) used in connection with their businesses, and there have been no breaches, violations, outages, incidents or unauthorized uses of or accesses to same, except for those that have been remedied without, or would not reasonably be expected to result in, material cost or liability or the duty to notify any other person (including any governmental or regulatory authority), nor any incidents under internal review or investigations relating to the same. The Company and its subsidiaries are presently in material compliance with (i) all U.S. state and federal, and all other applicable laws and statutes and all judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, and (ii) its internal policies and contractual obligations, in each case of (i) and (ii), relating to the privacy and security of IT Systems and Personal Data, including the creation, collection, receipt, acquisition, storage, maintenance, use, disclosure, transfer, transmission, disposition, retention, and processing of Personal Data, and to the security and protection of such IT Systems and Personal Data from unauthorized use, disclosure, access, acquisition, misappropriation or modification.

(hh) *No Unlawful Payments.* Neither the Company nor any of its subsidiaries, nor any director or officer of the Company or any of its subsidiaries nor, to the knowledge of the Company, any agent, employee, affiliate or other person associated with or acting on behalf of the Company or any of its subsidiaries has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made or taken an act in furtherance of an offer, promise or authorization of any direct or indirect unlawful payment or benefit to any foreign or domestic government official or employee, including of any government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, or any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or committed an offence under the Bribery Act 2010 of the United Kingdom or any other applicable anti-bribery or anti-corruption law; or (iv) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe or other unlawful benefit, including, without limitation, any rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit. The Company and its subsidiaries, taken as a whole, have instituted, maintain and enforce, and will continue to maintain and enforce policies and procedures designed to promote and ensure compliance with all applicable anti-bribery and anti-corruption laws.

(ii) *Compliance with Anti-Money Laundering Laws.* The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements, including those of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the applicable money laundering statutes of all jurisdictions where the Company or any of its subsidiaries conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the “Anti-Money Laundering Laws”), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(jj) *No Conflicts with Sanctions Laws.* Neither the Company nor any of its subsidiaries, directors or officers, nor, to the knowledge of the Company, any agent, employee, affiliate or other person associated with or acting on behalf of the Company or any of its subsidiaries is currently the subject or the target of any sanctions administered or enforced by the U.S. government (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury (“OFAC”) or the U.S. Department of State and including, without limitation, the designation as a “specially designated national” or “blocked person”), the United Nations Security Council (“UNSC”), the European Union, Her Majesty’s Treasury (“HMT”) or other relevant sanctions authority (collectively, “Sanctions”), nor is the Company or any of its subsidiaries located, organized or resident in a country or territory that is the subject or target of Sanctions, including, without limitation, Crimea, Cuba, Iran, North Korea and Syria (each, a “Sanctioned Country”); and the Company will not directly or indirectly use the proceeds

of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is the subject or target of Sanctions, (ii) to fund or facilitate any activities of or business in any Sanctioned Country or (iii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions. For the past five years, the Company and its subsidiaries have not knowingly engaged in and are not now knowingly engaged in any dealings or transactions with any person that at the time of the dealing or transaction is or was the subject or the target of Sanctions or with any Sanctioned Country.

(kk) *No Restrictions on Subsidiaries.* Except as otherwise disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus with respect to the Company's Credit Agreement (as defined in the Registration Statement), no subsidiary of the Company is currently prohibited, directly or indirectly, under any agreement or other instrument to which it is a party or is subject, from paying any dividends to the Company, from making any other distribution on such subsidiary's capital stock or similar ownership interest, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's properties or assets to the Company or any other subsidiary of the Company.

(ll) *No Broker's Fees.* Neither the Company nor any of its subsidiaries is a party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against any of them or any Underwriter for a brokerage commission, finder's fee or like payment in connection with the offering and sale of the Shares.

(mm) *No Registration Rights.* Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, no person has the right to require the Company or any of its subsidiaries to register any securities for sale under the Securities Act by reason of the filing of the Registration Statement with the Commission, or the issuance and sale of the Shares by the Company hereunder.

(nn) *No Stabilization.* Neither the Company nor any of its subsidiaries or affiliates has taken, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Shares.

(oo) *Margin Rules.* Neither the issuance, sale and delivery of the Shares nor the application of the proceeds thereof by the Company as described in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus will violate Regulation T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors.

(pp) *Forward-Looking Statements.* No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) included in any of the Registration Statement, the Pricing Disclosure Package or the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

(qq) *Statistical and Market Data.* Nothing has come to the attention of the Company that has caused the Company to believe that the statistical and market-related data included in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus is not based on or derived from sources that are reliable and accurate in all material respects.

(rr) *Sarbanes-Oxley Act.* There is and has been no failure on the part of the Company or any of the Company's directors or officers, in their capacities as such, to comply with any provision of the Sarbanes-Oxley Act of 2002, as amended and the rules and regulations promulgated in connection therewith (the "Sarbanes-Oxley Act"), including Section 402 related to loans and Sections 302 and 906 related to certifications, to the extent compliance is required.

(ss) *Status under the Securities Act.* At the time of filing the Registration Statement and any post-effective amendment thereto, at the earliest time thereafter that the Company or any offering participant made a *bona fide* offer (within the meaning of Rule 164(h)(2) under the Securities Act) of the Shares and at the date hereof, the Company was not and is not an "ineligible issuer," as defined in Rule 405 under the Securities Act.

(tt) *No Ratings.* There are (and prior to the Closing Date, will be) no debt securities, convertible securities or preferred stock issued or guaranteed by the Company or any of its subsidiaries that are rated by a "nationally recognized statistical rating organization," as such term is defined in Section 3(a)(62) under the Exchange Act.

(uu) *Directed Share Program.* The Company represents and warrants that (i) the Registration Statement, the Pricing Disclosure Package and the Prospectus, any Preliminary Prospectus and any Issuer Free Writing Prospectuses comply in all material respects, and any further amendments or supplements thereto will comply in all material respects, with any applicable laws or regulations of foreign jurisdictions in which the Pricing Disclosure Package, the Prospectus, any Preliminary Prospectus and any Issuer Free Writing Prospectus, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program, and that (ii) no authorization, approval, consent, license, order, registration or qualification of or with any government, governmental instrumentality or court, other than such as have been obtained, is necessary under the securities laws and regulations of foreign jurisdictions in which the Directed Shares are offered outside the United States. The Company has not offered, or caused the Underwriters to offer, Shares to any person pursuant to the Directed Share Program with the specific intent to unlawfully influence (i) a customer or supplier of the Company to alter the customer or supplier's level or type of business with the Company, or (ii) a trade journalist or publication to write or publish favorable information about the Company or its products.

4. Further Agreements of the Company. The Company covenants and agrees with each Underwriter that:

(a) *Required Filings.* The Company will file the final Prospectus with the Commission within the time periods specified by Rule 424(b) and Rule 430A, 430B or 430C under the Securities Act; will file any Issuer Free Writing Prospectus to the extent required by Rule 433 under the Securities Act; and the Company will furnish copies of the Prospectus and each Issuer Free Writing Prospectus (to the extent not previously delivered) to the Underwriters in New York City prior to 10:00 A.M., New York City time, on the business day next succeeding the date of this Agreement in such quantities as the Representatives may reasonably request.

(b) *Delivery of Copies.* The Company will deliver, without charge, (i) to the Representatives, three signed copies of the Registration Statement as originally filed and each amendment thereto, in each case including all exhibits and consents filed therewith upon the request of the Representatives; and (ii) to each Underwriter (A) a conformed copy of the Registration Statement as originally filed and each amendment thereto (without exhibits) upon the request of such Underwriter and (B) during the Prospectus Delivery Period (as defined below), as many copies of the Prospectus (including all amendments and supplements thereto and each Issuer Free Writing Prospectus) as the Representatives may reasonably request. As used herein, the term "Prospectus Delivery Period" means such period of time after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters a prospectus relating to the Shares is required by law to be delivered (or required to be delivered but for Rule 172 under the Securities Act) in connection with sales of the Shares by any Underwriter or dealer.

(c) *Amendments or Supplements, Issuer Free Writing Prospectuses.* Before making, preparing, using, authorizing, approving, referring to or filing any Issuer Free Writing Prospectus, and before filing any amendment or supplement to the Registration Statement, the Pricing Disclosure Package or the Prospectus, the Company will furnish to the Representatives and counsel for the Underwriters a copy of the proposed Issuer Free Writing Prospectus, amendment or supplement for review and will not make, prepare, use, authorize, approve, refer to or file any such Issuer Free Writing Prospectus or file any such proposed amendment or supplement to which the Representatives reasonably object.

(d) *Notice to the Representatives.* The Company will advise the Representatives promptly, and confirm such advice in writing (which may be by electronic mail), (i) when the Registration Statement has become effective; (ii) when any amendment to the Registration Statement has been filed or becomes effective; (iii) when any supplement to the Pricing Disclosure Package, the Prospectus, any Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication or any amendment to the Prospectus has been filed or distributed; (iv) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or the receipt of any comments from the Commission relating to the Registration Statement or any other request by the Commission for any additional information including, but not limited to, any request for information

concerning any Testing-the-Waters Communication; (v) of the issuance by the Commission or any other governmental or regulatory authority of any order suspending the effectiveness of the Registration Statement or preventing or suspending the use of any Preliminary Prospectus, any of the Pricing Disclosure Package, the Prospectus or any Written Testing-the-Waters Communication or the initiation or, to the Company's knowledge, threatening of any proceeding for that purpose or pursuant to Section 8A of the Securities Act; (vi) of the occurrence of any event or development within the Prospectus Delivery Period as a result of which the Prospectus, any of the Pricing Disclosure Package, any Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication as then amended or supplemented would include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing when the Prospectus, the Pricing Disclosure Package, any such Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication is delivered to a purchaser, not misleading; and (vii) of the receipt by the Company of any notice with respect to any suspension of the qualification of the Shares for offer and sale in any jurisdiction or the initiation or, to the Company's knowledge, threatening of any proceeding for such purpose; and the Company will use its reasonable best efforts to prevent the issuance of any such order suspending the effectiveness of the Registration Statement, preventing or suspending the use of any Preliminary Prospectus, any of the Pricing Disclosure Package or the Prospectus or any Written Testing-the-Waters Communication or suspending any such qualification of the Shares and, if any such order is issued, will obtain as soon as possible the withdrawal thereof.

(e) *Ongoing Compliance.* (1) If during the Prospectus Delivery Period (i) any event or development shall occur or condition shall exist as a result of which the Prospectus as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances existing when the Prospectus is delivered to a purchaser, not misleading or (ii) it is necessary to amend or supplement the Prospectus to comply with law, the Company will promptly notify the Underwriters thereof and forthwith prepare and, subject to paragraph (c) above, file with the Commission and furnish to the Underwriters and to such dealers as the Representatives may designate such amendments or supplements to the Prospectus as may be necessary so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances existing when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus will comply with law and (2) if at any time prior to the Closing Date (i) any event or development shall occur or condition shall exist as a result of which the Pricing Disclosure Package as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances existing when the Pricing Disclosure Package is delivered to a purchaser, not misleading or (ii) it is necessary to amend or supplement the Pricing Disclosure Package to comply with law, the Company will promptly notify the Underwriters thereof and forthwith prepare and, subject to paragraph (c) above, file with the Commission (to the extent required) and furnish to the Underwriters and to such dealers as the Representatives may designate such amendments or supplements to the Pricing Disclosure Package as may be necessary so that the

statements in the Pricing Disclosure Package as so amended or supplemented will not, in the light of the circumstances existing when the Pricing Disclosure Package is delivered to a purchaser, be misleading or so that the Pricing Disclosure Package will comply with law.

(f) *Blue Sky Compliance.* The Company, in cooperation with the Representatives, will qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Representatives shall reasonably request and will continue such qualifications in effect so long as required for distribution of the Shares; provided that the Company shall not be required to (i) qualify as a foreign corporation or other entity or as a dealer in securities in any such jurisdiction where it would not otherwise be required to so qualify, (ii) file any general consent to service of process in any such jurisdiction or (iii) subject itself to taxation in any such jurisdiction if it is not otherwise so subject.

(g) *Earning Statement.* The Company will make generally available to its security holders and the Representatives as soon as practicable an earning statement that satisfies the provisions of Section 11(a) of the Securities Act and Rule 158 of the Commission promulgated thereunder covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the “effective date” (as defined in Rule 158) of the Registration Statement; provided that the Company will be deemed to comply with such requirement by filing such earnings statement on the Commission’s Electronic, Data Gathering, Analysis and Retrieval System (“EDGAR”) (or any successor system).

(h) *Clear Market.* For a period of 180 days after the date of the Prospectus, the Company will not (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, or submit to, or file with, the Commission a registration statement under the Securities Act relating to, any shares of Stock or any securities convertible into or exercisable or exchangeable for Stock, or publicly disclose the intention to undertake any of the foregoing, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Stock or any such other securities, whether any such transaction described in clauses (i) or (ii) above is to be settled by delivery of Stock or such other securities, in cash or otherwise, without the prior written consent of the Representatives.

The restrictions described above do not apply to (i) the Shares to be sold hereunder; (ii) the issuance of shares of Stock or securities convertible into or exercisable for shares of Stock pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options (including net exercise) or the settlement of RSUs (including net settlement), in each case outstanding on the date of this Agreement and described in the Prospectus; (iii) grants of stock options, stock awards, restricted stock, RSUs, or other equity awards and the issuance of shares of Stock or securities convertible into or exercisable or exchangeable for shares of Stock (whether upon the exercise of stock options or otherwise) to the Company’s employees, officers,

directors, advisors, or consultants pursuant to the terms of an equity compensation plan in effect as of the Closing Date and described in the Prospectus, provided that such recipients enter into a lock-up agreement with the Underwriters substantially in the form of Exhibit D hereto; (iv) the issuance of up to 7.5% of the shares of Stock issued and outstanding immediately following the Closing Date, in acquisitions or other similar strategic transactions, provided that such recipients enter into a lock-up agreement with the Underwriters substantially in the form of Exhibit D hereto; or (v) the filing of any registration statement on Form S-8 relating to securities granted or to be granted pursuant to any plan in effect on the date of this Agreement and described in the Prospectus or any assumed benefit plan pursuant to an acquisition or similar strategic transaction.

If the Representatives, in their sole discretion, agree to release or waive the restrictions set forth in a lock-up letter described in Section 6(k) hereof for an officer or director of the Company and provide the Company with notice of the impending release or waiver substantially in the form of Exhibit B hereto at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver substantially in the form of Exhibit C hereto through a major news service at least two business days before the effective date of the release or waiver.

(i) *Use of Proceeds.* The Company will apply the net proceeds from the sale of the Shares as described in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus under the heading “Use of proceeds”.

(j) *No Stabilization.* Neither the Company nor its subsidiaries or affiliates will take, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Stock.

(k) *Exchange Listing.* The Company will use its reasonable best efforts to list, subject to notice of issuance, the Shares on The Nasdaq Global Select Market (the “Exchange”).

(l) *Reports.* For a period of two years following the date hereof, the Company will furnish to the Representatives, as soon as they are available, copies of all reports or other communications (financial or other) furnished to holders of the Shares, and copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange or automatic quotation system; provided that the Company will be deemed to have furnished such reports and financial statements to the Representatives to the extent they are filed on EDGAR.

(m) *Record Retention.* The Company will, pursuant to reasonable procedures developed in good faith, retain copies of each Issuer Free Writing Prospectus that is not filed with the Commission in accordance with Rule 433 under the Securities Act.

(n) *Filings.* The Company will file with the Commission such reports as may be required by Rule 463 under the Securities Act.

(o) *Directed Share Program.* The Company will comply with all applicable securities and other laws, rules and regulations in each jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

(p) *Emerging Growth Company.* The Company will promptly notify the Representatives if the Company ceases to be an Emerging Growth Company at any time prior to the later of (i) completion of the distribution of Shares within the meaning of the Securities Act and (ii) completion of the 180-day restricted period referred to in Section 4(h) hereof.

5. Certain Agreements of the Underwriters. Each Underwriter hereby severally represents and agrees that:

(a) It has not and will not use, authorize use of, refer to or participate in the planning for use of, any “free writing prospectus,” as defined in Rule 405 under the Securities Act (which term includes use of any written information furnished to the Commission by the Company and not incorporated by reference into the Registration Statement and any press release issued by the Company) other than (i) a free writing prospectus that contains no “issuer information” (as defined in Rule 433(h)(2) under the Securities Act) that was not included (including through incorporation by reference) in the Preliminary Prospectus or a previously filed Issuer Free Writing Prospectus, (ii) any Issuer Free Writing Prospectus listed on Annex A hereto or prepared pursuant to Section 3(c) above (including any electronic road show), or (iii) any free writing prospectus prepared by such underwriter and approved by the Company in advance in writing (each such free writing prospectus referred to in clauses (i) or (iii), an “Underwriter Free Writing Prospectus”).

(b) It has not and will not, without the prior written consent of the Company, use any free writing prospectus that contains the final terms of the Shares unless such terms have previously been included in a free writing prospectus filed with the Commission.

(c) It is not subject to any pending proceeding under Section 8A of the Securities Act with respect to the offering (and will promptly notify the Company if any such proceeding against it is initiated during the Prospectus Delivery Period).

6. Conditions of Underwriters' Obligations. The obligation of each Underwriter to purchase the Underwritten Shares on the Closing Date or the Option Shares on the Additional Closing Date, as the case may be, as provided herein is subject to the performance by the Company of its covenants and other obligations hereunder and to the following additional conditions:

(a) *Registration Compliance; No Stop Order.* No order suspending the effectiveness of the Registration Statement shall be in effect, and no proceeding for such purpose or pursuant to Section 8A under the Securities Act shall be pending before or threatened by the Commission; the Prospectus and each Issuer Free Writing Prospectus shall have been timely filed with the Commission under the Securities Act (in the case of

an Issuer Free Writing Prospectus, to the extent required by Rule 433 under the Securities Act) and in accordance with Section 4(a) hereof; and all requests by the Commission for additional information shall have been complied with to the reasonable satisfaction of the Representatives.

(b) *Representations and Warranties.* The respective representations and warranties of the Company contained herein shall be true and correct on the date hereof and on and as of the Closing Date or the Additional Closing Date, as the case may be; and the statements of the Company and its officers made in any certificates delivered pursuant to this Agreement shall be true and correct on and as of the Closing Date or the Additional Closing Date, as the case may be.

(c) *No Material Adverse Change.* No event or condition of a type described in Section 3(h) hereof shall have occurred or shall exist, which event or condition is not described in the Pricing Disclosure Package (excluding any amendment or supplement thereto) and the Prospectus (excluding any amendment or supplement thereto) and the effect of which in the judgment of the Representatives makes it impracticable or inadvisable to proceed with the offering, sale or delivery of the Shares on the Closing Date or the Additional Closing Date, as the case may be, on the terms and in the manner contemplated by this Agreement, the Pricing Disclosure Package and the Prospectus.

(d) *Officer's Certificate.* The Representatives shall have received on and as of the Closing Date or the Additional Closing Date, as the case may be, a certificate of the chief financial officer or chief accounting officer of the Company and one additional senior executive officer of the Company who is satisfactory to the Representatives (i) confirming that such officers have carefully reviewed the Registration Statement, the Pricing Disclosure Package and the Prospectus and, to the knowledge of such officers, the representations of the Company set forth in Sections 3(b) and 3(d) hereof are true and correct, (ii) confirming that the other representations and warranties of the Company in this Agreement are true and correct and that the Company has complied in all material respects with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date or the Additional Closing Date, as the case may be, and (iii) to the effect set forth in paragraphs (a) and (c) above.

(e) *Comfort Letters.* (i) On the date of this Agreement and on the Closing Date or the Additional Closing Date, as the case may be, Ernst & Young LLP shall have furnished to the Representatives, at the request of the Company, letters, dated the respective dates of delivery thereof and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, containing statements and information of the type customarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus; provided, that the letter delivered on the Closing Date or the Additional Closing Date, as the case may be, shall use a "cut-off" date no more than two business days prior to such Closing Date or such Additional Closing Date, as the case may be.

(ii) On the date of this Agreement and on the Closing Date or the Additional Closing Date, as the case may be, the Company shall have furnished to the Representatives a certificate, dated the respective dates of delivery thereof and addressed to the Underwriters, of its chief financial officer with respect to certain financial data contained in the Pricing Disclosure Package and the Prospectus, providing “management comfort” with respect to such information, in form and substance reasonably satisfactory to the Representatives.

(f) *Opinion and 10b-5 Statement of Counsel for the Company.* Kirkland & Ellis LLP, counsel for the Company, shall have furnished to the Representatives, at the request of the Company, their written opinion and 10b-5 statement, dated the Closing Date or the Additional Closing Date, as the case may be, and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, to the effect set forth in Annex D hereto.

(g) *Opinion and 10b-5 Statement of Counsel for the Underwriters.* The Representatives shall have received on and as of the Closing Date or the Additional Closing Date, as the case may be, an opinion and 10b-5 statement, addressed to the Underwriters, of Simpson Thacher & Bartlett LLP, counsel for the Underwriters, with respect to such matters as the Representatives may reasonably request, and such counsel shall have received such documents and information as they may reasonably request to enable them to pass upon such matters.

(h) *No Legal Impediment to Issuance and/or Sale.* No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any federal, state or foreign governmental or regulatory authority that would, as of the Closing Date or the Additional Closing Date, as the case may be, prevent the issuance or sale of the Shares by the Company; and no injunction or order of any federal, state or foreign court shall have been issued that would, as of the Closing Date or the Additional Closing Date, as the case may be, prevent the issuance or sale of the Shares by the Company.

(i) *Good Standing.* The Representatives shall have received on and as of the Closing Date or the Additional Closing Date, as the case may be, satisfactory evidence of the good standing of the Company and its subsidiaries in their respective jurisdictions of organization and their good standing in such other jurisdictions as the Representatives may reasonably request, in each case in writing or any standard form of telecommunication from the appropriate governmental authorities of such jurisdictions.

(j) *Exchange Listing.* The Shares to be delivered on the Closing Date or the Additional Closing Date, as the case may be, shall have been approved for listing on the Exchange, subject to official notice of issuance.

(k) *Lock-up Agreements.* The “lock-up” agreements, each substantially in the form of Exhibit D hereto, between you and certain shareholders, officers and directors of the Company, relating to sales and certain other dispositions of shares of Stock or certain other securities, delivered to you on or before the date hereof, shall be full force and effect on the Closing Date or the Additional Closing Date, as the case may be.

(l) *Reorganization Transactions.* Prior to or concurrent with the issuance of the Underwritten Shares and payment therefor in accordance with this Agreement, the Reorganization Transactions (as defined in the Registration Statement and the Preliminary Prospectus) shall have been consummated in a manner consistent with the description thereof in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(m) *Additional Documents.* On or prior to the Closing Date or the Additional Closing Date, as the case may be, the Company shall have furnished to the Representatives such further certificates and documents as the Representatives may reasonably request.

All opinions, letters, certificates and evidence mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Underwriters.

7. Indemnification and Contribution.

(a) *Indemnification of the Underwriters by the Company.* The Company agrees to indemnify and hold harmless each Underwriter, its affiliates, directors and officers and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, reasonable legal fees and other reasonable expenses incurred in connection with any suit, action or proceeding or any claim asserted, as such fees and expenses are incurred and documented), joint or several, that arise out of, or are based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (or any amendment or supplement thereto), any Preliminary Prospectus, any Issuer Free Writing Prospectus, any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Securities Act, any Written Testing-the-Waters Communication, any road show as defined in Rule 433(h) under the Securities Act (a "road show") or any Pricing Disclosure Package (including any Pricing Disclosure Package that has subsequently been amended), or caused by any omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, in each case except insofar as such losses, claims, damages or liabilities arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in paragraph (b) below.

(b) *Indemnification of the Company.* Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the indemnity set forth in paragraph (a) above, but only with respect to any losses, claims, damages or liabilities that arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to such Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in the Registration Statement, the Prospectus (or any amendment or supplement thereto), any Preliminary Prospectus, any Issuer Free Writing Prospectus, any Written Testing-the-Waters Communication, any road show or any Pricing Disclosure Package (including any Pricing Disclosure Package that has subsequently been amended), it being understood and agreed upon that the only such information furnished by any Underwriter consists of the following information in the Prospectus furnished on behalf of each Underwriter: the concession and reallowance figures appearing in the [●] paragraph under the caption “Underwriting” and the information contained in the [●] paragraph under the caption “Underwriting.”

(c) *Notice and Procedures.* If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any person in respect of which indemnification may be sought pursuant to the preceding paragraphs of this Section 7, such person (the “Indemnified Person”) shall promptly notify the person against whom such indemnification may be sought (the “Indemnifying Person”) in writing; provided that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have under the preceding paragraphs of this Section 7 except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided, further, that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have to an Indemnified Person otherwise than under the preceding paragraphs of this Section 7. If any such proceeding shall be brought or asserted against an Indemnified Person and it shall have notified the Indemnifying Person thereof and such Indemnified Person seeks or intends to seek indemnity from the Indemnifying Person, the Indemnifying Person will be entitled to participate in, and, to the extent that it shall elect, jointly with all other Indemnifying Person(s) similarly notified, by written notice delivered to the Indemnified Person promptly after receiving the aforesaid notice from such Indemnified Person, to assume the defense thereof with counsel reasonably satisfactory to such Indemnified Person. Upon receipt of such aforesaid notice from the Indemnifying Person to such Indemnified Person, the Indemnifying Person may retain counsel reasonably satisfactory to the Indemnified Person (who shall not, without the consent of the Indemnified Person, be counsel to the Indemnifying Person) to represent the Indemnified Person and any others entitled to indemnification pursuant to this Section that the Indemnifying Person may designate in such proceeding and shall pay the reasonable fees and expenses in such proceeding and shall pay the reasonable fees and expenses of such counsel related to such proceeding, as incurred. In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) the Indemnifying Person and the Indemnified Person shall have mutually agreed to the contrary; (ii) the Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Person; (iii) the Indemnified Person shall have reasonably concluded that

there may be legal defenses available to it that are different from or in addition to those available to the Indemnifying Person; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the Indemnifying Person and the Indemnified Person and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood and agreed that the Indemnifying Person shall not, in connection with any proceeding or related proceeding in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Persons, and that all such fees and expenses shall be paid or reimbursed as they are incurred, upon receipt from the Indemnified Person of a written request for payment thereof accompanied by a written statement with reasonable supporting detail of such fees and expenses. Any such separate firm for any Underwriter, its affiliates, directors and officers and any control persons of such Underwriter shall be designated in writing by Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC and any such separate firm for the Company, its directors, its officers who signed the Registration Statement and any control persons of the Company shall be designated in writing by the Company. The Indemnifying Person shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there is a final judgment for the plaintiff, the Indemnifying Person agrees to indemnify each Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Person shall have requested that an Indemnifying Person reimburse the Indemnified Person for fees and expenses of counsel as contemplated by this paragraph, the Indemnifying Person shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by the Indemnifying Person of such request and (ii) the Indemnifying Person shall not have reimbursed the Indemnified Person in accordance with such request prior to the date of such settlement. No Indemnifying Person shall, without the written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnification could have been sought hereunder by such Indemnified Person, unless such settlement (x) includes an unconditional release of such Indemnified Person, in form and substance reasonably satisfactory to such Indemnified Person, from all liability on claims that are the subject matter of such proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Person.

(d) *Contribution.* If the indemnification provided for in paragraphs (a) or (b) above is unavailable to an Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Person under such paragraph, in lieu of indemnifying such Indemnified Person thereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters on the other, from the offering of the Shares or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Company, on the one hand, and the Underwriters on the other, in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters on the other, shall be deemed to be in the same respective

proportions as the net proceeds (before deducting expenses) received by the Company from the sale of the Shares and the total underwriting discounts and commissions received by the Underwriters in connection therewith, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate offering price of the Shares. The relative fault of the Company, on the one hand, and the Underwriters on the other, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) *Limitation on Liability.* The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to paragraph (d) above were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Person in connection with any such action or claim. Notwithstanding the provisions of paragraphs (d) and (e), in no event shall an Underwriter be required to contribute any amount in excess of the amount by which the total underwriting discounts and commissions received by such Underwriter with respect to the offering of the Shares exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to paragraphs (d) and (e) are several in proportion to their respective purchase obligations hereunder and not joint.

(f) *Non-Exclusive Remedies.* The remedies provided for in this Section 7 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Indemnified Person at law or in equity.

(g) *Directed Share Program Indemnification.* The Company agrees to indemnify and hold harmless the Directed Share Underwriter, its affiliates, directors and officers and each person, if any, who controls the Directed Share Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act (each a "Directed Share Underwriter Entity") from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal fees and other expenses incurred in connection with defending or investigating any suit, action or proceeding or any claim asserted, as such fees and expenses are incurred) (i) caused by any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the consent of the Company for distribution to Participants in connection with the Directed Share Program or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (ii) caused by the failure of any Participant to pay for and accept delivery of Directed Shares that the Participant agreed to purchase; or (iii) related to, arising out of, or in connection with the Directed Share Program,

other than losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined to have resulted from the bad faith or gross negligence of the Directed Share Underwriter Entities.

(h) In case any proceeding (including any governmental investigation) shall be instituted involving any Directed Share Underwriter Entity in respect of which indemnity may be sought pursuant to paragraph (g) above, the Directed Share Underwriter Entity seeking indemnity shall promptly notify the Company in writing and the Company, upon request of the Directed Share Underwriter Entity, shall retain counsel reasonably satisfactory to the Directed Share Underwriter Entity to represent the Directed Share Underwriter Entity and any others the Company may designate in such proceeding and shall pay the reasonable fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Directed Share Underwriter Entity shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Directed Share Underwriter Entity unless (i) the Company and such Directed Share Underwriter Entity shall have mutually agreed to the retention of such counsel, (ii) the Company has failed within a reasonable time to retain counsel reasonably satisfactory to such Directed Share Underwriter Entity, (iii) the Directed Share Underwriter Entity shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the Company or (iv) the named parties to any such proceeding (including any impleaded parties) include both the Company and the Directed Share Underwriter Entity and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The Company shall not, in respect of the legal expenses of the Directed Share Underwriter Entities in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Directed Share Underwriter Entities. The Company shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent, the Company agrees to indemnify the Directed Share Underwriter Entities from and against any loss or liability by reason of such settlement. Notwithstanding the foregoing sentence, if at any time any Directed Share Underwriter Entity shall have requested the Company to reimburse such Directed Share Underwriter Entity for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the Company agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by the Company of the aforesaid request and (ii) the Company shall not have reimbursed such Directed Share Underwriter Entity in accordance with such request prior to the date of such settlement. The Company shall not, without the prior written consent of the Directed Share Underwriter, effect any settlement of any pending or threatened proceeding in respect of which any Directed Share Underwriter Entity is or could have been a party and indemnity could have been sought hereunder by such Directed Share Underwriter Entity, unless (x) such settlement includes an unconditional release of the Directed Share Underwriter Entities from all liability on claims that are the subject matter of such proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of the Directed Share Underwriter Entity.

(i) To the extent the indemnification provided for in paragraph (g) above is unavailable to a Directed Share Underwriter Entity or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then the Company in lieu of indemnifying the

Directed Share Underwriter Entity thereunder, shall contribute to the amount paid or payable by the Directed Share Underwriter Entity as a result of such losses, claims, damages or liabilities (1) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Directed Share Underwriter Entities on the other hand from the offering of the Directed Shares or (2) if the allocation provided by clause 7(i)(1) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 7(i)(1) above but also the relative fault of the Company on the one hand and of the Directed Share Underwriter Entities on the other hand in connection with any statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Directed Share Underwriter Entities on the other hand in connection with the offering of the Directed Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Directed Shares (before deducting expenses) and the total underwriting discounts and commissions received by the Directed Share Underwriter Entities for the Directed Shares, bear to the aggregate public offering price of the Directed Shares. If the loss, claim, damage or liability is caused by an untrue or alleged untrue statement of material fact or the omission or alleged omission to state a material fact, the relative fault of the Company on the one hand and the Directed Share Underwriter Entities on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement or the omission or alleged omission relates to information supplied by the Company or by the Directed Share Underwriter Entities and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(j) The Company and the Directed Share Underwriter Entities agree that it would be not just or equitable if contribution pursuant to paragraph (i) above were determined by pro rata allocation (even if the Directed Share Underwriter Entities were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (i) above. The amount paid or payable by the Directed Share Underwriter Entities as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by the Directed Share Underwriter Entities in connection with investigating or defending such any action or claim. Notwithstanding the provisions of paragraph (h) above, no Directed Share Underwriter Entity shall be required to contribute any amount in excess of the amount by which the total price at which the Directed Shares distributed to the public were offered to the public exceeds the amount of any damages that such Directed Share Underwriter Entity has otherwise been required to pay. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in paragraphs (g) through (j) are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(k) The indemnity and contribution provisions contained in paragraphs (g) through (j) shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Directed Share Underwriter Entity or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Directed Shares.

8. Effectiveness of Agreement. This Agreement shall become effective as of the date first written above.

9. Termination. This Agreement may be terminated in the absolute discretion of the Representatives, by notice to the Company, if after the execution and delivery of this Agreement and on or prior to the Closing Date or, in the case of the Option Shares, prior to the Additional Closing Date (i) trading generally shall have been suspended or materially limited on or by any of the New York Stock Exchange or The Nasdaq Stock Market; (ii) trading of any securities issued or guaranteed by the Company shall have been suspended on any exchange or in any over-the-counter market; (iii) a general moratorium on commercial banking activities shall have been declared by federal or New York State authorities; or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis, either within or outside the United States, that, in the judgment of the Representatives, is material and adverse and makes it impracticable or inadvisable to proceed with the offering, sale or delivery of the Shares on the Closing Date or the Additional Closing Date, as the case may be, on the terms and in the manner contemplated by this Agreement, the Pricing Disclosure Package and the Prospectus.

10. Defaulting Underwriter.

(a) If, on the Closing Date or the Additional Closing Date, as the case may be, any Underwriter defaults on its obligation to purchase the Shares that it has agreed to purchase hereunder on such date, the non-defaulting Underwriters may in their discretion arrange for the purchase of such Shares by other persons satisfactory to the Company on the terms contained in this Agreement. If, within 36 hours after any such default by any Underwriter, the non-defaulting Underwriters do not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of 36 hours within which to procure other persons satisfactory to the non-defaulting Underwriters to purchase such Shares on such terms. If other persons become obligated or agree to purchase the Shares of a defaulting Underwriter, either the non-defaulting Underwriters or the Company may postpone the Closing Date or the Additional Closing Date, as the case may be, for up to five full business days in order to effect any changes that in the opinion of counsel for the Company or counsel for the Underwriters may be necessary in the Registration Statement and the Prospectus or in any other document or arrangement, and the Company agrees to promptly prepare any amendment or supplement to the Registration Statement and the Prospectus that effects any such changes. As used in this Agreement, the term "Underwriter" includes, for all purposes of this Agreement unless the context otherwise requires, any person not listed in Schedule 1 hereto that, pursuant to this Section 10, purchases Shares that a defaulting Underwriter agreed but failed to purchase.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the non-defaulting Underwriters and the Company as provided in paragraph (a) above, the aggregate number of Shares that remain unpurchased on the Closing Date or the Additional Closing Date, as the case may be, does not exceed one-eleventh of the aggregate number of Shares to be purchased on such date, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of Shares that such Underwriter agreed to purchase hereunder on such date plus such Underwriter's pro rata share (based on the number of Shares that such Underwriter agreed to purchase on such date) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the non-defaulting Underwriters and the Company as provided in paragraph (a) above, the aggregate number of Shares that remain unpurchased on the Closing Date or the Additional Closing Date, as the case may be, exceeds one-eleventh of the aggregate amount of Shares to be purchased on such date, or if the Company shall not exercise the right described in paragraph (b) above, then this Agreement or, with respect to any Additional Closing Date, the obligation of the Underwriters to purchase Shares on the Additional Closing Date, as the case may be, shall terminate without liability on the part of the non-defaulting Underwriters. Any termination of this Agreement pursuant to this Section 10 shall be without liability on the part of the Company, except that the Company will continue to be liable for the payment of expenses as set forth in Section 11 hereof and except that the provisions of Section 7 hereof shall not terminate and shall remain in effect.

(d) Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to the Company or any non-defaulting Underwriter for damages caused by its default.

11. Payment of Expenses.

(a) Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company will pay or cause to be paid all documented costs and expenses incident to the performance of its obligations hereunder, including without limitation, (i) the costs incident to the authorization, issuance, sale, preparation and delivery of the Shares and any taxes payable in that connection; (ii) the costs incident to the preparation, printing and filing under the Securities Act of the Registration Statement, the Preliminary Prospectus, any Issuer Free Writing Prospectus, any Pricing Disclosure Package and the Prospectus (including all exhibits, amendments and supplements thereto) and the distribution thereof; (iii) the fees and expenses of the Company's counsel and independent accountants; (iv) the fees and expenses incurred in connection with the registration or qualification and determination of eligibility for investment of the Shares under the laws of such jurisdictions as the Representatives may designate and the preparation, printing and distribution of a Blue Sky Memorandum (including the reasonable related fees and expenses of counsel for the Underwriters); (v) the cost of preparing stock certificates; (vi) the costs and charges of any transfer agent and any registrar; (vii) all expenses and application fees incurred in connection with any filing with, and clearance of the offering by, FINRA (including the fees and expenses of counsel for the Underwriters relating to such review); (viii) all expenses incurred by the Company in connection with any "road show" presentation to potential investors; provided that any expenses or costs associated with any chartered plane used in connection with any road show or any testing-the-waters meetings shall be paid 50% by the Company and 50% by the Underwriters; (ix) all expenses and application fees related to the listing of the Shares on the Exchange; and (x) all of the fees and disbursements of counsel incurred by the Underwriters in connection with the Directed Share Program and stamp duties, similar taxes or duties or other taxes, if any, incurred by the Underwriters in connection with the Directed Share Program; provided, however, that the amount payable by the Company pursuant to clauses (iv) and (vii) of this Section 11(a) for fees and expenses of counsel to the Underwriters shall not exceed \$40,000 in the aggregate. It is,

however, understood that except as provided in this Section 11 or Section 7 hereof, the Underwriters shall pay all of their own costs and expenses, including, without limitation, the fees and disbursements of their counsel, any advertising expenses connected with any offers they make.

(b) If (i) this Agreement is terminated pursuant to Section 9, (ii) the Company for any reason fails to tender the Shares for delivery to the Underwriters or (iii) the Underwriters decline to purchase the Shares for any reason permitted under this Agreement, the Company agrees to reimburse the Underwriters for all out-of-pocket costs and expenses (including the fees and expenses of their counsel) reasonably incurred by the Underwriters in connection with this Agreement and the offering contemplated hereby.

12. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and any controlling persons referred to herein and the affiliates of each Underwriter referred to in Section 7 hereof. Nothing in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein. No purchaser of Shares from any Underwriter shall be deemed to be a successor merely by reason of such purchase.

13. Survival. The respective indemnities, rights of contribution, representations, warranties and agreements of the Company and the Underwriters contained in this Agreement or made by or on behalf of the Company or the Underwriters pursuant to this Agreement or any certificate delivered pursuant hereto shall survive the delivery of and payment for the Shares and shall remain in full force and effect, regardless of any termination of this Agreement or any investigation made by or on behalf of the Company or the Underwriters or the directors, officers, controlling persons or affiliates referred to in Section 7 hereof.

14. Certain Defined Terms. For purposes of this Agreement, (a) except where otherwise expressly provided, the term “affiliate” has the meaning set forth in Rule 405 under the Securities Act; (b) the term “business day” means any day other than a day on which banks are permitted or required to be closed in New York City; and (c) the term “subsidiary” has the meaning set forth in Rule 405 under the Securities Act; and (d) the term “significant subsidiary” has the meaning set forth in Rule 1-02 of Regulation S-X under the Exchange Act.

15. Compliance with USA Patriot Act. In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.

16. Miscellaneous.

(a) Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted and confirmed by any standard form of telecommunication. Notices to the Underwriters shall be given to the Representatives

c/o Goldman Sachs & Co. LLC, 200 West Street, New York, New York 10282; Attention: Registration Department; and c/o J.P. Morgan Securities LLC, 383 Madison Avenue, New York, New York 10179 (fax: (212) 622-8358); Attention: Equity Syndicate Desk. Notices to the Company shall be given to it at 4811 Montgomery Road, Cincinnati, Ohio 45212; Attention: Raul Villar Jr., with a copy (which copy shall not constitute notice) to: Kirkland & Ellis LLP, 300 N. LaSalle Street, Chicago, Illinois 60654; Attention: Robert M. Hayward, P.C. and Robert E. Goedert, P.C.

(b) *Governing Law.* This Agreement and any claim, controversy or dispute arising under or related to this Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(c) *Submission to Jurisdiction.* The Company hereby submits to the exclusive jurisdiction of the U.S. federal and New York state courts in the Borough of Manhattan in The City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. The Company waives any objection which it may now or hereafter have to the laying of venue of any such suit or proceeding in such courts. The Company agrees that final judgment in any such suit, action or proceeding brought in such court shall be conclusive and binding upon the Company, and may be enforced in any court to the jurisdiction of which the Company is subject by a suit upon such judgment.

(d) *Waiver of Jury Trial.* Each of the parties hereto hereby waives any right to trial by jury in any suit or proceeding arising out of or relating to this Agreement.

(e) *Recognition of the U.S. Special Resolution Regimes.*

(i) In the event that any Underwriter that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Underwriter of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(ii) In the event that any Underwriter that is a Covered Entity or a BHC Act Affiliate of such Underwriter becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement that may be exercised against such Underwriter are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

As used in this Section 16(e):

“BHC Act Affiliate” has the meaning assigned to the term “affiliate” in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k).

“Covered Entity” means any of the following:

- (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);
- (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or
- (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“U.S. Special Resolution Regime” means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

(f) *Counterparts*. This Agreement may be signed in counterparts (which may include counterparts delivered by any standard form of telecommunication), each of which shall be an original and all of which together shall constitute one and the same instrument. The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to this Agreement or any document to be signed in connection with this Agreement shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, and the parties hereto consent to conduct the transactions contemplated hereunder by electronic means.

(g) *Amendments or Waivers*. No amendment or waiver of any provision of this Agreement, nor any consent or approval to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties hereto.

(h) *Headings*. The headings herein are included for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing is in accordance with your understanding, please indicate your acceptance of this Agreement by signing in the space provided below.

Very truly yours,

PAYCOR HCM, INC.

By: _____

Name:

Title:

Accepted: As of the date first written above

GOLDMAN SACHS & CO. LLC
J.P. MORGAN SECURITIES LLC

For itself and on behalf of the several Underwriters listed in
Schedule 1 hereto.

GOLDMAN SACHS & CO. LLC

By: _____
Authorized Signatory

J.P. MORGAN SECURITIES LLC

By: _____
Authorized Signatory

<u>Underwriter</u>	<u>Number of Shares</u>
Goldman Sachs & Co. LLC	[●]
J.P. Morgan Securities LLC	[●]
Jefferies LLC	[●]
Credit Suisse Securities (USA) LLC	[●]
Deutsche Bank Securities Inc.	[●]
Cowen and Company, LLC	[●]
JMP Securities, LLC	[●]
Needham & Company, LLC	[●]
Raymond James & Associates, Inc.	[●]
Robert W. Baird & Co. Incorporated	[●]
Stifel, Nicolaus & Company, Incorporated	[●]
Truist Securities, Inc.	[●]
Fifth Third Securities, Inc.	[●]
Roberts & Ryan Investments, Inc.	[●]
Total	<hr/>

a. Pricing Disclosure Package

[None]

b. Pricing Information Provided by Underwriters

Public offering price per share: \$[●]

Number of Underwritten Shares: [●]

Annex A-1

Written Testing-the-Waters Communications

[None]

Annex B-1

[Form of Waiver of Lock-up]
GOLDMAN SACHS & CO. LLC
J.P. MORGAN SECURITIES LLC

Paycor HCM, Inc.
Public Offering of Common Stock

, 20__

[Name and Address of
Officer or Director
Requesting Waiver]

Dear Mr./Ms. [Name]:

This letter is being delivered to you in connection with the offering by Paycor HCM, Inc. (the "Company") of [●] shares of common stock, \$0.001 par value (the "Common Stock"), of the Company and the lock-up letter dated _____, 20__ the "Lock-up Letter"), executed by you in connection with such offering, and your request for a [waiver] [release] dated _____, 20__, with respect to _____ shares of Common Stock (the "Shares").

Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC hereby agree to [waive] [release] the transfer restrictions set forth in the Lock-up Letter, but only with respect to the Shares, effective _____, 20__; provided, however, that such [waiver] [release] is conditioned on the Company announcing the impending [waiver] [release] by press release through a major news service at least two business days before effectiveness of such [waiver] [release]. This letter will serve as notice to the Company of the impending [waiver] [release].

Except as expressly [waived] [released] hereby, the Lock-up Letter shall remain in full force and effect.

[Signature Page Follows]

Yours very truly,

[Signature of Goldman Sachs & Co. LLC Representatives]

[Name of Goldman Sachs & Co. LLC Representatives]

[Signature of J.P. Morgan Securities LLC Representatives]

[Name of J.P. Morgan Securities LLC Representatives]

cc: Paycor HCM, Inc.

[Form of Press Release]

Paycor HCM, Inc.

[Date]

Paycor HCM, Inc. (the "Company") announced today that Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC, the lead book-running managers in the Company's recent public sale of [●] shares of common stock, are [waiving] [releasing] a lock-up restriction with respect to _____ shares of the Company's common stock held by [certain officers or directors] [an officer or director] of the Company. The [waiver] [release] will take effect on _____, 20__, and the shares may be sold on or after such date.

This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.

FORM OF LOCK-UP AGREEMENT

[•], 2021

GOLDMAN SACHS & CO. LLC
J.P. MORGAN SECURITIES LLC
As Representatives of
the several Underwriters listed in
Schedule 1 to the Underwriting
Agreement referred to below

c/o Goldman Sachs & Co. LLC
200 West Street
New York, New York 10282

c/o J.P. Morgan Securities LLC
383 Madison Avenue
New York, NY 10179

Re: Paycor HCM, Inc. --- Public Offering

Ladies and Gentlemen:

The undersigned understands that you, as Representatives of the several Underwriters, propose to enter into an underwriting agreement (the "Underwriting Agreement") with Paycor HCM, Inc., a Delaware corporation (the "Company"), providing for the public offering (the "Public Offering") by the several Underwriters named in Schedule 1 to the Underwriting Agreement (the "Underwriters") of shares of common stock, par value \$0.001 per share (the "Common Stock"), of the Company (the "Securities"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Underwriting Agreement.

In consideration of the Underwriters' agreement to purchase and make the Public Offering of the Securities, and for other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned hereby agrees that, without the prior written consent of Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC (the "Authorized Representatives") on behalf of the Underwriters, the undersigned will not, and will not cause any direct or indirect affiliate to, during the period beginning on the date of this letter agreement (this "Letter Agreement") and ending at the close of business 180 days after the date of the final prospectus relating to the Public Offering (the "Prospectus") (such period, the "Restricted Period"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into

or exercisable or exchangeable for Common Stock (including without limitation, Common Stock or such other securities which may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Securities and Exchange Commission and securities which may be issued upon exercise of a stock option or warrant) (collectively with the Common Stock, the "Lock-Up Securities"), (2) enter into any hedging, swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the Lock-Up Securities, whether any such transaction described in clauses (1) or (2) above is to be settled by delivery of Lock-Up Securities, in cash or otherwise, (3) make any demand for, or exercise any right with respect to, the registration of any Lock-Up Securities, or (4) publicly disclose the intention to do any of the foregoing, *provided* that, for the avoidance of doubt, to the extent the undersigned has demand and/or piggyback registration rights, the foregoing shall not prohibit the undersigned from notifying the Company privately that it is or will be exercising its demand and/or piggyback registration rights following the expiration of the Restricted Period so long as such demands or exercises do not involve any public disclosure or filing during the Restricted Period (provided that, subject to the Company's obligations under Section 5(h) of the Underwriting Agreement, (i) the Company shall provide written notice to the Authorized Representatives at least three business days prior to any confidential or non-public submission of a registration statement made during the Restricted Period, and (ii) no such confidential or non-public submission made shall become a publicly filed registration statement during the Restricted Period unless otherwise agreed by the Authorized Representatives). The undersigned acknowledges and agrees that the foregoing precludes the undersigned from engaging in any hedging or other transactions or arrangements (including, without limitation, any short sale or the purchase or sale of, or entry into, any put or call option, or combination thereof, forward, swap or any other derivative transaction or instrument, however described or defined) designed or intended, or which could reasonably be expected to lead to or result in, a sale or disposition or transfer (whether by the undersigned or any other person) of any economic consequences of ownership, in whole or in part, directly or indirectly, of any Lock-Up Securities, whether any such transaction or arrangement (or instrument provided for thereunder) would be settled by delivery of Lock-Up Securities, in cash or otherwise. [The undersigned further confirms that it has furnished the Authorized Representatives with the details of any transaction the undersigned, or any of its affiliates, is a party to as of the date hereof, which transaction would have been restricted by this Letter Agreement if it had been entered into by the undersigned during the Restricted Period.]¹

Notwithstanding the foregoing, the undersigned may:

(a) transfer the undersigned's Lock-Up Securities:

(i) as a bona fide gift or gifts, or for bona fide estate planning purposes,

(ii) to any immediate family member of the undersigned,

(iii) by will, other testamentary document or intestacy,

¹ To be removed for QIA only.

(iv) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, or if the undersigned is a trust, to a trustor or beneficiary of the trust or to the estate of a beneficiary of such trust (for purposes of this Letter Agreement, “immediate family” shall mean any relationship by blood, current or former marriage, domestic partnership or adoption, not more remote than first cousin),

(v) to a corporation, partnership, limited liability company, trust or other entity of which the undersigned, or the immediate family of the undersigned, are the legal and beneficial owner of all of the outstanding equity securities or similar interests,

(vi) to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (i) through (v) above,

(vii) if the undersigned is a corporation, partnership, limited liability company, trust or other business entity, (A) to another corporation, partnership, limited liability company, trust or other business entity that is an affiliate (as defined in Rule 405 promulgated under the Securities Act of 1933, as amended (the “Securities Act”)[, provided, that all references to “affiliate” or “affiliates” with respect to QIA TMT Holding LLC shall include (i) Qatar Investment Authority and any individual, corporation, partnership, firm, joint venture, investment fund, association, trust, unincorporated association or organization, governmental body or other entity, which controls, is controlled by or is under common control with, QIA TMT Holding LLC, and (ii) government entities or instrumentalities of, or entities that are wholly-owned or controlled by, the State of Qatar, the Amiri Diwan of the State of Qatar or any entities that are wholly-owned or controlled by any one or more of the foregoing]²) of the undersigned, or to any investment fund or other entity controlling, controlled by, managing or managed by or under common control with the undersigned or affiliates of the undersigned (including, for the avoidance of doubt, where the undersigned is a partnership, to its general partner or a successor partnership or fund, or any other funds managed by such partnership), or (B) as part of a distribution to members, shareholders, partners or other equityholders of the undersigned,

(viii) by operation of law or pursuant to an order of court (including a domestic order, divorce settlement, divorce decree or separation agreement),

(ix) to the Company from an employee of the Company upon death, disability or termination of employment, in each case, of such employee,

(x) as part of a transfer or disposition of the undersigned’s Lock-Up Securities acquired in open market transactions after the closing date for the Public Offering,

(xi) to the Company in connection with the vesting, settlement, or exercise of restricted stock units, options, warrants or other rights to purchase shares of Common Stock (including, in each case, by way of “net” or “cashless” exercise), including for the payment of exercise price and tax and remittance payments due as a result of the vesting, settlement, or exercise of such restricted stock units, options, warrants or rights, provided that any such shares of Common

² To be added for QIA only.

Stock received upon such exercise, vesting or settlement shall be subject to the terms of this Letter Agreement, and provided further that any such restricted stock units, options, warrants or rights are held by the undersigned pursuant to an agreement or equity awards granted under a stock incentive plan or other equity award plan, each such agreement or plan which is described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, or

(xii) pursuant to a bona fide third-party tender offer, merger, consolidation or other similar transaction that is approved by the board of directors of the Company and made to all holders of the Company's capital stock involving a Change of Control (as defined below) of the Company (for purposes hereof, "Change of Control" shall mean any third party tender offer, merger, consolidation or other similar transaction, in one transaction or a series of related transactions, the result of which is that a person (as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) or group of affiliated persons, beneficially owns (as defined in Rules 13d-3 and 13d-5 of the Exchange Act) at least 75% of the outstanding voting securities of the Company (or the surviving entity)), *provided* that in the event that such tender offer, merger, consolidation or other similar transaction is not completed, the undersigned's Lock-Up Securities shall remain subject to the provisions of this Letter Agreement,

(xiii) as part of a transfer or disposition of the undersigned's Lock-Up Securities acquired in the Public Offering;

[(xiv) any pledge, hypothecation or other grant of a security interest in any Lock-Up Securities to one or more lending institutions as collateral or security for any loan, advance or extension of credit and the transfer of such Lock-Up Securities to such lending institution upon foreclosure of such Lock-Up Securities; provided that in the case of any transfer pursuant to this clause (xiv), the transferee agrees to be bound in writing by the terms of this Lock-Up Agreement at the time of such transfer;]³

[(xv) to transfer Securities to the holders of the Series A preferred stock as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus;]⁴

provided, further, that (A) in the case of any transfer or distribution pursuant to clauses (a)(i), (ii), (iii), (iv), (v), (vi), (vii) and (viii) ~~and (xv)~~, such transfer shall not involve a disposition for value and each donee, devisee, transferee or distributee shall execute and deliver to the Authorized Representatives a lock-up letter in the form of this Letter Agreement, *provided* that with respect to any related series of transfers or distributions to transferees or distributees otherwise permitted under clauses (iv), (v) and (vii) that are deemed to occur simultaneously, only the ultimate transferee or distributee in such series shall be required to execute and deliver such lock-up letter (*provided* that, in each case, the same number or amount of Lock-Up Securities so transferred by the initial transferor remains subject to such lock-up agreement after giving effect to such simultaneous transfers or distributions), (B) in the case of any transfer or

³ To be included for Apax only.

⁴ To be included for Pride Aggregator only.

distribution pursuant to clauses (a)(i), (ii), (iii), (iv), (v), (vi), (x) and (xi), no filing by any party (donor, donee, devisee, transferor, transferee, distributor or distributee) under the Exchange Act, or other public announcement shall be required or shall be made voluntarily in connection with such transfer or distribution during the Restricted Period in connection with such transfer (other than, with respect to clause (x), filings or disclosures pursuant to Rule 13f-1 of the Exchange Act, including a filing on Form 13F, other filings required by applicable law and disclosures on the undersigned's website required by the undersigned's internal policy) and (C) in the case of any transfer or distribution pursuant to clauses (a)(viii), (ix) and (xi), it shall be a condition to such transfer that no public filing, report or announcement shall be voluntarily made and if any filing under Section 16(a) of the Exchange Act, or other public filing, report or announcement reporting a reduction in beneficial ownership of shares of Common Stock in connection with such transfer or distribution shall be legally required during the Restricted Period, such filing, report or announcement shall clearly indicate in the footnotes thereto the nature and conditions of such transfer, including that the transfer was by operation of law, pursuant to an order of court or to the Company upon death, disability or termination of an employee, as the case may be;

(b) convert outstanding preferred stock into shares of Common Stock, *provided* that any such shares of Common Stock received upon such conversion shall be subject to the terms of this Letter Agreement; and

(c) establish trading plans pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of Lock-Up Securities; provided that (1) such plans do not provide for the transfer of Lock-Up Securities during the Restricted Period and (2) no filing by any party under the Exchange Act or other public announcement shall be required or made voluntarily in connection with such trading plan.

[If the undersigned is not a natural person, the undersigned represents and warrants that no single natural person, entity or "group" (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) beneficially owns, directly or indirectly, 50% or more of the common equity interests, or 50% or more of the voting power, in the undersigned.]⁵

If the undersigned is an officer or director of the Company, the undersigned further agrees that the foregoing provisions shall be equally applicable to any Company-directed Securities the undersigned may purchase in the Public Offering.

If the undersigned is an officer or director of the Company, (i) the Authorized Representatives on behalf of the Underwriters agree that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of shares of Lock-Up Securities, the Authorized Representatives on behalf of the Underwriters will notify the Company of the impending release or waiver, and (ii) the Company has agreed in the Underwriting Agreement to announce the impending release or waiver through a major news service at least two business days before the effective date of the release or waiver. Any release or waiver granted by the Authorized Representatives on behalf of the Underwriters hereunder to

⁵ To be removed for QIA only.

any such officer or director shall only be effective two business days after the publication date of such announcement. The provisions of this paragraph will not apply if (a) the release or waiver is effected solely to permit a transfer not for consideration or that is to an immediate family member as defined in FINRA Rule 5130(i)(5) and (b) the transferee has agreed in writing to be bound by the same terms described in this letter to the extent and for the duration that such terms remain in effect at the time of the transfer.

If the undersigned is a party to that certain Registration Rights Agreement, dated as of December 29, 2020, by and among the Company and the stockholders party thereto (any such stockholder, an "RRA Party" and collectively the "RRA Parties"), the Authorized Representatives on behalf of the Underwriters agree that, any release or waiver of the foregoing restrictions in connection with a transfer of shares of Lock-Up Securities held by any RRA Party or any director, officer or stockholder of the Company shall apply pro rata to all RRA Parties on the basis of shares of Common Stock held; provided that all such releases must be on the same terms and for the same purposes and, if applicable, pursuant to the same offering.

In furtherance of the foregoing, the Company, and any duly appointed transfer agent for the registration or transfer of the securities described herein, are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this Letter Agreement.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Letter Agreement. All authority herein conferred or agreed to be conferred and any obligations of the undersigned shall be binding upon the successors, assigns, heirs or personal representatives of the undersigned.

The undersigned acknowledges and agrees that the Underwriters have not provided any recommendation or investment advice nor have the Underwriters solicited any action from the undersigned with respect to the Public Offering of the Securities and the undersigned has consulted their own legal, accounting, financial, regulatory and tax advisors to the extent deemed appropriate. The undersigned further acknowledges and agrees that, although the Representatives may be required or choose to provide certain Regulation Best Interest and Form CRS disclosures to you in connection with the Public Offering, the Representatives and the other Underwriters are not making a recommendation to you to enter into this Letter Agreement, participate in the Public Offering or sell any Shares at the price determined in the Public Offering, and nothing set forth in such disclosures is intended to suggest that any Representatives or Underwriter is making such a recommendation.

The undersigned understands that if (i) the Company files with the SEC a notice of withdrawal of the Registration Statement on Form S-1 (which covers the Securities) pursuant to Rule 477 promulgated under the Securities Act, (ii) the Underwriting Agreement does not become effective by September 15, 2021, or (iii) the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Common Stock to be sold thereunder, the undersigned shall be released from all obligations under this Letter Agreement. The undersigned understands that the Underwriters are entering into the Underwriting Agreement and proceeding with the Public Offering in reliance upon this Letter Agreement.

This Letter Agreement and any claim, controversy or dispute arising under or related to this Letter Agreement shall be governed by and construed in accordance with the laws of the State of New York.

Very truly yours,

[NAME OF STOCKHOLDER]

By: _____

Name:

Title:

KIRKLAND & ELLIS LLP

AND AFFILIATED PARTNERSHIPS

300 North LaSalle
Chicago, IL 60654
United States

+1 312 862 2000

www.kirkland.com

July 12, 2021

Facsimile:
+1 312 862 2200Paycor HCM, Inc.
4811 Montgomery Road
Cincinnati, Ohio 45212Re: Registration Statement on Form S-1

Ladies and Gentlemen:

We are acting as special counsel to Paycor HCM, Inc., a Delaware corporation (the "Company"), in connection with the proposed registration by the Company of 18,500,000 shares of its common stock, par value \$0.001 per share (the "Common Stock"), pursuant to a Registration Statement on Form S-1 (Registration No. 333-255498), originally filed with the Securities and Exchange Commission (the "Commission") on April 26, 2021, under the Securities Act of 1933, as amended (the "Act") (such Registration Statement, as amended or supplemented, is hereinafter referred to as the "Registration Statement"). The shares of Common Stock to be registered by the Company pursuant to the Registration Statement are referred to herein as the "Shares."

In connection therewith, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, corporate records and other instruments as we have deemed necessary for the purposes of this opinion, including (i) the corporate and organizational documents of the Company, including the Amended and Restated Certificate of Incorporation of the Company to be filed with the Secretary of State of the State of Delaware prior to the sale of the Shares, (ii) minutes and records of the proceedings of the Company with respect to the issuance and sale of the Shares, (iii) the form of Underwriting Agreement in the form filed as Exhibit 1.1 to the Registration Statement (the "Underwriting Agreement") filed with the Commission on July 12, 2021 and (iv) the Registration Statement.

For purposes of this opinion, we have assumed the authenticity of all documents submitted to us as originals, the conformity to the originals of all documents submitted to us as copies and the authenticity of the originals of all documents submitted to us as copies. We have also assumed the legal capacity of all natural persons, the genuineness of the signatures of persons signing all documents in connection with which this opinion is rendered, the authority of such persons signing on behalf of the parties thereto other than the Company and the due

Bay Area Beijing Boston Chicago Dallas Hong Kong Houston London Los Angeles Munich New York Paris Shanghai Washington, D.C.

KIRKLAND & ELLIS LLP

Paycor HCM, Inc.

July 12, 2021

Page 2

authorization, execution and delivery of all documents by the parties thereto other than the Company. We have not independently established or verified any facts relevant to the opinions expressed herein, but have relied upon statements and representations of officers and other representatives of the Company and others.

Based upon and subject to the foregoing qualifications, assumptions and limitations and the further limitations set forth below, we are of the opinion that the Shares are duly authorized and, when the Registration Statement becomes effective under the Act, the final Underwriting Agreement is duly executed and delivered by the parties thereto and the Shares are registered by the Company's transfer agent and delivered against payment of the agreed consideration therefor, all in accordance with the final Underwriting Agreement, the Shares will be validly issued, fully paid and non-assessable.

Our opinion expressed above is subject to the qualification that we express no opinion as to the applicability of, compliance with, or effect of any laws except the General Corporation Law of the State of Delaware (including the statutory provisions, all applicable provisions of the Delaware constitution and reported judicial decisions interpreting the foregoing).

We hereby consent to the filing of this opinion with the Commission as Exhibit 5.1 to the Registration Statement. We also consent to the reference to our firm under the heading "Legal Matters" in the Registration Statement. In giving this consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission. This opinion and consent may be incorporated by reference in a subsequent registration statement on Form S-1 filed pursuant to Rule 462(b) under the Act with respect to the registration of additional securities for sale in the offering contemplated by the Registration Statement and shall cover such additional securities, if any, registered on such subsequent registration statement.

We do not find it necessary for the purposes of this opinion, and accordingly we do not purport to cover herein, the application of the securities or "Blue Sky" laws of the various states to the issuance and sale of the Shares.

This opinion is limited to the specific issues addressed herein, and no opinion may be inferred or implied beyond that expressly stated herein. This opinion speaks only as of the date that the Registration Statement becomes effective under the Act, and we assume no obligation to revise or supplement this opinion after the date of effectiveness should the General Corporation Law of the State of Delaware be changed by legislative action, judicial decisions or otherwise after the date hereof.

Sincerely,

/s/ KIRKLAND & ELLIS LLP

KIRKLAND & ELLIS LLP

CREDIT AGREEMENT

Dated as of June 11, 2021

among

PAYCOR, INC.,
as the Borrower,

PRIDE GUARANTOR, INC.,
as Holdings,

PNC BANK, NATIONAL ASSOCIATION,
as Administrative Agent and Collateral Agent,

and

THE LENDERS PARTY HERETO

PNC BANK, NATIONAL ASSOCIATION and FIFTH THIRD BANK, NATIONAL ASSOCIATION,
as Lead Arrangers and Bookrunners

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CREDIT AGREEMENT

This CREDIT AGREEMENT (this "Agreement") is entered into as of June 11, 2021, among PAYCOR, INC., a Delaware corporation (the "Borrower"), PRIDE GUARANTOR, INC., a Delaware corporation ("Holdings"), PNC BANK, NATIONAL ASSOCIATION ("PNC"), as Administrative Agent and Collateral Agent, and each lender from time to time party hereto (collectively, the "Lenders" and individually, a "Lender").

PRELIMINARY STATEMENTS

1. The Borrower has requested that, the Lenders make available to it the Revolving Credit Commitments in an initial aggregate principal amount of \$100,000,000 (the "Revolving Credit Facility"). The Revolving Credit Facility may include one or more Swing Line Loans and one or more Letters of Credit from time to time.

2. The proceeds of the Initial Revolving Borrowing will be used to finance the Transactions and, subject to the terms and conditions set forth herein, for working capital and other general corporate purposes not prohibited hereunder. The proceeds of Revolving Credit Loans made after the Closing Date, Letters of Credit and Swing Line Loans will be used for working capital and other general corporate purposes of the Borrower and its Subsidiaries and any other purposes not prohibited by the terms of this Agreement.

3. The applicable Lenders have indicated their willingness to lend, and each L/C Issuer has indicated its willingness to issue Letters of Credit, in each case, on the terms and subject to the conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I

Definitions and Accounting Terms

Section 1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"Acceptable Intercreditor Agreement" means a customary intercreditor agreement in form and substance reasonably acceptable to the Administrative Agent and the Borrower.

"Accounting Changes" has the meaning specified in Section 1.03(d).

"Additional Commitment Lender" has the meaning specified in Section 2.15(d).

"Additional Lender" has the meaning specified in Section 2.14(d).

"Administrative Agent" means PNC in its capacity as administrative agent under the Loan Documents, or any successor administrative agent appointed in accordance with Section 9.06.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as the Administrative Agent may from time to time notify the Borrower and the Lenders.

“Administrative Questionnaire” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“Affected Financial Institution” means (a) any EEA Financial Institution or (b) any UK Financial Institution.

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. “Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Agent-Related Persons” means the Agents, together with their respective Affiliates, and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

“Agent Parties” has the meaning specified in Section 10.02(c).

“Agents” means, collectively, the Administrative Agent and the Collateral Agent.

“Aggregate Commitments” means the Commitments of all the Lenders.

“Agreement” has the meaning specified in the introductory paragraph hereof.

“Agreement Currency” has the meaning specified in Section 10.17.

“Alternate Source” means as is specified in the definition of “LIBO Rate”.

“Anti-Corruption Laws” means the United States Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act 2010, and any other similar anti-corruption laws or regulations administered or enforced in any jurisdiction in which the Borrower or any of its Subsidiaries conduct business.

“Anti-Terrorism Law” means any Law in force or hereinafter enacted related to terrorism, money laundering, or economic sanctions, including Executive Order No. 13224, the USA PATRIOT Act, the International Emergency Economic Powers Act, 50 U.S.C. 1701, et. seq., the Trading with the Enemy Act, 50 U.S.C. App. 1, et. seq., 18 U.S.C. § 2332d, and 18 U.S.C. § 2339B, and any regulations or directives promulgated under these provisions.

“Applicable Lending Office” means for any Lender, such Lender’s office, branch or affiliate designated for Eurocurrency Rate Loans, Base Rate Loans, L/C Advances, Swing Line Loans or Letters of Credit, as applicable, as notified to the Administrative Agent, any of which offices may be changed by such Lender.

“Applicable Percentage” means, at any time (a) with respect to any Lender with a Commitment of any Class, the percentage equal to a fraction the numerator of which is the amount of such Lender’s Commitment of such Class at such time and the denominator of which is the aggregate amount of all Commitments of such Class of all Lenders (provided that if the Commitments under any Revolving Credit Facility have terminated or expired, the Applicable Percentages of the Lenders under such Revolving Credit Facility shall be determined based upon the Revolving Credit Commitments thereunder most recently in effect) and (b) with respect to the Loans of any Class, a percentage equal to a fraction the numerator of which is such Lender’s Outstanding Amount of the Loans of such Class and the denominator of which is the aggregate Outstanding Amount of all Loans of such Class.

“Applicable Rate” means a percentage per annum equal to, (a) as of the Closing Date until the first Business Day following the date of delivery of the financial statements and a related Compliance Certificate for the first full fiscal quarter commencing on or after the Closing Date pursuant to Section 6.01, (i) for Eurocurrency Rate Loans, 1.95%, (ii) for Base Rate Loans, 0.95% and (iii) for Letter of Credit fees, 1.95% per annum and (b) thereafter, (1) at any time prior to a Qualifying IPO, (i) for Eurocurrency Rate Loans, 1.95%, (ii) for Base Rate Loans, 0.95% and (iii) for Letter of Credit fees, 1.95% per annum and (2) on the date of and at any time following a Qualifying IPO, the percentages per annum set forth in the table below, based upon the Total Leverage Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 6.02(a):

<u>Level</u>	<u>Total Leverage Ratio</u>	<u>Base Rate Loans</u>	<u>Eurocurrency Rate Loans/Letter of Credit fees</u>
I	≥ 2.25:1.00	0.375%	1.375%
II	< 2.25:1.00 and ≥ 1.50:1.00	0.125%	1.125%
III	< 1.50:1.00 and ≥ 0.75:1.00	0.000%	1.000%
IV	< 0.75:1.00	0.000%	0.875%

; provided, that if either (i) an Event of Default is then in existence or (ii) the Borrower fails to deliver a Compliance Certificate when such Compliance Certificate is due, the Applicable Rate shall be set at the rate in the row styled “Level I” in the table above as of the first Business Day of the fiscal quarter following the date on which the Compliance Certificate was required to be delivered until the date on which such Compliance Certificate is delivered (on which date (but not retroactively), without constituting a waiver of any Default or Event of Default occasioned by the failure to timely deliver such Compliance Certificate, the Applicable Rate shall be set at the rate based upon the Total Leverage Ratio disclosed by such Compliance Certificate). Any increase or decrease in the Applicable Rate resulting from a change in the Total Leverage Ratio shall become effective as of the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 6.02(a).

Notwithstanding anything to the contrary contained above in this definition or elsewhere in this Agreement, if it is subsequently determined that the Total Leverage Ratio set forth in any Compliance Certificate delivered to the Administrative Agent is inaccurate for any reason and the result thereof is that the Lenders received interest or fees for any period based on an Applicable Rate that is less than that which would have been applicable had the Total Leverage Ratio been accurately determined, then, for all purposes of this Agreement, the “Applicable Rate” for any day occurring within the period covered by such Compliance Certificate shall retroactively be deemed to be the relevant percentage as based upon the accurately determined Total Leverage Ratio for such period, and any shortfall in the interest or fees theretofore paid by the Borrower for the relevant period pursuant to Sections 2.09 and 2.10 as a result of the miscalculation of the Total Leverage Ratio shall be deemed to be (and shall be) due and payable under the relevant provisions of Sections 2.09 or 2.10, as applicable, at the time the interest or fees for such period were required to be paid pursuant to said Section (and shall remain due and payable until paid in full, together with all amounts owing under Section 2.09 (other than Section 2.09(b)), in accordance with the terms of this Agreement); provided that, notwithstanding the foregoing, so long as an Event of Default described in Section 8.01(f) or (g) has not occurred with respect to Holdings or the Borrower, such shortfall shall be due and payable five (5) Business Days following the determination described above.

Notwithstanding the foregoing, the Applicable Rate in respect of any Class of Extended Revolving Credit Commitments or Revolving Credit Loans made pursuant to any Extended Revolving Credit Commitments shall be the applicable percentages per annum set forth in the relevant offer to extend the Maturity Date pursuant to Section 2.15.

“Appropriate Lender” means, at any time, (a) with respect to Loans of any Class, the Lenders of such Class, (b) with respect to any Letters of Credit, (i) the relevant L/C Issuer and (ii) the Revolving Credit Lenders and, (c) with respect to the Swing Line Loans, (i) the Swing Line Lender and (ii) if any Swing Line Loans are outstanding pursuant to Section 2.04(a), the Revolving Credit Lenders.

“Approved Foreign Bank” has the meaning specified in the definition of “Cash Equivalents.”

“Approved Fund” means, with respect to any Lender, any Fund that is administered, advised or managed by (a) such Lender, (b) an Affiliate of such Lender or (c) an entity or an Affiliate of an entity that administers, advises or manages such Lender.

“Assignees” has the meaning specified in Section 10.07(b).

“Assignment and Assumption” means an Assignment and Assumption substantially in the form of Exhibit E.

“Attorney Costs” means and includes all reasonable fees, expenses and disbursements of any law firm or other external legal counsel.

“Attributable Indebtedness” means, on any date, in respect of any Capitalized Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP.

“Audited Financial Statements” means the audited consolidated balance sheet of the Borrower and its subsidiaries as of June 30, 2020 and related statements of income, changes in operations, stockholder’s equity and cash flows for the Borrower for the twelve-month period ended June 30, 2020.

“Auto-Renewal Letter of Credit” has the meaning specified in Section 2.03(b)(iii).

“Available Tenor” means, as of any date of determination and with respect to the then-current Benchmark, as applicable, (x) if the then-current Benchmark is a term rate or is based on a term rate, any tenor for such Benchmark that is or may be used for determining the length of an Interest Period pursuant to this Agreement as of such date and not including, for the avoidance of doubt, any tenor for such Benchmark that is then-removed from the definition of “Interest Period” pursuant to Section 3.02(d)(v) or (y) if the then current Benchmark is not a term rate nor based on a term rate, any payment period for interest calculated with reference to such Benchmark pursuant to this Agreement as of such date.

“Bail-In Action” shall mean the exercise of any Write-down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

“Bail-In Legislation” means (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union,

the implementing law, regulation rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

“Bankruptcy Event” means, with respect to any Person, such Person or its parent entity becomes (other than via an Undisclosed Administration) the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment; provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof; provided, further, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person or its parent entity.

“Base Rate” means, for any day, a fluctuating per annum rate of interest equal to the highest of (i) the Overnight Bank Funding Rate, plus 0.5%, (ii) the Prime Rate, and (iii) the Daily LIBO Rate, plus 1.00%, so long as the Daily LIBO Rate is offered, ascertainable and not unlawful. Any change in the Base Rate (or any component thereof) shall take effect at the opening of business on the day such change occurs.

“Base Rate Loan” means a Loan that bears interest at a rate based on the Base Rate.

“Benchmark” means, initially, the Eurocurrency Rate; provided that if a Benchmark Transition Event a Term SOFR Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date have occurred with respect to the Eurocurrency Rate or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 3.02(d)(ii).

“Benchmark Replacement” means, for any Available Tenor, the first alternative set forth in the order below that can be determined by the Administrative Agent for the applicable Benchmark Replacement Date:

(1) the sum of: (a) Term SOFR and (b) the related Benchmark Replacement Adjustment;

(2) the sum of: (a) Daily Simple SOFR and (b) the related Benchmark Replacement Adjustment;

(3) the sum of: (a) the alternate benchmark rate that has been selected by the Administrative Agent and the Borrower as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement for the then-current Benchmark for Dollar-denominated syndicated credit facilities at such time and (b) the related Benchmark Replacement Adjustment;

provided that, in the case of clause (1), such Unadjusted Benchmark Replacement is displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion; provided, further, that, with respect to a Term SOFR Transition Event, on the applicable Benchmark Replacement Date, the “Benchmark Replacement” shall revert to and shall be determined as set forth in clause (1) of this definition. If the Benchmark Replacement as determined pursuant to clause (1), (2) or (3) above would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Loan Documents.

“**Benchmark Replacement Adjustment**” means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement for any applicable Available Tenor for any setting of such Unadjusted Benchmark Replacement:

(1) for purposes of clauses (1) and (2) of the definition of “Benchmark Replacement,” the applicable amount(s) set forth below:

<u>Available Tenor</u>	<u>Benchmark Replacement Adjustment (%)*</u>
One-Week	0.03839 (3.839 basis points)
One-Month	0.11448 (11.448 basis points)
Two-Months	0.18456 (18.456 basis points)
Three-Months	0.26161 (26.161 basis points)
Six-Months	0.42826 (42.826 basis points)

* These values represent the ARRC/ISDA recommended spread adjustment values available here:
https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks-LIBOR-Cessation_Announcement_20210305.pdf

(2) for purposes of clause (3) of the definition of “Benchmark Replacement,” the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body on the applicable Benchmark Replacement Date or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for Dollar-denominated syndicated credit facilities;

provided that, (x) in the case of clause (1) above, such adjustment is displayed on a screen or other information service that publishes such Benchmark Replacement Adjustment from time to time as selected by the Administrative Agent in its reasonable discretion and (y) if the then-current Benchmark is a term rate, more than one tenor of such Benchmark is available as of the applicable Benchmark Replacement Date and the applicable Unadjusted Benchmark Replacement will not be a term rate, the Available Tenor of such Benchmark for purposes of this definition of “Benchmark Replacement Adjustment” shall be deemed to be the Available Tenor that has approximately the same length (disregarding business day adjustments) as the payment period for interest calculated with reference to such Unadjusted Benchmark Replacement.

“**Benchmark Replacement Conforming Changes**” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Base Rate,” the definition of “Business Day,” the definition of “Interest Period,” timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, length of lookback periods, the applicability of breakage provisions, and other technical, administrative or operational matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of such Benchmark Replacement exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement and the other Loan Documents).

“**Benchmark Replacement Date**” means the earliest to occur of the following events with respect to the then-current Benchmark:

(1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein (which the parties acknowledge occurred on March 5, 2021 with respect to the Eurocurrency Rate as a result of the Cessation Announcements) and (b) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof);

(2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the date determined by the Administrative Agent, which date shall promptly follow the date of the public statement or publication of information referenced therein;

(3) in the case of a Term SOFR Transition Event, the date that is set forth in the Term SOFR Notice provided to the Lenders and the Borrower pursuant to Section 3.02(d), which date shall be at least 30 days from the date of the Term SOFR Notice; or

(4) in the case of an Early Opt-in Election, the sixth (6th) Business Day after the date notice of such Early Opt-in Election is provided to the Lenders, so long as the Administrative Agent has not received, by 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Early Opt-in Election is provided to the Lenders, written notice of objection to such Early Opt-in Election from Lenders comprising the Required Lenders.

For the avoidance of doubt, (i) if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination and (ii) the “Benchmark Replacement Date” will be deemed to have occurred in the case of clause (1) or (2) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

“**Benchmark Transition Event**” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(1) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing

that such administrator has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof);

(2) a public statement or publication of information by an Official Body having jurisdiction over the Administrative Agent, the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the FRB, the NYFRB, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof); or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof) or an Official Body having jurisdiction over the Administrative Agent announcing that all Available Tenors of such Benchmark (or such component thereof) are no longer representative.

For the avoidance of doubt, a “Benchmark Transition Event” will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof). The parties hereto acknowledge that a Benchmark Transition Event as defined in clauses (1) and (2) above occurred on March 5, 2021 with respect to the Eurocurrency Rate as a result of the Cessation Announcements, but no related Benchmark Replacement Date occurred as of such date.

“Benchmark Unavailability Period” means the period (if any) (x) beginning at the time that a Benchmark Replacement Date pursuant to clauses (1) or (2) of that definition has occurred if, at such time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Section 3.02(d) and (y) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Section 3.02(d).

“Beneficial Owner” shall mean, for the Borrower, each of the following: (a) each individual, if any, who, directly or indirectly, owns 25% or more of the Borrower’s Equity Interests; and (b) a single individual with significant responsibility to control, manage, or direct the Borrower.

“Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.

“Borrower” has the meaning specified in the introductory paragraph to this Agreement.

“Borrower Materials” has the meaning specified in Section 6.01.

“Borrowing” means Loans of the same Class and Type, made, converted or continued on the same date and, in the case of Eurocurrency Rate Loans, as to which a single Interest Period is in effect.

“Business Day” means any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required to be closed, or are in fact closed, for business in New York, New York or Pittsburgh, Pennsylvania (or, if otherwise, the Administrative Agent’s Office) and, if the applicable Business Day relates to any Eurocurrency Rate Loan, such day must also be a day on which dealings are carried on in the London interbank market.

“Capitalized Lease Obligation” means, at the time any determination thereof is to be made, the amount of the liability in respect of a Capitalized Lease that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) prepared in accordance with GAAP.

“Capitalized Leases” means all leases that are required to be, in accordance with GAAP, recorded as capitalized leases; provided that for all purposes hereunder the amount of obligations under any Capitalized Lease shall be the amount thereof accounted for as a liability in accordance with GAAP; provided that all obligations of the Borrower and its Subsidiaries that are or would be characterized as an operating lease as determined in accordance with GAAP as in effect on December 15, 2018 (whether or not such operating lease was in effect on such date) shall continue to be accounted for as an operating lease (and not as a Capitalized Lease) for purposes of this Agreement regardless of any change in GAAP following December 15, 2018 that would otherwise require such obligation to be recharacterized as a Capitalized Lease.

“Cash Collateral” has the meaning specified in Section 2.03(f).

“Cash Collateralize” has the meaning specified in Section 2.03(f).

“Cash Equivalents” means any of the following types of Investments, to the extent owned by the Borrower or any Subsidiary:

- (1) Dollars;
- (2) securities issued or directly and fully and unconditionally guaranteed or insured by the United States government or any agency or instrumentality of the foregoing the securities of which are unconditionally guaranteed as a full faith and credit obligation of such government with maturities of 24 months or less from the date of acquisition;
- (3) certificates of deposit, time deposits and eurodollar time deposits with maturities of one year or less from the date of acquisition, with any domestic or foreign commercial bank having capital and surplus of not less than \$500,000,000 in the case of U.S. banks and \$100,000,000 in the case of non-U.S. banks;
- (4) repurchase obligations for underlying securities of the types described in clauses (2), (3) and (7) of this definition entered into with any financial institution meeting the qualifications specified in clause (3) above;
- (5) commercial paper rated at least “P-1” by Moody’s or at least “A-1” by S&P, and in each case maturing within 24 months after the date of creation thereof and Indebtedness or preferred stock issued by Persons with a rating of “A” or higher from S&P or “A-2” or higher from Moody’s, with maturities of 24 months or less from the date of acquisition;
- (6) marketable short-term money market and similar securities having a rating of at least “P-2” or “A-2” from either Moody’s or S&P, respectively (or, if at any time neither Moody’s nor S&P shall be rating such obligations, an equivalent rating from another nationally recognized statistical rating agency selected by the Borrower) and in each case maturing within 24 months after the date of creation or acquisition thereof;

(7) readily marketable direct obligations issued by any state, commonwealth or territory of the United States or any political subdivision or taxing authority thereof having an Investment Grade Rating from Moody's or S&P with maturities of 24 months or less from the date of acquisition;

(8) readily marketable direct obligations issued by any foreign government or any political subdivision or public instrumentality thereof, in each case having an Investment Grade Rating from Moody's or S&P with maturities of 24 months or less from the date of acquisition;

(9) Investments with average maturities of 12 months or less from the date of acquisition in money market funds rated within the top three ratings category by S&P or Moody's;

(10) with respect to any Foreign Subsidiary: (i) obligations of the national government of the country in which such Foreign Subsidiary maintains its chief executive office and principal place of business provided such country is a member of the Organization for Economic Cooperation and Development, in each case maturing within one year after the date of investment therein, (ii) certificates of deposit of, bankers acceptances of, or time deposits with, any commercial bank which is organized and existing under the laws of the country in which such Foreign Subsidiary maintains its chief executive office and principal place of business provided such country is a member of the Organization for Economic Cooperation and Development, and whose short-term commercial paper rating from S&P is at least "A-1" or the equivalent thereof or from Moody's is at least "P-1" or the equivalent thereof (any such bank being an "Approved Foreign Bank"), and in each case with maturities of not more than 270 days from the date of acquisition and (iii) the equivalent of demand deposit accounts which are maintained with an Approved Foreign Bank;

(11) Cash Equivalents of the types described in clauses (1) through (10), above currency (other than Dollars) that is a lawful currency (other than Dollars) that is readily available and freely transferable and convertible into Dollars; and

(12) investment funds investing at least 90% of their assets in Cash Equivalents of the types described in clauses (1) through (11), above.

"Cash Management Bank" means any financial institution providing treasury, depository, credit or debit card, purchasing card, and/or cash management services or automated clearing house transactions to the Borrower or any Subsidiary or conducting any automated clearing house transfers of funds.

"Cash Management Obligations" means obligations owed by the Borrower or any Subsidiary to any Cash Management Bank in respect of any overdraft and related liabilities arising from treasury, depository, credit or debit card, purchasing card, or cash management services or any automated clearing house transfers of funds.

"Casualty Event" means any event that gives rise to the receipt by the Borrower or any Subsidiary of any insurance proceeds or condemnation awards in respect of any equipment, fixed assets or real property (including any improvements thereon) to replace or repair such equipment, fixed assets or real property.

“Cessation Announcements” has the meaning specified in Section 3.02(d)(i).

“Certificate of Beneficial Ownership” means, for the Borrower, a certificate in form and substance acceptable to the Administrative Agent (as amended or modified by the Administrative Agent from time to time in its sole discretion), certifying, among other things, the Beneficial Owner of the Borrower.

“CFC” means a “controlled foreign corporation” within the meaning of Section 957 of the Code.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law,” regardless of the date enacted, adopted or issued.

“Change of Control” means the earliest to occur of:

(a) (i) at any time prior to the consummation of an IPO, (A) the Permitted Holders ceasing to have the right, directly or indirectly, to designate (or ceasing to so designate) a majority of the board of directors, managers or other governing body of the Borrower or (B) the Permitted Holders ceasing to own, directly or indirectly, a majority of the outstanding voting Equity Interests of the Borrower; or (ii) at any time upon or after the consummation of an IPO, any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), excluding the Permitted Holders, becoming the “beneficial owner” (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of more than the greater of (A) 50% of the then outstanding voting stock of the Borrower, and (B) the percentage of the then outstanding voting stock of the Borrower at such time owned, directly or indirectly, beneficially by the Permitted Holders; or

(b) the Borrower ceasing to be a direct Wholly Owned Subsidiary of Holdings or an Intermediate Holding Company; or

(c) any “Change of Control” (or any comparable term) in any (i) Specified Debt Document or (ii) any document pertaining to any Permitted Ratio Debt the aggregate principal amount of which is in excess of the Threshold Amount (or any Permitted Refinancing of any of the foregoing).

“CIP Regulations” has the meaning specified in Section 9.11.

“Class” (a) when used with respect to Lenders, refers to that such Lenders are Revolving Credit Lenders and (b) when used with respect to Commitments, refers to whether such Commitments are Revolving Credit Commitments, Extended Revolving Credit Commitments or Revolving Credit Commitment Increases.

“Closing Date” means the date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 10.01.

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

“Collateral” means all the “Collateral” (or equivalent term) as defined in the Collateral Documents and all other property of whatever kind and nature pledged or charged as collateral under any Collateral Document.

“Collateral Agent” means PNC, in its capacity as collateral agent under any of the Loan Documents, or any successor collateral agent appointed in accordance with Section 9.06.

“Collateral and Guarantee Requirement” means, at any time, the requirement that:

(a) the Collateral Agent shall have received each Collateral Document required to be delivered on the Closing Date pursuant to Section 4.01(a)(iii), or thereafter pursuant to Section 6.10 or Section 6.12, duly executed by each Loan Party that is a party thereto;

(b) all Obligations shall have been unconditionally guaranteed (the “Guarantees”), jointly and severally, by (i) Holdings, (ii) each Intermediate Holding Company, (iii) each Subsidiary that is a Material Subsidiary (other than any Excluded Subsidiary) including as of the Closing Date those that are listed on Schedule 1.01D hereto and (iv) with respect to (x) Obligations owing by any Loan Party or any Subsidiary of a Loan Party (other than the Borrower) under any Secured Hedge Agreement or any Cash Management Obligation and (y) the payment and performance by each Specified Loan Party of its obligations under its Guaranty with respect to all Swap Obligations, the Borrower (each, a “Guarantor”);

(c) the Obligations and the Guarantees shall have been secured pursuant to the Security Agreement or other applicable Collateral Documents by a first-priority security interest in (i) all the Equity Interests of the Borrower, (ii) any Intermediate Holding Company and (iii) all Equity Interests (other than Excluded Equity) held directly by the Borrower or any Guarantor in any Wholly Owned Material Subsidiary, in each case subject to (x) those Liens permitted under Sections 7.01(b), (i), (o), (w) (solely with respect to modifications, replacements, renewals or extensions of Liens permitted by Sections 7.01(b), (i) and (o)) and (y) any nonconsensual Lien that is permitted under Section 7.01 and the Administrative Agent shall have received certificates or other instruments representing all such Equity Interests (if any), together with undated stock powers or other instruments of transfer with respect thereto endorsed in blank, in each case, required to be delivered under the Collateral Documents;

(d) except to the extent otherwise provided hereunder or under any Collateral Document, the Obligations and the Guarantees shall have been secured by a perfected security interest (to the extent such security interest may be perfected by delivering certificated securities and instruments, filing personal property financing statements under the Uniform Commercial Code, establishing Collateral Agent’s control in deposit accounts and securities accounts, or making any necessary filings with the United States Patent and Trademark Office or United States Copyright Office) in substantially all tangible and intangible assets of Holdings, the Borrower, any Intermediate Holdings Company and each other Guarantor (including, without limitation, accounts receivable, inventory, equipment, investment property, United States intellectual property, intercompany receivables, other general intangibles (including contract rights) and proceeds of the foregoing), in each case, with the priority required by the Collateral Documents and all certificates, agreements, documents and instruments required by the Collateral Documents, requirements of

Law and reasonably requested by the Collateral Agent to be filed, delivered, registered or recorded to create the Liens intended to be created by the Collateral Documents and perfect such Liens to the extent required by, and with the priority required by, the Collateral Documents and the other provisions of the term "Collateral and Guarantee Requirement," shall have been filed, registered or recorded or delivered to the Collateral Agent for filing, registration or recording;

(e) none of the Collateral shall be subject to any Liens other than Permitted Liens;

(f) [reserved]; and

(g) in the event any Guarantor is added that is organized in a jurisdiction other than the United States, such Loan Party shall grant a perfected lien on substantially all of its assets (other than Excluded Property) pursuant to arrangements reasonably agreed between the Administrative Agent and the Borrower subject to customary limitations in such jurisdiction to be reasonably agreed to between the Administrative Agent and the Borrower.

The Administrative Agent may grant extensions of time for the perfection of security interests in particular assets (including extensions beyond the Closing Date for the perfection of security interests in the assets of the Loan Parties on such date) where it reasonably determines, in consultation with the Borrower, that perfection cannot be accomplished without undue effort or expense by the time or times at which it would otherwise be required by this Agreement or the Collateral Documents.

Notwithstanding the foregoing provisions of this definition or anything in this Agreement or any other Loan Document to the contrary:

(A) Liens required to be granted from time to time pursuant to the Collateral and Guarantee Requirement shall be subject to exceptions and limitations set forth in the Collateral Documents and, to the extent appropriate in the applicable jurisdiction, as agreed between the Administrative Agent and the Borrower;

(B) the Collateral and Guarantee Requirement shall not apply to any Excluded Property;

(C) no deposit account control agreement, securities account control agreement or other control agreements or control arrangements shall be required with respect to any Excluded Accounts;

(D) other than as provided in clause (g) above, no actions in any jurisdiction other than the United States or that are necessary to comply with the Laws of any jurisdiction other than the United States shall be required in order to create any security interests in assets located, titled, registered or filed outside of the United States or to perfect such security interests (it being understood that, other than (1) as may be agreed in writing between the Borrower and the Administrative Agent and (2) the jurisdiction of organization of any Subsidiary that becomes a Guarantor pursuant to the last sentence of the definition of "Guarantor", there shall be no security agreements, pledge agreements, or share charge (or mortgage) agreements governed under the Laws of any jurisdiction other than the United States);

(E) general statutory limitations, financial assistance, corporate benefit, capital maintenance rules, fraudulent preference, "thin capitalization" rules, retention of title claims and similar principle may limit the ability of a Foreign Subsidiary to provide a Guarantee or Collateral or may require that the Guarantee or Collateral be limited by an amount or otherwise, in each case as reasonably determined by the Borrower in consultation with the Administrative Agent; and

(F) no stock certificates of Immaterial Subsidiaries shall be required to be delivered to the Collateral Agent.

“Collateral Documents” means, collectively, the Security Agreement, each of the collateral assignments, Security Agreement Supplements, security agreements, intellectual property security agreements, pledge agreements or other similar agreements delivered to the Collateral Agent and the Lenders pursuant to the Collateral and Guarantee Requirement, Section 4.01(a)(iii), Section 6.10 or Section 6.12, the Guaranty and each of the other agreements, instruments or documents that creates or purports to create a Lien or Guarantee in favor of the Collateral Agent for the benefit of the Secured Parties.

“Commitment” means, a Revolving Credit Commitment or an Extended Revolving Credit Commitment, as the context may require.

“Commitment Fee” has the meaning provided in Section 2.09(a).

“Committed Loan Notice” means a written notice of (a) a Revolving Credit Borrowing, (b) a conversion of Loans from one Type to the other or (c) a continuation of Eurocurrency Rate Loans pursuant to Section 2.02(a), which shall be substantially in the form of Exhibit A (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer of the Borrower.

“Commodity Exchange Act” means the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), as amended from time to time, and any successor statute.

“Communications” has the meaning specified in Section 10.02(g).

“Compensation Period” has the meaning specified in Section 2.12(c)(ii).

“Compliance Certificate” means a certificate substantially in the form of Exhibit D.

“Consolidated Cash Interest Charges” means, as of any date for the applicable period ending on such date with respect to the Borrower and its Subsidiaries on a consolidated basis, the amount payable with respect to such period in respect of (a) total interest expense payable in cash with respect to all outstanding Indebtedness of the Borrower and its Subsidiaries (including the interest component under Capitalized Leases, but excluding, to the extent included in interest expense, (i) fees and expenses associated with the consummation of the Transactions, (ii) annual agency fees paid to the Administrative Agent, (iii) costs associated with obtaining Swap Contracts and any interest expense attributable to the movement of the mark-to-market valuation of obligations under Swap Contracts or other derivative instruments, and any one-time cash costs associated with breakage in respect of Swap Contracts for interest rates, (iv) fees and expenses associated with any Investment permitted under Section 7.02, the issuance of Equity Interests or the issuance of Indebtedness, (v) any interest component relating to accretion or accrual of discounted liabilities, and (vi) amortization of deferred financing fees, debt issuance costs, commissions, fees and expenses or expensing of any financing fees or prepayment or redemption premiums) minus (b) cash interest income of the Borrower and its Subsidiaries earned during such period, in each case as determined in accordance with GAAP.

“Consolidated Depreciation and Amortization Expense” means, with respect to any Person for any period, the total amount of depreciation and amortization expense, including the amortization of deferred financing fees or costs, capitalized expenditures, customer acquisition costs and incentive payments, conversion costs and contract acquisition costs, the amortization of original issue discount resulting from the issuance of Indebtedness at less than par and amortization of favorable or unfavorable lease assets or liabilities, of such Person and its Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with GAAP; provided, that all amortization of deferred contract costs shall be excluded from this definition.

“Consolidated EBITDA” shall mean, with respect to any Person for any period of determination, the sum of the following:

- (a) net income for such period, plus
- (b) the sum of the following, without duplication, to the extent deducted in determining consolidated net income for such period:
 - (i) expense for income and similar Taxes paid in cash or accrued, including any penalties and interest relating to any tax examinations, deducted (and not added back) in computing net income,
 - (ii) Consolidated Interest Expense,
 - (iii) Consolidated Depreciation and Amortization Expense,
 - (iv) documented fees, costs and expenses relating to the Transactions incurred within ninety (90) days of the Closing Date,
 - (v) documented fees, costs, expenses and charges (other than depreciation or amortization expense) relating to Permitted Acquisitions, dispositions, recapitalizations, amendments to the Loan Documents, Investments, loans, issuances of equity, incurrences of Indebtedness (including a refinancing thereof) and Restricted Payments, in each case, permitted hereby (including, without limitation, legal costs, accounting fees, third party consultant charges and severance costs), in each case, whether or not consummated, including any amendment or other modification of this Agreement and any other credit facilities or debt securities, in each case, deducted (and not added back) in computing net income,
 - (vi) losses resulting from the disposition of assets of the Loan Parties outside of the ordinary course of business,
 - (vii) losses resulting from the early termination of leases and other lease exit costs,
 - (viii) litigation related charges, costs and expenses incurred outside of the ordinary course of business (including any settlement costs related thereto),
 - (ix) business optimization expenses or costs and other restructuring charges, reserves or expenses (including such charges, reserves and expenses incurred in connection with Permitted Acquisitions), including charges or expenses arising from start-up or initial costs for any project or new line of business, facility consolidations and integration costs, and systems establishment costs; provided that, the aggregate amount added back pursuant to this clause (ix) plus the amount added back pursuant to clause (x) shall not exceed 15% of Consolidated EBITDA (after giving effect to any such addbacks) for any period of determination,

(x) “run rate” cost savings, operating expense reductions and synergies relating to operational changes (including cost saving initiatives) or other actions taken prior to or during, or expected to be taken following, such period, net of actual amounts realized, and that are reasonably anticipated by the Borrower in good faith to be realized within twelve (12) months following such event or action as of any date of determination; provided that, the aggregate amount added back pursuant to this clause (x) plus the amount added back pursuant to clause (ix) shall not exceed 15% of Consolidated EBITDA (after giving effect to any such addbacks) for any period of determination,

(xi) any extraordinary, exceptional, unusual or non-recurring charges and expenses,

(xii) adjustments to eliminate stock based compensation expense and employer payroll taxes related to stock releases and stock option exercises,

(xiii) extraordinary losses (excluding extraordinary losses from discontinued operations), and

(xiv) any other non-cash charges, write-downs, expenses, losses or items reducing net income for such period, including any impairment charges or the impact of purchase accounting (provided that if any such non-cash charges represent an accrual or reserve for potential cash items in any future period, (A) the Borrower may elect not to add back such non-cash charge in the current period and (B) to the extent the Borrower elects to add back such non-cash charge, the cash payment in respect thereof in such future period shall be subtracted from Consolidated EBITDA to such extent) or other non-cash items classified by the Borrower as special items less other non-cash items of income increasing net income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period), minus

(c) the sum of the following, without duplication:

(i) non-cash gains increasing net income for such period, excluding any non-cash gains to the extent they represent the reversal of an accrual or cash reserve for a potential cash item that reduced Consolidated EBITDA in any prior period and any non-cash gains with respect to cash actually received in a prior period so long as such cash did not increase Consolidated EBITDA in such prior period, and

(ii) the amount of all Restricted Payments made in reliance on Section 7.06(o) during such period.

“Consolidated Interest Expense” shall mean, for any period of determination, the sum of (a) all interest, premium payments, debt discount, fees, charges and related expenses in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, (b) all interest paid or payable with respect to discontinued operations and (c) the portion of rent expense under Capitalized Leases that is treated as interest in accordance with GAAP, in each case, of or by the Borrower and its Subsidiaries on a consolidated basis.

“Consolidated Total Debt” means, as of any date of determination, (a) the aggregate principal amount of Indebtedness of the Borrower and its Subsidiaries outstanding on such date, determined on a consolidated basis in accordance with GAAP (but excluding the effects of any discounting of Indebtedness resulting from the application of purchase accounting in connection with the Transactions or any Permitted Acquisition), consisting of Indebtedness for borrowed money, Capitalized Lease Obligations, Disqualified Equity Interests, earn-out obligations that are due and payable and are reflected as liabilities on the balance sheet of the Borrower and its Subsidiaries in accordance with GAAP and are not paid within ten (10) Business Days of the date due and debt obligations evidenced by bonds, debentures, notes, loan agreements or other similar instruments minus (b) the aggregate amount of unrestricted cash and Cash Equivalents held in United States deposit accounts or securities accounts subject to deposit account control agreements or securities account control agreements (within the time period as set forth in Section 6.12(b)), respectively, in favor of the Collateral Agent (in each case, free and clear of all Liens other than any nonconsensual Lien that are permitted under the Loan Documents and Liens of the Collateral Agent) included in the consolidated balance sheet of the Borrower and its Subsidiaries as of such date, which aggregate amount of cash and Cash Equivalents shall be determined without giving pro forma effect to the proceeds of Indebtedness incurred on any date of determination thereof; provided that Consolidated Total Debt shall not include (x) letters of credit and banker’s acceptances, except to the extent of any unreimbursed amounts thereunder, (y) obligations under Swap Contracts entered into in the ordinary course of business and not for speculative purposes and (z) Indebtedness in respect of any Permitted Receivables Financing.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Control” has the meaning specified in the definition of “Affiliate.”

“Corresponding Tenor” with respect to any Available Tenor means, as applicable, either a tenor (including overnight) or an interest payment period having approximately the same length (disregarding business day adjustment) as such Available Tenor.

“Covered Party” has the meaning specified in Section 10.26.

“Credit Extension” means a Borrowing or an L/C Credit Extension, as the context may require.

“Daily LIBO Rate” means, for any day, the rate per annum determined by the Administrative Agent by dividing (x) the Published Rate by (y) a number equal to 1.00 minus the LIBOR Reserve Percentage on such day. The rate of interest will be adjusted automatically as of each Business Day based on changes in the Daily LIBO Rate without notice to the Borrower. Notwithstanding the foregoing, if the Daily LIBO Rate as determined above would be less than zero percent (0.00%), such rate shall be deemed to be zero percent (0.00%) for purposes of this Agreement.

“Daily Simple SOFR” means, for any day, SOFR, with the conventions for this rate (which will include a lookback) being established by the Administrative Agent in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining “Daily Simple SOFR” for business loans; provided, that if the Administrative Agent decides that any such convention is not administratively feasible for the Administrative Agent, then the Administrative Agent may establish another convention in its reasonable discretion.

“Debtor Relief Laws” means all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means an interest rate equal to (a) with respect to any overdue principal for any Loan, the applicable interest rate for such Loan plus 2.00% per annum (provided that with respect to Eurocurrency Rate Loans, the determination of the applicable interest rate is subject to Section 2.02(c) to the extent that Eurocurrency Rate Loans may not be converted to, or continued as, Eurocurrency Rate Loans, pursuant thereto) and (b) with respect to any other overdue amount, including overdue interest, the interest rate applicable to Base Rate Loans plus 2.00% per annum, in each case, to the fullest extent permitted by applicable Laws.

“Defaulting Lender” means any Lender that (a) has failed, within two (2) Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans required to be funded by it, (ii) fund any portion of its participations in Letters of Credit or Swing Line Loans required to be funded by it or (iii) pay over to the Administrative Agent, each L/C Issuer, each Swing Line Lender or any other Lender any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender’s good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Borrower or the Administrative Agent, each L/C Issuer, each Swing Line Lender or any other Lender in writing that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing indicates that such position is based on such Lender’s good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a Loan cannot be satisfied), (c) has failed, within three (3) Business Days after request by the Administrative Agent, any L/C Issuer, any Swing Line Lender or any other Lender, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations to fund prospective Loans and participations in then outstanding Letters of Credit and Swing Line Loans under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Administrative Agent’s, L/C Issuer’s, Swing Line Lender’s or Lender’s receipt of such certification in form and substance satisfactory to it and the Administrative Agent, (d) has become the subject of a Bankruptcy Event, or (e) has become the subject of a Bail-In Action. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (e) above, and of the effective date of such status, shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to the last paragraph of Section 2.16) as of the date established therefor by the Administrative Agent in a written notice of such determination, which shall be delivered by the Administrative Agent to the Borrower, any L/C Issuer, any Swing Line Lender and each other Lender promptly following such determination.

“Delaware Divided LLC” means a Delaware LLC which has been formed upon the consummation of a Delaware LLC Division.

“Delaware LLC” means any limited liability company organized or formed under the laws of the State of Delaware.

“Delaware LLC Division” means the statutory division of any Delaware LLC into two or more Delaware LLCs pursuant to section 18-217 of the Delaware Limited Liability Company Act.

“Designated Non-Cash Consideration” means the fair market value of non-cash consideration received by the Borrower or a Subsidiary in connection with a Disposition pursuant to Section 7.05(m) that is designated as Designated Non-Cash Consideration pursuant to a certificate of a Responsible Officer of the Borrower setting forth the basis of such valuation.

“Disposition” or “Dispose” means the sale, transfer, license, lease or other disposition (including (a) any Sale Leaseback and any sale of Equity Interests and (b) any disposition of property to a Delaware Divided LLC pursuant to a Delaware LLC Division) of any property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith; provided that (i) “Disposition” and “Dispose” shall not be deemed to include any issuance by Holdings, any Intermediate Holding Company or the Borrower of any of its Equity Interests to another Person and (ii) no transaction or series of related transactions shall be considered a “Disposition” for purpose of Section 7.05 unless the fair market value (as determined in good faith by the Borrower) of the property disposed of in such transaction or series of transactions shall exceed \$5,000,000.

“Disqualified Equity Interests” means any Equity Interest which, by its terms (or by the terms of any security or other Equity Interests into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (a) matures or is mandatorily redeemable (other than solely for Qualified Equity Interests), pursuant to a sinking fund obligation or otherwise (except as a result of a change of control or asset sale so long as any rights of the holders thereof upon the occurrence of a change of control or asset sale event shall be subject to the prior repayment in full of the Loans and all other Obligations that are accrued and payable and the termination of all Commitments and all outstanding Letters of Credit), (b) is redeemable at the option of the holder thereof (other than solely for Qualified Equity Interests), in whole or in part, (c) provides for the scheduled payments of dividends in cash, or (d) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests that would constitute Disqualified Equity Interests, in each case, prior to the date that is ninety-one (91) days after the Latest Maturity Date at the time such Equity Interests are issued.

“Disqualified Lenders” means (i) such Persons that have been identified in writing to the Administrative Agent on or prior to the Closing Date, (ii) competitors of the Borrower and its Subsidiaries that have been specified in writing by the Borrower or the Sponsor to the Administrative Agent from time to time and (iii) any of their Affiliates of the Persons identified in clauses (i) and (ii) (other than, in the case of clause (ii), Affiliates that are bona fide debt funds) that are (x) identified in writing from time to time to the Administrative Agent by the Borrower or (y) clearly identifiable on the basis of such Affiliates’ name; provided that no such updates to the list shall be deemed to retroactively disqualify any parties that have previously acquired an assignment or participation interest in respect of the Loans from continuing to hold or vote such previously acquired assignments and participations on the terms set forth herein for Lenders that are not Disqualified Lenders (it being understood and agreed that such prohibitions with respect to Disqualified Lenders shall apply to any potential future assignments or participations to any such parties). The schedule of Disqualified Lenders shall be maintained with the Administrative Agent and may be communicated to a Lender upon request to the Administrative Agent (with concurrent notice to the Borrower) but shall not otherwise be posted or made available to Lenders.

“Dollar” and “\$” mean lawful money of the United States.

“Domestic Foreign Holding Company” means any Domestic Subsidiary that owns no material assets (directly or through one or more disregarded entities) other than capital stock, or capital stock and Indebtedness of, one or more Foreign Subsidiaries that are CFCs or other Domestic Foreign Holding Companies.

“Domestic Subsidiary” means any Subsidiary that is organized under the laws of the United States, any state thereof or the District of Columbia.

“Early Opt-in Election” means, if the then-current Benchmark is the Eurocurrency Rate, the occurrence of:

(1) a notification by the Administrative Agent to (or the request by the Borrower to the Administrative Agent to notify) each of the other parties hereto that at least five currently outstanding Dollar-denominated syndicated credit facilities at such time contain (as a result of amendment or as originally executed) a SOFR-based rate (including SOFR, a term SOFR or any other rate based upon SOFR) as a benchmark rate (and such syndicated credit facilities are identified in such notice and are publicly available for review), and

(2) the joint election by the Administrative Agent and the Borrower to trigger a fallback from the Eurocurrency Rate and the provision by the Administrative Agent of written notice of such election to the Lenders.

“EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“Effective Federal Funds Rate” means for any day the rate per annum (based on a year of 360 days and actual days elapsed and rounded upward to the nearest 1/100 of 1% announced by the NYFRB (or any successor) on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by the NYFRB (or any successor) in substantially the same manner the NYFRB computes and announces the weighted average it refers to as the “Effective Federal Funds Rate” as of the date of this Agreement; provided that if the NYFRB (or its successor) does not announce such rate on any day, the “Effective Federal Funds Rate” for such day shall be the Effective Federal Funds Rate for the last day on which such rate was announced. Notwithstanding the foregoing, if the Effective Federal Funds Rate as determined under any method above would be less than zero percent (0.00%), such rate shall be deemed to be zero percent (0.00%) for purposes of this Agreement.

“Eligible Assignee” means any Assignee permitted by and consented to in accordance with Section 10.07(b).

“Environment” means ambient air, indoor or outdoor air, surface water, groundwater, drinking water, soil, surface and subsurface strata, and natural resources such as wetlands, flora and fauna.

“Environmental Laws” means any and all applicable Laws relating to pollution, protection of the Environment or to the generation, transport, storage, use, treatment, handling, disposal, Release or threat of Release of any Hazardous Materials or, to the extent relating to exposure to Hazardous Materials, human health or safety.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities) of any Loan Party or any of its respective Subsidiaries directly or indirectly resulting from or based upon (a) any Environmental Law, (b) the generation, use, handling, transportation, storage, disposal or treatment of any Hazardous Materials, (c) exposure of any Person to any Hazardous Materials, (d) the Release or threatened Release of any Hazardous Materials or (e) any contract, agreement or other consensual arrangement to the extent liability is assumed or imposed with respect to any of the foregoing.

“Equity Interests” means, with respect to any Person, all of the shares, interests, rights, participations or other equivalents (however designated) of capital stock of (or other ownership or profit interests or units in) such Person and all of the warrants, options or other rights for the purchase, acquisition or exchange from such Person of any of the foregoing (including through convertible securities).

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that is under common control with any Loan Party and is treated as a single employer within the meaning of Section 414 of the Code or Section 4001 of ERISA.

“ERISA Event” means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by any Loan Party or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a failure to satisfy the minimum funding standard under Section 412 of the Code or Section 302 of ERISA with respect to a Pension Plan, whether or not waived, or a failure to make any required contribution to a Multiemployer Plan; (d) a complete or partial withdrawal by any Loan Party or any ERISA Affiliate from a Multiemployer Plan, notification of any Loan Party or ERISA Affiliate concerning the imposition of Withdrawal Liability or notification that a Multiemployer Plan is insolvent within the meaning of Title IV of ERISA or in endangered status or critical status, within the meaning of Section 305 of ERISA; (e) the filing of a notice of intent to terminate, the treatment of a Pension Plan or Multiemployer Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (f) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; (g) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any Loan Party or any ERISA Affiliate; (h) a determination that any Pension Plan is, or is expected to be, in “at-risk” status (within the meaning of Section 303(i)(4)(A) of ERISA or Section 430(i)(4)(A) of the Code); or (i) the occurrence of a non-exempt prohibited transaction with respect to any Pension Plan maintained or contributed to by any Loan Party (within the meaning of Section 4975 of the Code or Section 406 of ERISA) which could result in liability to any Loan Party.

“Erroneous Payment” has the meaning specified in Section 9.15(a).

“Erroneous Payment Deficiency Assignment” has the meaning specified in Section 9.15(d).

“Erroneous Payment Impacted Class” has the meaning specified in Section 9.15(d).

“Erroneous Payment Return Deficiency” has the meaning specified in Section 9.15(d).

“Erroneous Payment Subrogation Rights” has the meaning specified in Section 9.15(d).

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“Eurocurrency Rate” means the London interbank offered rate for Dollars.

“Eurocurrency Rate Loan” means a Loan that bears interest at a rate based on the Eurocurrency Rate.

“Event of Default” has the meaning specified in Section 8.01.

“Exchange Act” means the Securities Exchange Act of 1934.

“Excluded Accounts” means any deposit account or securities account (i) with an average balance of less than \$1,000,000 individually and \$2,500,000 in the aggregate for all such accounts, (ii) used solely for payroll, withholding, payroll taxes and other employee wage and benefit payments, (iii) that is a trust, fiduciary, escrow or tax payment account, (iv) that is a deposit account subject to a zero balance cash sweep into a deposit account subject to a control agreement, (v) maintained solely for the benefit of third parties as cash collateral for obligations owing to such third parties permitted by this Agreement, (vi) petty cash accounts, (vii) that holds solely cash owned by customers and clients of the Borrower and its Subsidiaries or (viii) other designated accounts of the Loan Parties; provided that the aggregate amount of cash held in deposit accounts, securities accounts and/or commodities accounts constituting Excluded Accounts pursuant to this clause (viii) shall not exceed \$2,500,000 at any time.

“Excluded Contribution Amount” means the aggregate amount of Cash or Cash Equivalents received by the Borrower (other than from any of its Subsidiaries) after the Closing Date from contributions to its common equity capital (excluding any contributions, loans and advances made by Holdings (or any direct or indirect subsidiary or parent thereof) pursuant to (or as required by) Section 7.02(b)(ii) or 7.06(a)(y)), minus the aggregate amount of (i) any Investments made pursuant to Section 7.02(w) (net of any return of capital in respect of such Investment or deemed reduction in the amount of such Investment), (ii) any Restricted Payment made pursuant to Section 7.06(k)(ii) and (iii) any payments made pursuant to Section 7.08(a)(iii)(C), in each case made during the period commencing on the Closing Date through and including the date of usage of such Excluded Contribution Amount in reliance thereon (without taking account of the intended usage of the Excluded Contribution Amount as of such date), so long as the same is designated as an Excluded Contribution Amount pursuant to a certificate of a Responsible Officer on or prior to the date on which the relevant capital contribution is made or the relevant proceeds are received, as the case may be.

“Excluded Equity” means Equity Interests (i) [reserved], (ii) of any Subsidiary acquired pursuant to a Permitted Acquisition that is an obligor of Indebtedness permitted pursuant to Section 7.03(v) if such Equity Interests are pledged and/or mortgaged as security for such Indebtedness if and for so long as the terms of such Indebtedness prohibit the creation of any other Lien on such Equity Interests (and which prohibition was not created in contemplation of such Permitted Acquisition), (iii) of any Foreign Subsidiary of the Borrower that is a CFC or any Domestic Foreign Holding Company (in each case, other than any Guarantor), in excess of 65% of the issued and outstanding Equity Interests of each such Foreign Subsidiary or Domestic Foreign Holding Company, (iv) of any Subsidiary with respect to which the Administrative Agent and the Borrower have determined in their reasonable judgment and agreed in writing that the costs of providing a pledge of such Equity Interests or perfection thereof is excessive in view of the

benefits to be obtained by the Secured Parties therefrom, (v) of any captive insurance companies, not-for-profit Subsidiaries or special purpose entities (including any entity used to effect a Permitted Receivables Financing, and including Paycor Headquarters), (vi) of any non-Wholly Owned Subsidiary and (vii) of any Subsidiary outside the United States (other than any Guarantor) the pledge of which is prohibited by applicable Laws or which would reasonably be expected to result in a violation or breach of, or conflict with, fiduciary duties of such Subsidiary's officers, directors or managers.

"Excluded Property" means (i) any fee-owned real property (unless a Lien thereon can be perfected by the filing of a UCC financing statement (or analogous procedures under applicable Laws of any jurisdiction of a Subsidiary that becomes a Guarantor pursuant to the last sentence of the definition of "Guarantor")) and any leasehold interests in real property (it being understood that no action shall be required with respect to creation or perfection of security interests with respect to such leases, including to obtain landlord waivers, estoppels or collateral access letters), (ii) (A) motor vehicles and other assets subject to certificates of title, to the extent a Lien thereon cannot be perfected by the filing of a UCC financing statement (or analogous procedures under applicable Laws of any jurisdiction of a Subsidiary that becomes a Guarantor pursuant to the last sentence of the definition of "Guarantor"), (B) letter of credit rights to the extent a Lien thereon cannot be perfected by the filing of a UCC financing statement (or analogous procedures under applicable Laws of any jurisdiction of a Subsidiary that becomes a Guarantor pursuant to the last sentence of the definition of "Guarantor") and (C) commercial tort claims not in excess of \$1,500,000, (iii) assets for which a pledge thereof or a security interest therein is prohibited by applicable Laws after giving effect to the applicable anti-assignment provisions of the UCC or other applicable Laws, other than proceeds and receivables thereof, the assignment of which is expressly deemed effective under applicable law notwithstanding such prohibition, (iv) margin stock, (v) [reserved], (vi) any lease, license or other agreements, or any property subject to a purchase money security interest, Capitalized Lease Obligation or similar arrangements, in each case to the extent permitted under the Loan Documents, to the extent that a pledge thereof or a security interest therein would violate or invalidate such lease, license or agreement, purchase money, Capitalized Lease or similar arrangement, or create a right of termination in favor of any other party thereto (other than the Borrower or a Guarantor) after giving effect to the applicable anti-assignment clauses of the Uniform Commercial Code and applicable Laws, other than the proceeds and receivables thereof the assignment of which is expressly deemed effective under applicable Laws notwithstanding such prohibition, (vii) assets for which a pledge thereof or security interest therein would result in a material adverse tax consequence as reasonably determined by the Borrower in writing (in consultation with (but without the consent of) the Administrative Agent); provided that nothing in this clause (vii) shall limit the pledge of assets by any Foreign Subsidiary that is a Guarantor without the Administrative Agent's consent, (viii) assets for which the Administrative Agent and the Borrower have determined in their reasonable judgment and agree in writing that the cost of creating or perfecting such pledges or security interests therein would be excessive in view of the benefits to be obtained by the Lenders therefrom, (ix) any intent-to-use trademark application in the United States prior to the filing of a "Statement of Use" or "Amendment to Allege Use" with respect thereto, to the extent, if any, that, and solely during the period, if any, in which, the grant, attachment, or enforcement of a security interest therein would impair the validity or enforceability of such intent-to-use trademark application under applicable Federal law, (x) Excluded Equity, (xi) any asset of any Subsidiary of the Borrower that is a CFC or Domestic Foreign Holding Company and (xii) any governmental licenses or state or local franchises, charters or authorizations, to the extent a security interest in any such licenses, franchises, charters or authorizations would be prohibited or restricted thereby (including any legally effective prohibition or restriction) or the pledge or creation of a security interest which would require governmental consent, approval, license or authorization; provided that, notwithstanding anything to the contrary contained herein, in no event shall any Material Intellectual Property constitute Excluded Property.

“Excluded Subsidiary” means (a) each Subsidiary listed on Schedule 1.01C hereto, (b) any Subsidiary that is prohibited by applicable Law or by any permitted Contractual Obligation existing on the Closing Date (or, if later, the date such Subsidiary first becomes a Subsidiary) from guaranteeing the Obligations (and in the case of such contractual obligation, not entered into in contemplation of the acquisition of such Subsidiary) or which would require governmental (including regulatory) consent, approval, license or authorization to provide a Guarantee unless such consent, approval, license or authorization has been received, (c) any Subsidiary acquired pursuant to a Permitted Acquisition or other similar Investment permitted hereunder that, at the time of such Permitted Acquisition or other similar Investment, has assumed secured Indebtedness not incurred in contemplation of such Permitted Acquisition or other similar Investment and each Subsidiary that is a Subsidiary thereof that guarantees such Indebtedness, in each case, to the extent such secured Indebtedness prohibits such Subsidiary from becoming a Guarantor (provided that each such Subsidiary shall cease to be an Excluded Subsidiary under this clause (c) if such secured Indebtedness is repaid or becomes unsecured, if such Subsidiary ceases to be an obligor with respect to such secured Indebtedness or such prohibition no longer exists, as applicable), (d) any Immaterial Subsidiary, (e) captive insurance companies, (f) not-for-profit Subsidiaries, (g) special purpose entities (for the avoidance of doubt, including Paycor Headquarters), (h) any non-Wholly Owned Subsidiary, (i) any Domestic Foreign Holding Company, (j) any Foreign Subsidiary of the Borrower that is a CFC, (k) any Domestic Subsidiary of a Foreign Subsidiary described in clause (j) and (l) any other Subsidiary with respect to which the Administrative Agent and the Borrower have determined in their reasonable judgment, and agree in writing, that the cost or other consequences (including any material adverse tax consequences; provided that (x) with respect to material adverse tax consequences and whether providing a Guarantee is excessive in view of the benefits to be obtained by the Lenders therefrom, the determination shall be made by the Borrower in consultation with (but without the consent of) the Administrative Agent; in each case of this definition, unless such Subsidiary is designated by the Borrower as a Guarantor pursuant to the definition of “Guarantors” and (y) in no event shall any Excluded Subsidiary (i) own any Material Intellectual Property or any stock of any Subsidiary of the Borrower that owns any Material Intellectual Property or (ii) be the exclusive licensee of any Material Intellectual Property.

“Excluded Swap Obligation” means, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guarantee of such Guarantor of, or the grant by such Guarantor of a security interest to secure, such Swap Obligation (or any Guarantee thereof) is or becomes illegal or unlawful under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act at the time the Guarantee of such Guarantor or the grant of such security interest would otherwise have become effective with respect to such related Swap Obligation but for such Guarantor’s failure to constitute an “eligible contract participant” at such time. If a Swap Obligation arises under a Master Agreement governing more than one Swap Contract, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to Swap Contracts for which such Guarantee or security interest is or becomes excluded in accordance with the first sentence of this definition.

“Excluded Taxes” means, with respect to any Agent, any Lender, any L/C Issuer, any Swing Line Lender or any other recipient of any payment to be made by or on account of any obligation of any Loan Party under any Loan Document, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, by any jurisdiction as a result of a present or former connection of such Agent, Lender, or other recipient, as the case may be, with such jurisdiction (including as a result of being treated as resident for Tax purposes, being organized, maintaining an Applicable Lending Office or treated as carrying on business for Tax purposes in such jurisdiction) other than any connection arising solely from such recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any transaction pursuant to or enforced any Loan Documents or sold or assigned an interest in any Loan or Loan Documents, or any transactions contemplated thereby, (b) any U.S. federal withholding Taxes imposed on amounts payable to any Lender pursuant to a law in effect at the time such Lender

becomes a party to this Agreement (other than pursuant to an assignment request by the Borrower under [Section 3.01\(e\)](#) or [Section 3.06\(a\)](#)) or designates a new Applicable Lending Office, except to the extent such Lender's assignor was entitled immediately prior to the assignment, or such Lender was entitled immediately before it designated a new Applicable Lending Office, to receive additional amounts from any Loan Party with respect to such Taxes pursuant to [Section 3.01\(a\)](#), (c) any Tax resulting from a failure of a Lender to comply with [Section 3.01\(f\)](#) or a failure of the Administrative Agent to comply with [Section 3.01\(g\)](#) and (d) any withholding Tax imposed pursuant to FATCA.

"[Existing Credit Agreement](#)" means that certain Credit Agreement, dated as of November 2, 2018 (as amended, restated, amended and restated, supplemented or otherwise modified prior to the date hereof), among *inter alios*, the Borrower, the other loan parties party thereto and the lenders party thereto and Wells Fargo Bank, National Association, as agent for all lenders thereunder.

"[Existing Expiration Date](#)" has the meaning specified in [Section 2.15\(a\)](#).

"[Existing Headquarters Debt Facility](#)" means that certain qualified low income investment facility related to the Headquarters Property, including but not limited to (i) Term Note (Libor Only – Designated Rate Reset), dated December 20, 2012, given by Paycor Headquarters in favor of PNC Bank, National Association, in the amount of \$4,240,000, (ii) Promissory Note A (PNC) – (Paycor Headquarters, LLC), dated December 20, 2012, given by Paycor Headquarters in favor of PNC CDE 21, LP, in the amount of \$3,440,000, (iii) Promissory Note A (Stonehenge) – (Paycor Headquarters, LLC), dated December 20, 2012, given by Paycor Headquarters in favor of Stonehenge Community Development LXXXII, LLC, in the amount of \$10,320,000, (iv) Promissory Note B (PNC) – (Paycor Headquarters, LLC), dated December 20, 2012, given by Paycor Headquarters in favor of PNC CDE 21, LP, in the amount of \$1,560,000, (v) Promissory Note B (Stonehenge) – (Paycor Headquarters, LLC), dated December 20, 2012, given by Paycor Headquarters in favor of Stonehenge Community Development LXXXII, LLC, in the amount of \$4,680,000, (vi) Guaranty Agreement (Payment and Completion), dated December 20, 2012, between Paycor, Inc., Paycor Headquarters and PNC Bank, National Association, as amended, (vii) Operating Agreement of Paycor Headquarters dated December 11, 2012 (and in particular Section 7.3 thereof whereby in the event of an operating deficit, allows for a Capital Call from the Manager (Paycor, Inc.) of up to \$8,000,000, (viii) Pledge and Security Agreement [Manager's Rights], dated December 20, 2012, between Borrower (as defined therein), PNC CDE 21, LP, and Stonehenge Community Development LXXXII, LLC, as amended, (ix) Open-End Mortgage and Security Agreement, dated December 20, 2012, between Paycor Headquarters and PNC Bank, National Association (Document No. 12-0165005 as recorded in the Hamilton County Recorder's Office on December 21, 2012), including a mortgage on property, buildings, mineral rights, furniture, fixtures and equipment, as well as a security interest in the personal property of the mortgagee, (x) Open-End Mortgage and Security Agreement, dated December 20, 2012, between Paycor Headquarters, PNC CDE 21, LP, Stonehenge Community Development LXXXII, LLC, and PNC Bank, National Association (Document No. 12-0165008 as recorded in the Hamilton County Recorder's Office pm December 21, 2012), including a mortgage on property, buildings, mineral rights, furniture, fixtures and equipment, as well as a security interest in the personal property of the mortgagee, (xi) Unconditional Guaranty (QALICB Indemnity) – (Paycor Headquarters, LLC), dated December 20, 2012, between Paycor Headquarters, Borrower, and PNC New Markets Investment Partners, LLC, and (xii) the New Markets Tax Credit Compliance Agreement, dated December 20, 2012, by Paycor and Paycor Headquarters for the benefit of PNC CDE 21, LP, Stonehenge Community Development LXXXII, LLC, and Paycor Investment Fund, LLC.

"[Extended Revolving Credit Commitment](#)" means any Revolving Credit Commitment the Maturity Date of which has been extended pursuant to [Section 2.15](#).

"[Extension Effective Date](#)" has the meaning specified in [Section 2.15\(c\)](#).

“Facility” means the Revolving Credit Facility.

“FATCA” means current Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Code.

“FCPA” means the United States Foreign Corrupt Practices Act of 1977, as amended.

“Fee Letter” means the Amended & Restated Fee Letter dated as of June 10, 2021, by and among the Borrower, the Administrative Agent and the other parties party thereto, as amended, restated, supplemented or modified from time to time.

“Financial Covenant Compliance” shall mean, as of any date of determination and with respect to any Specified Transaction, that the Loan Parties are in compliance with the Financial Covenants as of the most recently ended Test Period after giving pro forma effect to such Specified Transaction.

“Financial Covenants” has the meaning specified in Section 7.11.

“Fixed Amounts” has the meaning specified in Section 1.09(b).

“Floor” means the benchmark rate floor, if any, provided in this Agreement initially (as of the execution of this Agreement, the modification, amendment, restatement or renewal of this Agreement or otherwise) with respect to the Eurocurrency Rate or, if no floor is specified, zero.

“Foreign Plan” means any employee benefit plan, program, policy, arrangement or agreement (other than those mandated by Laws or administered by a Governmental Authority) maintained or contributed to or by, or entered into with, any Loan Party or any Subsidiary with respect to employees outside the United States.

“Foreign Subsidiary” means any direct or indirect Subsidiary of Holdings, which is not a Domestic Subsidiary.

“FRB” means the Board of Governors of the Federal Reserve System of the United States.

“Fronting Fee” has the meaning specified in Section 2.03(h).

“Fund” means any Person (other than a natural person) that is engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

“GAAP” means generally accepted accounting principles in the United States, as in effect from time to time; provided that (A) if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the Closing Date in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall

have been withdrawn or such provision amended in accordance herewith, (B) at any time after the Closing Date, the Borrower may elect, with the consent of the Administrative Agent (such consent not to be unreasonably withheld, delayed or conditioned), to apply IFRS accounting principles in lieu of GAAP and, upon any such election, references herein to GAAP shall thereafter be construed to mean IFRS (except as otherwise provided herein), including as to the ability of the Borrower or the Required Lenders to make an election pursuant to clause (A) of this proviso, (C) any election made pursuant to clause (B) of this proviso, once made, shall be irrevocable, (D) any calculation or determination in this Agreement that requires the application of GAAP for periods that include fiscal quarters ended prior to the Borrower's election to apply IFRS shall remain as previously calculated or determined in accordance with GAAP and (E) the Borrower may only make an election pursuant to clause (B) of this proviso if it also elects to report any subsequent financial reports required to be made by the Borrower, including pursuant to Sections 6.01(a) and (b), in IFRS.

“Governmental Authority” means any nation or government, any state, provincial, country, territorial or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Granting Lender” has the meaning specified in Section 10.07(h).

“Guarantee Obligations” means, as to any Person, without duplication, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other monetary obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other monetary obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other monetary obligation of the payment or performance of such Indebtedness or other monetary obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other monetary obligation or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other monetary obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part) or (b) any Lien on any assets of such Person securing any Indebtedness or other monetary obligation of any other Person, whether or not such Indebtedness or other monetary obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien); provided that the term “Guarantee Obligations” shall not include endorsements for collection or deposit, in either case in the ordinary course of business, or customary and reasonable indemnity obligations in effect on the Closing Date or entered into in connection with any acquisition or disposition of assets permitted under this Agreement (other than such obligations with respect to Indebtedness). The amount of any Guarantee Obligation shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith.

“Guarantees” has the meaning specified in the definition of “Collateral and Guarantee Requirement.”

“Guarantor” has the meaning specified in the definition of “Collateral and Guarantee Requirement.” For avoidance of doubt, the Borrower in its sole discretion may cause any Subsidiary that is not a Guarantor to Guarantee the Obligations by causing such Subsidiary to execute and deliver to the

Administrative Agent a Guaranty Supplement (as defined in the Guaranty), and any such Subsidiary shall thereafter be a Guarantor, Loan Party and Subsidiary Guarantor hereunder for all purposes; provided that if such Subsidiary is not organized in the United States, (i) the jurisdiction of organization of such Subsidiary shall be reasonably satisfactory to the Collateral Agent if acting as Collateral Agent or entering into Loan Documents with Subsidiaries in such jurisdiction is prohibited or materially restricted by applicable Law or would expose the Collateral Agent, in its capacity as such, to material additional liabilities and (ii) such Subsidiary shall have complied with the Collateral and Guarantee Requirement prior to the becoming a Guarantor.

“Guaranty” means, collectively, (a) the Guaranty substantially in the form of Exhibit F and (b) each other guaranty and guaranty supplement delivered pursuant to Section 6.10.

“Hazardous Materials” means all hazardous, toxic, explosive or radioactive substances or wastes, and all other chemicals, pollutants, contaminants, substances or wastes of any nature regulated pursuant to any Law relating to the Environment because of their hazardous, toxic, dangerous or deleterious characteristics or properties, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas and toxic mold.

“Headquarters Property” means the Loan Parties’ headquarters facility located at 4801 Montgomery Road, Norwood, Ohio 45212.

“Hedge Bank” means any Person that is (i) a Lender, an Agent, a Lead Arranger or an Affiliate of the foregoing at the time it enters into a Secured Hedge Agreement, or (ii) party to a Swap Contract with a Loan Party or any Subsidiary, in its capacity as a party thereto; provided that, if such party is not a Lender, an Agent, a Lead Arranger or an Affiliate of the foregoing, such party executes and delivers to the Administrative Agent and the Borrower a letter agreement in form and substance reasonably acceptable to the Administrative Agent and the Borrower pursuant to which such party (a) appoints the Administrative Agent as its agent under the applicable Loan Documents and (b) agrees to be bound by the provisions of Sections 4.01, 4.02, 6.15, 6.16 and 6.17 of the Security Agreement, in each case, as if it were a Lender.

“Holdings” has the meaning specified in the introductory paragraph to this Agreement.

“Honor Date” has the meaning specified in Section 2.03(c)(i).

“IBA” has the meaning specified in Section 3.02(d)(i).

“IFRS” means International Financial Reporting Standards as adopted in the European Union.

“Immaterial Subsidiary” means, at any date of determination, each Subsidiary of the Borrower that has been designated by the Borrower in writing to the Administrative Agent as an “Immaterial Subsidiary” for purposes of this Agreement (and not redesignated as a Material Subsidiary as provided below), provided that (a) for purposes of this Agreement, at no time shall (i) the total assets of all Immaterial Subsidiaries at the last day of the most recent Test Period equal or exceed 5% of the total assets of the Borrower and its Subsidiaries at such date or (ii) the gross revenues for such Test Period of all Immaterial Subsidiaries equal or exceed 5% of the consolidated gross revenues of the Borrower and its Subsidiaries for such period, in each case determined on a consolidated basis in accordance with GAAP, (b) the Borrower shall not designate any new Immaterial Subsidiary if such designation would not comply with the provisions set forth in clause (a) above, and (c) if the total assets or gross revenues of all Subsidiaries so designated by the Borrower as “Immaterial Subsidiaries” (and not redesignated as “Material

Subsidiaries”) shall at any time exceed the limits set forth in clause (a) above, then all such Subsidiaries shall be deemed to be Material Subsidiaries unless and until the Borrower shall redesignate one or more Immaterial Subsidiaries as Material Subsidiaries, in each case in a written notice to the Administrative Agent, and, as a result thereof, the total assets and gross revenues of all Subsidiaries still designated as “Immaterial Subsidiaries” do not exceed such limits; and provided, further, that the Borrower may designate and re-designate a Subsidiary as an Immaterial Subsidiary at any time, subject to the terms set forth in this definition. Notwithstanding the foregoing, no Subsidiary that owns or holds exclusive rights in any Material Intellectual Property shall constitute an Immaterial Subsidiary.

“Incremental Facilities” has the meaning specified in Section 2.14(a).

“Incremental Facility Amendment” has the meaning specified in Section 2.14(d).

“Incremental Facility Closing Date” has the meaning specified in Section 2.14(e).

“Incremental Revolving Lender” has the meaning specified in Section 2.14(f).

“Incurrence Based Amounts” has the meaning specified in Section 1.09(b).

“Indebtedness” means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) the maximum amount (after giving effect to any prior drawings or reductions which may have been reimbursed) of all letters of credit (including standby and commercial), banker’s acceptances, bank guaranties, surety bonds, performance bonds and similar instruments issued or created by or for the account of such Person;

(c) net obligations of such Person under any Swap Contract;

(d) all obligations of such Person to pay the deferred purchase price of property or services (other than (i) trade accounts payable in the ordinary course of business and (ii) any earn-out obligation until such obligation becomes a liability on the balance sheet of such Person in accordance with GAAP and if not paid within five (5) days after becoming due and payable);

(e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements and mortgage, industrial revenue bond, industrial development bond and similar financings), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(f) all Attributable Indebtedness;

(g) all obligations of such Person in respect of Disqualified Equity Interests; and

(h) all Guarantee Obligations of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation, company, or limited liability company) in which such Person is a general partner or a joint venturer, except to the extent such Person's liability for such Indebtedness is otherwise limited. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of Indebtedness of any Person for purposes of clause (e) shall be deemed to be equal to the lesser of (i) the aggregate unpaid amount of such Indebtedness and (ii) the fair market value of the property encumbered thereby as determined by such Person in good faith.

"Indemnified Liabilities" has the meaning specified in Section 10.05.

"Indemnified Taxes" means (a) all Taxes, other than Excluded Taxes, imposed on or in respect of any payment made by or on account of any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

"Indemnitees" has the meaning specified in Section 10.05.

"Information" has the meaning specified in Section 10.08.

"Initial Revolving Borrowing" means a borrowing of Revolving Credit Loans or issuances or deemed issuances of Letters of Credit, in each case, on the Closing Date in an amount not to exceed \$50,000,000.

"Interest Coverage Ratio" means, with respect to any Test Period, the ratio of (a) Consolidated EBITDA of the Borrower and its Subsidiaries for such Test Period to (b) Consolidated Cash Interest Charges of the Borrower and its Subsidiaries for such Test Period.

"Interest Payment Date" means (a) as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date of the Facility under which such Loan was made; provided that if any Interest Period for a Eurocurrency Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan (including any Swing Line Loan), the last Business Day of each March, June, September and December and the Maturity Date of the Facility under which such Loan was made.

"Interest Period" means, as to each Eurocurrency Rate Loan, the period commencing on the date such Loan is disbursed or converted to or continued as a Eurocurrency Rate Loan and ending on the date one, three or six months thereafter, or to the extent agreed to by each Lender of such Eurocurrency Rate Loan and the Administrative Agent, twelve months or any other period thereafter as selected by the Borrower in its Committed Loan Notice; provided that:

(a) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(b) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period shall extend beyond the Maturity Date of the Facility under which such Loan was made.

“Intermediate Holding Company” means any Wholly Owned Subsidiary of Holdings that directly or indirectly through another Intermediate Holding Company, owns 100% of the issued and outstanding Equity Interests of the Borrower.

“Investment” means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests or debt or other securities of another Person, (b) a loan, advance or capital contribution to, Guarantee Obligation with respect to any obligation of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person (excluding, in the case of the Borrower and its Subsidiaries, intercompany loans, advances, or Indebtedness having a term not exceeding 364 days (inclusive of any roll-over or extensions of terms) and made in the ordinary course of business consistent with past practice) or (c) the purchase or other acquisition (in one transaction or a series of transactions) of all or substantially all of the property and assets or business of another Person or assets constituting a business unit, line of business or division of such Person. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“Investment Grade Rating” means a rating equal to or higher than Baa3 (or the equivalent) by Moody’s and BBB- (or the equivalent) by S&P, or an equivalent rating by Fitch, Inc.

“Investors” means (a) the Sponsor, (b) certain other investors, which own Qualified Equity Interests directly or indirectly in Holdings on the Closing Date and (c) the Management Stockholders.

“IP Rights” has the meaning specified in Section 5.14.

“IPO” means any transaction or series of transactions that results in any of the common Equity Interests of Holdings or any direct or indirect parent company of Holdings or the Borrower being publicly traded on any United States national securities exchange or over-the-counter market, or any analogous exchange or any recognized securities exchange in Canada, the United Kingdom or any country of the European Union, in each case, pursuant to an effective registration statement filed with the SEC (or analogous regulator) in accordance with the Securities Act (or analogous regulation) (whether alone or in connection with a secondary public offering).

“ISDA Definitions” means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time by the International Swaps and Derivatives Association, Inc. or such successor thereto.

“ISP” means with respect to any Letter of Credit, the “International Standby Practices 1998” published by the Institute of International Banking Law & Practice, Inc. (or such later version thereof as may be in effect at the time of issuance).

“Judgment Currency” has the meaning specified in Section 10.17.

“JV Entity” means any joint venture of the Borrower or any Subsidiary that is not a Subsidiary.

“L/C Advance” means, with respect to each Revolving Credit Lender, such Lender’s funding of its participation in any L/C Borrowing in accordance with its Applicable Percentage.

“L/C Borrowing” means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the applicable Honor Date or refinanced as a Revolving Credit Borrowing.

“L/C Credit Extension” means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the renewal or increase of the amount thereof.

“L/C Issuer” means PNC and any other Revolving Credit Lender (or any of its Subsidiaries or Affiliates) that becomes an L/C Issuer in accordance with Section 2.03(j) or Section 10.07(j).

“L/C Obligation” means, as at any date of determination, the aggregate maximum amount then available to be drawn under all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts in respect of Letters of Credit, including all L/C Borrowings.

“Latest Maturity Date” means, at any date of determination, the latest Maturity Date applicable to any Loan hereunder at such time, including the latest maturity date of any Extended Revolving Credit Commitment as extended in accordance with this Agreement from time to time.

“Laws” means, collectively, all international, foreign, federal, state, provincial and local laws (including common laws), statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority.

“Lead Arrangers” means PNC and Fifth Third Bank, National Association, in their capacities as Joint Lead Arrangers.

“Lender” has the meaning specified in the introductory paragraph to this Agreement and, as the context requires, includes an L/C Issuer and a Swing Line Lender, and its respective successors and assigns as permitted hereunder, each of which is referred to herein as a “Lender.”

“Letter of Credit” means any letter of credit issued hereunder, which may be a commercial letter of credit or a standby letter of credit and shall be issued in Dollars; provided that no L/C Issuer shall be required to issue commercial letters of credit without its consent.

“Letter of Credit Application” means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by the relevant L/C Issuer.

“Letter of Credit Expiration Date” means the day that is five (5) Business Days prior to the scheduled Maturity Date then in effect for the Revolving Credit Facility (or, if such day is not a Business Day, the next preceding Business Day).

“Letter of Credit Sublimit” means an amount equal to the lesser of (a) \$20,000,000 and (b) the aggregate amount of the Revolving Credit Commitments.

“LIBO Rate” means, with respect to any Eurocurrency Rate Loans, the interest rate per annum determined by the Administrative Agent by dividing (the resulting quotient rounded upwards, at the Administrative Agent’s discretion, to the nearest 1/100 of 1%) (a) the rate which appears on the Bloomberg Page BBAM1 (or on such other substitute Bloomberg page that displays rates at which Dollar deposits are offered by leading banks in the London interbank deposit market), or the rate which is quoted by another

source selected by the Administrative Agent as an authorized information vendor for the purpose of displaying rates at which Dollar deposits are offered by leading banks in the London interbank deposit market (an "Alternate Source"), at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period as the London interbank offered rate for Dollars for an amount comparable to such Borrowing and having a borrowing date and a maturity comparable to such Interest Period (or if there shall at any time, for any reason, no longer exist a Bloomberg Page BBAM1 (or any substitute page) or any Alternate Source, a comparable replacement rate determined by the Administrative Agent at such time (which determination shall be conclusive absent manifest error)), by (b) a number equal to 1.00 minus the LIBOR Reserve Percentage. Notwithstanding the foregoing, if the LIBO Rate as determined under any method above would be less than zero percent (0.00%), such rate shall be deemed to be zero percent (0.00%) for purposes of this Agreement.

The LIBO Rate shall be adjusted with respect to any Eurocurrency Rate Loan that is outstanding on the effective date of any change in the LIBOR Reserve Percentage as of such effective date. The Administrative Agent shall give prompt notice to the Borrower of the LIBO Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

"LIBOR Reserve Percentage" means as of any day the maximum effective percentage in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding or in respect of eurocurrency liabilities or any similar category of liabilities for a member bank of the Federal Reserve System in New York City.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, assignment (by way of security or otherwise), deemed trust, or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any Capitalized Lease having substantially the same economic effect as any of the foregoing).

"Loan" means an extension of credit by a Lender to the Borrower under Article II in the form of a Revolving Credit Loan or a Swing Line Loan (including any loans made pursuant to Extended Revolving Credit Commitments).

"Loan Documents" means, collectively, (i) this Agreement, (ii) the Notes, (iii) the Guaranty, (iv) the Fee Letter and (v) the Collateral Documents, in each case as amended, restated, supplemented or modified in accordance with this Agreement.

"Loan Parties" means, collectively, (i) the Borrower, (ii) Holdings and (iii) each other Guarantor.

"Management Stockholders" means the members of management of the Borrower or any of the Subsidiaries who are or who become investors in Holdings or any direct or indirect parent thereof.

"Master Agreement" has the meaning specified in the definition of "Swap Contract."

"Material Adverse Effect" means (a) a material adverse effect on the business, operations, assets liabilities (actual or contingent) or financial condition of Holdings and its Subsidiaries, taken as a whole, (b) a material adverse effect on the ability of the Loan Parties (taken as a whole) to perform their respective payment obligations under any Loan Document to which any of the Loan Parties is a party or (c) a material adverse effect on the rights and remedies of the Lenders or the Agents under any Loan Document.

“Material Intellectual Property” means intellectual property that is (i) material to the business of the Borrower and the Subsidiaries (taken as a whole) and (ii) owned by the Borrower or any of its Subsidiaries.

“Material Subsidiary” means, at any date of determination, each Subsidiary of the Borrower that is not an Immaterial Subsidiary (but including, in any case, any Subsidiary that has been designated as a Material Subsidiary as provided in, or that has been designated as an Immaterial Subsidiary in a manner that does not comply with, the definition of “Immaterial Subsidiary”).

“Maturity Date” means the earlier of (i) August 3, 2024 and (ii) the occurrence of the first Mandatory Redemption Event (as defined in the Preferred Shares Documents (as in effect on the Closing Date)); provided that, if the Preferred Shares are redeemed in full prior to August 3, 2024, then the Maturity Date shall automatically be extended to June 11, 2026 (or, with respect to any Extended Revolving Credit Commitments, the maturity date applicable to such Extended Revolving Credit Commitments in accordance with the terms hereof); provided that if any such day is not a Business Day, the Maturity Date shall be the Business Day immediately preceding such day.

“Moody’s” means Moody’s Investors Service, Inc. and any successor thereto.

“Multiemployer Plan” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which any Loan Party makes or is obligated to make contributions or has, or could reasonably be expected to have, any liability or obligation, whether fixed or contingent, including on account of an ERISA Affiliate.

“Non-Consenting Lender” has the meaning specified in Section 3.06(d).

“Non-Extending Lender” means any Lender that elects not to participate in an extension of the Maturity Date pursuant to Section 2.15.

“Non-Loan Party” means any Subsidiary of the Borrower that is not a Loan Party.

“Nonrenewal Notice Date” has the meaning specified in Section 2.03(b)(iii).

“Note” means a promissory note of the Borrower payable to any Revolving Credit Lender or its registered assigns, in substantially the form of Exhibit C hereto, evidencing the aggregate Indebtedness of the Borrower to such Revolving Credit Lender resulting from the Revolving Credit Loans made by such Revolving Credit Lender.

“Notice Date” has the meaning specified in Section 2.15(b).

“NYFRB” means the Federal Reserve Bank of New York or any successor thereto.

“Obligations” means (x) all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party or other Subsidiary arising under any Loan Document or otherwise with respect to any Loan or Letter of Credit, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party or any other Subsidiary of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding, (y) obligations of any Loan Party or any other Subsidiary arising under any Secured Hedge Agreement (other than any Excluded Swap Obligations) and (z) Cash Management Obligations. Without limiting the generality of the foregoing, the

Obligations of the Loan Parties under the Loan Documents (and of any of their Subsidiaries to the extent they have obligations under the Loan Documents) include (a) the obligation (including guarantee obligations) to pay principal, interest, Letter of Credit commissions, reimbursement obligations, charges, expenses, fees, Attorney Costs, indemnities and other amounts, in each case, payable by any Loan Party or any other Subsidiary under any Loan Document and (b) the obligation of any Loan Party or any other Subsidiary to reimburse any amount in respect of any of the foregoing that any Lender, in its sole discretion, may elect to pay or advance on behalf of such Loan Party or such Subsidiary.

“Official Body” means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

“Organization Documents” means (a) with respect to any corporation or company, the certificate or articles of incorporation or amalgamation, the memorandum and articles of association, any other constitutional documents, any certificates of change of name and/or the bylaws; (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, declaration, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Other Taxes” means all present or future stamp, court or documentary Taxes and any other property, intangible, mortgage recording or similar Taxes which arise from any payment made under any Loan Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document, excluding, in each case, any such Tax resulting from an Assignment and Assumption or transfer or assignment to or designation of a new Applicable Lending Office or other office for receiving payments under any Loan Document (an “Assignment Tax”) but only if (a) such Assignment Tax is imposed as a result of a present or former connection of the assignor or assignee with the jurisdiction imposing such Assignment Tax (other than any connection arising solely from such recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any transaction pursuant to or enforced any Loan Documents or sold or assigned an interest in any Loan or Loan Documents or any transactions contemplated thereby) and (b) such Assignment Tax does not arise as a result of an assignment (or designation of a new Applicable Lending Office) pursuant to a request by the Borrower under Section 3.06.

“Outstanding Amount” means (a) with respect to the Revolving Credit Loans and Swing Line Loans on any date, the Dollar amount of the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Revolving Credit Loans (including any refinancing of outstanding Unreimbursed Amounts under Letters of Credit or L/C Credit Extensions as a Revolving Credit Borrowing) and Swing Line Loans, as the case may be, occurring on such date; and (b) with respect to any L/C Obligations on any date, the Dollar amount of the aggregate outstanding amount thereof on such date after giving effect to any related L/C Credit Extension occurring on such date and any other changes thereto as of such date, including as a result of any reimbursements of outstanding Unreimbursed Amounts under related Letters of Credit (including any refinancing of outstanding Unreimbursed Amounts under related Letters of Credit or related L/C Credit Extensions as a Revolving Credit Borrowing) or any reductions in the maximum amount available for drawing under related Letters of Credit taking effect on such date.

“Overnight Bank Funding Rate” means for any day, the rate comprised of both overnight federal funds and overnight eurocurrency borrowings by U.S.-managed banking offices of depository institutions, as such composite rate shall be determined by the NYFRB, as set forth on its public website from time to time, and as published on the next succeeding Business Day as the overnight bank funding rate by the NYFRB (or by such other recognized electronic source (such as Bloomberg) selected by the Bank for the purpose of displaying such rate); provided, that if such day is not a Business Day, the Overnight Bank Funding Rate for such day shall be such rate on the immediately preceding Business Day; provided, further, that if such rate shall at any time, for any reason, no longer exist, a comparable replacement rate determined by the Administrative Agent at such time (which determination shall be conclusive absent manifest error). If the Overnight Bank Funding Rate determined as above would be less than zero, then such rate shall be deemed to be zero. The rate of interest charged shall be adjusted as of each Business Day based on changes in the Overnight Bank Funding Rate without notice to the Borrower.

“Participant” has the meaning specified in Section 10.07(e).

“Participant Register” has the meaning specified in Section 10.07(e).

“Paycor Headquarters” means Paycor Headquarters, LLC, an Ohio limited liability company.

“Payment Recipient” has the meaning specified in Section 9.15(a).

“PBGC” means the Pension Benefit Guaranty Corporation.

“Pension Plan” means any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA) other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by any Loan Party or to which any Loan Party contributes or has an obligation to contribute or has, or could reasonably be expected to have, any liability or obligation, whether fixed or contingent, including on account of an ERISA Affiliate.

“Permitted Acquisition” has the meaning specified in Section 7.02(j).

“Permitted Holders” means any of (a) the Sponsor and (b) any other Investor.

“Permitted Liens” means any Liens permitted by Section 7.01.

“Permitted Non-Recourse Factoring” means one or more non-recourse (except for customary representations, warranties, covenants and indemnities made in connection with such non-recourse facilities) receivables purchase, factoring or other similar facilities made available to any of the Borrower or its Subsidiaries on then-market terms (as reasonably determined by the Borrower) in an aggregate principal amount for all such facilities not exceeding \$10,000,000 at any time outstanding.

“Permitted Ratio Debt” has the meaning specified in Section 7.03(r).

“Permitted Receivables Financing” means a Permitted Non-Recourse Factoring.

“Permitted Refinancing” means, with respect to any Person, any modification (other than a release of such Person), refinancing, refunding, renewal or extension of any Indebtedness of such Person; provided that (a) the principal amount (or accreted value, if applicable) thereof does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness so modified, refinanced, refunded, renewed or extended except by an amount equal to unpaid accrued interest and premium thereon, plus amounts that would otherwise be permitted under Section 7.03 (with such amounts being deemed utilization of the applicable basket or exception under Section 7.03), plus other reasonable amounts paid, and fees and expenses reasonably incurred, in connection with such modification, refinancing, refunding, renewal or extension and by an amount equal to any existing commitments unutilized thereunder, and as otherwise permitted under Section 7.03, (b) other than with respect to a Permitted Refinancing in respect of Indebtedness permitted pursuant to Section 7.03(f), such modification, refinancing, refunding, renewal or extension has a final maturity date equal to or later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being modified, refinanced, refunded, renewed or extended (provided that the foregoing requirements of this clause (b) shall not apply to the extent such Indebtedness constitutes a customary bridge facility, so long as the long-term Indebtedness into which such customary bridge facility is to be converted or exchanged satisfies the requirements of this clause (b)), (c) to the extent such Indebtedness being so modified, refinanced, refunded, renewed or extended is secured by a Lien on the Collateral, the Lien securing such Indebtedness as modified, refinanced, refunded, renewed or extended shall not be senior in priority to the Lien on the Collateral securing the Indebtedness being modified, refinanced, refunded, renewed or extended unless such senior Lien is otherwise permitted under any basket or exception under Section 7.01 (with such amounts constituting utilization of the applicable basket or exception under Section 7.01), (d) to the extent such Indebtedness being so modified, refinanced, refunded, renewed or extended is unsecured, such modification, refinancing, refunding, replacement, or extension shall also be unsecured unless secured by Liens that are otherwise permitted under any basket or exception under Section 7.01 (with such amounts constituting utilization of the applicable basket or exception under Section 7.01), (e) to the extent such Indebtedness being so modified, refinanced, refunded, renewed or extended is subordinated in right of payment to the Obligations, such modification, refinancing, refunding, renewal or extension is subordinated in right of payment to the Obligations on terms at least as favorable to the Lenders as those contained in the documentation governing the Indebtedness being so modified, refinanced, refunded, renewed or extended unless otherwise permitted by any basket or exception under Section 7.03 (with such amounts constituting utilization of the applicable basket or exception under Section 7.03), (f) if such Indebtedness being modified, refinanced, refunded, renewed or extended is Indebtedness permitted pursuant to Section 7.03(c), the terms and conditions (including, if applicable, as to collateral but excluding as to subordination, interest rate and redemption premium) of any such modified, refinanced, refunded, renewed or extended Indebtedness, taken as a whole, are not materially less favorable to the Loan Parties or the Lenders than the terms and conditions of the Indebtedness being modified, refinanced, refunded, renewed or extended (other than in the case of terms applying to periods after the then Latest Maturity Date or otherwise added for the benefit of the Lenders hereunder); provided that a certificate of a Responsible Officer of the Borrower delivered to the Administrative Agent at least five (5) Business Days prior to the incurrence of such Indebtedness, together with a reasonably detailed description of the material terms and conditions of such Indebtedness or drafts of the documentation relating thereto, stating that the Borrower has determined in good faith that such terms and conditions satisfy the foregoing requirement, shall be conclusive evidence that such terms and conditions satisfy the foregoing requirement unless the Administrative Agent notifies the Borrower within such five (5) Business Day period that it disagrees with such determination (including a reasonable description of the basis upon which it disagrees) and (g) such modification, refinancing, refunding, renewal or extension is incurred by a Person who is the obligor of the Indebtedness being so modified, refinanced, refunded, renewed or extended and no additional obligors become liable for such Indebtedness except to the extent permitted by any basket or exception under Section 7.03 (with such amounts constituting utilization of the applicable basket or exception under Section 7.03). Any reference to a Permitted Refinancing in this Agreement or any other Loan Document shall be interpreted to mean (a) a Permitted Refinancing of the subject Indebtedness and (b) any further refinancings constituting a Permitted Refinancing of the Indebtedness resulting from a prior Permitted Refinancing.

“Permitted Sale Leaseback” means (a) at any time following a Qualifying IPO, the Sale Leaseback of the Headquarters Property, as long as the net proceeds therefrom are received by the Borrower concurrently with the closing of such Sale Leaseback, and (b) any other Sale Leaseback consummated by the Borrower or any of its Subsidiaries after the Closing Date; provided that any such Sale Leaseback that is not between (i) a Loan Party and another Loan Party or (ii) a Subsidiary that is not a Loan Party and another Subsidiary that is not a Loan Party must be, in each case, consummated for fair value as determined at the time of consummation in good faith by (x) the Borrower or the applicable Subsidiary and (y) the board of managers or directors, as applicable, of the Borrower or such Subsidiary (which such determination may take into account any retained interest or other Investment of the Borrower or such Subsidiary in connection with, and any other material economic terms of, such Sale Leaseback).

“Permitted Tax Distribution” means, if and for so long as the Borrower is a member of a group filing a consolidated, combined, group, affiliated, unitary or similar tax return with any parent entity of the Borrower, payments or distributions to pay the consolidated, combined, group, affiliated, unitary or similar type of income Taxes attributable to the taxable income of the Borrower and its Subsidiaries for which such parent entity is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes with respect to an applicable taxable period that the Borrower and its applicable Subsidiaries would have been required to pay on a separate company basis or on a separate consolidated, combined, group, affiliated, unitary or similar basis if the Borrower and such Subsidiaries had paid such Tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group of corporations consisting only of the Borrower and such Subsidiaries.

“Permitted Tax Restructuring” means any reorganizations and other activities related to tax planning and tax reorganization (as determined by the Borrower in good faith and in consultation with (but without the consent of) the Administrative Agent) entered into on or after the date hereof so long as such Permitted Tax Restructuring does not materially impair the security interests of the Lenders and is otherwise not materially adverse to any of the Lenders and after giving effect to such Permitted Tax Restructuring, the Borrower and its Subsidiaries otherwise comply with Section 6.10.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any “employee benefit plan” (as such term is defined in Section 3(3) of ERISA), other than a Multiemployer Plan, established, sponsored, maintained or contributed to by any Loan Party or, in the case of any such plan that is subject to Section 412 of the Code or Title IV of ERISA, under which any Loan Party, has, or could reasonably be expected to have, any liability or obligation, whether fixed or contingent, including on account of an ERISA Affiliate.

“Plan Assets” means “plan assets” within the meaning of U.S. Department of Labor Regulation 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA.

“Platform” has the meaning specified in Section 6.01.

“PNC” has the meaning specified in the introductory paragraph to this Agreement.

“Preferred Shares” means the shares of Series A Redeemable Preferred Stock, issued by Pride Midco, Inc., a Delaware corporation.

“Preferred Shares Documents” means the Investment Agreement, dated as of November 2, 2018 (the “Investment Agreement”), by and between Pride Midco, Inc. and the purchasers party thereto and the Certificate of Designations of Series A Redeemable Preferred Stock, Par Value \$0.0001 Per Share, of Pride Midco, Inc., dated November 2, 2018 (as amended by that certain Amendment to Certificate of Designations, dated as of the date hereof).

“Prime Rate” means the interest rate per annum announced from time to time by the Administrative Agent at its Principal Office as its then prime rate, which rate may not be the lowest or most favorable rate then being charged to commercial borrowers or others by the Administrative Agent and may not be tied to any external rate of interest or index. Any change in the Prime Rate shall take effect at the opening of business on the day such change is announced.

“Principal Office” means the main banking office of the Administrative Agent in Pittsburgh, Pennsylvania.

“pro forma basis” and “pro forma effect” mean, with respect to compliance with any test hereunder for an applicable period of measurement, that all Specified Transactions and the following transactions in connection therewith shall be deemed to have occurred as of the first day of the applicable period of measurement (as of the last date in the case of a balance sheet item) in such test: (a) income statement items (whether positive or negative) attributable to the property or Person subject to such Specified Transaction, (i) in the case of a Disposition of all or substantially all Equity Interests in any Restricted Subsidiary of the Borrower or any division, product line, or facility used for operations of the Borrower or any of its Restricted Subsidiaries, shall be excluded, and (ii) in the case of a Permitted Acquisition or Investment described in the definition of “Specified Transaction,” shall be included, (b) any retirement of Indebtedness, and (c) any Indebtedness incurred or assumed by the Borrower or any of its Subsidiaries in connection therewith and if such Indebtedness has a floating or formula rate, shall have an implied rate of interest for the applicable period for purposes of this definition determined by utilizing the rate which is or would be in effect with respect to such Indebtedness as at the relevant date of determination.

“Public Lender” has the meaning specified in Section 6.01.

“Published Rate” means the rate of interest published each Business Day in The Wall Street Journal “Money Rates” listing under the caption “London Interbank Offered Rates” for a one month period: provided that if no such rate is published therein for any reason, then the Published Rate shall be the rate at which Dollar deposits are offered by leading banks in the London interbank deposit market for a one month period either (a) as published in another publication selected by the Administrative Agent or (b) in an Alternate Source (or if there shall at any time, for any reason, no longer exist any such reference or any Alternate Source, a comparable replacement rate determined by the Administrative Agent at such time (which determination shall be conclusive absent manifest error).

“QFC Credit Support” has the meaning specified in Section 10.26.

“Qualified Equity Interests” means any Equity Interests of Holdings (or of the Borrower or any Intermediate Holding Company or any direct or indirect parent of Holdings), in each case, that are not Disqualified Equity Interests.

“Qualifying IPO” means any IPO that results in (a) the Borrower receiving, and retaining on its balance sheet, net cash proceeds from such IPO of at least \$100,000,000 and (b) concurrently therewith, the Preferred Shares being redeemed in full.

“Reference Time” with respect to any setting of the then-current Benchmark means (1) if such Benchmark is the Eurocurrency Rate, 11:00 a.m. (London time) on the day that is two London banking days preceding the date of such setting, and (2) if such Benchmark is not the Eurocurrency Rate, the time determined by the Administrative Agent in its reasonable discretion.

“Refinancing” means the repayment in full, termination of all commitments and release and termination of all liens under that the Existing Credit Agreement and the Existing Headquarters Debt Facility.

“Register” has the meaning specified in Section 10.07(d).

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“Release” means any release, spill, emission, discharge, deposit, disposal, leaking, pumping, pouring, dumping, emptying, injection, migration or leaching on, into or through the Environment or into, from or through any building, structure or facility.

“Relevant Governmental Body” means the FRB or the NYFRB, or a committee officially endorsed or convened by the FRB or the NYFRB, or any successor thereto.

“Reportable Event” means, with respect to any Pension Plan, any of the events set forth in Section 4043(c) of ERISA or the regulations issued thereunder, other than events for which the thirty (30) day notice period has been waived.

“Request for Credit Extension” means (a) with respect to a Borrowing, conversion or continuation of Revolving Credit Loans, a Committed Loan Notice, (b) with respect to an L/C Credit Extension, a Letter of Credit Application and, (c) with respect to a Swing Line Loan, a Swing Line Loan Notice.

“Required Lenders” means, as of any date of determination, Lenders having more than 50.0% of the sum of the (a) Total Outstandings (with the aggregate outstanding amount of each Lender’s risk participation and funded participation in L/C Obligations and Swing Line Loans being deemed “held” by such Lender for purposes of this definition) and (b) aggregate unused Revolving Credit Commitments; provided that the unused Revolving Credit Commitment of, and the portion of the Total Outstandings held or deemed held by any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders; provided, further, that, if at any time there are two (2) or more unaffiliated Lenders holding Loans or Commitments hereunder, then “Required Lenders” shall include at least two (2) unaffiliated Lenders.

“Resolution Authority” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“Responsible Officer” means the chief executive officer, president, vice president, chief financial officer, treasurer, assistant treasurer, or other similar officer or director of a Loan Party and, as to any document delivered on the Closing Date, any secretary or assistant secretary of a Loan Party and, solely for purposes of notices given pursuant to Article II, any other officer of the applicable Loan Party so designated by any of the foregoing officers. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interest in the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, defeasance, acquisition, cancellation or termination of any such Equity Interest, or on account of any return of capital to the holders of Equity Interests of the Borrower.

“Revolving Credit Borrowing” means a borrowing consisting of Revolving Credit Loans of the same Class and Type, made, converted or continued on the same date and, in the case of Eurocurrency Rate Loans, having the same Interest Period made by each of the Revolving Credit Lenders pursuant to Section 2.01.

“Revolving Credit Commitment” means, as to each Revolving Credit Lender, its obligation to (a) make Revolving Credit Loans to the Borrower pursuant to Section 2.01 or Section 2.03, as applicable, (b) purchase participations in L/C Obligations in respect of Letters of Credit and (c) purchase participations in Swing Line Loans, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender’s name on Schedule 2.01 under the caption “Revolving Credit Commitment” or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement. The aggregate Revolving Credit Commitments of all Revolving Credit Lenders shall be \$100,000,000 on the Closing Date, as such amount may be adjusted from time to time in accordance with the terms of this Agreement.

“Revolving Credit Commitment Increase” has the meaning specified in Section 2.14(a).

“Revolving Credit Exposure” means, as to each Revolving Credit Lender at any time, the sum of (a) the outstanding principal amount of all Revolving Credit Loans held by such Revolving Credit Lender (or its Applicable Lending Office), (b) such Revolving Credit Lender’s Applicable Percentage of the L/C Obligations and (c) such Revolving Credit Lender’s Applicable Percentage of the Swing Line Obligations.

“Revolving Credit Facility” has the meaning specified in the Preliminary Statements to this Agreement.

“Revolving Credit Lender” means, at any time, any Lender that has a Revolving Credit Commitment or that holds Revolving Credit Loans at such time.

“Revolving Credit Loan” has the meaning specified in Section 2.01.

“S&P” means Standard & Poor’s Financial Services LLC, a subsidiary of S&P Global Inc., and any successor thereto.

“Sale Leaseback” means any transaction or series of related transactions pursuant to which the Borrower or any of its Subsidiaries (a) sells, transfers or otherwise disposes of any property, real or personal, whether now owned or hereafter acquired, and (b) as part of such transaction, thereafter rents or leases such property or other property that it intends to use for substantially the same purpose or purposes as the property being sold, transferred or disposed.

“Same Day Funds” means, with respect to disbursements and payments in Dollars, immediately available funds.

“Sanctioned Jurisdiction” means any country or territory that is the subject of comprehensive Sanctions Laws and Regulations (including, as of the date of this Agreement, Cuba, Iran, North Korea, Syria and Crimea).

“Sanctioned Person” means any Person that is (i) the subject or target of any Sanctions Laws and Regulations; (ii) located, organized, or ordinarily resident in a Sanctioned Jurisdiction; or (iii) owned 50% or more by one or more Persons or under Control of a Person by any of the foregoing, whether directly or indirectly, or acting on the behalf of or for the benefit of any of the foregoing.

“Sanctions Laws and Regulations” means any sanctions, trade embargoes, or related requirements imposed from time to time by (i) any law or executive order administered by the U.S. Department of the Treasury Office of Foreign Assets Control or the U.S. Department of State at any time (including but not limited to the USA PATRIOT Act, the Executive Order No. 13224 of September 23, 2001, entitled Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)), the U.S. International Emergency Economic Powers Act (50 U.S.C. §§ 1701 *et seq.*), the U.S. Trading with the Enemy Act (50 U.S.C. App. §§ 1 *et seq.*), the U.S. Syria Accountability and Lebanese Sovereignty Act, the U.S. Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 or the Iran Sanctions Act, Section 1245 of the National Defense Authorization Act of 2012, all as amended, or any of the foreign assets control regulations (including but not limited to 31 C.F.R., Subtitle B, Chapter V, as amended) or any other law or executive order relating thereto enacted in the United States on or after the date of this Agreement); (ii) the European Union and its member states; (iii) the United Nations Security Council; and (iv) Her Majesty’s Treasury of the United Kingdom.

“SEC” means the Securities and Exchange Commission or any Governmental Authority succeeding to any of its principal functions.

“Secondary Term SOFR Conversion Date” has the meaning specified in Section 3.02(d)(vii).

“Secured Hedge Agreement” means any Swap Contract that is entered into by and between any Loan Party (or any Person that merges into a Loan Party) or any Subsidiary and any Hedge Bank.

“Secured Parties” means, collectively, the Administrative Agent, the Collateral Agent, the Lenders, the L/C Issuers, the Hedge Banks, the Cash Management Banks and each co-agent or sub-agent appointed by the Administrative Agent from time to time pursuant to Section 9.05.

“Securities Act” means the Securities Act of 1933.

“Security Agreement” means, collectively, the Security Agreement executed by the Loan Parties party thereto on the Closing Date substantially in the form of Exhibit H as supplemented by any Security Agreement Supplement executed and delivered pursuant to Section 6.10.

“Security Agreement Supplement” means a supplement to any Security Agreement as contemplated by such Security Agreement.

“SOFR” means, with respect to any Business Day, a rate per annum equal to the secured overnight financing rate for such Business Day published by the SOFR Administrator on the SOFR Administrator’s Website on the immediately succeeding Business Day.

“SOFR Administrator” means the NYFRB (or a successor administrator of the secured overnight financing rate).

“SOFR Administrator’s Website” means the website of the NYFRB, currently at <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

“Solvent” and “Solvency” mean, with respect to any Person on any date of determination, that on such date, such Person (i) has property with fair value greater than the total amount of its debts and liabilities, contingent (it being understood that the amount of contingent liabilities at any time shall be computed as the amount that, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability), subordinated or otherwise, (b) has assets with present fair salable value not less than the amount that will be required to pay the liability on its debts as they become absolute and matured, (c) will be able to pay its debts and liabilities, subordinated, contingent or otherwise, as they become absolute and matured and (d) is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which their property would constitute an unreasonably small capital.

“SPC” has the meaning specified in Section 10.07(h).

“Specified Assets” means non-core assets having an aggregate fair market value (as determined in good faith by the Borrower) that is not in excess of \$5,000,000.

“Specified Communications” has the meaning specified in Section 10.02(g).

“Specified Debt Documents” means any agreement, indenture or instrument pursuant to which any Specified Indebtedness is issued, in each case as amended to the extent permitted under the Loan Documents.

“Specified Dispositions” means a Disposition of Specified Assets.

“Specified Event of Default” means an Event of Default pursuant to Sections 8.01(a), 8.01(f) or 8.01(g) (in the case of Section 8.01(f) or 8.01(g)), with respect to the Borrower or Holdings).

“Specified Indebtedness” means Indebtedness (other than Indebtedness among the Borrower and its Subsidiaries) that is Subordinated Debt with an individual outstanding principal amount in excess of the Threshold Amount.

“Specified Loan Party” means any Loan Party that is not an “eligible contract participant” as defined in the Commodity Exchange Act (determined prior to giving effect to any applicable keep well, support or other agreement for the benefit of such Guarantor and any and all Guarantees of such Guarantor’s Swap Obligations by other Loan Parties).

“Specified Transaction” means any Investment, Disposition, incurrence or repayment of Indebtedness, Permitted Acquisition or Restricted Payment that by the terms of this Agreement requires such test to be calculated on a “pro forma basis” or after giving “pro forma effect” or that requires that the Loan Parties are in Financial Covenant Compliance; provided that any increase in the Revolving Credit Commitment above the Revolving Credit Commitments in effect on the Closing Date, for purposes of this “Specified Transaction” definition, shall be deemed to be fully drawn; provided, further, that at the Borrower’s sole election, any such Specified Transaction (other than a Restricted Payment) having an aggregate value of less than \$2,500,000 shall not be calculated on a “pro forma basis” or after giving “pro forma effect”.

“Sponsor” means each of Apax Partners, L.L.P. and its Affiliates and funds or partnerships managed by, or under the sole control of and exclusively advised by, it or any of its Affiliates, but not including, however, any of their portfolio companies.

“Subordinated Debt” means Indebtedness incurred by a Loan Party that is subordinated in right of payment to the prior payment of all Obligations of such Loan Party under the Loan Documents.

“Subsidiary” of a Person means a corporation, company, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly or indirectly, through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of the Borrower.

“Subsidiary Guarantor” means, collectively, the Subsidiaries of the Borrower that are Guarantors.

“Successor Borrower” has the meaning specified in Section 7.04(d).

“Successor Holdings” has the meaning specified in Section 7.04(f).

“Supported QFC” has the meaning specified in Section 10.26.

“Surviving Indebtedness” means Indebtedness of the Borrower or any of its Subsidiaries outstanding immediately after giving effect to the Refinancing.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Swap Obligation” means any obligation of any Guarantor to pay or perform under any agreement, contract, or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act.

“Swap Termination Value” means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s)

determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark to market value(s) for such Swap Contracts, as determined by the Hedge Bank (or the Borrower, if no Hedge Bank is party to such Swap Contract) in accordance with the terms thereof and in accordance with customary methods for calculating mark-to-market values under similar arrangements by the Hedge Bank (or the Borrower, if no Hedge Bank is party to such Swap Contract).

“Swing Line Borrowing” means a borrowing of a Swing Line Loan pursuant to Section 2.04.

“Swing Line Lender” means any Revolving Credit Lender (or any of its Subsidiaries or Affiliates) that becomes a Swing Line Lender in accordance with Section 2.04(h) or Section 10.07(j), in its capacity as provider of Swing Line Loans, or any successor swing line lender hereunder.

“Swing Line Loan” has the meaning specified in Section 2.04(a).

“Swing Line Loan Notice” means a notice of a Swing Line Borrowing pursuant to Section 2.04(b), which, if in writing, shall be substantially in the form of Exhibit B or such other form as approved by the Administrative Agent (including any form on an electronic platform or transmission system as shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer of the Borrower.

“Swing Line Obligations” means, as at any date of determination, the aggregate principal amount of all Swing Line Loans outstanding.

“Swing Line Sublimit” means an amount equal to the lesser of (a) \$20,000,000 and (b) the aggregate principal amount of the Revolving Credit Commitments. The Swing Line Sublimit is part of, and not in addition to, the Revolving Credit Commitments.

“Taxes” means all present or future taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges imposed by any Governmental Authorities, and including all additions to tax, penalties and interest with respect thereto.

“Term SOFR” means, for the applicable Corresponding Tenor as of the applicable Reference Time, the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“Term SOFR Notice” means a notification by the Administrative Agent to the Lenders and the Borrower of the occurrence of a Term SOFR Transition Event.

“Term SOFR Transition Event” means the determination by the Administrative Agent that (a) Term SOFR has been recommended for use by the Relevant Governmental Body, and is determinable for each Available Tenor, (b) the administration of Term SOFR is administratively feasible for the Administrative Agent and (c) a Benchmark Transition Event has previously occurred resulting in a Benchmark Replacement in accordance with Section 3.02(d) that is not Term SOFR.

“Test Period” means, at any date of determination, the most recently completed four consecutive fiscal quarters of the Borrower ending on or prior to such date for which financial statements have been or are required to be delivered pursuant to Section 4.01, 6.01(a) or 6.01(b).

“Threshold Amount” means \$15,000,000.

“Total Leverage Ratio” means, with respect to any Test Period, the ratio of (a) Consolidated Total Debt as of the last day of such Test Period to (b) Consolidated EBITDA of the Borrower and its Subsidiaries for such Test Period.

“Total Outstandings” means the aggregate Outstanding Amount of all Loans and all L/C Obligations.

“Transactions” means, collectively, (a) the funding of the Initial Revolving Borrowing hereunder, (b) the execution and delivery of the Loan Documents, (c) the Refinancing, (d) the consummation of any other transactions in connection with the foregoing and (e) the payment of Transaction Expenses.

“Transaction Expenses” means any fees, costs or expenses incurred or paid by Holdings, the Borrower or any Subsidiary in connection with the Transactions and the transactions contemplated in connection therewith.

“Type” means, with respect to a Loan, its character as a Base Rate Loan or a Eurocurrency Rate Loan.

“UCP” means, with respect to any Letter of Credit, the Uniform Customs and Practice for Documentary Credits, International Chamber of Commerce (“ICC”) Publication No. 600 (or such later version thereof as may be in effect at the time of issuance).

“UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“UK Resolution Authority” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

“Unadjusted Benchmark Replacement” means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

“Unaudited Financial Statements” means the unaudited financial statements, consisting of the consolidated balance sheet of the Borrower and its Subsidiaries as at March 31, 2021 and the related statements of income, statement of shareholder’s equity and statement of cash flows for the nine (9) month period then ended.

“Undisclosed Administration” means in relation to a Lender or its parent company the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official by a supervisory authority or regulator under or based on the law in the country where such Lender or such parent company is subject to home jurisdiction supervision if applicable law requires that such appointment is not to be publicly disclosed.

“Uniform Commercial Code” or “UCC” means the Uniform Commercial Code as the same may from time to time be in effect in the State of New York or the Uniform Commercial Code (or similar code or statute) of another jurisdiction, to the extent it may be required to apply to any item or items of Collateral.

“United States” and “U.S.” mean the United States of America.

“United States Tax Compliance Certificate” has the meaning specified in Section 3.01(f)(ii)(C).

“Unreimbursed Amount” has the meaning specified in Section 2.03(c).

“USA PATRIOT Act” means The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001)), as amended or modified from time to time.

“U.S. Special Resolution Regimes” has the meaning specified in Section 10.26.

“Weighted Average Life to Maturity” means, when applied to any Indebtedness at any date, the number of years obtained by dividing: (i) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment by (ii) the then outstanding principal amount of such Indebtedness.

“Wholly Owned” means, with respect to a Subsidiary of a Person, a Subsidiary of such Person all of the outstanding Equity Interests of which (other than (x) director’s qualifying shares and (y) shares issued to foreign nationals to the extent required by applicable Law) are owned by such Person and/or by one or more wholly owned Subsidiaries of such Person.

“Withdrawal Liability” means the liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

“Write-down and Conversion Powers” means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

Section 1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) (i) The words “herein,” “hereto,” “hereof” and “hereunder” and words of similar import when used in any Loan Document shall refer to such Loan Document as a whole and not to any particular provision thereof.

(ii) Article, Section, Exhibit and Schedule references are to the Loan Document in which such reference appears.

(iii) The term “including” is by way of example and not limitation.

(iv) The term “documents” includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form.

(c) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”; the words “to” and “until” each mean “to but excluding”; and the word “through” means “to and including.”

(d) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

Section 1.03 Accounting Terms.

(a) All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

(b) Notwithstanding anything to the contrary herein, for purposes of determining compliance with any test contained in this Agreement with respect to any period during which any Specified Transaction occurs, the Total Leverage Ratio and the Interest Coverage Ratio shall be calculated with respect to such period and such Specified Transaction on a pro forma basis; provided that, notwithstanding the foregoing, when calculating (i) the Total Leverage Ratio and/or the Interest Coverage Ratio for purposes of determining actual (as opposed to pro forma) compliance with the Financial Covenants and/or (ii) the Applicable Rate, any Specified Transaction and any related adjustment contemplated in the definition of pro forma basis that occurred subsequent to the end of the applicable four fiscal quarter period shall not be calculated on a pro forma basis; provided further that, notwithstanding the foregoing, when calculating the Interest Coverage Ratio for purposes of determining actual (as opposed to pro forma) compliance with the Interest Coverage Ratio, Consolidated EBITDA and Consolidated Cash Interest Charges shall be calculated on an actual basis rather than a pro forma basis. Whenever pro forma effect is to be given to a Specified Transaction, the pro forma calculations shall be made in good faith by a responsible financial or accounting officer of the Borrower.

(c) [Reserved].

(d) In the event that the Borrower elects to prepare its financial statements in accordance with IFRS and such election results in a change in the method of calculation of financial covenants, standards or terms (collectively, the “Accounting Changes”) in this Agreement, the Borrower and the Administrative Agent agree to enter into good faith negotiations in order to amend such provisions of this Agreement (including the levels applicable herein to any computation of the Total Leverage Ratio) so as to reflect equitably the Accounting Changes with the desired result that the criteria for evaluating Holdings’ financial condition shall be substantially the same after such change as if such change had not been made. Until such time as such an

amendment shall have been executed and delivered by the Borrower the Administrative Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed in accordance with GAAP (as determined in good faith by a Responsible Officer of the Borrower) (it being agreed that the reconciliation between GAAP and IFRS used in such determination shall be made available to Lenders) as if such change had not occurred.

Section 1.04 Rounding. Any financial ratios required to be satisfied in order for a specific action to be permitted under this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

Section 1.05 References to Agreements, Laws, Etc. Unless otherwise expressly provided herein, (a) references to Organization Documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are permitted by any Loan Document; (b) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law; and (c) any reference herein to any Person shall be construed to include such Person's successors and permitted assigns.

Section 1.06 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

Section 1.07 Timing of Payment or Performance. When the payment of any obligation or the performance of any covenant, duty or obligation is stated to be due or performance required on a day which is not a Business Day, the date of such payment (other than as described in the definition of Interest Period) or performance shall extend to the immediately succeeding Business Day.

Section 1.08 Currency Equivalents Generally. For purposes of determining compliance under Sections 7.02, 7.05 and 7.06, any amount in a currency other than Dollars will be converted to Dollars in a manner consistent with that used in calculating net income in the Borrower's annual financial statements delivered pursuant to Section 6.01(a); provided, however, that the foregoing shall not be deemed to apply to the determination of any amount of Indebtedness.

Section 1.09 Certain Calculations and Tests.

(a) [Reserved].

(b) Notwithstanding anything to the contrary herein, with respect to any amounts incurred or transactions entered into (or consummated) in reliance on a provision of this Agreement that does not require compliance with a financial ratio or test (including, without limitation, pro forma compliance with any Total Leverage Ratio test) (any such amounts, the "Fixed Amounts") substantially concurrently with any amounts incurred or transactions entered into (or consummated) in reliance on a provision of this Agreement that requires compliance with any such financial ratio or test (any such amounts, the "Incurrence Based Amounts"), it is understood and agreed that (i) the Fixed Amounts (and any cash proceeds thereof) and (ii) any Indebtedness resulting from borrowings under the Revolving Credit Facility which occur concurrently or substantially concurrently with the incurrence of the Incurrence Based Amounts shall in each case (other than with respect to the making of Restricted Payments under Section 7.06 or the repayment

of any Specified Indebtedness under Section 7.08) be disregarded in the calculation of the financial ratio or test applicable to the Incurrence Based Amounts in connection with such substantially concurrent incurrence (other than, in each case, in connection with Restricted Payments and prepayments of Specified Indebtedness).

(c) Notwithstanding anything to the contrary herein, for purposes of the covenants described in Article VII, if any Indebtedness, Lien, Investment, Disposition, Restricted Payment or repayment of Specified Indebtedness (or a portion thereof) would be permitted pursuant to one or more provisions described therein, the Borrower may divide and classify such Indebtedness, Liens, Investments, Disposition, Restricted Payment or repayment of Specified Indebtedness (or a portion thereof) in any manner that complies with the covenants set forth in Article VII, and may later divide and reclassify any such Indebtedness, Lien, Investment, Disposition, Restricted Payment or repayment of Specified Indebtedness so long as the Indebtedness, Lien, Investment, Disposition, Restricted Payment or repayment of Specified Indebtedness (as so redivided and/or reclassified) would be permitted to be made in reliance on the applicable exception as of the date of such redivision or reclassification; provided that any such divisions, classifications, redivisions and/or reclassifications shall only be permitted within a specific type of covenant, and not, for the avoidance of doubt, across different types of covenants.

Section 1.10 [Reserved].

Section 1.11 Letter of Credit Amounts. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Letter of Credit Application related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by any reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be “outstanding” in the amount so remaining available to be drawn.

Section 1.12 Divisions. For all purposes under the Loan Documents, in connection with any division under Delaware law (including any Delaware LLC Division or any comparable event under a different jurisdiction’s laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its Equity Interests at such time.

Section 1.13 LIBOR Notification. Section 3.02(d) provides a mechanism for determining an alternative rate of interest in the event that the London interbank offered rate is no longer available or in certain other circumstances. The Administrative Agent does not warrant or accept any responsibility for and shall not have any liability with respect to, the administration, submission or any other matter related to the London interbank offered rate or other rates in the definition of “Eurocurrency Rate” or with respect to any alternative or successor rate thereto, or replacement rate therefor.

ARTICLE II

The Commitments and Credit Extensions

Section 2.01 The Loans. Subject to the terms and conditions set forth herein, each Lender severally agrees to make (or cause its Applicable Lending Office to make) loans denominated in Dollars (each such loan, a “Revolving Credit Loan”) to the Borrower from time to time, on any Business Day after the Closing Date until the Maturity Date (provided that each Lender agrees to make the Initial Revolving Borrowing, at the request of the Borrower, on the Closing Date), in an aggregate principal amount not to exceed at any time outstanding the amount of such Lender’s Revolving Credit Commitment; provided that after giving effect to any such Revolving Credit Borrowing, the aggregate Outstanding Amount of the Revolving Credit Loans of any Lender, plus such Lender’s Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender’s Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender’s Revolving Credit Commitment. Within the limits of each Lender’s Revolving Credit Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.01, prepay under Section 2.05, and reborrow under this Section 2.01. Revolving Credit Loans denominated in Dollars may be Base Rate Loans or Eurocurrency Rate Loans, as further provided herein.

Section 2.02 Borrowings, Conversions and Continuations of Loans.

(a) Each Borrowing, each conversion of Loans from one Type to the other, and each continuation of Eurocurrency Rate Loans shall be made upon the Borrower’s irrevocable written notice, to the Administrative Agent. Each such notice must be received by the Administrative Agent substantially in the form attached hereto as Exhibit A or any other form that may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), (i) in the case of a Eurocurrency Rate Loan (other than any Eurocurrency Rate Loan requested to be made on the Closing Date for which such notice may be provided not later than 1:00 p.m. on the Business Day prior to the Closing Date), not later than 1:00 p.m., three (3) Business Days before the date of the proposed Borrowing or (ii) in the case of a Base Rate Loan, not later than 1:00 p.m., on the Business Day prior to the date of the proposed Borrowing. Each notice by the Borrower pursuant to this Section 2.02(a) must be by hand delivery, telecopy or electronic transmission to the Administrative Agent of a written Committed Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower. Each Borrowing of, conversion to or continuation of Eurocurrency Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$100,000 in excess thereof. Each Borrowing of or conversion to Base Rate Loans shall be a minimum of \$500,000 (and any amount in excess thereof shall be an integral multiple of \$100,000). Each Committed Loan Notice shall specify (i) whether the Borrower is requesting a Borrowing, a conversion of Loans from one Type to the other, or a continuation of Eurocurrency Rate Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the Class and principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Loans are to be converted, (v) if applicable, the duration of the Interest Period with respect thereto and (vi) the location and number of the Borrower’s accounts to which funds are to be disbursed, which shall comply with the requirements of Section 2.02(b). If the Borrower fails to specify a Type of Loan in a Committed Loan Notice or fail to give a timely notice requesting a conversion or continuation, then the applicable Loans shall be made or continued as, or converted to Base Rate Loans. Any such automatic conversion or continuation shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurocurrency Rate Loans. If the Borrower requests a Borrowing of, conversion to, or continuation of Eurocurrency Rate Loans in any such Committed Loan Notice, but fail to specify

an Interest Period, it will be deemed to have specified an Interest Period of one (1) month. For the avoidance of doubt, the Borrower and Lenders acknowledge and agree that any conversion or continuation of an existing Loan shall be deemed to be a continuation of that Loan with a converted interest rate methodology and not a new Loan.

(b) Following receipt of a Committed Loan Notice, the Administrative Agent shall promptly notify each Appropriate Lender of the amount of its Applicable Percentage of the applicable Class of Loans, and if no timely notice of a conversion or continuation is provided by the Borrower, the Administrative Agent shall notify each Appropriate Lender of the details of any automatic conversion to Base Rate Loans or continuation described in Section 2.02(a). In the case of each Borrowing, each Appropriate Lender shall make (or cause its Applicable Lending Office to make) the amount of its Loan available to the Administrative Agent in Same Day Funds at the Administrative Agent's Office not later than 1:00 p.m. on the Business Day specified in the applicable Committed Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if such Borrowing is the Credit Extensions on the Closing Date, Section 4.01), the Administrative Agent shall, not later than the borrowing date specified in such Committed Loan Notice, make all funds so received available to the Borrower in like funds as received by the Administrative Agent by wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower; provided that if, on the date the Committed Loan Notice with respect to such Borrowing is given by the Borrower, there are Swing Line Loans or L/C Borrowings outstanding, then the proceeds of such Borrowing shall be applied first, to the payment in full of any such L/C Borrowings, second, to the payment in full of any such Swing Line Loans, and third, to the Borrower as provided above.

(c) Except as otherwise provided herein, a Eurocurrency Rate Loan may be continued or converted only on the last day of an Interest Period for such Eurocurrency Rate Loan unless the Borrower pays the amount due, if any, under Section 3.04 in connection therewith. During the existence of an Event of Default, the Administrative Agent or the Required Lenders may require that (i) no Loans may be converted to or continued as Eurocurrency Rate Loans and (ii) unless repaid, each Eurocurrency Rate Loan shall be converted to a Base Rate Loan at the end of the Interest Period applicable thereto.

(d) The Administrative Agent shall promptly notify the Borrower and the Lenders of the interest rate applicable to any Interest Period for Eurocurrency Rate Loans upon determination of such interest rate. The determination of the Eurocurrency Rate by the Administrative Agent shall be conclusive in the absence of manifest error.

(e) Anything in clauses (a) to (d) above to the contrary notwithstanding, after giving effect to all Revolving Credit Borrowings, all conversions of Revolving Credit Loans from one Type to the other, and all continuations of Revolving Credit Loans as the same Type, there shall not be more than ten (10) Interest Periods in effect at any time for all Borrowings of Eurocurrency Rate Loans.

(f) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing, or, in the case of any Borrowing of Base Rate Loans, prior to 1:00 p.m., on the date of such Borrowing, that such Lender will not make available to the Administrative Agent such Lender's Applicable Percentage of such Borrowing, the Administrative Agent may assume that such Lender has made such Applicable Percentage available to the Administrative Agent on the date of such Borrowing in accordance with clause (b) above, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If the Administrative Agent shall have so made funds available, then, to

the extent that such Lender shall not have made such portion available to the Administrative Agent, each of such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (a) in the case of the Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (b) in the case of such Lender, the greater of (x) the Effective Federal Funds Rate and (y) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in accordance with the foregoing. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this Section 2.02(f) shall be conclusive in the absence of demonstrable error. If the Borrower and such Lender shall both pay all or any portion of the principal amount in respect of such Borrowing or interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such Borrowing or interest paid by the Borrower for such period. If such Lender pays its share of the Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(g) If the maturity date shall have occurred in respect of any Class of Revolving Credit Commitments at a time when another Class or Classes of Revolving Credit Commitments is or are in effect with a longer maturity date, then on the earliest occurring maturity date all then-outstanding Revolving Credit Loans shall be repaid in full on such date (and there shall be no adjustment to the participations in such Revolving Credit Loans as a result of the occurrence of such maturity date); provided, however, that if on the occurrence of such earliest maturity date (after giving effect to any repayments of Revolving Credit Loans and any reallocation of Letter of Credit participations as contemplated in Section 2.03(k) or of Swing Line Loans as contemplated in Section 2.04(g)), there shall exist sufficient unutilized Extended Revolving Credit Commitments so that the respective outstanding Revolving Credit Loans could be incurred pursuant the Extended Revolving Credit Commitments which will remain in effect after the occurrence of such maturity date, then there shall be an automatic adjustment on such date of the participations in such Revolving Credit Loans and same shall be deemed to have been incurred solely pursuant to the relevant Extended Revolving Credit Commitments, and such Revolving Credit Loans shall not be so required to be repaid in full on such earliest maturity date.

Section 2.03 Letters of Credit.

(a) The Letter of Credit Commitments.

(i) Subject to the terms and conditions set forth herein, (1) each L/C Issuer agrees, in reliance upon the agreements of the other Revolving Credit Lenders set forth in this Section 2.03, (x) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue Letters of Credit in Dollars for the account of the Borrower (provided that any Letter of Credit may be for the benefit of any Subsidiary of the Borrower) and to amend or renew Letters of Credit previously issued by it, in accordance with Section 2.03(b), and (y) to honor drafts under the Letters of Credit and (2) the Revolving Credit Lenders severally agree to participate in Letters of Credit issued pursuant to this Section 2.03; provided that no L/C Issuer shall be obligated to make any L/C Credit Extension with respect to any Letter of Credit, and no Lender shall be obligated to participate in any Letter of Credit if after giving effect to such L/C Credit

Extension, if (x) the Revolving Credit Exposure of any Lender would exceed such Lender's Revolving Credit Commitment, or (y) the Outstanding Amount of the L/C Obligations would exceed the Letter of Credit Sublimit; provided, further, that each L/C Issuer shall have a Commitment herein proportionate to its Revolving Credit Commitment and no L/C Issuer shall be obligated to issue, amend or renew any Letter of Credit if the Outstanding Amount of Letters of Credit issued by such L/C Issuer, when aggregated with the Outstanding Amount of Swing Line Loans made by such L/C Issuer and the Revolving Credit Exposure of such L/C Issuer (other than Revolving Credit Exposure attributable to Letters of Credit and Swing Line Loans issued and made by such L/C Issuer) would exceed the L/C Issuer's Revolving Credit Commitment. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrower's ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed.

(ii) An L/C Issuer shall be under no obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such L/C Issuer from issuing such Letter of Credit, or any Law applicable to such L/C Issuer or any directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such L/C Issuer shall prohibit, or direct that such L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such L/C Issuer is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon such L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Closing Date (for which such L/C Issuer is not otherwise compensated hereunder);

(B) subject to Section 2.03(b)(iii), the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last renewal, unless (i) the Required Lenders and (ii) the relevant L/C Issuer have approved such expiry date;

(C) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless (i) all the Revolving Credit Lenders and (ii) the relevant L/C Issuer have approved such expiry date, except to the extent such Letter of Credit is Cash Collateralized in accordance with Section 2.03(f) or otherwise backstopped pursuant to arrangement reasonably satisfactory to the relevant L/C Issuer;

(D) the issuance of such Letter of Credit would violate any Laws binding upon such L/C Issuer;

(E) [reserved];

(F) such L/C Issuer does not as of the issuance date of such requested Letter of Credit issue Letters of Credit in the requested currency; or

(G) any Lender is at that time a Defaulting Lender, unless after giving effect to the requested issuance the requirements of Section 2.16(e) have been satisfied.

(iii) An L/C Issuer shall be under no obligation to amend any Letter of Credit if (A) such L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(b) Procedures for Issuance and Amendment of Letters of Credit; Auto Renewal Letters of Credit.

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to an L/C Issuer (with a copy to the Administrative Agent, along with a written Committed Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower, relating to such Letter of Credit) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of the Borrower. Such Letter of Credit Application must be received by the relevant L/C Issuer and the Administrative Agent not later than 1:00 p.m. at least five (5) Business Days prior to the proposed issuance date or date of amendment, as the case may be; or, in each case, such later date and time as the relevant L/C Issuer may agree in a particular instance in its sole discretion. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail reasonably satisfactory to the relevant L/C Issuer: (a) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (b) the amount thereof; (c) the expiry date thereof; (d) the name and address of the beneficiary thereof; (e) the documents to be presented by such beneficiary in case of any drawing thereunder; (f) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (g) such other matters as the relevant L/C Issuer may reasonably request. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail reasonably satisfactory to the relevant L/C Issuer (1) the Letter of Credit to be amended; (2) the proposed date of amendment thereof (which shall be a Business Day); (3) the nature of the proposed amendment; and (4) such other matters as the relevant L/C Issuer may reasonably request.

(ii) Promptly after receipt of any Letter of Credit Application, the relevant L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Borrower and, if not, such L/C Issuer will provide the Administrative Agent with a copy thereof. Unless the relevant L/C Issuer has received written notice from the Administrative Agent, any Revolving Credit Lender or any Loan Party, at least one (1) Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Article IV shall not have been satisfied, then, subject to the terms and conditions hereof, such L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the Borrower (and, if requested, on behalf of a Subsidiary) or enter into the applicable amendment, as the case may be. Immediately upon the issuance of each Letter of Credit, each Revolving Credit Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, acquire from the relevant L/C Issuer a risk participation in such Letter of Credit in an amount equal to the product of such Revolving Credit Lender's Applicable Percentage times the amount of such Letter of Credit.

(iii) If the Borrower so requests in any applicable Letter of Credit Application, the relevant L/C Issuer shall agree to issue a Letter of Credit that has automatic renewal provisions (each, an “Auto-Renewal Letter of Credit”); provided that any such Auto-Renewal Letter of Credit must permit the relevant L/C Issuer to prevent any such renewal at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the “Nonrenewal Notice Date”) in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the relevant L/C Issuer, the Borrower shall not be required to make a specific request to the relevant L/C Issuer for any such renewal. Once an Auto-Renewal Letter of Credit has been issued, the applicable Lenders shall be deemed to have authorized (but may not require) the relevant L/C Issuer to permit the renewal of such Letter of Credit at any time to an expiry date not later than the Letter of Credit Expiration Date; provided that the relevant L/C Issuer shall not permit any such renewal if (A) the relevant L/C Issuer has determined that it would have no obligation at such time to issue such Letter of Credit in its renewed form under the terms hereof (by reason of the provisions of Section 2.03(a)(ii) or otherwise), or (B) it has received notice (which may be by telephone, followed promptly in writing, or in writing) on or before the day that is five (5) Business Days before the Nonrenewal Notice Date from the Administrative Agent or any Revolving Credit Lender, as applicable, or the Borrower that one or more of the applicable conditions specified in Section 4.02 is not then satisfied.

(iv) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the relevant L/C Issuer will also deliver to the Borrower a true and complete copy of such Letter of Credit or amendment and send the details of such Letter of Credit or amendment to the Administrative Agent via electronic mail at the address provided in Schedule Section 10.02.

(c) Drawings and Reimbursements; Funding of Participations.

(i) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the relevant L/C Issuer shall notify promptly the Borrower and the Administrative Agent thereof. On the Business Day immediately following the Business Day on which the Borrower shall have received notice of any payment by an L/C Issuer under a Letter of Credit (or, if the Borrower shall have received such notice later than 1:00 p.m. on any Business Day, on the second succeeding Business Day) (each such date, an “Honor Date”), the Borrower shall reimburse such L/C Issuer through the Administrative Agent in an amount equal to the amount of such drawing and in the applicable currency by 1:00 p.m. on such Business Day. If the Borrower fails to so reimburse such L/C Issuer by such time, the Administrative Agent shall promptly notify each Appropriate Lender of the Honor Date, the amount of the unreimbursed drawing (the “Unreimbursed Amount”), and the amount of such Appropriate Lender’s Applicable Percentage thereof. In such event, the Borrower shall be deemed to have requested a Revolving Credit Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.02 for the principal amount of Base Rate Loans but subject to the amount of the unutilized portion of the Revolving Credit Commitments of the Appropriate Lenders, and subject to the conditions set forth in Section 4.02 (other than the delivery of a Committed Loan Notice); provided that any drawing under a Letter of Credit that is not reimbursed on the date of drawing shall accrue interest from the date of drawing at the rate

applicable to Revolving Credit Loans that are Base Rate Loans subject to the provisions set forth below. Any notice given by an L/C Issuer or the Administrative Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Revolving Credit Lender (including any such Lender acting as an L/C Issuer) shall upon any notice pursuant to Section 2.03(c)(i) make funds available to the Administrative Agent for the account of the relevant L/C Issuer, in Dollars, at the Administrative Agent's Office for Dollar denominated payments in an amount equal to its Applicable Percentage of any Unreimbursed Amount in respect of a Letter of Credit not later than 1:00 p.m. on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.04(c)(iii), each Revolving Credit Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the relevant L/C Issuer.

(iii) With respect to any Unreimbursed Amount in respect of a Letter of Credit that is not fully refinanced by a Revolving Credit Borrowing of Base Rate Loans because the conditions set forth in Section 4.02 cannot be satisfied or for any other reason, the Borrower shall be deemed to have incurred from the relevant L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Revolving Credit Lender's payment to the Administrative Agent for the account of the relevant L/C Issuer pursuant to Section 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.03.

(iv) Until each Revolving Credit Lender funds its Revolving Credit Loan or L/C Advance pursuant to this Section 2.03(c) to reimburse the relevant L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Lender's Applicable Percentage of such amount shall be solely for the account of the relevant L/C Issuer.

(v) Each Revolving Credit Lender's obligation to make Revolving Credit Loans or L/C Advances to reimburse an L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the relevant L/C Issuer, the Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default; or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided that each Revolving Credit Lender's obligation to make Revolving Credit Loans (but not L/C Advances) pursuant to this Section 2.03(c) is subject to the conditions set forth in Section 4.02 (other than delivery by the Borrower of a Committed Loan Notice). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to reimburse the relevant L/C Issuer for the amount of any payment made by such L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Revolving Credit Lender fails to make available to the Administrative Agent for the account of the relevant L/C Issuer any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.03(c) by the time specified in Section 2.03(c)(ii), such L/C Issuer shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to such L/C Issuer at the Effective Federal Funds Rate, or if the Effective Federal Funds Rate is not available, a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the L/C Issuer in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Loan included in the relevant Borrowing or L/C Advance in respect of the relevant L/C Borrowing, as the case may be. A certificate of the relevant L/C Issuer submitted to any Revolving Credit Lender (through the Administrative Agent) with respect to any amounts owing under this Section 2.03(c)(vi) shall be conclusive absent demonstrable error.

(vii) If, at any time after an L/C Issuer has made a payment under any Letter of Credit and has received from any Revolving Credit Lender such Lender's L/C Advance in respect of such payment in accordance with this Section 2.03(c), the Administrative Agent receives for the account of such L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to each Revolving Credit Lender its Applicable Percentage thereof (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's L/C Advance was outstanding) in the same funds as those received by the Administrative Agent.

(viii) If any payment received by the Administrative Agent for the account of an L/C Issuer pursuant to Section 2.03(c)(i) is required to be returned under any of the circumstances described in Section 10.06 (including pursuant to any settlement entered into by such L/C Issuer in its discretion), each Revolving Credit Lender shall pay to the Administrative Agent for the account of such L/C Issuer its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Effective Federal Funds Rate, or if the Effective Federal Funds Rate is not available, a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(d) Obligations Absolute. The obligation of the Borrower to reimburse the relevant L/C Issuer for each drawing under each Letter of Credit issued by it and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(ii) the existence of any claim, counterclaim, setoff, defense or other right that any Loan Party may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the relevant L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the relevant L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the relevant L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law;

(v) any exchange, release or nonperfection of any Collateral, or any release or amendment or waiver of or consent to departure from the Guaranty or any other guarantee, for all or any of the Obligations of any Loan Party in respect of such Letter of Credit;

(vi) [reserved]; or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Loan Party;

provided that the foregoing shall not excuse any L/C Issuer from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are waived by the Borrower to the extent permitted by applicable Law) suffered by the Borrower that are caused by such L/C Issuer's gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final non-appealable judgment) when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof.

(e) Role of L/C Issuers. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the relevant L/C Issuer shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the L/C Issuers, any Agent-Related Person nor any of the respective correspondents, participants or assignees of any L/C Issuer shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final non-appealable judgment); or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Letter of Credit Application. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as they may have against the beneficiary or transferee at law or under any other agreement. None of the L/C Issuers, any Agent-Related Person, nor any of the respective correspondents, participants or assignees of any L/C Issuer, shall be liable or responsible for any

of the matters described in clauses (i) through (iii) of this Section 2.03(e); provided that anything in such clauses to the contrary notwithstanding, the Borrower may have a claim against an L/C Issuer, and such L/C Issuer may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower caused by such L/C Issuer's willful misconduct or gross negligence or such L/C Issuer's willful or grossly negligent failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit (in each case, as determined by the final and non-appealable judgment of a court of competent jurisdiction). In furtherance and not in limitation of the foregoing, each L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and no L/C Issuer shall be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(f) Cash Collateral. (i) If any Event of Default occurs and is continuing and the Administrative Agent or the Required Lenders, as applicable, require the Borrower to Cash Collateralize the L/C Obligations pursuant to Section 8.02(c) or (ii) an Event of Default set forth under Section 8.01(f) or (g) occurs and is continuing, then the Borrower shall Cash Collateralize the then Outstanding Amount of all L/C Obligations (in an amount equal to such Outstanding Amount determined as of the date of such Event of Default), and shall do so not later than 2:00 p.m. on (x) in the case of the immediately preceding clause (i), (1) the Business Day that the Borrower receives notice thereof, if such notice is received on such day prior to 1:00 p.m., or (2) if clause (1) above does not apply, the Business Day immediately following the day that the Borrower receives such notice and (y) in the case of the immediately preceding clause (ii), the Business Day on which an Event of Default set forth under Section 8.01(f) or (g) occurs or, if such day is not a Business Day, the Business Day immediately succeeding such day, in either case, by 1:00 p.m. on such day. For purposes hereof, "Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the relevant L/C Issuer and the Revolving Credit Lenders, as collateral for the L/C Obligations, cash or deposit account balances in an amount equal to the then Outstanding Amount of all L/C Obligations (determined as of the date of such Event of Default), ("Cash Collateral") pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and the relevant L/C Issuer (which documents are hereby consented to by the Revolving Credit Lenders). Derivatives of such term have corresponding meanings. The Borrower hereby grants to the Administrative Agent, for the benefit of the Secured Parties, a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing. Cash Collateral shall be maintained in accounts reasonably satisfactory to the Administrative Agent in the name of the Administrative Agent and for the benefit of the Secured Parties and may be invested in readily available Cash Equivalents at its sole discretion. If at any time the Administrative Agent determines that any funds held as Cash Collateral are subject to any right or claim of any Person other than the Administrative Agent (on behalf of the Secured Parties) or that the total amount of such funds is less than the aggregate Outstanding Amount of all L/C Obligations, the Borrower will, forthwith upon demand by the Administrative Agent, pay to the Administrative Agent, as additional funds to be deposited and held in the deposit accounts reasonably satisfactory to the Administrative Agent as aforesaid, an amount equal to the excess of (a) such aggregate Outstanding Amount over (b) the total amount of funds, if any, then held as Cash Collateral that the Administrative Agent reasonably determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit for which funds are on deposit as Cash Collateral, such funds shall be applied, to the extent permitted under applicable Law, to reimburse the relevant L/C Issuer. To the extent the amount of any Cash Collateral exceeds the then Outstanding Amount of such L/C Obligations plus costs incidental thereto and so long as no

other Event of Default has occurred and is continuing, the excess shall be refunded to the Borrower. If such Event of Default is cured or waived and no other Event of Default is then occurring and continuing, the amount of any Cash Collateral and accrued interest thereon shall be refunded to the Borrower.

(g) Letter of Credit Fees. The Borrower shall pay to the Administrative Agent for the account of each Revolving Credit Lender in accordance with its Applicable Percentage a Letter of Credit fee for each Letter of Credit issued pursuant to this Agreement equal to the product of (i) Applicable Rate for Letter of Credit fees and (ii) the daily maximum amount then available to be drawn under such Letter of Credit. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.11. Such letter of credit fees shall be computed on a quarterly basis in arrears. Such letter of credit fees shall be due and payable on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. If there is any change in the Applicable Rate during any quarter, the daily maximum amount of each Letter of Credit shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect.

(h) Fronting Fee and Documentary and Processing Charges Payable to L/C Issuers. The Borrower shall pay directly to each L/C Issuer for its own account a fronting fee (a "Fronting Fee") with respect to each Letter of Credit issued by it equal to 0.125% per annum of the daily maximum amount then available to be drawn under such Letter of Credit. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.11. Such Fronting Fee shall be computed on a quarterly basis in arrears. Such Fronting Fee shall be due and payable on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. In addition, the Borrower shall pay directly to each L/C Issuer for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of such L/C Issuer relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable within ten (10) Business Days of demand and are nonrefundable.

(i) Conflict with Letter of Credit Application. Notwithstanding anything else to the contrary in any Letter of Credit Application, in the event of any conflict between the terms hereof and the terms of any Letter of Credit Application, the terms hereof shall control.

(j) Addition of an L/C Issuer. A Revolving Credit Lender (or any of its Subsidiaries or affiliates) may become an additional L/C Issuer hereunder pursuant to a written agreement among the Borrower and such Revolving Credit Lender, which such written agreement shall also provide that the commitment of such additional L/C Issuer to issue Letters of Credit shall not exceed at any time the amount set forth in such written agreement. The Administrative Agent shall notify the Revolving Credit Lenders of any such additional L/C Issuer.

(k) Provisions Related to Extended Revolving Credit Commitments. If the maturity date in respect of any Class of Revolving Credit Commitments occurs prior to the expiration of any Letter of Credit, then (i) if one or more other Classes of Revolving Credit Commitments in respect of which the maturity date shall not have occurred are then in effect, such Letters of Credit shall automatically be deemed to have been issued (including for purposes of the obligations of the Revolving Credit Lenders to purchase participations therein and to make Revolving Credit Loans

and payments in respect thereof pursuant to Section 2.03(c)) under (and ratably participated in by Lenders pursuant to) the Revolving Credit Commitments in respect of such non-terminating Classes up to an aggregate amount not to exceed the aggregate principal amount of the unused Revolving Credit Commitments thereunder at such time (it being understood that no partial face amount of any Letter of Credit may be so reallocated) and (ii) to the extent not reallocated pursuant to immediately preceding clause (i), the Borrower shall Cash Collateralize any such Letter of Credit in accordance with Section 2.03(f). If, for any reason, such Cash Collateral is not provided or the reallocation does not occur, the Revolving Credit Lenders under the maturing Class shall continue to be responsible for their participating interests in the Letters of Credit. Except to the extent of reallocations of participations pursuant to clause (i) of the second preceding sentence, the occurrence of a maturity date with respect to a given Class of Revolving Credit Commitments shall have no effect upon (and shall not diminish) the percentage participations of the Revolving Credit Lenders in any Letter of Credit issued before such maturity date. Commencing with the maturity date of any Class of Revolving Credit Commitments, the sublimit for Letters of Credit shall be agreed with the Lenders under the extended Classes. For the avoidance of doubt, notwithstanding anything contained herein, the commitment of any L/C Issuer to act in its capacity as such cannot be extended beyond the Maturity Date for the Revolving Credit Facility (as such Maturity Date is in effect at the Closing Date) or increased without its prior written consent.

(l) Applicability of ISP and UCP. Unless otherwise expressly agreed by the L/C Issuer and the Borrower when a Letter of Credit is issued, the rules of the ISP or the UCP, as determined by the L/C Issuer, shall apply to each standby Letter of Credit. Notwithstanding the foregoing, the L/C Issuer shall not be responsible to the Borrower for, and the L/C Issuer's rights and remedies against the Borrower shall not be impaired by, any action or inaction of the L/C Issuer required or permitted under any law, order, or practice that is required or permitted to be applied to any Letter of Credit or this agreement, including the Law or any order of a jurisdiction where the L/C Issuer or the beneficiary is located, the practice stated in the ISP or UCP, as applicable, or in the decisions, opinions, practice statements, or official commentary of the ICC Banking Commission, the Bankers Association for Finance and Trade – International Financial Services Association (BAFT-IFSA), or the Institute of International Banking Law & Practice, whether or not any Letter of Credit chooses such law or practice.

(m) Letters of Credit Issued for Subsidiaries. Notwithstanding that a Letter of Credit issued or outstanding hereunder is in support of any obligations of, or is for the account of, a Subsidiary, the Borrower shall be obligated to reimburse the applicable L/C Issuer hereunder for any and all drawings under such Letter of Credit. The Borrower hereby acknowledges that the issuance of Letters of Credit for the account of Subsidiaries inure to the benefit of the Borrower, and that the Borrower's business derives substantial benefits from the businesses of such Subsidiaries.

Section 2.04 Swing Line Loans.

(a) The Swing Line. Subject to the terms and conditions set forth herein, the Swing Line Lender agrees, in its sole discretion, to make loans denominated in Dollars (each such loan, a "Swing Line Loan") to the Borrower from time to time on any Business Day (other than the Closing Date) until the Business Day prior to the Maturity Date with respect to the Revolving Credit Facility in an aggregate amount not to exceed at any time outstanding the amount of the Swing Line Sublimit, notwithstanding the fact that such Swing Line Loans, when aggregated with the Applicable Percentage of the Outstanding Amount of Revolving Credit Loans and L/C Obligations of the Lender acting as Swing Line Lender, may exceed the amount of such Lender's Revolving Credit Commitment; provided that after giving effect to any Swing Line Loan, the aggregate

Outstanding Amount of the Revolving Credit Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Revolving Credit Commitment then in effect; provided, further, that no Swing Line Lender shall be obligated to make any Swing Line Loan if the Outstanding Amount of Swing Line Loans made by such Swing Line Lender, when aggregated with the Outstanding Amount of Letter of Credit issued by such Swing Line Lender and the Revolving Credit Exposure of such Swing Line Lender (other than Revolving Credit Exposure attributable to Swing Line Loans and Letters of Credit made and issued by such Swing Line Lender) would exceed the Swing Line Lender's Revolving Credit Commitment; provided, further, that Swing Line Lender shall not be required to make any Swing Line Loan at any time that any Lender is a Defaulting Lender, unless after giving effect to the requested Swing Line Loans the requirements of Section 2.16(e) have been satisfied; provided, further, that the Borrower shall not use the proceeds of any Swing Line Loan to refinance any outstanding Swing Line Loan. Within the foregoing limits, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.04, prepay under Section 2.05, and reborrow under this Section 2.04. Each Swing Line Loan shall be a Base Rate Loan. Immediately upon the making of a Swing Line Loan, each Revolving Credit Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Swing Line Lender a risk participation in such Swing Line Loan in an amount equal to the product of such Lender's Applicable Percentage times the amount of such Swing Line Loan.

(b) Borrowing Procedures. Each Swing Line Borrowing shall be made upon the Borrower's irrevocable notice to the Swing Line Lender and the Administrative Agent, which may be given by telephone. Each such notice must be received by the Swing Line Lender not later than 1:00 p.m. on the requested borrowing date, and shall specify (i) the amount to be borrowed, which shall be a minimum of \$100,000 (and any amount in excess thereof shall be an integral multiple of \$25,000), and (ii) the requested borrowing date, which shall be a Business Day. Each such telephonic notice must be confirmed promptly by delivery to the Swing Line Lender of a written Swing Line Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower. Promptly after receipt by the Swing Line Lender of any telephonic Swing Line Loan Notice, the Swing Line Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has also received such Swing Line Loan Notice and, if not, the Swing Line Lender will notify the Administrative Agent (in writing) of the contents thereof. Unless the Swing Line Lender has received notice (by telephone or in writing) from the Administrative Agent (including at the request of any Revolving Credit Lender) prior to 2:00 p.m. on the date of the proposed Swing Line Borrowing (A) directing the Swing Line Lender not to make such Swing Line Loan as a result of the limitations set forth in the first proviso to the first sentence of Section 2.04(a) or (B) that one or more of the applicable conditions specified in Section 4.02 is not then satisfied, then, subject to the terms and conditions hereof, the Swing Line Lender will, not later than 3:00 p.m. on the borrowing date specified in such Swing Line Loan Notice, make the amount of its Swing Line Loan available to the Borrower at their office by crediting the accounts of the Borrower on the books of the Swing Line Lender in Same Day Funds.

(c) Refinancing of Swing Line Loans.

(i) The Swing Line Lender at any time in its sole and absolute discretion may request, on behalf of the Borrower (which hereby irrevocably authorizes the Swing Line Lender to so request on its behalf), that each Revolving Credit Lender make a Base Rate Loan in an amount equal to such Lender's Applicable Percentage of the amount of Swing Line Loans then outstanding. Such request shall be made in writing (which written request shall be deemed to be a Committed Loan Notice for purposes hereof) and in accordance

with the requirements of Section 2.02, without regard to the minimum and multiples specified therein for the principal amount of Base Rate Loans, but subject to the unutilized portion of the aggregate Revolving Credit Commitments and the conditions set forth in Section 4.02. The Swing Line Lender shall furnish the Borrower with a copy of the applicable Committed Loan Notice promptly after delivering such notice to the Administrative Agent. Each Revolving Credit Lender shall make an amount equal to its Applicable Percentage of the amount specified in such Committed Loan Notice available to the Administrative Agent in immediately available funds for the account of the Swing Line Lender at the Administrative Agent's Office for payments not later than 1:00 p.m. on the day specified in such Committed Loan Notice, whereupon, subject to Section 2.04(c)(ii), each Revolving Credit Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the Swing Line Lender.

(ii) If for any reason any Swing Line Loan cannot be refinanced by such a Revolving Credit Borrowing in accordance with Section 2.04(c)(i), the request for Base Rate Loans submitted by the Swing Line Lender as set forth herein shall be deemed to be a request by the Swing Line Lender that each of the Revolving Credit Lenders fund its risk participation in the relevant Swing Line Loan and each Revolving Credit Lender's payment to the Administrative Agent for the account of the Swing Line Lender pursuant to Section 2.04(c)(i) shall be deemed payment in respect of such participation.

(iii) If any Revolving Credit Lender fails to make available to the Administrative Agent for the account of the Swing Line Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.04(c) by the time specified in Section 2.04(c)(i), the Swing Line Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swing Line Lender at the Effective Federal Funds Rate, or if the Effective Federal Funds Rate is not available, a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Swing Line Lender in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Revolving Credit Loan included in the relevant Revolving Credit Borrowing or funded participation in the relevant Swing Line Loan, as the case may be. A certificate of the Swing Line Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (iii) shall be conclusive absent demonstrable error.

(iv) Each Revolving Credit Lender's obligation to make Revolving Credit Loans or to purchase and fund risk participations in Swing Line Loans pursuant to this Section 2.04(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender, the Borrower or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided that each Revolving Credit Lender's obligation to make Revolving Credit Loans (but not to purchase and fund risk participations in Swing Line Loans) pursuant to this Section 2.04(c) is subject to the conditions set forth in Section 4.02. No such funding of risk participations shall relieve or otherwise impair the obligation of the Borrower to repay Swing Line Loans, together with interest as provided herein.

(d) Repayment of Participations.

(i) At any time after any Revolving Credit Lender has purchased and funded a risk participation in a Swing Line Loan, if the Swing Line Lender receives any payment on account of such Swing Line Loan, the Swing Line Lender will distribute to such Lender its Applicable Percentage of such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's risk participation was funded) in the same funds as those received by the Swing Line Lender.

(ii) If any payment received by the Swing Line Lender in respect of principal or interest on any Swing Line Loan is required to be returned by the Swing Line Lender under any of the circumstances described in Section 10.06 (including pursuant to any settlement entered into by the Swing Line Lender in its discretion), each Revolving Credit Lender shall pay to the Swing Line Lender its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned, at a rate per annum equal to the Effective Federal Funds Rate, or if the Effective Federal Funds Rate is not available, a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. The Administrative Agent will make such demand upon the request of the Swing Line Lender. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Interest for Account of Swing Line Lender. The Swing Line Lender shall be responsible for invoicing the Borrower for interest on the Swing Line Loans. Until each Revolving Credit Lender funds its Base Rate Loan or risk participation pursuant to this Section 2.04 to refinance such Lender's Applicable Percentage of any Swing Line Loan, interest in respect of such Applicable Percentage shall be solely for the account of the Swing Line Lender.

(f) Payments Directly to Swing Line Lender. The Borrower shall make all payments of principal and interest in respect of the Swing Line Loans directly to the Swing Line Lender.

(g) Provisions Related to Extended Revolving Credit Commitments. If the maturity date shall have occurred in respect of any Class of Revolving Credit Commitments at a time when another Class or Classes of Revolving Credit Commitments is or are in effect with a longer maturity date, then on the earliest occurring maturity date all then-outstanding Swing Line Loans shall be repaid in full on such date (and there shall be no adjustment to the participations in such Swing Line Loans as a result of the occurrence of such maturity date); provided, however, that if on the occurrence of such earliest maturity date (after giving effect to any repayments of Revolving Credit Loans and any reallocation of Letter of Credit participations as contemplated in Section 2.03(k)), there shall exist sufficient unutilized Extended Revolving Credit Commitments so that the respective outstanding Swing Line Loans could be incurred pursuant the Extended Revolving Credit Commitments which will remain in effect after the occurrence of such maturity date, then if consented to by the Swing Line Lender, there shall be an automatic adjustment on such date of the participations in such Swing Line Loans and same shall be deemed to have been incurred solely pursuant to the relevant Extended Revolving Credit Commitments, and such Swing Line Loans shall not be so required to be repaid in full on such earliest maturity date. For the avoidance of doubt, the commitment of the Swing Line Lender to act in its capacity as such cannot be extended beyond the Maturity Date for the Revolving Credit Facility (as such Maturity Date is in effect at the Closing Date) or increased without its prior written consent.

(h) Swing Line Lender. A Revolving Credit Lender (or any of its Subsidiaries or Affiliates) may become the Swing Line Lender hereunder pursuant to a written agreement among the Borrower, the Administrative Agent and such Revolving Credit Lender. The Administrative Agent shall notify the Revolving Credit Lenders of any such Swing Line Lender.

Section 2.05 Prepayments.

(a) Optional Prepayments. (i) The Borrower may, upon written notice to the Administrative Agent by the Borrower, at any time or from time to time voluntarily prepay any Borrowing of any Class in whole or in part without premium or penalty (except as set forth in Section 2.05(a)(iv)); provided that (1) such notice must be received by the Administrative Agent not later than (A) 12:00 p.m., three (3) Business Days prior to any date of prepayment of Eurocurrency Rate Loans and (B) 1:00 p.m., one (1) Business Day prior to the date of prepayment of Base Rate Loans, (2) any prepayment of Eurocurrency Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$100,000 in excess thereof or, in each case, the entire principal amount thereof then outstanding and (3) any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or, in each case, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Class(es) and Type(s) of Loans to be prepaid. The Administrative Agent will promptly notify each Appropriate Lender of its receipt of each such notice, and of the amount of such Lender's Applicable Percentage of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurocurrency Rate Loan shall be accompanied by all accrued interest thereon, together with any additional amounts required pursuant to Section 3.04. Each prepayment of the Loans pursuant to this Section 2.05(a) shall be applied to the installments thereof as directed by the Borrower and shall be paid to the Appropriate Lenders in accordance with their respective Applicable Percentages.

(i) The Borrower may, upon written notice to the Swing Line Lender (with a copy to the Administrative Agent), at any time or from time to time, voluntarily prepay Swing Line Loans in whole or in part without premium or penalty; provided that (1) such notice must be received by the Swing Line Lender and the Administrative Agent not later than 1:00 p.m. on the date of the prepayment, and (2) any such prepayment shall be in a minimum principal amount of \$100,000 or a whole multiple of \$100,000 in excess thereof or, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein.

(ii) Notwithstanding anything to the contrary contained in this Agreement, the Borrower may rescind any notice of prepayment or change the date of any such prepayment under Section 2.05(a) if such prepayment would have resulted from a refinancing of all of the Facilities, which refinancing shall not be consummated or shall otherwise be delayed.

(b) Mandatory Prepayments. If at any time, the Revolving Credit Exposure (excluding the face amount of any Letters of Credit that are Cash Collateralized or back-stopped to the reasonable satisfaction of the Administrative Agent) exceeds the Revolving Credit Commitments, the Borrower shall within one Business Day, upon notification by the Administrative Agent, prepay

the Swing Line Loans first and then prepay (or Cash Collateralize, in the amount required by Section 2.03(f), in the case of Letters of Credit) the other Loans and Letters of Credit then outstanding in an amount equal to such excess; provided that nothing in this clause (b)(vi) shall reduce the Revolving Credit Commitments.

(c) Interest, Funding Losses, Etc. All prepayments under this Section 2.05 shall be accompanied by all accrued interest thereon, together with, in the case of any such prepayment of a Eurocurrency Rate Loan on a date other than the last day of an Interest Period therefor, any amounts owing in respect of such Eurocurrency Rate Loan pursuant to Section 3.04.

Notwithstanding any of the other provisions of this Section 2.05, so long as no Event of Default shall have occurred and be continuing, if any prepayment of Eurocurrency Rate Loans is required to be made under this Section 2.05, prior to the last day of the Interest Period therefor, in lieu of making any payment pursuant to this Section 2.05 in respect of any such Eurocurrency Rate Loan prior to the last day of the Interest Period therefor, the Borrower may, in their sole discretion, deposit with the Administrative Agent the amount of any such prepayment otherwise required to be made hereunder until the last day of such Interest Period, at which time the Administrative Agent shall be authorized (without any further action by or notice to or from the Borrower or any other Loan Party) to apply such amount to the prepayment of such Loans in accordance with this Section 2.05. Such deposit shall constitute cash collateral for the Eurocurrency Rate Loans to be so prepaid, provided that the Borrower may at any time direct that such deposit be applied to make the applicable payment required pursuant to this Section 2.05.

Section 2.06 Termination or Reduction of Commitments.

(a) Optional. The Borrower may, upon written notice to the Administrative Agent, terminate the unused Commitments of any Class, or from time to time permanently reduce the unused Commitments of any Class; provided that (i) any such notice shall be received by the Administrative Agent three (3) Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of \$1,000,000 or any whole multiple of \$100,000 in excess thereof, (iii) the Borrower shall not terminate or reduce the Revolving Credit Commitments of any Class if, after giving effect thereto and to any concurrent prepayments hereunder, the Outstanding Amount of such Class would exceed the aggregate Revolving Credit Commitments of such Class and (iv) if, after giving effect to any reduction of the Commitments, the Letter of Credit Sublimit or the Swing Line Sublimit exceeds the amount of the Revolving Credit Facility, such sublimit shall be automatically reduced by the amount of such excess. The amount of any such Commitment reduction shall not be applied to the Letter of Credit Sublimit or the Swing Line Sublimit unless otherwise specified by the Borrower. Notwithstanding the foregoing, the Borrower may rescind or postpone any notice of termination of the Commitments if such termination would have resulted from a refinancing of all of the Facilities, which refinancing shall not be consummated or otherwise shall be delayed.

(b) Mandatory. The Revolving Credit Commitments (other than any Extended Revolving Credit Commitments) shall terminate on the applicable Maturity Date. The Extended Revolving Credit Commitments shall terminate on the respective maturity dates applicable thereto.

(c) Application of Commitment Reductions; Payment of Fees. The Administrative Agent will promptly notify the Lenders of any termination or reduction of unused Commitments of any Class under this Section 2.06. Upon any reduction of unused portions of the Letter of Credit Sublimit, the Swing Line Sublimit or the unused Commitments of any Class, the Commitment of each Lender of such Class shall be reduced by such Lender's Applicable Percentage of the amount by which such Commitments are reduced (other than the termination of the Commitment of any Lender as provided in Section 3.06). All Commitment Fees accrued until the effective date of any termination of the Revolving Credit Commitments shall be paid on the effective date of such termination.

Section 2.07 Repayment of Loans.

(a) Revolving Credit Loans. The Borrower shall repay to the Administrative Agent for the ratable account of the Appropriate Lenders on the Maturity Date the aggregate principal amount of all of its Revolving Credit Loans outstanding on such date.

(b) Swing Line Loans. The Borrower shall repay their Swing Line Loans on the Maturity Date.

Section 2.08 Interest.

(a) Subject to the provisions of Section 2.08(b), (i) each Eurocurrency Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurocurrency Rate for such Interest Period plus the Applicable Rate; (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate; and (iii) each Swing Line Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate for Revolving Credit Loans that are Base Rate Loans.

(b) At the direction of the Administrative Agent upon written demand by the Required Lenders to the Administrative Agent to so direct the Borrower, the Borrower shall pay interest on past due amounts under this Agreement at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand to the fullest extent permitted by and subject to applicable Laws, including in relation to any required additional agreements.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

Section 2.09 Fees. In addition to certain fees described in Sections 2.03(g) and (h):

(a) Revolving Credit Facility Commitment Fee. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Applicable Percentage, a commitment fee (the "Commitment Fee") equal to 0.25% per annum on the daily amount by which the aggregate Revolving Credit Commitments exceeds the sum of (A) the Outstanding Amount of Revolving Credit Loans and (B) the Outstanding Amount of L/C Obligations (provided that, solely in connection with determining the share of each Lender in the Commitment Fee, the Outstanding Amount of Revolving Credit Loans with respect to the portion of the Commitment Fee allocated to PNC shall include the full amount of the outstanding Swing Line Loans, and with respect to the portion of the Commitment Fee allocated by the Administrative Agent to all of the Lenders other than PNC, such portion of the Commitment Fee shall be calculated (according to each such Lender's Applicable Percentage) as if the Outstanding Amount of Revolving Credit Loans excludes the outstanding Swing Line Loans). Following the delivery of financial statements

and a related Compliance Certificate for the first full fiscal quarter commencing on or after the Closing Date pursuant to Section 6.01, the Commitment Fee shall be (1) at any time prior to a Qualifying IPO, 0.25% per annum and (2) on the date of and at any time following a Qualifying IPO, the percentages per annum set forth in the table below, based upon the Total Leverage Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 6.02(a):

<u>Level</u>	<u>Total Leverage Ratio</u>	<u>Commitment Fee</u>
I	> 2.25:1.00	0.175%
II	< 2.25:1.00 and > 1.50:1.00	0.150%
III	< 1.50:1.00 and > 0.75:1.00	0.125%
IV	< 0.75:1.00	0.100%

Any change in the Commitment Fee pursuant to the foregoing sentence shall take effect as of the first Business Day following Administrative Agent's receipt of applicable financial statements and Compliance Certificate. The Commitment Fee shall accrue at all times from the Closing Date until the Maturity Date for the Revolving Credit Facility, including at any time during which one or more of the conditions in Article IV is not met, and shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the Maturity Date for the Revolving Credit Facility. The Commitment Fee shall be calculated quarterly in arrears.

(b) Other Fees. The Borrower shall pay to the Agents such fees as shall have been separately agreed upon in writing in the amounts and at the times so specified, including pursuant to the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever (except as expressly agreed between the Borrower and the applicable Agent).

Section 2.10 Computation of Interest and Fees.

(a) All computations of interest for Base Rate Loans shall be made on the basis of a year of three hundred sixty five (365) days or three hundred sixty six (366) days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a three hundred sixty (360) day year and actual days elapsed. Interest and fees shall accrue on each Loan for the day on which such Loan is made, and shall not accrue on such Loan, or any portion thereof, for the day on which such Loan or such portion is paid. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

Section 2.11 Evidence of Indebtedness.

(a) The Credit Extensions made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by one or more entries in the Register. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the Register, the Register shall be conclusive in the absence of demonstrable error.

Section 2.12 Payments Generally.

(a) All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the applicable Administrative Agent's Office in Dollars and in Same Day Funds not later than 2:00 p.m. on the date specified herein. Without limiting the generality of the foregoing, the Administrative Agent may require that any payments due under this Agreement be made in the United States. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Applicable Lending Office. All payments received by the Administrative Agent after 2:00 p.m. may, in Administrative Agent's discretion, be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue.

(b) If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be; provided that, if such extension would cause payment of interest on or principal of Eurocurrency Rate Loans to be made in the next succeeding calendar month, such payment shall be made on the immediately preceding Business Day.

(c) Unless the Borrower or any Lender has notified the Administrative Agent, prior to the date any payment is required to be made by it to the Administrative Agent hereunder, that the Borrower or such Lender, as the case may be, will not make such payment, the Administrative Agent may assume that the Borrower or Lenders, as the case may be, has timely made such payment and may (but shall not be so required to), in reliance thereon, make available a corresponding amount to the Person entitled thereto. If and to the extent that such payment was not in fact made to the Administrative Agent in immediately available funds, then:

(i) if the Borrower failed to make such payment, then the applicable Lender agrees to pay to the Administrative Agent forthwith on demand the portion of such assumed payment that was made available to such Lender in immediately available funds, together with interest thereon in respect of each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent in immediately available funds at the greater of the Effective Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, it being understood that nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Commitment or to prejudice any rights which the Administrative Agent or the Borrower may have against any Lender as a result of any default by such Lender hereunder; and

(ii) if any Lender failed to make such payment, such Lender shall forthwith on demand pay to the Administrative Agent the amount thereof in immediately available funds, together with interest thereon for the period from the date such amount was made available by the Administrative Agent to the Borrower to the date such amount is recovered by the Administrative Agent (the "Compensation Period") at the greater of the Effective Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. When such Lender makes payment to the Administrative Agent (together with all accrued interest thereon), then such payment amount (excluding the amount of any interest which may have accrued and been paid in

respect of such late payment) shall constitute such Lender's Loan included in the applicable Borrowing. If such Lender does not pay such amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent may make a demand therefor upon the Borrower, and the Borrower shall pay such amount to the Administrative Agent, together with interest thereon for the Compensation Period at the interest rate applicable to such Loan. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Commitment or to prejudice any rights which the Administrative Agent or the Borrower may have against any Lender as a result of any default by such Lender hereunder.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this Section 2.12(c) shall be conclusive, absent demonstrable error.

(d) If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the applicable Credit Extension set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(e) The obligations of the Lenders hereunder to make Loans and to fund participations in Letters of Credit and Swing Line Loans are several and not joint. The failure of any Lender to make any Loan or to fund any such participation on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan or purchase its participation.

(f) Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

(g) Whenever any payment received by the Administrative Agent under this Agreement or any of the other Loan Documents is insufficient to pay in full all amounts due and payable to the Administrative Agent and the Lenders under or in respect of this Agreement and the other Loan Documents on any date, such payment shall be distributed by the Administrative Agent and applied by the Administrative Agent and the Lenders in the order of priority set forth in Section 8.04. If the Administrative Agent receives funds for application to the Obligations of the Loan Parties under or in respect of the Loan Documents under circumstances for which the Loan Documents do not specify the manner in which such funds are to be applied, the Administrative Agent may, but shall not be obligated to, elect to distribute such funds to each of the Lenders in accordance with such Lender's Applicable Percentage of the sum of (a) the Outstanding Amount of all Loans outstanding at such time and (b) the Outstanding Amount of all L/C Obligations outstanding at such time, in repayment or prepayment of such of the outstanding Loans or other Obligations then owing to such Lender.

Section 2.13 Sharing of Payments. If, other than as expressly provided elsewhere herein, any Lender shall obtain on account of the Loans made by it, or the participations in L/C Obligations and Swing Line Loans held by it, any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) in excess of its ratable share (or other share contemplated hereunder) thereof, such Lender shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase from the other Lenders such participations in the Loans made by them and/or such subparticipations in the participations in L/C Obligations or Swing Line Loans held by them, as the case may be, as shall be necessary to cause such purchasing Lender to share the excess payment in respect of such Loans or such

participations, as the case may be, pro rata with each of them; provided that (x) if all or any portion of such excess payment is thereafter recovered from the purchasing Lender under any of the circumstances described in Section 10.06 (including pursuant to any settlement entered into by the purchasing Lender in its discretion), such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's ratable share (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered, without further interest thereon, (y) the provisions of this Section 2.13 shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in L/C Obligations to any assignee or participant and (z) the provisions of this Section 2.13 shall not be construed to apply to any disproportionate payment obtained by a Lender of any Class as a result of the extension by Lenders of the maturity date or expiration date of some but not all Loans or Commitments of that Class or any increase in the Applicable Rate (or other pricing term, including any fee, discount or premium) in respect of Loans or Commitments of Lenders that have consented to any such extension to the extent such transaction is permitted hereunder. The Borrower agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by applicable Law, exercise all its rights of payment (including the right of setoff, but subject to Section 10.09) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of demonstrable error) of participations purchased under this Section 2.13 and will in each case notify the Lenders following any such purchases or repayments. Each Lender that purchases a participation pursuant to this Section 2.13 shall from and after such purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased.

Section 2.14 Incremental Credit Extensions.

(a) At any time, and from time to time, following a Qualifying IPO, subject to the terms and conditions set forth herein, the Borrower may, by written notice to the Administrative Agent (whereupon the Administrative Agent shall promptly deliver a copy to each of the Lenders), request no more than three increases in the Revolving Credit Commitments of any Class (a "Revolving Credit Commitment Increase" and collectively, the "Revolving Credit Commitment Increases" or "Incremental Facilities"). Notwithstanding anything to the contrary herein, the aggregate principal amount of all Incremental Facilities (determined at the time of incurrence) shall not exceed \$300,000,000. Each Incremental Facility shall be in an integral multiple of \$1,000,000 and be in an aggregate principal amount that is not less than \$25,000,000, provided that such amount may be less than the applicable minimum amount if such amount represents all the remaining availability hereunder as set forth above. Each Incremental Facility shall have the same guarantees as all of the other Obligations hereunder and be secured by the Collateral securing the Obligations hereunder.

(b) [Reserved].

(c) Any Incremental Facilities shall be in the form of a Revolving Credit Commitment Increase and shall be on the exact same terms and pursuant to the exact same documentation applicable to the Revolving Credit Commitments.

(d) Each notice from the Borrower pursuant to this Section 2.14 shall set forth the requested amount and proposed terms of the relevant Incremental Facilities. Any additional bank, financial institution, existing Lender or other Person that elects to extend Incremental Facilities shall be reasonably satisfactory to the Borrower and the Administrative Agent, the L/C Issuer and Swing Line Lender (any such bank, financial institution, existing Lender or other Person being called an “Additional Lender”) and, if not already a Lender, shall become a Lender under this Agreement pursuant to an amendment (an “Incremental Facility Amendment”) to this Agreement and, as appropriate, the other Loan Documents, executed by Holdings, the Borrower, such Additional Lender, the Administrative Agent, each L/C Issuer and Swing Line Lender. No Incremental Facility Amendment shall require the consent of any Lenders other than the Additional Lenders with respect to such Incremental Facility Amendment, the L/C Issuer and Swing Line Lender. No Lender shall be obligated to provide any Incremental Facilities, unless it so agrees. Commitments in respect of any Incremental Facilities shall become Commitments under this Agreement. An Incremental Facility Amendment may, without the consent of any other Lenders, effect such amendments to any Loan Documents as may be necessary or appropriate, in the opinion of the Administrative Agent, to effect the provisions of this Section 2.14. Any Incremental Facility Amendment shall be pursuant to documentation to be mutually agreed by the Borrower, the Administrative Agent and each Additional Lender.

(e) The effectiveness of any Incremental Facility Amendment shall, unless otherwise agreed to by the Administrative Agent and the Additional Lenders, be subject to the satisfaction on the date thereof (each, an “Incremental Facility Closing Date”) of each of the conditions set forth in Section 4.02 (it being understood that (i) the representations and warranties of each Loan Party set forth in Section 4.02 being true and correct in all material respects (although any representations and warranties which expressly relate to a given date or period shall be true and correct in all material respects as of the respective date or for the respective period, as the case may be) and all references to “such date of such Credit Extension” shall be deemed to refer to the Incremental Facility Closing Date and (ii) no Event of Default shall exist, or would result from such issuance of the Incremental Facility.

(f) Upon each increase in the Revolving Credit Commitments under such Revolving Credit Facility pursuant to this Section 2.14, each Lender immediately prior to such increase will automatically and without further act be deemed to have assigned to each Lender providing a portion of the Incremental Facilities (each, an “Incremental Revolving Lender”) in respect of such increase, and each such Incremental Revolving Lender will automatically and without further act be deemed to have assumed, a portion of such Lender’s participations hereunder in outstanding Letters of Credit and Swing Line Loans such that, after giving effect to each such deemed assignment and assumption of participations, the percentage of the aggregate outstanding (i) participations hereunder in Letters of Credit under such Revolving Credit Facility and (ii) participations hereunder in Swing Line Loans held by each Lender (including each such Lender) under such Revolving Credit Facility will equal the percentage of the aggregate Revolving Credit Commitments of all Lenders represented by such Lender’s Revolving Credit Commitment. Additionally, if any Revolving Credit Loans are outstanding under a Revolving Credit Facility at the time any Incremental Facilities are established under such Revolving Credit Facility, the Lenders immediately after effectiveness of such Incremental Facilities shall purchase and assign at par such amounts of the Revolving Credit Loans outstanding under such Revolving Credit Facility at such time as the Administrative Agent may require such that each Revolving Credit Lender under such Revolving Credit Facility holds its Applicable Percentage of all Revolving Credit Loans outstanding under such Revolving Credit Facility immediately after giving effect to all such assignments. The Administrative Agent and the Lenders hereby agree that the minimum borrowing, pro rata borrowing and pro rata payment requirements contained elsewhere in this Agreement shall not apply to the transactions effected pursuant to the immediately preceding sentence.

Section 2.15 Maturity Extensions.

(a) Requests for Extension. The Borrower may, by notice to the Administrative Agent (who shall promptly notify the applicable Lenders of such request and of the Notice Date), request that each Lender to the Revolving Credit Facility extend the Maturity Date then applicable to such Lender (the "Existing Expiration Date") to a date beyond the Existing Expiration Date.

(b) Lender Elections to Extend. Each applicable Lender, acting in its sole and individual discretion, shall, by written notice to the Administrative Agent given by a date specified by the Administrative Agent (which such date shall not be earlier than the date that is 10 days after notice is provided to the applicable Lenders (the "Notice Date"), advise the Administrative Agent whether or not such Lender agrees to such extension shall notify the Administrative Agent in writing of such fact promptly after such determination (but in any event no later than the Notice Date) and any Lender that does not so advise the Administrative Agent on or before the Notice Date shall be deemed to be a Non-Extending Lender. The election of any Lender to agree to such extension shall not obligate any other Lender to so agree.

(c) Notification by Administrative Agent. The Administrative Agent shall notify the Borrower in writing of each Lender's determination under this Section 2.15 promptly, but in no event later than two (2) Business Days after the Notice Date. Upon receipt of the responses of the applicable Lenders, the Administrative Agent and the Borrower shall determine the date upon which the relevant extension, if applicable, shall be effective (the "Extension Effective Date"), which such date shall not (unless agreed by the relevant Lenders and the Administrative Agent) be earlier than 10 days after the Notice Date.

(d) Additional Commitment Lenders. The Borrower shall have the right on or before the Existing Expiration Date to replace each Non-Extending Lender with, and add as "Lenders" under this Agreement in place thereof, one or more Eligible Assignees (each, an "Additional Commitment Lender") with the approval of the Administrative Agent (and, with respect to prospective Additional Commitment Lenders under the Revolving Credit Facility, the Swing Line Lender and the L/C Issuer), each of which approvals shall not be unreasonably withheld or delayed. Each Additional Commitment Lender shall have entered into an agreement in form and substance satisfactory to the Borrower and the Administrative Agent pursuant to which such Additional Commitment Lender shall, effective as of the Extension Effective Date, undertake a Revolving Credit Commitment (and, if any such Additional Commitment Lender is already a Lender under the Revolving Credit Facility, its Revolving Credit Commitment shall be in addition to such Lender's Revolving Credit Commitment hereunder on such date) in replacement of the applicable Non-Extending Lender, and shall have purchased such Non-Extending Lenders outstanding Loans at par, and each Additional Commitment Lender shall thereupon become a "Lender" for all purposes of this Agreement under the applicable facility.

(e) Conditions to Effectiveness of Extensions. Notwithstanding the foregoing, the extension of the Maturity Date pursuant to this Section 2.15 shall only be effective with respect to any Lender on the Extension Effective Date if:

(i) in the case of any proposed extension of the Maturity Date, the total of the Revolving Credit Commitments of the Lenders that have agreed so to extend their Maturity Date and the additional Revolving Credit Commitments of the relevant Additional Commitment Lenders shall be more than 50% of the aggregate amount of the Revolving Credit Commitments in effect immediately prior to the Extension Effective Date;

(ii) as of the date of such extension, and after giving effect thereto, the representations, warranties of the Borrower and the other Loan Parties herein and in the other Loan Documents shall be true and correct in all material respects (unless qualified by materiality or reference to the absence of a Material Adverse Effect, in which event shall be true and correct), except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that for purposes of this Section 2.15, the representations and warranties contained in Section 5.05(a) shall be deemed to refer to the most recent statements furnished pursuant to Section 6.01(a) or (b), as applicable (and the Borrower and each other Loan Party shall be deemed to have made all such representations and warranties on the proposed Extension Effective Date);

(iii) no Default or Event of Default shall have occurred and be continuing on the date of such extension and after giving effect thereto;

(iv) the Borrower shall deliver or cause to be delivered any customary legal opinions or other documents (including, without limitation, a resolution duly adopted by the board of directors (or equivalent governing body) of each Loan Party authorizing such extension) reasonably requested by Administrative Agent in connection with any such extension;

(v) on or before the Maturity Date of each Non-Extending Lender, (A) the Borrower shall have paid in full the principal of and interest on all of the Loans made by such Non-Extending Lender to the Borrower hereunder and (B) the Borrower shall have paid in full all other Obligations owing to such Lender hereunder and other under the other Loan Documents (it being understood that after giving effect to this clause (v) with respect to any Non-Extending Lender, such Non-Extending Lender's Commitment shall be deemed terminated on the then-existing Maturity Date and such Non-Extending Lender shall no longer be a "Lender" hereunder); and

(vi) if such extension is being effectuated in accordance with the last paragraph of Section 10.01 pursuant to which the terms of such extended Loans or Commitments are being amended, an amendment entered into by the parties required by such provision shall have become effective.

Section 2.16 Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) the Commitment Fee shall cease to accrue on any of the Revolving Credit Commitments of such Defaulting Lender pursuant to Section 2.09(a);

(b) the Commitment, Outstanding Amount of Revolving Credit Exposure of such Defaulting Lender shall not be included in determining whether all Lenders or the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 10.01); provided that (x) any waiver, amendment or modification of the type described in clause (a), (b) or (c) of the first proviso in Section 10.01 that would apply to the Revolving Credit Commitments or Obligations owing to such Defaulting

Lender or (y) any waiver, amendment or modification (other than as described in the foregoing clause (x) requiring the consent of all Lenders or each affected Lender) which affects such Defaulting Lender disproportionately when compared to other affected Lenders, in each case, shall require the consent of such Defaulting Lender with respect to the effectiveness of such waiver, amendment or modification with respect to the Revolving Credit Commitments or Obligations owing to such Defaulting Lender;

(c) any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of that Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article IX or otherwise), shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by that Defaulting Lender to the Administrative Agent hereunder; second, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which that Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; third, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; fourth, so long as no Default or Event of Default exists, to the payment of any amounts owing to any Loan Party as a result of any judgment of a court of competent jurisdiction obtained by any Loan Party against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; and fifth, to that Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that, if such payment is a payment of the principal amount of any Loans, such payment shall be applied solely to pay the relevant Loans of the relevant non-Defaulting Lenders on a pro rata basis prior to being applied in the manner set forth in this clause (c).

(d) if any Swing Line Obligations or L/C Obligations exist at the time such Lender becomes a Defaulting Lender then:

(i) all or any part of the Swing Line Obligations or L/C Obligations of such Defaulting Lender shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentage but only to the extent that such non-Defaulting Lenders' Revolving Credit Exposures does not exceed its Revolving Credit Commitments;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within three (3) Business Days following notice by the Administrative Agent, first, prepay such Swing Line Obligations and, second, Cash Collateralize for the benefit of the L/C Issuer only the Borrower's obligations corresponding to such Defaulting Lender's L/C Obligations (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 2.03(f) for so long as such L/C Obligations are outstanding;

(iii) if the Borrower Cash Collateralizes any portion of such Defaulting Lender's L/C Obligations pursuant to clause (ii) above, no Borrower shall be required to pay any fees to such Defaulting Lender pursuant to Section 2.03(h) with respect to such Defaulting Lender's L/C Obligations during the period such Defaulting Lender's L/C Obligations are Cash Collateralized;

(iv) if the L/C Obligations of the non-Defaulting Lenders are reallocated pursuant to clause (i) above, then the fees payable to the Lenders pursuant to Sections 2.09(a) and 2.03(h) shall be adjusted in accordance with such non-Defaulting Lenders' Applicable Percentage; and

(v) if all or any portion of such Defaulting Lender's L/C Obligations is neither reallocated nor Cash Collateralized pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of the L/C Issuer or any other Lender hereunder, all letter of credit fees payable under Section 2.03(h) with respect to such Defaulting Lender's L/C Obligations shall be payable to the L/C Issuer until and to the extent that such L/C Obligations are reallocated and/or Cash Collateralized; and

(e) so long as such Lender is a Defaulting Lender, the Swing Line Lender shall not be required to fund any Swing Line Loan and the L/C Issuer shall not be required to issue, amend or increase any Letter of Credit, unless it has received assurances satisfactory to it that non-Defaulting Lenders will cover the related exposure and/or cash collateral will be provided by the Borrower in accordance with Section 2.16(d), and participating interests in any newly made Swing Line Loan or any newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.16(d)(i) (and such Defaulting Lender shall not participate therein).

In the event that the Administrative Agent, the Borrower, the Swing Line Lender and the L/C Issuer each agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Swing Line Obligations and the L/C Obligations of the Revolving Credit Lenders shall be readjusted to reflect the inclusion of such Lender's Revolving Credit Commitment and on such date such Lender shall purchase at par such of the Revolving Credit Loans of the other Revolving Credit Lenders (other than Swing Line Lenders) as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Revolving Credit Loans in accordance with its Applicable Percentage; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; provided, further, that, except to the extent otherwise expressly agreed by the affected parties and subject to Section 10.24, no change hereunder from Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from such Lender's having been a Defaulting Lender.

ARTICLE III

Taxes, Increased Costs Protection and Illegality

Section 3.01 Taxes.

(a) Except as provided in this Section 3.01, any and all payments by the Loan Parties (the term Loan Party under this Article III being deemed to include any Subsidiary for whose account a Letter of Credit is issued) to or for the account of any Agent or any Lender under any Loan Document shall be made free and clear of and without deduction for any Taxes unless required by applicable Law. If any applicable withholding agent shall be required by any Laws to deduct any Taxes from or in respect of any sum payable under any Loan Document to any Agent or any Lender, (i) if such Taxes are Indemnified Taxes, the sum payable by the applicable Loan Party shall be increased as necessary so that after all required deductions have been made (including deductions applicable to additional sums payable under this Section 3.01), each of such Agent and such Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) such applicable withholding agent shall make such deductions, (iii) such applicable withholding agent shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Laws, and (iv) within thirty (30) days after the date of such

payment by such applicable withholding agent (or, if receipts or evidence are not available within thirty (30) days, as soon as possible thereafter), such applicable withholding agent shall furnish to Borrower and such Agent or Lender (as the case may be) the original or a facsimile copy of a receipt evidencing payment thereof to the extent such a receipt is issued therefor, or other written proof of payment thereof that is reasonably satisfactory to the Administrative Agent.

(b) In addition, but without duplication of any amounts payable pursuant to Section 3.01(a) or (c), each Loan Party agrees to pay, or at the option of the Administrative Agent timely reimburse it for the payment of, all Other Taxes.

(c) Without duplication of any amounts payable pursuant to Section 3.01(a) or Section 3.01(b), the Loan Parties agree to indemnify each Agent and each Lender for (i) the full amount of Indemnified Taxes (including any Indemnified Taxes imposed or asserted by any jurisdiction in respect of amounts payable under this Section 3.01) payable by such Agent and such Lender and (ii) any reasonable expenses arising therefrom or with respect thereto, in each case whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Such Agent or Lender, as the case may be, will, at the Borrower's request, provide the Borrower with a written statement thereof setting forth in reasonable detail the basis and calculation of such amounts which shall be conclusive absent manifest error. Payment under this Section 3.01(c) shall be made within ten (10) days after the date such Lender or such Agent makes a demand therefor.

(d) If any Lender or Agent determines, in its reasonable discretion, that it has received a refund in respect of any Indemnified Taxes as to which indemnification or additional amounts have been paid to it by a Loan Party pursuant to this Section 3.01, it shall promptly remit an amount equal to such refund as soon as practicable after it is determined that such refund pertains to Indemnified Taxes (but only to the extent of indemnity payments made, or additional amounts paid, by a Loan Party under this Section 3.01 with respect to the Indemnified Taxes giving rise to such refund) to the Borrower, net of all reasonable out-of-pocket expenses (including any Taxes) of the Lender or Agent, as the case may be and without interest (other than any interest paid by the relevant taxing authority with respect to such refund); provided that the Borrower, upon the request of the Lender or Agent, as the case may be, agree promptly to return an amount equal to such refund (plus any applicable interest, additions to tax or penalties imposed by the relevant tax authority) to such party in the event such party is required to repay such refund to the relevant taxing authority. Such Lender or Agent, as the case may be, shall, at the Borrower's reasonable request, provide the Borrower with a copy of any notice of assessment or other evidence of the requirement to repay such refund received from the relevant taxing authority (provided that such Lender or Agent may delete any information therein that such Lender or Agent deems confidential). Nothing herein contained shall interfere with the right of a Lender or Agent to arrange its Tax affairs in whatever manner it thinks fit nor oblige any Lender or Agent to claim any Tax refund or to make available its Tax returns or disclose any information relating to its Tax affairs or any computations in respect thereof or require any Lender or Agent to do anything that would prejudice its ability to benefit from any other refunds, credits, reliefs, remissions or repayments to which it may be entitled.

(e) Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 3.01(a) or (c) with respect to such Lender it will, if requested by the Borrower, use commercially reasonable efforts (subject to legal and regulatory restrictions), at the Borrower's expense, to designate another Applicable Lending Office for any Loan or Letter of Credit affected by such event; provided that (i) such designation or assignment would, in the judgment of such Lender, eliminate or reduce amounts payable pursuant to Section 3.01 and (ii) such efforts are made on terms that, in the judgment of such Lender, cause such Lender and its Applicable Lending Office(s) to suffer no material economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section 3.01(e) shall affect or postpone any of the Obligations of the Borrower or the rights of such Lender pursuant to Section 3.01(a) or (c).

(f) Each Lender shall, at such times as are reasonably requested by the Borrower or the Administrative Agent, provide the Borrower and the Administrative Agent with any documentation prescribed by law, or reasonably requested by the Borrower or the Administrative Agent, certifying as to any entitlement of such Lender to an exemption from, or reduction in, any withholding Tax with respect to any payments to be made to such Lender under any Loan Document. Each such Lender shall, whenever a lapse in time or change in circumstances renders such documentation (including any documentation specifically referenced below) expired, obsolete or inaccurate in any material respect, deliver promptly to the Borrower and the Administrative Agent updated or other appropriate documentation (including any new documentation reasonably requested by the applicable withholding agent) or promptly notify the Borrower and the Administrative Agent in writing of its inability to do so. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 3.08(f)(i), 3.08(f)(ii)(A)-(D) and 3.08(f)(iii) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

Without limiting the generality of the foregoing:

(i) Each Lender that is a "United States person" (as defined in Section 7701(a)(30) of the Code) shall deliver to the Borrower and the Administrative Agent on or before the date on which it becomes a party to this Agreement two properly completed and duly signed copies of Internal Revenue Service Form W-9 (or any successor form) certifying that such Lender is exempt from U.S. federal backup withholding;

(ii) Each Lender that is not a "United States person" (as defined in Section 7701(a)(30) of the Code) shall deliver to the Borrower and the Administrative Agent on or before the date on which it becomes a party to this Agreement (and from time to time thereafter when required by Law or upon the reasonable request of the Borrower or the Administrative Agent) whichever of the following is applicable:

(A) two duly completed copies of Internal Revenue Service Form W-8BEN or W-8BEN-E, as applicable (or any successor forms) claiming eligibility for benefits of an income tax treaty to which the United States is a party,

(B) two duly completed copies of Internal Revenue Service Form W-8ECI (or any successor forms),

(C) in the case of a Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) or the Code, (x) a certificate, in substantially the form of Exhibit L (any such certificate a "United States Tax Compliance Certificate"), or any other form approved by the Administrative Agent, to the effect that such Lender is not (A) a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (B) a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code or (C) a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code and that no payments in connection with the Loan Documents are effectively connected with such Lender's conduct of a U.S. trade or business, and (y) two duly completed copies of Internal Revenue Service Form W-8BEN or W-8BEN-E, as applicable (or any successor forms),

(D) to the extent a Lender is not the beneficial owner (for example, where the Lender is a partnership), Internal Revenue Service Form W-8IMY (or any successor forms) of the Lender, accompanied by a Form W-8ECI, W-8BEN or W-8BEN-E, as applicable (or any successor forms), United States Tax Compliance Certificate, Form W-9, Form W-8IMY (or other successor forms), as applicable (provided that, if the Lender is a partnership and one or more direct or indirect partners are claiming the portfolio interest exemption, the United States Tax Compliance Certificate may be provided by such Lender on behalf of such direct or indirect partner(s)), or

(E) two duly completed copies of any other form prescribed by applicable U.S. federal income tax laws (including the Treasury regulations) as a basis for claiming a complete exemption from, or a reduction in, U.S. federal withholding Tax on any payments to such Lender or a beneficial owner under the Loan Documents.

(iii) If a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Sections 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their FATCA obligations, to determine whether such Lender has or has not complied with such Lender's FATCA obligations and to determine the amount, if any, to deduct and withhold from such payment. Solely for purposes of this Section 3.01(f)(iii), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Notwithstanding any other provision of this clause (f), a Lender shall not be required to deliver any form that such Lender is not legally eligible to deliver.

Each Lender hereby authorizes the Administrative Agent to deliver to the Loan Parties and to any successor Administrative Agent any documentation provided by such Lender to the Administrative Agent pursuant to this Section 3.01(f).

(g) The Administrative Agent (as well as any person receiving any payment on behalf of the Administrative Agent pursuant to Section 9.02 or Section 9.13) shall provide the Borrower with two duly completed copies of, if it is a United States person (as defined in Section 7701(a)(30) of the Code), Internal Revenue Service Form W-9 certifying that it is exempt from U.S. federal backup withholding, and, if it is not a United States person, (1) Internal Revenue Service Form W-8ECI with respect to payments to be received by it as a beneficial owner and (2) Internal Revenue Service Form W-8IMY (together with required accompanying documentation) with respect to payments to be received by it on behalf of the Lenders, and shall update such forms periodically upon the reasonable request of the Borrower. Notwithstanding any other provision of this clause (g), the Administrative Agent shall not be required to deliver any form that such Administrative Agent is not legally eligible to deliver.

(h) For the avoidance of doubt, the term “Lender” shall, for purposes of this Section 3.01, include any L/C Issuer and any Swing Line Lender and “applicable law” includes FATCA.

(i) Each party’s obligations under this Section 3.01 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

Section 3.02 LIBO Rate Unascertainable; Increased Costs; Deposits Not Available; Illegality; Benchmark Replacement Setting.

(a) Unascertainable; Increased Costs; Deposits Not Available. If, on or prior to the first day of an Interest Period:

(i) the Administrative Agent shall have determined (which determination shall be conclusive and binding absent manifest error) (x) that by reason of circumstances affecting the London or other applicable offshore interbank market, the LIBO Rate cannot be determined because the LIBO Rate is not available or published on a current basis or (y) a fundamental change has occurred in the foreign exchange or interbank markets with respect to the LIBO Rate (including, without limitation, changes in national or international financial, political or economic conditions or currency exchange rates or exchange controls), or

(ii) the any Lender determines that for any reason in connection with any request for a Eurocurrency Rate Loan or a conversion thereto or a continuation thereof that (A) Dollar deposits are not available to any Lender in connection with such Eurocurrency Rate Loan or being offered to banks in the London or other applicable offshore interbank market for the amount and Interest Period of such Eurocurrency Rate Loan, or (B) the LIBO Rate for any requested Interest Period with respect to a proposed Eurocurrency Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan,

then the Administrative Agent shall have the rights specified in Section 3.02(c).

(b) Illegality. If at any time any Lender shall have determined that the making, maintenance or funding of any Eurocurrency Rate Loan has been made impracticable or unlawful by compliance by such Lender in good faith with any Law or any interpretation or application thereof by any Official Body or with any request or directive of any such Official Body (whether or not having the force of Law),

then the Administrative Agent shall have the rights specified in Section 3.02(c).

(c) Administrative Agent’s and Lender’s Rights. In the case of any event specified in Section 3.02(a) above, the Administrative Agent shall promptly so notify the Lenders and the Borrower thereof, and in the case of an event specified in Section 3.02(b) above, such Lender shall promptly so notify the Administrative Agent and endorse a certificate to such notice as to the specific circumstances of such notice, and the Administrative Agent shall promptly send copies of such notice and certificate to the other Lenders and the Borrower. Upon such date as shall be

specified in such notice (which shall not be earlier than the date such notice is given), the obligation of (i) the Lenders, in the case of such notice given by the Administrative Agent, or (ii) such Lender, in the case of such notice given by such Lender, to allow the Borrower to select, convert to or renew a Eurocurrency Rate Loan shall be suspended (to the extent of the affected Eurocurrency Rate Loan or Interest Periods) until the Administrative Agent shall have later notified the Borrower, or such Lender shall have later notified the Administrative Agent, of the Administrative Agent's or such Lender's, as the case may be, determination that the circumstances giving rise to such previous determination no longer exist. If at any time the Administrative Agent makes a determination under Section 3.02(a) and the Borrower has previously notified the Administrative Agent of its selection of, conversion to or renewal of a Eurocurrency Rate Loan and such selection, conversion or renewal not yet gone into effect, such notification shall be deemed to provide for selection of, conversion to or renewal of a Base Rate Loan otherwise available with respect to such Loans. If any Lender notifies the Administrative Agent of a determination under Section 3.02(b), the Borrower shall, subject to the Borrower's indemnification Obligations under Section 10.05, as to any Eurocurrency Rate Loan of the Lender, on the date specified in such notice either convert such Loan to a Base Rate Loan otherwise available with respect to such Loan or prepay such Loan in accordance with Section 2.05(a). Absent due notice from the Borrower of conversion or prepayment, such Loan shall automatically be converted to a Base Rate Loan otherwise available with respect to such Loan upon such specified date.

(d) Benchmark Replacement Setting.

(i) Announcements Related to LIBOR. On March 5, 2021, the ICE Benchmark Administration, the administrator of LIBOR (the "IBA") and the U.K. Financial Conduct Authority, the regulatory supervisor for the IBA, announced in a public statement the future cessation or loss of representativeness of overnight/Spot Next, 1-week, 1-month, 2-month, 3-month, 6-month and 12-month Eurocurrency Rate tenor settings (collectively, the "Cessation Announcements").

(ii) Benchmark Replacement. Notwithstanding anything to the contrary herein or in any other Loan Document (and any agreement executed in connection with a Swap Contract shall be deemed not to be a "Loan Document" for purposes of this Section 3.02(d)), if a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then (x) if a Benchmark Replacement is determined in accordance with clause (1) or (2) of the definition of "Benchmark Replacement" for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Loan Document in respect of such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document and (y) if a Benchmark Replacement is determined in accordance with clause (3) of the definition of "Benchmark Replacement" for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Loan Document in respect of any Benchmark setting at or after 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Benchmark Replacement is provided to the Lenders without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document so long as the Administrative Agent has not received, by such time, written notice of objection to such Benchmark Replacement from Lenders comprising the Required Lenders of each Class.

(iii) Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document.

(iv) Notices; Standards for Decisions and Determinations. The Administrative Agent will promptly notify the Borrower and the Lenders of (1) any occurrence of a Benchmark Transition Event (other than a Benchmark Transition Event with respect to the Eurocurrency Rate resulting from the Cessation Announcements), a Term SOFR Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date, (2) the implementation of any Benchmark Replacement, (3) the effectiveness of any Benchmark Replacement Conforming Changes, (4) the removal or reinstatement of any tenor of a Benchmark pursuant to paragraph (de) below and (5) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Administrative Agent or, if applicable, any Lender (or group of Lenders) pursuant to this Section 3.02(d), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party to this Agreement or any other Loan Document, except, in each case, as expressly required pursuant to this Section 3.02(d).

(v) Unavailability of Tenor of Benchmark. Notwithstanding anything to the contrary herein or in any other Loan Document, at any time (including in connection with the implementation of a Benchmark Replacement), (1) if the then-current Benchmark is a term rate (including Term SOFR or the Eurocurrency Rate) and either (A) any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion or (B) the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark is or will be no longer representative, then the Administrative Agent may modify the definition of "Interest Period" for any Benchmark settings at or after such time to remove such unavailable or non-representative tenor and (2) if a tenor that was removed pursuant to clause (1) above either (A) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (B) is not, or is no longer, subject to an announcement that it is or will no longer be representative for a Benchmark (including a Benchmark Replacement), then the Administrative Agent may modify the definition of "Interest Period" for all Benchmark settings at or after such time to reinstate such previously removed tenor.

(vi) Benchmark Unavailability Period. Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, the Borrower may revoke any request for a Eurocurrency Rate Loan, conversion to or continuation of Eurocurrency Rate Loans to be made, converted or continued during any Benchmark Unavailability Period and, failing that, the Borrower will be deemed to have converted any such request into a request for a Loan of or conversion to Base Rate Loans. During any Benchmark Unavailability Period or at any time that a tenor for the then-current Benchmark is not an Available Tenor, the component of the Base Rate based upon the then-current Benchmark or such tenor for such Benchmark, as applicable, will not be used in any determination of the Base Rate.

(vii) Secondary Term SOFR Conversion. Notwithstanding anything to the contrary herein or in any other Loan Document and subject to the proviso below in this paragraph, if a Term SOFR Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then (1) the applicable Benchmark Replacement will replace the then-current Benchmark for all purposes hereunder or under any Loan Document in respect of such Benchmark setting (the "Secondary Term SOFR Conversion Date") and subsequent Benchmark settings, without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document; and (2) Loans outstanding on the Secondary Term SOFR Conversion Date bearing interest based on the then-current Benchmark shall be deemed to have been converted to Loans bearing interest at the Benchmark Replacement with a tenor approximately the same length as the interest payment period of the then-current Benchmark; provided that this clause (vii) shall not be effective unless the Administrative Agent has delivered to the Lenders and the Borrower a Term SOFR Notice.

Section 3.03 Increased Cost and Reduced Return; Capital Adequacy; Reserves on Eurocurrency Rate Loans.

(a) If any Lender determines that as a result of any Change in Law, or such Lender's compliance therewith, there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining any Loan or issuing or participating in Letters of Credit, or a reduction in the amount received or receivable by such Lender in connection with any of the foregoing (excluding for purposes of this Section 3.03(a) any such increased costs or reduction in amount resulting from (i) Indemnified Taxes or Other Taxes indemnifiable under Section 3.01, (ii) Excluded Taxes or (iii) reserve requirements contemplated by Section 3.03(c)), then from time to time within fifteen (15) days after demand by such Lender setting forth in reasonable detail such increased costs (with a copy of such demand to the Administrative Agent given in accordance with Section 3.05), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such increased cost or reduction; provided that in the case of any Change in Law only applicable as a result of the proviso set forth in the definition thereof, such Lender will only be compensated for such amounts that would have otherwise been imposed under the applicable increased cost provisions and only to the extent the applicable Lender is imposing such charges on other similarly situated borrowers under comparable syndicated credit facilities.

(b) If any Lender determines that as a result of any Change in Law regarding capital adequacy or any change therein or in the interpretation thereof, in each case after the date hereof, or compliance by such Lender (or its Applicable Lending Office) therewith, has the effect of reducing the rate of return on the capital of such Lender or any corporation controlling such Lender as a consequence of such Lender's obligations hereunder (taking into consideration its policies with respect to capital adequacy and such Lender's desired return on capital), then from time to time upon demand of such Lender setting forth in reasonable detail the charge and the calculation of such reduced rate of return (with a copy of such demand to the Administrative Agent given in accordance with Section 3.05), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such reduction within fifteen (15) days after receipt of such demand.

(c) The Borrower shall pay to each Lender, (i) as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including eurocurrency funds or deposits, additional interest on the unpaid principal amount of each Eurocurrency Rate Loan equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive in the absence of demonstrable error), and (ii) as long as such Lender shall be required to comply with any reserve ratio requirement or analogous requirement of any other central banking or financial regulatory authority imposed in respect of the maintenance of the Commitments or the funding of the Eurocurrency Rate Loans, such additional costs (expressed as a percentage per annum and rounded upwards, if necessary, to the nearest five decimal places) equal to the actual costs allocated to such Commitment or Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive absent demonstrable error) which in each case shall be due and payable on each date on which interest is payable on such Loan, provided, that the Borrower shall have received at least fifteen (15) days' prior notice (with a copy to the Administrative Agent) of such additional interest or cost from such Lender. If a Lender fails to give notice fifteen (15) days prior to the relevant Interest Payment Date, such additional interest or cost shall be due and payable fifteen (15) days after receipt of such notice.

(d) Subject to Section 3.05(b), failure or delay on the part of any Lender to demand compensation pursuant to this Section 3.03 shall not constitute a waiver of such Lender's right to demand such compensation.

(e) If any Lender requests compensation under this Section 3.03, then such Lender will, if requested by the Borrower, use commercially reasonable efforts to designate another Applicable Lending Office for any Loan or Letter of Credit affected by such event; provided that such efforts are made on terms that, in the reasonable judgment of such Lender, cause such Lender and its Applicable Lending Office(s) to suffer no material economic, legal or regulatory disadvantage; and provided further that nothing in this Section 3.03(e) shall affect or postpone any of the Obligations of the Borrower or the rights of such Lender pursuant to Section 3.03(a), (b), (c) or (d).

Section 3.04 Funding Losses. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Eurocurrency Rate Loan on a day other than the last day of the Interest Period for such Loan; or

(b) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan (other than a Base Rate Loan) on the date or in the amount notified by the Borrower;

including any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained.

For purposes of calculating amounts payable by the Borrower to the Lenders under this Section 3.04, each Lender shall be deemed to have funded each Eurocurrency Rate Loan made by it at the Eurocurrency Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for such currency for a comparable amount and for a comparable period, whether or not such Eurocurrency Rate Loan was in fact so funded.

Section 3.05 Matters Applicable to All Requests for Compensation.

(a) Any Agent or any Lender claiming compensation under this Article III shall deliver a certificate to the Borrower setting forth the additional amount or amounts to be paid to it hereunder which shall be conclusive in the absence of demonstrable error. In determining such amount, such Agent or such Lender may use any reasonable averaging and attribution methods.

(b) With respect to any Lender's claim for compensation under Section 3.01, Section 3.02, Section 3.03 or Section 3.04, the Borrower shall not be required to compensate such Lender for any amount incurred more than one hundred and eighty (180) days prior to the date that such Lender notifies the Borrower of the event that gives rise to such claim; provided that, if the circumstance giving rise to such claim is retroactive, then such 180-day period referred to above shall be extended to include the period of retroactive effect thereof. If any Lender requests compensation by the Borrower under Section 3.03, the Borrower may, by notice to such Lender (with a copy to the Administrative Agent), suspend the obligation of such Lender to make or continue Eurocurrency Rate Loans from one Interest Period to another, or to convert Base Rate Loans into Eurocurrency Rate Loans, until the event or condition giving rise to such request ceases to be in effect (in which case the provisions of Section 3.05(c) shall be applicable); provided that such suspension shall not affect the right of such Lender to receive the compensation so requested.

(c) If the obligation of any Lender to make or continue any Eurocurrency Rate Loan from one Interest Period to another, or to convert Base Rate Loans into Eurocurrency Rate Loans shall, to the extent denominated in Dollars, be suspended pursuant to Section 3.05(b) hereof, such Lender's Eurocurrency Rate Loans shall be automatically converted into Base Rate Loans on the last day(s) of the then current Interest Period(s) for such Eurocurrency Rate Loans (or, in the case of an immediate conversion required by Section 3.02, on such earlier date as required by Law) and, unless and until such Lender gives notice as provided below that the circumstances specified in Section 3.01, Section 3.02, Section 3.03 or Section 3.04 hereof that gave rise to such conversion no longer exist:

(i) to the extent that such Lender's Eurocurrency Rate Loans have been so converted, all payments and prepayments of principal that would otherwise be applied to such Lender's Eurocurrency Rate Loans shall be applied instead to its Base Rate Loans; and

(ii) all Loans that would otherwise be made or continued from one Interest Period to another by such Lender as Eurocurrency Rate Loans, to the extent denominated in Dollars, shall be made or continued instead as Base Rate Loans, and all Base Rate Loans of such Lender that would otherwise be converted into Eurocurrency Rate Loans shall remain as Base Rate Loans.

(d) If any Lender gives notice to the Borrower (with a copy to the Administrative Agent) that the circumstances specified in Section 3.01, Section 3.02, Section 3.03 or Section 3.04 hereof that gave rise to the conversion of such Lender's Eurocurrency Rate Loans denominated in Dollars pursuant to this Section 3.05 no longer exist (which such Lender agrees to do promptly upon such circumstances ceasing to exist) at a time when Eurocurrency Rate Loans made by other Lenders are outstanding, such Lender's Base Rate Loans shall be automatically converted to Eurocurrency Rate Loans, on the first day(s) of the next succeeding Interest Period(s) for such outstanding Eurocurrency Rate Loans, to the extent necessary so that, after giving effect thereto, all Loans held by the Lenders holding Eurocurrency Rate Loans and by such Lender are held pro rata (as to principal amounts, interest rate basis, and Interest Periods) in accordance with their respective principal amount of Commitments.

Section 3.06 Replacement of Lenders under Certain Circumstances.

(a) If at any time (i) any Lender requests reimbursement for amounts owing pursuant to Section 3.01 or Section 3.03 as a result of any condition described in such Sections and Lender has declined or is unable to designate a different lending office in accordance with Section 3.01(e) or any Lender ceases to make Eurocurrency Rate Loans as a result of any condition described in Section 3.02 or Section 3.03, (ii) any Lender becomes a Defaulting Lender, (iii) any Lender becomes a Non-Consenting Lender or (iv) any Lender becomes a Non-Extending Lender, then the Borrower may, on prior written notice to the Administrative Agent and such Lender, replace the Commitments of such Lender by requiring such Lender to (and such Lender shall be obligated to) assign pursuant to Section 10.07(b) (with the assignment fee to be paid by the Borrower in such instance) all of its rights and obligations under this Agreement (or, with respect to clause (iii) and clause (iv) above, all of its rights and obligations with respect to the Class of Loans or Commitments that is the subject of the related consent, waiver or amendment) to one or more Eligible Assignees (provided that neither the Administrative Agent nor any Lender shall have any obligation to the Borrower to find a replacement Lender or other such Person; and provided, further, that (A) in the case of any such assignment resulting from a claim for compensation under Section 3.03 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments and (B) in the case of any such assignment resulting from a Lender becoming a Non-Consenting Lender or a Non-Extending Lender, the applicable Eligible Assignees shall have agreed to the applicable departure, waiver or amendment of the Loan Documents).

(b) Any Lender being replaced pursuant to Section 3.06(a) above shall (i) execute and deliver an Assignment and Assumption with respect to such Lender's Commitment and outstanding Loans and participations in L/C Obligations and Swing Line Loans, as applicable (provided that the failure of any such Lender to execute an Assignment and Assumption shall not render such assignment invalid and such assignment shall be recorded in the Register), and (ii) deliver Notes, if any, evidencing such Loans to the Borrower or Administrative Agent. Pursuant to such Assignment and Assumption, (A) the assignee Lender shall acquire all or a portion, as the case may be, of the assigning Lender's Commitments and outstanding Loans and participations in L/C Obligations and Swing Line Loans, (B) all obligations of the Loan Parties owing to the assigning Lender relating to the Loan Documents and participations so assigned shall be paid in full by the assignee Lender or the Loan Parties (as applicable) to such assigning Lender concurrently with such assignment and assumption, any amounts owing to the assigning Lender (other than a Defaulting Lender) under Section 3.04 as a consequence of such assignment, and (C) upon such payment and, if so requested by the assignee Lender, the assignor Lender shall deliver to the assignee Lender the appropriate Notes executed by the Borrower, the assignee Lender shall become a Lender hereunder and the assigning Lender shall cease to constitute a Lender hereunder with respect to such assigned Loans, Commitments and participations, except with respect to indemnification provisions under this Agreement, which shall survive as to such assigning Lender.

(c) Notwithstanding anything to the contrary contained above, any Lender that acts as an L/C Issuer may not be replaced hereunder at any time that it has any Letter of Credit outstanding hereunder unless arrangements reasonably satisfactory to such L/C Issuer (including the furnishing of a back-up standby letter of credit in form and substance, and issued by an issuer reasonably satisfactory to such L/C Issuer, or the depositing of cash collateral into a cash collateral account in amounts and pursuant to arrangements reasonably satisfactory to such L/C Issuer) have been made with respect to each such outstanding Letter of Credit and the Lender that acts as the Administrative Agent may not be replaced hereunder except in accordance with the terms of Section 9.06.

(d) In the event that (i) the Borrower or the Administrative Agent have requested that the Lenders consent to a departure or waiver of any provisions of the Loan Documents or agree to any amendment thereto, (ii) the consent, waiver or amendment in question requires the agreement of all affected Lenders in accordance with the terms of Section 10.01 or all the Lenders with respect to a certain Class of the Loans and (iii) the Required Lenders have agreed to such consent, waiver or amendment, then any Lender who does not agree to such consent, waiver or amendment shall be deemed a “Non-Consenting Lender.”

(e) Notwithstanding anything herein to the contrary, each party hereto agrees that any assignment pursuant to the terms of this Section 3.06 may be effected pursuant to an Assignment and Assumption executed by the Borrower, the Administrative Agent and the assignee and that the Lender making such assignment need not be a party thereto.

Section 3.07 [Reserved].

Section 3.08 Survival. All of the Borrower’s obligations under this Article III shall survive termination of the Aggregate Commitments and repayment of all other Obligations hereunder and any assignment of rights by or replacement of a Lender.

ARTICLE IV

Conditions Precedent to Credit Extensions

Section 4.01 Conditions to Closing Date. The obligation of each Lender to make its initial Credit Extension hereunder is subject to the satisfaction of the following conditions precedent (or waiver thereof in accordance with Section 10.01):

(a) The Administrative Agent’s receipt of the following, each of which shall be facsimiles unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party (other than in respect of clauses (iv) and (vi) below), each in form and substance reasonably satisfactory to the Administrative Agent and its legal counsel:

- (i) executed counterparts of this Agreement and the Guaranty from each of the Loan Parties listed on the signature pages thereto;
- (ii) a Note executed by the Borrower in favor of each Lender that has requested a Note at least three (3) Business Days in advance of the Closing Date;
- (iii) each Collateral Document set forth on Schedule 1.01A required to be executed on the Closing Date as indicated on such schedule, duly executed by each Loan Party party thereto, together with (except as provided in such Collateral Documents);
 - (A) certificates, if any, representing the pledged equity referred to therein, accompanied by undated stock powers, if applicable, executed in blank and (if applicable) instruments evidencing the pledged debt referred to therein endorsed in blank; and

(B) evidence that all other actions, recordings and filings that the Administrative Agent or Collateral Agent may deem reasonably necessary to satisfy the Collateral and Guarantee Requirement shall have been taken, completed or otherwise provided for in a manner reasonably satisfactory to the Administrative Agent and Collateral Agent;

(iv) lien search results in acceptable scope and with acceptable results;

(v) such certificates, copies of Organization Documents of the Loan Parties, resolutions or other action and incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may reasonably require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party or is to be a party on the Closing Date;

(vi) (A) an opinion from Kirkland & Ellis LLP, counsel to the Loan Parties, and (B) an opinion from Taft Stettinius & Hollister LLP, Ohio counsel to the Loan Parties, in each case in form and substance reasonably satisfactory to the Administrative Agent;

(vii) a certificate signed by a Responsible Officer of Holdings, certifying as to compliance with the conditions set forth in Sections 4.02(a) and (b);

(viii) a certificate attesting to the Solvency of Holdings and its Subsidiaries, from the chief financial officer or other officer with equivalent duties of Holdings, in substantially the form of Exhibit M; and

(ix) a Request for Credit Extension relating to the Credit Extension of the Initial Revolving Borrowing.

(b) All fees and expenses required to be paid hereunder or pursuant to the Fee Letter, to the extent invoiced at least one (1) Business Day prior to the Closing Date shall have been paid in full in cash or will be paid on the Closing Date.

(c) Prior to or substantially simultaneously with the Closing Date, the Administrative Agent shall have received evidence reasonably satisfactory to it that the Refinancing shall have been consummated (and such evidence shall include, without limitation, payoff letters).

(d) The representations and warranties of the Borrower and each other Loan Party contained in Article V or any other Loan Document shall be true and correct in all material respects on and as of the Closing Date of such Credit Extension; provided that, to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all material respects as of such earlier date; provided, further, that any representation and warranty that is qualified as to “materiality,” “Material Adverse Effect” or similar language shall be true and correct (after giving effect to any qualification therein) in all respects on such respective dates.

(e) The Administrative Agent and the Lead Arrangers shall have received at least three (3) Business Days prior to the Closing Date all documentation and other information about the Borrower and the Guarantors as has been reasonably requested in writing at least ten (10) Business Days prior to the Closing Date by the Administrative Agent and the Lead Arrangers that they reasonably determine is required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including without limitation the USA PATRIOT Act and, to the extent required by 31 C.F.R. §1010.230, a Certificate of Beneficial Ownership.

(f) The Administrative Agent shall have received financial statements of the Borrower and its subsidiaries as of June 30, 2020 on a pro forma basis after giving effect to the internal reorganizations that occurred between June 30, 2020 and March 31, 2021.

For purposes of determining whether the Closing Date has occurred, each Lender that has executed this Agreement shall be deemed to have consented to, approved or accepted, or to be satisfied with, each document or other matter required hereunder to be consented to or approved by or acceptable or satisfactory to the Administrative Agent or such Lender, as the case may be, unless such Lender has notified the Administrative Agent of any disagreement prior to the Closing Date.

Section 4.02 Conditions to All Credit Extensions. The obligation of each Lender to honor any Request for Credit Extension (other than a Committed Loan Notice requesting only a conversion of Loans to the other Type, or a continuation of Eurocurrency Rate Loans) is subject to the following conditions precedent:

(a) The representations and warranties of the Borrower and each other Loan Party contained in Article V or any other Loan Document shall be true and correct in all material respects on and as of the date of such Credit Extension; provided that, to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all material respects as of such earlier date; provided, further, that any representation and warranty that is qualified as to “materiality,” “Material Adverse Effect” or similar language shall be true and correct (after giving effect to any qualification therein) in all respects on such respective dates.

(b) No Default shall exist, or would result from such proposed Credit Extension or from the application of the proceeds therefrom.

(c) The Administrative Agent and, if applicable, the relevant L/C Issuer or the Swing Line Lender shall have received a Request for Credit Extension in accordance with the requirements hereof.

Each Request for Credit Extension (other than a Committed Loan Notice requesting only a conversion of Loans to the other Type or a continuation of Eurocurrency Rate Loans) submitted by the Borrower shall be deemed to be a representation and warranty that the applicable conditions specified in Sections 4.02(a) and (b) have been satisfied on and as of the date of the applicable Credit Extension.

ARTICLE V

Representations and Warranties

The Borrower represents and warrants to the Agents and the Lenders on the Closing Date and on the date of each subsequent Credit Extension that:

Section 5.01 Existence, Qualification and Power; Compliance with Laws. Each Loan Party and each other Subsidiary (a) is a Person duly incorporated, organized or formed, and validly existing and, where applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, (c) is duly qualified and, where applicable, in good standing under the Laws of each jurisdiction where its

ownership, lease or operation of properties or the conduct of its business requires such qualification, (d) is in material compliance with all Laws (including the USA PATRIOT Act and anti-money laundering laws), orders, writs, injunctions and orders and (e) has all requisite governmental licenses, authorizations, consents and approvals to operate its business as currently conducted; except in each case referred to in clause (a) (other than with respect to Holdings and the Borrower), (b)(i), (c), (d) or (e), to the extent that failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 5.02 Authorization; No Contravention. The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is a party, and the consummation of the Transactions, (a) have been duly authorized by all necessary corporate or other organizational action and (b) do not and will not (i) contravene the terms of any of such Person's Organization Documents, (ii) conflict with or result in any breach or contravention of, or require any payment to be made under (A) any Contractual Obligation exceeding the Threshold Amount to which such Person is a party or affecting such Person or the properties of such Person or any of its Subsidiaries or (B) any material order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject, (iii) result in the creation of any Lien (other than under the Loan Documents and Liens subject to an Acceptable Intercreditor Agreement) or (iv) violate any material Law; except (in the case of clauses (b)(ii) and (b)(iv)), to the extent that such conflict, breach, contravention, payment or violation could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 5.03 Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with (a) the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document, or for the consummation of the Transactions, (b) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (c) the perfection or maintenance of the Liens created under the Collateral Documents (including the priority thereof) or (d) the exercise by the Administrative Agent or any Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Collateral Documents, except for (i) filings necessary to perfect the Liens on the Collateral granted by the Loan Parties in favor of the Secured Parties, (ii) the approvals, consents, exemptions, authorizations, actions, notices and filings which have been duly obtained, taken, given or made and are in full force and effect and (iii) those approvals, consents, exemptions, authorizations or other actions, notices or filings, the failure of which to obtain or make could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 5.04 Binding Effect. This Agreement and each other Loan Document has been duly executed and delivered by each Loan Party that is party thereto. This Agreement and each other Loan Document constitutes a legal, valid and binding obligation of such Loan Party, enforceable against each Loan Party that is party thereto in accordance with its terms, except as such enforceability may be limited by Debtor Relief Laws and by general principles of equity.

Section 5.05 Financial Statements; No Material Adverse Effect.

(a) The Audited Financial Statements and the Unaudited Financial Statements fairly present in all material respects the consolidated financial condition of the Borrower, as of the dates thereof and its results of operations for the period covered thereby, except as otherwise disclosed to the Administrative Agent prior to the Closing Date, and prepared in accordance with GAAP consistently applied throughout the periods covered thereby.

(b) Since June 30, 2020, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

Each Lender and the Administrative Agent hereby acknowledges and agrees that the Borrower and its Subsidiaries may be required to restate historical financial statements as the result of the implementation of changes in GAAP or IFRS, or the respective interpretation thereof, and that such restatements will not result in a Default or Event of Default under the Loan Documents.

Section 5.06 Litigation. Except as set forth on Schedule 5.06, there are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Borrower, threatened in writing or contemplated, at law, in equity, in arbitration or before any Governmental Authority, by or against the Borrower or any Subsidiary or against any of their properties or revenues that either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.07 Ownership of Property; Liens. Each Loan Party and each of its Subsidiaries has good and valid title to, or valid leasehold interests in, or easements or other limited property interests in, all property necessary in the ordinary conduct of its business, free and clear of all Liens except for minor defects in title that do not materially interfere with its ability to conduct its business or to utilize such assets for their intended purposes, Permitted Liens and any Liens and privileges arising mandatorily by Law and, in each case, except where the failure to have such title or other interest could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 5.08 Environmental Matters. Except as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect:

(a) there are no pending or, to the knowledge of the Borrower, threatened claims, actions, suits, notices of violation, notices of potential responsibility, disputes or proceedings by or involving any Loan Party or any of their Subsidiaries alleging potential liability or responsibility for violation of, or otherwise relating to, any Environmental Law;

(b) (i) there is no asbestos or asbestos-containing material on any property currently owned, leased or operated by any Loan Party or any of their Subsidiaries; and (ii) there has been no Release of Hazardous Materials at, on, under or from any location in a manner which would reasonably be expected to give rise to any Environmental Liability of or relating to any Loan Party or any of their Subsidiaries;

(c) neither any Loan Party nor any of their Subsidiaries is undertaking, or has completed, either individually or together with other persons, any investigation or response action relating to any actual or threatened Release of Hazardous Materials at any location, either voluntarily or pursuant to the order of any Governmental Authority or the requirements of any Environmental Law;

(d) all Hazardous Materials transported from any property currently or, to the knowledge of the Borrower or its Subsidiaries, formerly owned, leased or operated by any Loan Party or any of their Subsidiaries for off-site disposal have been disposed of in compliance with all Environmental Laws;

(e) none of the Loan Parties nor any of their Subsidiaries has contractually or by operation of Law assumed any Environmental Liability;
and

(f) the Loan Parties and each of their Subsidiaries and their respective businesses, operations and properties are and have been in compliance with all Environmental Laws.

Section 5.09 Taxes. The Borrower and each Subsidiary have timely filed all federal, provincial, territorial, state, municipal, foreign and other Tax returns and reports required to be filed, and have timely paid all federal, provincial, territorial, state, municipal, foreign and other Taxes levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP and except for failures to file or pay as could not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. There are no Tax audits, deficiencies, assessments or other claims with respect to the Borrower or any Subsidiary that could, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 5.10 Compliance with ERISA.

(a) Except as could not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, (i) each Plan is and has been operated in compliance with its applicable terms and the applicable provisions of ERISA, the Code and other federal or state Laws, (ii) each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and nothing has occurred which would prevent, or cause the loss of, such qualification, and (iii) no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code or Section 303 of ERISA has been made with respect to any Plan.

(b) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) neither any Loan Party nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 *et seq.* or 4243 of ERISA with respect to a Multiemployer Plan; and (iii) neither any Loan Party nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA, except, with respect to each of the foregoing clauses of this Section 5.10, as could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(c) As of the Closing Date, no Loan Party is and no Loan Party will become (1) an employee benefit plan subject to Title I of ERISA, (2) a plan or account subject to Section 4975 of the Code, (3) an entity deemed to hold Plan Assets of any such plans or accounts, or (4) a “governmental plan” within the meaning of Section 3(32) of ERISA.

(d) Except as could not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, no Loan Party has any liability or obligation, whether fixed or contingent, with respect to any Foreign Plan.

Section 5.11 Subsidiaries; Equity Interests. As of the Closing Date, neither the Borrower nor any other Loan Party has any Subsidiaries other than those specifically disclosed in Schedule 5.11, and all of the outstanding Equity Interests in the Borrower and its Subsidiaries have been validly issued, are fully paid and, in the case of Equity Interests representing corporate interests, nonassessable and, on the Closing Date, all Equity Interests owned directly or indirectly by Holdings or any other Loan Party are owned free and clear of all Liens except (i) those created under the Collateral Documents, and (ii) those Liens permitted under Section 7.01. As of the Closing Date, Schedule 5.11 (a) sets forth the name

and jurisdiction of organization or incorporation of each Subsidiary, (b) sets forth the ownership interest of Holdings, the Borrower and any of their Subsidiaries in each of their respective Subsidiaries, including the percentage of such ownership and (c) identifies each Person the Equity Interests of which are required to be pledged on the Closing Date pursuant to the Collateral and Guarantee Requirement.

Section 5.12 Margin Regulations; Investment Company Act.

(a) No Loan Party is engaged nor will it engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock, and no proceeds of any Borrowings or drawings under any Letter of Credit will be used for any purpose that violates Regulation U or Regulation X of the FRB.

(b) No Loan Party is or is required to be registered as an “investment company” under the Investment Company Act of 1940, as amended.

Section 5.13 Disclosure. No report, financial statement, certificate or other written information furnished by or on behalf of any Loan Party to any Agent, any Lead Arranger or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or any other Loan Document (as modified or supplemented by other information so furnished) when taken as a whole contains when furnished any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made (giving effect to all supplements and updates thereto); provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time of preparation; it being understood that (i) such projections are as to future events and are not to be viewed as facts and are subject to significant uncertainties and contingencies, many of which are beyond the control of the Borrower, (ii) no assurance can be given that any particular projections will be realized and that actual results during the period or periods covered by any such projections may differ significantly from the projected results and (iii) such differences may be material.

Section 5.14 Intellectual Property; Licenses, Etc. Each of the Loan Parties and the other Subsidiaries own, license or possess the right to use, all of the trademarks, service marks, trade names, domain names, copyrights, patents, patent rights, technology, software, know-how database rights, design rights and other intellectual property rights, including registrations and applications for registration thereof (collectively, “IP Rights”) that are used in or reasonably necessary for the operation of their respective businesses as currently conducted, and, to the knowledge of the Borrower, without violation of the rights of any Person, except to the extent such violation or failure to own, license, or possess, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. No claim or litigation regarding any such IP Rights, is pending or, to the knowledge of the Borrower, threatened against any Loan Party or Subsidiary, which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.15 Solvency. On the Closing Date after giving effect to the Transactions, the Borrower and its Subsidiaries, on a consolidated basis, are Solvent.

Section 5.16 Collateral Documents. The Collateral Documents are effective to create in favor of the Collateral Agent for the benefit of the Secured Parties legal, valid and enforceable Liens on and security interests in, the Collateral described therein and to the extent intended to be created thereby, except as such enforceability may be limited by Debtor Relief Laws and by general principles of equity, and (i) when all appropriate filings or recordings are made in the appropriate offices as may be required

under applicable Laws (which filings or recordings shall be made to the extent required by any Collateral Document) and (ii) upon the taking of possession or control by the Collateral Agent of such Collateral with respect to which a security interest may be perfected only by possession or control (which possession or control shall be given to the Collateral Agent to the extent required by any Collateral Document), the Liens created by such Collateral Documents will constitute so far as possible under relevant Law fully perfected Liens on, and security interests in, all right, title and interest of the Loan Parties in such Collateral to the extent perfection can be obtained by filing financing statements or upon the taking of possession or control, in each case subject to no Liens other than Permitted Liens.

Section 5.17 Use of Proceeds. The proceeds of the Revolving Credit Loans and the L/C Credit Extensions shall be used in a manner consistent with the uses set forth in the Preliminary Statements to this Agreement.

Section 5.18 Sanctions Laws and Regulations and Anti-Corruption Laws.

(a) Each of Holdings and each of its Subsidiaries is in compliance, in all material respects, with the applicable Sanctions Laws and Regulations, the FCPA and any other applicable Anti-Corruption Laws and any other applicable Anti-Money Laundering Laws. No Borrowing or use of proceeds of any Borrowing or drawing under any Letter of Credit directly or, to the knowledge of the Borrower, indirectly, will violate or result in the violation of any Sanctions Laws and Regulations applicable to any party hereto. Neither the Borrower nor any Loan Party will repay any debt or obligation owed under this Agreement, in whole or in part, using any funds or moneys derived from transactions with any Sanctioned Person or in or involving any Sanctioned Jurisdiction.

(b) None of (I) the Borrower or any other Loan Party or (II) a Subsidiary that is not a Loan Party or, to the knowledge of the Borrower, any director, manager, officer, agent or employee the Borrower or any of its Subsidiaries, in each case, is a Sanctioned Person.

(c) Holdings and each of its Subsidiaries will comply with all applicable Anti-Corruption Laws, applicable Sanctions Laws and Regulations, and applicable Anti-Money Laundering Laws.

(d) No part of the proceeds of any Loan or Letter of Credit will be used for any improper payments, directly or, to the knowledge of the Borrower, indirectly, to any governmental official or employee, political party, official of a political party, candidate for political office, or any other party (if applicable) in order to obtain, retain or direct business or obtain any improper advantage, in violation of the FCPA, any Anti-Corruption Law or any applicable similar laws, rules or regulations issued, administered or enforced by any Governmental Authority having jurisdiction over the Borrower.

ARTICLE VI

Affirmative Covenants

From and after the Closing Date and for so long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder which is accrued and payable shall remain unpaid or unsatisfied (other than contingent indemnification obligations not yet due and payable, Secured Hedge Agreements and Cash Management Obligations), or any Letter of Credit shall remain outstanding, the Borrower shall, shall (except in the case of the covenants set forth in Section 6.01, Section 6.02 and Section 6.03) cause each of its Subsidiaries to and shall (solely in the case of the covenant set forth in Section 6.04 and Section 6.07) cause Holdings to:

Section 6.01 Financial Statements. Deliver to the Administrative Agent for prompt further distribution to each Lender:

(a) as soon as available, but in any event within hundred and twenty (120) days after the end of each fiscal year of the Borrower (commencing with the fiscal year ending June 30, 2021), a consolidated or combined balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year, and the related consolidated or combined statements of income or operations, stockholders' equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, audited and accompanied by a report and opinion of an independent registered public accounting firm of nationally recognized standing, which report and opinion shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any "going concern" or like qualification or exception (other than (x) an emphasis of matter to the extent such statement does not qualify such audit in any respect, (y) with respect to, or resulting from, the regularly scheduled maturity of the Loans hereunder occurring within one year from the time opinion is delivered or (z) a potential or actual default under the Financial Covenants) or any qualification or exception as to the scope of such audit; and

(b) as soon as available, but in any event, within sixty (60) days after the end of each of the first three (3) fiscal quarters of each fiscal year of the Borrower, a consolidated or combined balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal quarter, and the related (i) consolidated or combined statements of income or operations for such fiscal quarter and for the portion of the fiscal year then ended and (ii) consolidated or combined statements of cash flows for such fiscal quarter and for the portion of the fiscal year then ended, setting forth in each case in comparative form the income statement figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by a Responsible Officer of the Borrower as fairly presenting in all material respects the financial condition, results of operations, stockholders' equity and cash flows of the Borrower and its Subsidiaries in accordance with GAAP, subject only to normal year-end adjustments and the absence of footnotes.

Notwithstanding the foregoing, the obligations in paragraphs (a) and (b) of this Section 6.01 may be satisfied with respect to financial information of the Borrower and its Subsidiaries by furnishing (A) at any time following an IPO, the applicable consolidated or combined financial statements of any direct or indirect parent of the Borrower that, directly or indirectly, holds all of the Equity Interests of the Borrower, (B) at any time following an IPO, the Borrower's (or any direct or indirect parent of the Borrower, as applicable) Form 10-K or 10-Q, as applicable, filed with the SEC or (C) following an election by the Borrower pursuant to the definition of "GAAP," the applicable financial statements determined in accordance with IFRS; provided that, with respect to each of clauses (A) and (B), (i) to the extent such information relates to a parent of the Borrower, such information is, at the reasonable request of the Administrative Agent, accompanied by consolidating or combining information that explains in reasonable detail the differences between the information relating to such parent companies (or such parent), on the one hand, and the information relating to the Borrower and its Subsidiaries on a standalone basis, on the other hand and (ii) to the extent such information is in lieu of information required to be provided under Section 6.01(a), such materials are accompanied by a report and opinion an independent registered public accounting firm of nationally recognized standing, which report and opinion, subject to the same exceptions set forth above, shall be prepared in accordance with generally accepted auditing standards.

The Borrower represents and warrants that it, its controlling Person and any Subsidiary, in each case, if any, either (i) has no registered or publicly traded securities outstanding, or (ii) files their financial statements with the SEC and/or makes their financial statements available to potential holders of its 144A securities, and, accordingly, the Borrower hereby (i) authorizes the Administrative Agent to make the financial statements to be provided under Section 6.01(a) and (b) above (collectively, "Borrower Materials"), along with the Loan Documents, available on IntraLinks or another similar electronic system (the "Platform") to certain of the Lenders (each, a "Public Lender") that may have personnel who do not wish to receive material non-public information with respect to the Borrower or its Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons' securities, and (ii) agrees that at the time such financial statements are provided hereunder, they shall already have been made available to holders of its securities. The Administrative Agent shall be under no obligation to post any other material to Public Lenders unless the Borrower has expressly represented and warranted to the Administrative Agent in writing that such materials do not constitute material non-public information within the meaning of the federal securities laws or that the Borrower has no outstanding publicly traded securities, including 144A securities.

Section 6.02 Certificates; Other Information. Deliver to the Administrative Agent for prompt further distribution to each Lender:

(a) no later than five Business Days after the delivery of the financial statements referred to in Section 6.01(a) and (b), a duly completed Compliance Certificate signed by a Responsible Officer of the Borrower;

(b) promptly after the same are publicly available, copies of all annual, regular, periodic and special reports and registration statements which the Borrower files with the SEC or with any Governmental Authority that may be substituted therefor (other than amendments to any registration statement (to the extent such registration statement, in the form it became effective, is delivered), exhibits to any registration statement and, if applicable, any registration statement on Form S-8) and in any case not otherwise required to be delivered to the Administrative Agent pursuant hereto;

(c) promptly after the furnishing thereof, copies of any material requests or material notices received by any Loan Party or any of its Subsidiaries (other than in the ordinary course of business) that could reasonably be expected to result in a Material Adverse Effect;

(d) together with the delivery of the financial statements pursuant to Section 6.01(a) and each related Compliance Certificate pursuant to Section 6.02(a), (i) a report setting forth the information required by Section 3.03 of the Security Agreement or confirming that there has been no change in such information since the Closing Date or the date of the last Compliance Certificate, (ii) a list of Subsidiaries that identifies each Subsidiary as a Material Subsidiary or an Immaterial Subsidiary as of the date of delivery of such Compliance Certificate or a confirmation that there is no change in such information since the later of the Closing Date or the date of the last such list and (iii) such other information required by the Compliance Certificate;

(e) [reserved]; and

(f) promptly, such additional information regarding the business, legal, financial or corporate affairs of any Loan Party or any Material Subsidiary, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender through the Administrative Agent may from time to time reasonably request.

Documents required to be delivered pursuant to Section 6.01(a) and (b), Section 6.02(a) or Section 6.02(c) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address listed on Schedule 10.02; or (ii) on which such documents are posted on the Borrower's behalf on IntraLinks/IntraAgency or another relevant website or the Platform, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) upon written request by the Administrative Agent, the Borrower shall deliver paper copies of such documents to the Administrative Agent for further distribution to each Lender until a written request to cease delivering paper copies is given by the Administrative Agent and (ii) the Borrower shall notify (which may be by facsimile or electronic mail) the Administrative Agent of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Each Lender shall be solely responsible for timely accessing posted documents or requesting delivery of paper copies of such documents from the Administrative Agent and maintaining its copies of such documents.

The Borrower hereby acknowledges that (a) the Administrative Agent and/or the Lead Arranger will make available to the Lenders and the L/C Issuers the Borrower Materials by posting such Borrower Materials on the Platform and (b) Public Lenders may have personnel who do not wish to receive material non-public information with respect to the Borrower or its Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons' securities. The Borrower hereby agrees that it will use commercially reasonable efforts to identify that portion of the Borrower Materials that may be distributed to the Public Lenders and that (w) all such Borrower Materials shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent, the Lead Arranger, the L/C Issuers and the Lenders to treat such Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Borrower or its Affiliates or any of their respective securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 10.08); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Side Information;" and (z) the Administrative Agent and the Lead Arranger shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Side Information."

Section 6.03 Notices. Promptly after a Responsible Officer obtains actual knowledge thereof, notify the Administrative Agent for prompt further distribution to each Lender:

(a) of the occurrence of any Default, which notice shall specify the nature thereof, the period of existence thereof and what action the Borrower proposes to take with respect thereto;

(b) of any litigation or governmental proceeding (including, without limitation, pursuant to any Environmental Laws) pending against the Borrower or any of the Subsidiaries that, if determined adversely, would result in a Material Adverse Effect; and

(c) of the occurrence or reasonably expected occurrence of any ERISA Event that would reasonably be expected to result in a Material Adverse Effect, and provide a written notice specifying the nature thereof, what action the Loan Party or its ERISA Affiliates has taken, is taking or proposes to take with respect thereof and, when known, any action taken or threatened by the IRS, the U.S. Department of Labor or the PBGC with respect thereto.

Section 6.04 Maintenance of Existence. (a) Preserve, renew and maintain in full force and effect its legal existence under the Laws of the jurisdiction of its organization or incorporation and (b) take all reasonable action to maintain all rights (including IP Rights), privileges (including its good standing), permits, licenses and franchises necessary or desirable in the normal conduct of its business, except in the case of clauses (a) (other than with respect to the Borrower) and (b), (i) to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect or (ii) pursuant to a transaction permitted by Section 7.04 or Section 7.05.

Section 6.05 Maintenance of Properties. Except if the failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (a) maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order, repair and condition, ordinary wear and tear excepted and casualty or condemnation excepted, and (b) make all necessary renewals, replacements, modifications, improvements, upgrades, extensions and additions thereof or thereto in accordance with prudent industry practice.

Section 6.06 Maintenance of Insurance. Maintain with financially sound and reputable insurance companies, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts (after giving effect to any self-insurance reasonable and customary for similarly situated Persons engaged in the same or similar businesses as the Borrower and its Subsidiaries) as are customarily carried under similar circumstances by such other Persons. Any such insurance (excluding business interruption insurance) maintained in the United States shall name the Collateral Agent, for the benefit of the Secured Parties, and its successors and assigns as additional insured, lender loss payee or loss payee, as applicable, with respect to general liability and property and casualty insurance coverage.

Section 6.07 Compliance with Laws. Comply in all respects with the requirements of all Laws and all orders, writs, injunctions, decrees and judgments applicable to it or to its business or property (including without limitation Environmental Laws, ERISA, Sanctions Laws and Regulations, the FCPA and other applicable Anti-Corruption Laws or applicable Anti-Money Laundering Laws), except if the failure to comply therewith could not, individually or in the aggregate reasonably be expected to have a Material Adverse Effect.

Section 6.08 Books and Records. Maintain proper books of record and account, in which entries that are full, true and correct in all material respects and are in conformity with GAAP consistently applied shall be made of all material financial transactions and matters involving the assets and business of the Borrower or such Subsidiary, as the case may be.

Section 6.09 Inspection Rights. Permit representatives and independent contractors of the Administrative Agent and each Lender to visit and inspect any of its properties and to discuss its affairs, finances and accounts with its directors, managers, officers, and independent public accountants, all at the reasonable expense of the Borrower and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; provided that, excluding any such visits and inspections during the continuation of an Event of Default, only the Administrative Agent on behalf of the Lenders may exercise rights of the Administrative Agent and the Lenders under this Section 6.09 and the Administrative Agent shall not exercise such rights more often than two (2) times during any calendar year absent the existence of an Event of Default and only one (1) such time shall be at the Borrower's expense; provided, further, that when an Event of Default exists, the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Borrower at any time during normal business hours and upon reasonable advance notice. The Administrative Agent and the Lenders shall give the Borrower the opportunity to participate in any discussions with the Borrower's independent public accountants. Notwithstanding

anything to the contrary in this Section 6.09, neither the Borrower nor any Subsidiary will be required to disclose or permit the inspection or discussion of, any document, information or other matter (i) that constitutes non-financial trade secrets or non-financial proprietary information, (ii) in respect of which disclosure to the Administrative Agent or any Lender (or their respective representatives or contractors) is prohibited by Law or any binding agreement or (iii) that is subject to attorney client or similar privilege or constitutes attorney work product.

Section 6.10 Covenant to Guarantee Obligations and Give Security. At the Borrower's expense, take all action necessary or reasonably requested by the Administrative Agent to ensure that the Collateral and Guarantee Requirement continues to be satisfied, including, upon the formation or acquisition of any new direct or indirect Wholly Owned Subsidiary (in each case, other than an Excluded Subsidiary) by any Loan Party or any Excluded Subsidiary ceasing to be an Excluded Subsidiary or designation of any Subsidiary as a Guarantor pursuant to the definition of Guarantors, within sixty (60) days after such formation, acquisition, designation or occurrence (or such longer period as the Administrative Agent may agree in its reasonable discretion):

(a) [reserved];

(b) cause each such Subsidiary to duly execute and deliver to the Administrative Agent or the Collateral Agent (as appropriate) pledges, guarantees, assignments, Security Agreement Supplements, deeds of hypothec and other security agreements and documents or joinders or supplements thereto, as reasonably requested by and in form and substance reasonably satisfactory to the Administrative Agent and the Collateral Agent (to the extent applicable, consistent with the Security Agreement and other Collateral Documents in effect on the Closing Date), in each case granting Liens required by the Collateral and Guarantee Requirement;

(c) cause each such Subsidiary to deliver any and all certificates representing Equity Interests (to the extent certificated) that are required to be pledged pursuant to the Collateral and Guarantee Requirement, accompanied by undated stock powers or other appropriate instruments of transfer executed in blank and (if applicable) instruments evidencing the Indebtedness held by such Subsidiary and required to be pledged pursuant to the Collateral Documents, indorsed in blank to the Collateral Agent; and

(d) take and cause such Subsidiary and each direct or indirect parent of such Subsidiary that is required to become a Guarantor pursuant to the Collateral and Guarantee Requirement to take whatever action (including the filing of financing statements and delivery of stock and membership interest certificates) may be necessary in the reasonable opinion of the Collateral Agent to vest in the Collateral Agent (or in any representative of the Collateral Agent designated by it) valid and perfected Liens with the priority required by the Collateral and Guarantee Requirement, enforceable against all third parties in accordance with their terms, except as such enforceability may be limited by Debtor Relief Laws and by general principles of equity (regardless of whether enforcement is sought in equity or at law).

Section 6.11 Use of Proceeds. Use the proceeds of any Credit Extension, whether directly or indirectly, in a manner consistent with the uses set forth in the Preliminary Statements to this Agreement.

Section 6.12 Further Assurances, Account Control Agreements and Post-Closing Covenants.

(a) Promptly upon reasonable request by the Administrative Agent or the Collateral Agent (i) correct any material defect or error that may be discovered in the execution, acknowledgment, filing or recordation of any Collateral Document or other document or instrument relating to any Collateral, and (ii) subject to the limitations set forth in the Collateral and Guarantee Requirement, do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, certificates, assurances and other instruments as the Administrative Agent or the Collateral Agent may reasonably request from time to time in order to carry out more effectively the purposes of this Agreement and the Collateral Documents; provided, however, that notwithstanding anything to the contrary contained in this Agreement or any other Collateral Document, nothing in this Agreement or any other Collateral Document shall require the Borrower or Loan Party to make any filings or take any actions to record or to perfect the Collateral Agent's security interest in any IP Rights other than UCC filings and the filing of documents effecting the recordation of security interests in the United States Copyright Office or United States Patent and Trademark Office;

(b) Use commercially reasonable efforts to deliver to the Administrative Agent counterparts of a control agreement with respect to each deposit account or securities account (other than any Excluded Accounts) owned by any Loan Party within ninety (90) days (or such longer period as the Administrative Agent may agree in its reasonable discretion) after the later of (i) the Closing Date and (ii) the acquisition or establishment of such account, in each case, duly executed by the depository bank or securities intermediary with respect thereto and the applicable Loan Party; and

(c) Within the time periods specified on Schedule 6.12 hereto (as each may be extended by the Administrative Agent in its reasonable discretion), complete such undertakings as are set forth on Schedule 6.12 hereto.

Section 6.13 [Reserved].

Section 6.14 Payment of Taxes. The Borrower will pay and discharge, and will cause each of the Subsidiaries to pay and discharge, all Taxes imposed upon it or upon its income or profits, or upon any properties belonging to it, in each case on a timely basis, and all lawful claims which, if unpaid, may reasonably be expected to become a lien or charge upon any properties of the Borrower or any of the Subsidiaries not otherwise permitted under this Agreement; provided that neither the Borrower nor any of the Subsidiaries shall be required to pay any such Tax or claim which is being contested in good faith and by proper proceedings if it has maintained adequate reserves with respect thereto in accordance with GAAP or which would not reasonably be expected, individually or in the aggregate, to constitute a Material Adverse Effect.

Section 6.15 Nature of Business. The Borrower and its Subsidiaries will engage only in material lines of business substantially similar to those lines of business conducted by the Borrower and its Subsidiaries on the Closing Date or any business reasonably related, complementary or ancillary thereto.

ARTICLE VII

Negative Covenants

From and after the Closing Date and so long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder which is accrued and payable shall remain unpaid or unsatisfied (other than contingent indemnification obligations not yet due and payable, Cash Management Obligations and Secured Hedge Agreements or any Letter of Credit remaining outstanding), the Borrower shall not, nor (other than in the case of Section 7.09, which shall apply solely with respect to Holdings) shall the Borrower permit any of its Subsidiaries to:

Section 7.01 Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) Liens pursuant to any Loan Document;

(b) Liens existing on the date hereof and, to the extent securing Indebtedness in excess of \$2,500,000, set forth on Schedule 7.01(b);

(c) Liens for Taxes, assessments or governmental charges (i) which are not overdue for a period of more than thirty (30) days or (ii) which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person to the extent required in accordance with GAAP;

(d) statutory or common law Liens of landlords, carriers, warehousemen, mechanics, materialmen, repairmen, construction contractors or other like Liens arising in the ordinary course of business (other than a Lien imposed under Section 430(k) of the Code or Section 303(k) of ERISA) (i) which secure amounts not overdue for a period of more than thirty (30) days or if more than thirty (30) days overdue, are unfiled (or, if, filed have been discharged or stayed) and no other action has been taken to enforce such Lien or (ii) which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person to the extent required in accordance with GAAP;

(e) (i) pledges, deposits or Liens arising as a matter of law in the ordinary course of business in connection with workers' compensation, payroll taxes, unemployment insurance and other social security legislation and (ii) pledges and deposits in the ordinary course of business securing liability for reimbursement or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefit of) insurance carriers providing property, casualty or liability insurance to the Borrower or any Subsidiary;

(f) Liens incurred in the ordinary course of business to secure the performance of bids, trade contracts, governmental contracts and leases (other than Indebtedness for borrowed money), statutory obligations, surety, stay, customs and appeal bonds, performance bonds and other obligations of a like nature (including those to secure health, safety and environmental obligations);

(g) easements, rights-of-way, restrictions, covenants, conditions, encroachments, protrusions and other similar encumbrances and minor title defects affecting real property which, in the aggregate, do not in any case materially interfere with the ordinary conduct of the business of the Borrower or any Subsidiary;

(h) Liens securing judgments for the payment of money not constituting an Event of Default under Section 8.01(h);

(i) Liens securing Indebtedness permitted under Section 7.03(f); provided that (i) such Liens attach concurrently with or within two hundred and seventy (270) days after the acquisition, construction, repair, replacement or improvement (as applicable) of the property subject to such Liens, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness, replacements thereof and additions and accessions to such property and the proceeds and the products thereof and customary security deposits, and (iii) with

respect to Capitalized Leases, such Liens do not at any time extend to or cover any assets (except for additions and accessions to such assets, replacements and products thereof and customary security deposits) other than the assets subject to such Capitalized Leases; provided that individual financings of equipment provided by one lender may be cross-collateralized to other financings of equipment provided by such lender;

(j) leases, licenses, subleases or sublicenses and Liens on the property covered thereby, in each case, granted to others in the ordinary course of business which do not (i) interfere in any material respect with the business of the Borrower or any Subsidiary, taken as a whole, or (ii) secure any Indebtedness;

(k) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(l) Liens (i) of a collection bank (including those arising under Section 4-210 of the Uniform Commercial Code) on the items in the course of collection and (ii) in favor of a banking or other financial institution arising as a matter of law encumbering deposits or other funds maintained with a financial institution (including the right of set off) and which are within the general parameters customary in the banking industry;

(m) Liens (i) on cash advances in favor of the seller of any property to be acquired in an Investment permitted pursuant to Section 7.02(j), (t) or (z) to be applied against the purchase price for such Investment and (ii) consisting of an agreement to Dispose of any property in a Disposition permitted under Section 7.05, in each case, solely to the extent such Investment or Disposition, as the case may be, would have been permitted on the date of the creation of such Lien;

(n) Liens in favor of the Borrower or a Subsidiary securing Indebtedness permitted under Section 7.03(e) (provided that, solely with respect to Indebtedness required to be Subordinated Debt under Section 7.03(e), such Lien shall be subordinated to the Liens on the Collateral securing the Obligations to the same extent);

(o) Liens existing on property at the time of its acquisition or existing on the property of any Person at the time such Person becomes a Subsidiary, in each case after the date hereof; provided that (i) such Lien was not created in contemplation of such acquisition or such Person becoming a Subsidiary, (ii) such Lien does not extend to or cover any other assets or property (other than the proceeds or products thereof and other than after-acquired property subjected to a Lien securing Indebtedness and other obligations incurred prior to such time and which Indebtedness and other obligations are permitted hereunder that require, pursuant to their terms at such time, a pledge of after-acquired property, it being understood that such requirement shall not be permitted to apply to any property to which such requirement would not have applied but for such acquisition), and (iii) the Indebtedness secured thereby is permitted under Section 7.03;

(p) any interest or title of a lessor or sublessor under leases or subleases entered into by the Borrower or any of their Subsidiaries in the ordinary course of business;

(q) Liens, if any, arising out of conditional sale, title retention, consignment or similar arrangements for sale of goods entered into by the Borrower or any of its Subsidiaries in the ordinary course of business;

(r) Liens that are contractual rights of set-off (i) relating to the establishment of depository relations with banks or other financial institutions not given in connection with the incurrence of Indebtedness, (ii) relating to pooled deposit or sweep accounts of the Borrower or any of its Subsidiary to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of the Borrower or its Subsidiaries or (iii) relating to purchase orders and other agreements entered into with customers of the Borrower or any Subsidiary in the ordinary course of business;

(s) Liens, if any, arising from precautionary Uniform Commercial Code financing statement filings;

(t) Liens on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto;

(u) any zoning or similar law or right reserved to or vested in any Governmental Authority to control or regulate the use of any real property that does not materially interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(v) Liens on specific items of inventory or other goods and the proceeds thereof securing such Person's obligations in respect of documentary letters of credit issued for the account of such Person to facilitate the purchase, shipment or storage of such inventory or goods;

(w) the modification, replacement, renewal or extension of any Lien permitted by clauses (b), (i) and (o) of this Section 7.01; provided that (i) the Lien does not extend to any additional property other than (A) after-acquired property that is affixed or incorporated into the property covered by such Lien or financed by Indebtedness permitted under Section 7.03, and (B) proceeds and products thereof; and (ii) the renewal, extension or refinancing of the obligations secured or benefited by such Liens is permitted by Section 7.03;

(x) ground leases in respect of real property on which facilities owned or leased by the Borrower or any of its Subsidiaries are located;

(y) Liens on property of a Non-Loan Party securing Indebtedness or other obligations of such Non-Loan Party;

(z) Liens solely on any cash earnest money deposits made by the Borrower or any of their Subsidiaries in connection with any letter of intent or purchase agreement permitted hereunder;

(aa) [reserved];

(bb) Liens securing Indebtedness permitted pursuant to Section 7.03(m);

(cc) other Liens securing Indebtedness or other obligations in an aggregate principal amount at any time outstanding not to exceed \$15,000,000;

(dd) [reserved];

(ee) Liens securing Indebtedness permitted pursuant to Section 7.03(v); provided that such Liens shall only secure the obligations secured on the date of the related Permitted Acquisition or other Investment and such liens do not extend to any other property of the Borrower and its Subsidiaries;

(ff) on cash collateral in an aggregate amount not exceeding \$1,000,000 at any time securing Indebtedness permitted pursuant to Section 7.03(g);

(gg) with respect to any Foreign Subsidiary, other Liens and privileges arising mandatorily by Law;

(hh) Liens on receivables and related assets arising in connection with a Permitted Receivables Financing; and

(ii) Liens on the Equity Interests of JV Entities securing financing arrangements for the benefit of the applicable JV Entity that are not otherwise prohibited under this Agreement.

Section 7.02 Investments. Make any Investments, except:

(a) Investments by the Borrower or a Subsidiary in assets that were Cash Equivalents when such Investment was made;

(b) loans or advances to officers, directors, managers, partners and employees of Holdings (or any direct or indirect parent thereof), any Intermediate Holding Company, the Borrower or the Subsidiaries (i) for reasonable and customary business-related travel, entertainment, relocation, customary fringe benefits and analogous ordinary business purposes, (ii) in connection with such Person's purchase of Equity Interests of Holdings (or any direct or indirect parent thereof or any Intermediate Holding Company or the Borrower) (provided that the proceeds of any such loans and advances shall be contributed to the Borrower in cash as common equity) and (iii) for purposes not described in the foregoing clauses (i) and (ii), in an aggregate principal amount outstanding not to exceed \$5,000,000;

(c) asset purchases (including purchases of inventory, supplies and materials) and the licensing or contribution of intellectual property pursuant to joint marketing arrangements with other Persons, in each case in the ordinary course of business;

(d) Investments (i) by any Loan Party in any other Loan Party (other than Holdings), (ii) by any Non-Loan Party in any Loan Party (other than Holdings) and (iii) by any Non-Loan Party in any other Non-Loan Party and (iv) by any Loan Party in any Non-Loan Party; provided that the aggregate amount of such Investments in Non-Loan Parties pursuant to clause (iv) (other than such Investments that are made in the ordinary course of business and consistent with past practices) shall not exceed in an aggregate amount, as valued at cost at the time each such Investment is made and including all related commitments for future Investments, (A) the greater of (x) \$10,000,000 and (y) 10% of Consolidated EBITDA of the Borrower for the most recently ended Test Period calculated on a pro forma basis after giving effect to such Investment (excluding any Investments received in respect of, or consisting of, the transfer or contribution of Equity Interests in or Indebtedness of any Foreign Subsidiary to any other Foreign Subsidiary) plus (B) an amount equal to any returns of capital or sale proceeds actually received in cash in respect of any such Investments (which amount shall not exceed the amount of such Investment valued at cost at the time such Investment was made);

(e) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors and other credits to suppliers in the ordinary course of business;

(f) Investments consisting of Liens, Indebtedness, fundamental changes, Dispositions and Restricted Payments (other than, in each case, by reference to this Section 7.02) permitted under Section 7.01, Section 7.03, Section 7.04, Section 7.05 and Section 7.06, respectively;

(g) Investments existing on the Closing Date and set forth on Schedule 7.02(g), and any modification, replacement, renewal, reinvestment or extension of any such Investments; provided that the amount of any Investment permitted pursuant to this Section 7.02(g) is not increased from the amount of such Investment on the Closing Date except as otherwise permitted by this Section 7.02;

(h) Investments in Swap Contracts permitted under Section 7.03(g);

(i) promissory notes and other noncash consideration received in connection with Dispositions permitted by Section 7.05;

(j) the purchase or other acquisition of property and assets or businesses of any Person or of assets constituting a business unit, a line of business or division of such Person, or Equity Interests in a Person that, upon the consummation thereof, will be (or such assets will be contributed to) a Subsidiary of the Borrower (including as a result of a merger, amalgamation or consolidation) (each, a "Permitted Acquisition") and together with any Investments in Subsidiaries necessary to consummate a transaction otherwise permitted by this clause (j); provided that (i) immediately before and immediately after giving pro forma effect to any such purchase or other acquisition, no Default or Event of Default shall have occurred and be continuing, (ii) after giving effect to any such purchase or other acquisition, the Borrower shall be in compliance with the covenant in Section 6.15, (iii) immediately after giving pro forma effect to any such purchase or other acquisition, the Borrower shall be in Financial Covenant Compliance, (iv) to the extent required by the Collateral and Guarantee Requirement, (A) the property, assets and businesses acquired in such purchase or other acquisition shall become Collateral and (B) any such newly created or acquired Subsidiary (other than an Excluded Subsidiary) shall become Guarantors, in each case in accordance with Section 6.10 and (v) Permitted Acquisitions of Persons that are not required to become Guarantors pursuant to the Collateral and Guarantee Requirement shall not exceed (A) the greater of (x) \$10,000,000 and (y) 10% of Consolidated EBITDA of the Borrower for the most recently ended Test Period calculated on a pro forma basis after giving effect to such Permitted Acquisition, in each case, per calendar year;

(k) the Transactions;

(l) Investments in the ordinary course of business consisting of endorsements for collection or deposit and customary trade arrangements with customers consistent with past practices;

(m) Investments (including debt obligations and Equity Interests) received in connection with the bankruptcy or reorganization of suppliers and customers or in settlement of delinquent obligations of, or other disputes with, customers and suppliers arising in the ordinary course of business or upon the foreclosure with respect to any secured Investment or other transfer of title with respect to any secured Investment;

(n) [reserved];

(o) advances of payroll payments to employees in the ordinary course of business;

(p) loans and advances to any direct or indirect parent of the Borrower in lieu of, and not in excess of the amount of (after giving effect to any other such loans or advances or Restricted Payments in respect thereof), Restricted Payments to the extent permitted to be made to such direct or indirect parent in accordance with Section 7.06; provided that any such loan or advance shall reduce the amount of such applicable Restricted Payment thereafter permitted under Section 7.06 by a corresponding amount (if such applicable provision of Section 7.06 contains a maximum amount);

(q) Investments held by a Subsidiary acquired after the Closing Date or of a corporation or company merged into the Borrower or merged or consolidated with a Subsidiary in accordance with Section 7.04 after the Closing Date to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(r) Guarantee Obligations of the Borrower or any Subsidiary in respect of leases (other than Capitalized Leases) or of other obligations that do not constitute Indebtedness, in each case entered into in the ordinary course of business;

(s) Investments to the extent that payment for such Investments is made solely with Qualified Equity Interests (other than any Excluded Contribution Amount);

(t) other Investments in an aggregate amount, as valued at cost at the time each such Investment is made and including all related commitments for future Investments, not exceeding (i) \$10,000,000, plus (ii) any amounts available under Section 7.06(j), (usage of which shall reduce availability under such Section 7.06(j)), plus (iii) any amounts available under Section 7.08(a)(iii)(A) (usage of which shall reduce availability under such Section 7.08(a)(iii)(A)), plus (iv) an amount equal to any returns of capital or sale proceeds actually received in cash in respect of any such Investments (which amount shall not exceed the amount of such Investment valued at cost at the time such Investment was made);

(u) Investments in JV Entities in an aggregate amount, as valued at cost at the time each such Investment is made and including all related commitments for future Investments, not exceeding (i) \$5,000,000, plus (ii) an amount equal to any returns of capital or sale proceeds actually received in cash in respect of any such Investments (which amount shall not exceed the amount of such Investment valued at cost at the time such Investment was made);

(v) Investments in connection with a Permitted Receivables Financing;

(w) Investments as valued at cost at the time each such Investment is made and including all related commitments for future Investments, in an amount not exceeding the Excluded Contribution Amount; provided that, at the time of such Investment, no Specified Event of Default shall have occurred and be continuing or would result therefrom;

(x) contributions to a “rabbi” trust for the benefit of employees or other grantor trust subject to claims of creditors in the case of a bankruptcy of the Borrower or any Subsidiary;

(y) [reserved];

(z) other Investments; provided that, at the time of such Investment, (i) no Default or Event of Default has occurred and is continuing and (ii) the Total Leverage Ratio of the Borrower as of the end of the most recently ended Test Period, on a pro forma basis after giving effect to such Investment, would be no greater than 2.00:1.00; and

(aa) transactions entered into in order to consummate a Permitted Tax Restructuring.

Section 7.03 Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness of the Borrower and any of its Subsidiaries under the Loan Documents;

(b) [reserved];

(c) (i) Surviving Indebtedness that, to the extent in excess of \$2,500,000, is listed on Schedule 7.03(c) and (ii) any Permitted Refinancing of any of the foregoing;

(d) Guarantee Obligations of the Borrower and its Subsidiaries in respect of Indebtedness of the Borrower or any Subsidiary otherwise permitted hereunder (except that Non-Loan Parties may not, by virtue of this Section 7.03(d), guarantee Indebtedness that such Non-Loan Parties could not otherwise incur under this Section 7.03); provided that, if the Indebtedness being guaranteed is subordinated to the Obligations, such Guarantee Obligation shall be subordinated to the Guarantee of the Obligations on terms at least as favorable to the Lenders as those contained in the subordination of such Indebtedness;

(e) Indebtedness of the Borrower or any Subsidiary owing to the Borrower or any other Subsidiary to the extent constituting an Investment permitted by Section 7.02(d); provided that all such Indebtedness of any Loan Party owed to any Person that is not a Loan Party shall be subject to the subordination terms set forth in Section 3.01 of the Guaranty;

(f) (i) Attributable Indebtedness and other Indebtedness financing the acquisition, construction, repair, replacement or improvement of fixed or capital assets (provided that such Indebtedness is incurred concurrently with or within two hundred seventy (270) days after the applicable acquisition, construction, repair, replacement or improvement), (ii) Attributable Indebtedness arising out of Permitted Sale Leasebacks (A) at any time following a Qualifying IPO, with respect to the Headquarters Property and (B) with respect to any other property, in an aggregate principal amount in the case of this clause (B) not to exceed at any one time outstanding \$5,000,000 and (iii) any Permitted Refinancing of any Indebtedness set forth in the immediately preceding clauses (i) and (ii); provided that the aggregate principal amount of Indebtedness (including without limitation Attributable Indebtedness) under this Section 7.03(f) shall not exceed \$20,000,000 at any one time outstanding;

(g) Indebtedness in respect of Swap Contracts (i) entered into to hedge or mitigate risks to which the Borrower or any Subsidiary has actual or anticipated exposure (other than those in respect of shares of capital stock or other equity ownership interests of the Borrower or any Subsidiary), (ii) entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of the Borrower or any Subsidiary, (iii) entered into to hedge commodities, currencies, general economic conditions, raw materials prices, revenue streams or business performance and (iv) not entered into for purposes of speculation;

(h) [reserved];

(i) Indebtedness representing deferred compensation to employees of the Borrower (or any direct or indirect parent of the Borrower) and its Subsidiaries incurred in the ordinary course of business;

(j) Indebtedness to current or former officers, directors, partners, managers, consultants and employees, their respective estates, spouses or former spouses to finance the purchase or redemption of Equity Interests of the Borrower (or any direct or indirect parent thereof) permitted by Section 7.06 in an aggregate amount not to exceed \$5,000,000 at any one time outstanding;

(k) Indebtedness incurred by the Borrower or any of its Subsidiaries in connection with a Permitted Acquisition, any other Investment expressly permitted hereunder or any Disposition, in each case to the extent constituting indemnification obligations or obligations in respect of purchase price (including earn-outs) or other similar adjustments;

(l) Indebtedness consisting of obligations of the Borrower (or any direct or indirect parent thereof) or any of its Subsidiaries under deferred compensation or other similar arrangements incurred by such Person in connection with the Transactions and Permitted Acquisitions or any other Investment expressly permitted hereunder;

(m) Cash Management Obligations and other Indebtedness in respect of netting services, automatic clearinghouse arrangements, overdraft protections and similar arrangements in each case incurred in the ordinary course;

(n) Indebtedness consisting of (i) the financing of insurance premiums or (ii) take or pay obligations contained in supply arrangements, in each case, in the ordinary course of business;

(o) Indebtedness incurred by the Borrower or any of its Subsidiaries in respect of letters of credit, bank guarantees, bankers' acceptances, warehouse receipts or similar instruments issued or created in the ordinary course of business, including in respect of workers compensation claims, health, disability or other employee benefits or property, casualty or liability insurance or self-insurance or other Indebtedness with respect to reimbursement-type obligations regarding workers compensation claims;

(p) obligations in respect of performance, bid, appeal and surety bonds and performance and completion guarantees and similar obligations provided by the Borrower or any of its Subsidiaries or obligations in respect of letters of credit, bank guarantees or similar instruments related thereto, in each case in the ordinary course of business or consistent with past practice;

(q) Indebtedness supported by a Letter of Credit in a principal amount not to exceed the face amount of such Letter of Credit;

(r) at any time following a Qualifying IPO, (i) other unsecured Indebtedness of the Borrower or any Subsidiary in an unlimited amount, so long as the Borrower is in compliance with the Financial Covenants (calculated on a pro forma basis after giving effect to the incurrence of such Indebtedness and assuming that all such Indebtedness then being incurred is fully drawn but excluding the cash proceeds therefrom) as of the last day of the most recently ended Test Period (provided that, with respect to all Indebtedness of this clause (r), (1) such Indebtedness shall not

mature on or prior to the Maturity Date, provided that the foregoing requirements of this clause (1) shall not apply to the extent such Indebtedness constitutes a customary bridge facility, so long as the long-term Indebtedness into which such customary bridge facility is to be converted or exchanged satisfies the requirements of this clause (1), (2) [reserved], (3) the other terms and conditions of such Indebtedness (excluding pricing and optional prepayment or redemption terms) (x) are not materially more restrictive to the Borrower (as reasonably determined by the Borrower in good faith), when taken as a whole, than the terms and conditions hereof (it being understood that such terms or conditions may be more restrictive than the terms and conditions set forth in this Agreement if the Lenders receive the benefit of such terms or conditions through amendment or supplementation of this Agreement) or to the extent such terms or conditions apply solely to periods following the Latest Maturity Date, or (y) are reasonably satisfactory to the Administrative Agent), (4) no Subsidiary is a borrower or guarantor with respect to such Indebtedness unless such Subsidiary is a Subsidiary Guarantor which shall have previously or substantially concurrently guaranteed the Obligations and (5) no Event of Default shall exist, or would result from the incurrence of such Indebtedness (such Indebtedness incurred pursuant to this clause (r) being referred to as "Permitted Ratio Debt"), and (ii) any Permitted Refinancing of Indebtedness incurred under, and subject to the limitations set forth in the foregoing clauses (1) through (5) of the proviso to the foregoing clause (r)(i);

(s) Indebtedness incurred by a Non-Loan Party, and guarantees thereof by Non-Loan Party, in an aggregate principal amount not to exceed \$40,000,000 at any one time outstanding;

(t) certain guarantee obligations with respect to increment financing with the City of Norwood, Ohio as described on Schedule 7.03(t);

(u) additional Indebtedness in an aggregate principal amount not to exceed \$15,000,000 at any one time outstanding;

(v) Indebtedness assumed in connection with a Permitted Acquisition or other Investment not prohibited hereunder and not created in contemplation thereof, so long as either (i) such Indebtedness would have been permitted to have been incurred under Section 7.03(r) or (ii) the aggregate principal amount of such Indebtedness does not exceed \$15,000,000 at any time outstanding;

(w) [reserved];

(x) Indebtedness with respect to any Permitted Receivables Financing;

(y) [reserved]; and

(z) all premiums (if any), interest (including post-petition interest), fees, expenses, charges and additional or contingent interest on obligations described in clauses (a) through (y) above.

The accrual of interest, the accretion of accreted value and the payment of interest in the form of additional Indebtedness shall not be deemed to be an incurrence of Indebtedness for purposes of this Section 7.03.

Section 7.04 Fundamental Changes. Merge, amalgamate, dissolve, liquidate, consolidate with or into another Person, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person (including, in each case, pursuant to a Delaware LLC Division), except that:

(a) any Subsidiary may merge or amalgamate with (i) the Borrower (provided that the resulting entity shall succeed as a matter of law to all of the Obligations of the Borrower), (ii) any one or more other Subsidiaries (provided that when any Subsidiary that is a Loan Party is merging or amalgamating with another Subsidiary, a Loan Party shall be a continuing or surviving Person, as applicable, or the resulting entity shall succeed as a matter of law to all of the Obligations of such Loan Party) and (iii) any Person in order to consummate a Permitted Tax Restructuring (provided that the resulting entity shall succeed as a matter of law to all of the Obligations of such Subsidiary);

(b) (i) any Subsidiary that is not a Loan Party may merge, amalgamate or consolidate with or into any other Subsidiary that is not a Loan Party, (ii) (A) any Subsidiary may liquidate, dissolve or wind up, or (B) any Subsidiary may change its legal form, in each case, if the Borrower determines in good faith that such action is in the best interests of the Borrower and its Subsidiaries and is not materially disadvantageous to the Lenders and (iii) the Borrower may change its legal form if it determines in good faith that such action is in the best interests of the Borrower and its Subsidiaries, and the Administrative Agent reasonably determines it is not disadvantageous to the Lenders;

(c) any Subsidiary may Dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to another Subsidiary; provided that if the transferor in such a transaction is a Loan Party, then either (i) the transferee must be a Loan Party or (ii) to the extent constituting an Investment, such Investment must be a permitted Investment in or Indebtedness of a Subsidiary that is not a Loan Party in accordance with Section 7.02 and Section 7.03, respectively;

(d) so long as no Event of Default exists or would result therefrom, the Borrower may merge or amalgamate with any other Person (1) in a transaction in which the Borrower is the continuing or surviving entity of such transaction or (2) in a transaction in which such other Person is the surviving or continuing entity of such transaction (such person, the "Successor Borrower"); provided that, in the case of this clause (2), (i) the Successor Borrower is organized under the laws of the United States, any state thereof or the District of Columbia; (ii) the Successor Borrower shall assume the Obligations of the Borrower under the Loan Documents; (iii) each Guarantor shall have confirmed that its Guaranty shall apply to the Successor Borrower's obligations under the Loan Documents; (iv) each Guarantor shall have by a supplement to the Security Agreement and other applicable Collateral Documents confirmed that its obligations thereunder shall apply to the Successor Borrower's obligations under the Loan Documents; (v) [reserved]; (vi) the Successor Borrower shall have delivered information reasonably requested in writing by the Administrative Agent (or any Lender through the Administrative Agent) reasonably required by regulatory authorities under "know your customer" and anti-money laundering rules and regulations, including without limitation the USA PATRIOT Act, of the type delivered on the Closing Date pursuant to Section 4.01(e); and (vii) the Borrower shall have delivered an officer's certificate certifying the compliance with the foregoing;

(e) so long as no Default exists or would result therefrom, any Subsidiary may merge or amalgamate with any other Person in order to effect an Investment permitted pursuant to Section 7.02; provided that, if a Loan Party is a party to such merger or consolidation, such Loan Party shall be the continuing or surviving entity or the Person surviving such merger or consolidation shall be a Loan Party or become a Loan Party pursuant to Section 6.10;

(f) so long as no Event of Default exists or would result therefrom, Holdings may merge or amalgamate with, or transfer its Equity Interests to, any other Person (1) in a transaction in which Holdings is the continuing or surviving entity of such transaction or (2) in a transaction in which such other Person is the surviving or continuing entity of such transaction or acquires, directly or indirectly, 100% of the Equity Interests of Holdings (such person, "Successor Holdings"); provided that, in the case of this clause (2), (i) Successor Holdings is organized under the laws of the United States, any state thereof or the District of Columbia; (ii) Successor Holdings shall assume the Obligations of Holdings under the Loan Documents; (iii) Successor Holdings shall have become a party to the applicable Guaranty and all other applicable Collateral Documents and the Collateral and Guarantee Requirement shall have been satisfied with respect to Successor Holdings; and (iv) Successor Holdings shall have delivered information reasonably requested in writing by the Administrative Agent (or any Lender through the Administrative Agent) reasonably required by regulatory authorities under "know your customer" and anti-money laundering rules and regulations, including without limitation the USA PATRIOT Act, of the type delivered in connection with the Closing Date pursuant to Section 4.01(e); and (v) Holdings shall have delivered an officer's certificate certifying the compliance with the foregoing;

(g) so long as no Default exists or would result therefrom, Dispositions permitted pursuant to Section 7.05 shall be permitted.

Section 7.05 Dispositions. Make any Disposition, except:

(a) Dispositions of obsolete, worn out or surplus property, whether now owned or hereafter acquired, in the ordinary course of business and Dispositions of property no longer used or useful in the conduct of the business of the Borrower and its Subsidiaries;

(b) Dispositions of inventory and immaterial assets in the ordinary course of business (including allowing any registrations or any applications for registration of any immaterial IP Rights to lapse or go abandoned in the ordinary course of business);

(c) Dispositions of property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property that is promptly purchased or (ii) the proceeds of such Disposition are promptly applied to the purchase price of such replacement property (which replacement property is actually promptly purchased);

(d) Dispositions of property to the Borrower or a Subsidiary; provided that if the transferor of such property is a Loan Party (i) the transferee thereof must be a Loan Party, (ii) to the extent such transaction constitutes an Investment, such transaction is permitted under Section 7.02, or (iii) such Disposition shall consist of the transfer of Equity Interests in or Indebtedness of any Foreign Subsidiary to any other Foreign Subsidiary;

(e) Dispositions permitted by Section 7.02, Section 7.04 and Section 7.06 and Liens permitted by Section 7.01 (other than, in each case, by reference to this Section 7.05);

(f) Dispositions in the ordinary course of business of Cash Equivalents;

(g) leases, subleases, licenses or sublicenses, in each case in the ordinary course of business and which do not materially interfere with the business of the Borrower and its Subsidiaries, taken as a whole;

(h) transfers of property subject to Casualty Events;

(i) Dispositions of Investments in JV Entities or non-Wholly Owned Subsidiaries; provided that no Dispositions may be made pursuant to this Section 7.05(i) to the extent such JV Entity or non-Wholly Owned Subsidiary was, prior to a previous Disposition of Equity Interests in such JV Entity or non-Wholly Owned Subsidiary made pursuant to another provision of this Section 7.05, a Wholly Owned Subsidiary, and such Dispositions pursuant to such other provision of this Section 7.05 and this Section 7.05(i) were part of a single Disposition or series of related Disposition, other than to the extent required by, or made pursuant to, customary buy/sell arrangements between the parties to such JV Entity or shareholders of such non-Wholly Owned Subsidiary set forth in the shareholders agreements, joint venture agreements, organizational documents or similar binding agreements relating to such JV Entity or non-Wholly Owned Subsidiary.

(j) Dispositions of accounts receivable in the ordinary course of business in connection with the collection or compromise thereof or pursuant to factoring arrangements, in each case to the extent not constituting a receivables financing;

(k) the unwinding of any Swap Contract pursuant to its terms;

(l) Permitted Sale Leasebacks;

(m) so long as (1) no Event of Default exists or would result therefrom and (2) the Borrower is in Financial Covenant Compliance, Dispositions not otherwise permitted pursuant to this Section 7.05; provided that (i) such Disposition shall be for fair market value as reasonably determined by the Borrower in good faith and (ii) with respect to any Disposition pursuant to this clause (m) for a purchase price in excess of \$5,000,000, the Borrower or any applicable Subsidiary shall receive not less than 75.0% of such consideration in the form of cash or Cash Equivalents (provided, however, that for the purposes of this clause (m)(ii), the following shall be deemed to be cash: (A) the assumption by the transferee of Indebtedness or other liabilities contingent or otherwise of the Borrower or any of its Subsidiaries (other than Subordinated Debt) and the valid release of the Borrower or such Subsidiary, by all applicable creditors in writing, from all liability on such Indebtedness or other liability in connection with such Disposition, (B) securities, notes or other obligations received by the Borrower or any of its Subsidiaries from the transferee that are converted by the Borrower or any of its Subsidiaries into cash or Cash Equivalents within 180 days following the closing of such Disposition, (C) Indebtedness (other than Subordinated Debt) of any Subsidiary that is no longer a Subsidiary as a result of such Disposition, to the extent that the Borrower and each other Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Disposition and (D) the aggregate Designated Non-Cash Consideration received by the Borrower and its Subsidiaries for all Dispositions under this clause (m) having an aggregate fair market value (determined as of the closing of the applicable Disposition for which such Designated Non-Cash Consideration is received) not to exceed \$10,000,000 at any time outstanding (net of any Designated Non-Cash Consideration converted into cash and Cash Equivalents received in respect of any such Designated Non-Cash Consideration and calculated on a pro forma basis after giving effect to such Disposition));

(n) the Borrower and its Subsidiaries may surrender or waive contractual rights and settle or waive contractual or litigation claims in the ordinary course of business;

(o) Dispositions of non-core or obsolete assets acquired in connection with Permitted Acquisitions; provided that with respect to any such Permitted Acquisition, (i) the aggregate amount of such Dispositions permitted under this clause (o) shall not exceed 25% of the contract value of such Permitted Acquisition and (ii) such Disposition must be consummated within 180 days of the consummation of such Permitted Acquisition;

(p) any swap of assets in exchange for services or other assets in the ordinary course of business of comparable or greater fair market value of usefulness to the business of the Borrower and its Subsidiaries as a whole, as determined in good faith by the Borrower;

(q) [reserved];

(r) Specified Dispositions and Dispositions consummated in connection with a Permitted Tax Restructuring;

(s) Dispositions for Cash Equivalents (other than in connection with the capitalization of any special purpose entity used to effect any such Permitted Receivables Financing) of accounts receivable in connection with any Permitted Receivables Financing; and

(t) Dispositions not otherwise permitted pursuant to this Section 7.05 in an aggregate not to exceed \$5,000,000.

To the extent any Collateral is disposed of as expressly permitted by this Section 7.05 to any Person other than the Borrower or a Subsidiary Guarantor, such Collateral shall be sold free and clear of the Liens created by the Loan Documents and, if requested by the Administrative Agent, upon the certification by the Borrower that such Disposition is permitted by this Agreement, the Administrative Agent or the Collateral Agent, as applicable, shall be authorized to take and shall take any actions deemed appropriate in order to effect the foregoing.

Section 7.06 Restricted Payments. Declare or make, directly or indirectly, any Restricted Payment, except:

(a) each Subsidiary may make Restricted Payments to (x) the Borrower and to other Subsidiaries (and, in the case of a Restricted Payment by a non-Wholly Owned Subsidiary, to the Borrower and any other Subsidiary and to each other owner of Equity Interests of such Subsidiary based on their relative ownership interests of the relevant class of Equity Interests) and (y) to Holdings (or any direct or indirect subsidiary of such entity) to the extent that the proceeds thereof are promptly contributed, loaned or advanced to the Borrower or any of its Subsidiaries; provided that any such loan or advance shall not be subject to any payments (other than principal payments upon maturity), including, without limitation, interest payments, premiums or fees, any such loan or advance shall be unsecured and contractually subordinated to the Obligations and any repayment of such loan or advance shall comply with this Section 7.06;

(b) (i) the Borrower may (or may make Restricted Payments to permit any direct or indirect parent thereof to) redeem in whole or in part any of its Equity Interests for another class of its (or such parent's) Equity Interests or rights to acquire its Equity Interests or with proceeds from substantially concurrent equity contributions or issuances of new Equity Interests, provided that any terms and provisions material to the interests of the Lenders, when taken as a whole, contained in such other class of Equity Interests are at least as advantageous to the Lenders as those contained in the Equity Interests redeemed thereby and (ii) the Borrower may declare and make dividend payments or other distributions payable solely in Qualified Equity Interests (to the extent not utilized in connection with any other transactions permitted pursuant to Section 7.02, Section 7.03, Section 7.06 or Section 7.08 (or to build the Excluded Contribution Amount));

(c) [reserved];

(d) to the extent constituting Restricted Payments, the Borrower and its Subsidiaries may enter into and consummate transactions expressly permitted by any provision of Section 7.02, Section 7.04 or Section 7.07(b), (c), (h) or (j) (other than, in each case, by reference to this Section 7.06);

(e) repurchases of Equity Interests in the ordinary course of business in the Borrower (or any direct or indirect parent thereof) or any Subsidiary deemed to occur upon exercise of stock options or warrants if such Equity Interests represent a portion of the exercise price of such options or warrants;

(f) the Borrower or any Subsidiary may, in good faith, pay (or make Restricted Payments to allow any direct or indirect parent thereof to pay) for the repurchase, retirement or other acquisition or retirement for value of Equity Interests of it or any direct or indirect parent thereof held by any future, present or former employee, director, manager, officer or consultant (or any Affiliates, spouses, former spouses, other immediate family members, successors, executors, administrators, heirs, legatees or distributees of any of the foregoing) of the Borrower (or any direct or indirect parent of the Borrower) or any of its Subsidiaries pursuant to any employee, management, director or manager equity plan, employee, management, director or manager stock option plan or any other employee, management, director or manager benefit plan or any agreement (including any stock subscription or shareholder agreement) with any employee, director, manager, officer or consultant of Holdings (or any direct or indirect parent thereof), the Borrower or any Subsidiary; provided that such payments do not to exceed \$5,000,000 in the aggregate in any calendar year, provided that any unused portion of the preceding basket for any calendar year may be carried forward to the immediately succeeding calendar year, so long as the aggregate amount of all Restricted Payments made pursuant to this Section 7.06(f) in any calendar year (after giving effect to such carry forward) shall not exceed \$10,000,000 in the aggregate; provided, further, that cancellation of Indebtedness owing to the Borrower (or any direct or indirect parent thereof) or any of its Subsidiaries from members of management of the Borrower, any of the Borrower's direct or indirect parent companies or any of the Borrower's Subsidiaries in connection with a repurchase of Equity Interests of any of the Borrower's direct or indirect parent companies will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of this Agreement;

(g) the Borrower and its Subsidiaries may make Restricted Payments to any direct or indirect parent of an Equity Interest in the Borrower:

(i) the proceeds of which will be used to make Permitted Tax Distributions;

(ii) the proceeds of which shall be used to pay such equity holder's operating costs and expenses incurred in the ordinary course of business, other overhead costs and expenses and fees (including (v) administrative, legal, accounting and similar expenses provided by third parties, (w) trustee, directors, managers and general partner fees, (x) any judgments, settlements, penalties, fines or other costs and expenses in respect of any claim, litigation or proceeding, (y) fees and expenses (including any underwriters discounts and commissions) related to any investment or acquisition transaction (whether or not successful) and (z) payments in respect of indebtedness and equity securities of any direct or indirect holder of Equity Interests in the Borrower to the extent the proceeds are used or will be used to pay expenses or other obligations described in this Section 7.06(g)) which are reasonable and customary and incurred in the ordinary course of business and

attributable to the ownership or operations of the Borrower and its Subsidiaries (including any reasonable and customary indemnification claims made by directors, managers or officers of any direct or indirect parent of the Borrower attributable to the direct or indirect ownership or operations of the Borrower and its Subsidiaries) and fees and expenses otherwise due and payable by the Borrower or any Subsidiary and permitted to be paid by the Borrower or such Subsidiary under this Agreement not to exceed \$5,000,000 in any fiscal year;

(iii) the proceeds of which shall be used to pay franchise and excise Taxes, and other fees and expenses, required to maintain its (or any of its direct or indirect parents') existence (including any costs or expenses associated with being a public company listed on a national securities exchange);

(iv) to finance any Investment permitted to be made pursuant to Section 7.02; provided that (A) such Restricted Payment shall be made substantially concurrently with the closing of such Investment and (B) the Borrower or such parent shall, immediately following the closing thereof, cause (1) all property acquired (whether assets or Equity Interests) to be held by or contributed to the Borrower or a Subsidiary or (2) the merger or amalgamation (to the extent permitted in Section 7.04) of the Person formed or acquired into it or a Subsidiary in order to consummate such Permitted Acquisition, in each case, in accordance with the requirements of Section 6.10;

(v) the proceeds of which shall be used to pay customary costs, fees and expenses (other than to Affiliates) related to any unsuccessful equity or debt offering permitted by this Agreement; and

(vi) the proceeds of which shall be used to pay customary salary, bonus and other benefits payable to officers and employees of any direct or indirect parent company or partner of the Borrower to the extent such salaries, bonuses and other benefits are attributable to the ownership or operation of the Borrower and its Subsidiaries;

(h) the Borrower or any Subsidiary may pay any dividend or distribution within 60 days after the date of declaration thereof, if at the date of declaration such payment would have complied with the provisions of this Agreement (it being understood that a distribution pursuant to this Section 7.06(h) shall be deemed to have utilized capacity under such other provision of this Agreement);

(i) the Borrower or any Subsidiary may (a) pay cash in lieu of fractional Equity Interests in connection with any dividend, split or combination thereof or any Permitted Acquisition and (b) honor any conversion request by a holder of convertible Indebtedness and make cash payments in lieu of fractional shares in connection with any such conversion and may make payments on convertible Indebtedness in accordance with its terms;

(j) at any time following a Qualifying IPO, so long as no Event of Default shall have occurred and be continuing or would result therefrom, the Borrower or any Subsidiary may make additional Restricted Payments in an amount not to exceed \$10,000,000 in any fiscal year;

(k) at any time following a Qualifying IPO, the Borrower or any Subsidiary may make additional Restricted Payments in an amount not to exceed the Excluded Contribution Amount; provided that at the time of any such Restricted Payment in reliance on the definition of "Excluded Contribution Amount," no Specified Event of Default shall have occurred and be continuing or would result therefrom;

(l) at any time following a Qualifying IPO, (i) any Restricted Payment by the Borrower or any other direct or indirect parent of the Borrower the proceeds of which will be used to pay listing fees and other costs and expenses attributable to being a publicly traded company which are reasonable and customary and (ii) Restricted Payments not to exceed up to 6.00% per annum of the net cash proceeds received by (or contributed to) the Borrower and its Subsidiaries from such Qualifying IPO;

(m) at any time following a Qualifying IPO, the Borrower or any Subsidiary may make additional Restricted Payments; provided that, at the time of such Restricted Payment, (i) no Default or Event of Default has occurred and is continuing or would result therefrom and (ii) the Total Leverage Ratio of the Borrower as of the end of the most recently ended Test Period, on a pro forma basis after giving effect to such Restricted Payment, would be no greater than 2.00:1.00;

(n) the Borrower or any Subsidiary may pay any dividend or distribution on any Disqualified Equity Interests incurred in accordance with Section 7.03; and

(o) at any time prior to a Qualifying IPO, the Borrower may make any required cash dividend payments with respect to the Preferred Shares pursuant to the Preferred Shares Documents (as in effect on the Closing Date); provided, that no Event of Default has occurred or is continuing or would arise as a result of such cash dividend.

Section 7.07 Transactions with Affiliates. Enter into any transaction of any kind with any Affiliate of the Borrower with a fair market value in excess of \$1,000,000, whether or not in the ordinary course of business, other than:

(a) transactions between or among the Borrower or any Subsidiary or any entity that becomes a Subsidiary as a result of such transaction to the extent such transactions are not otherwise prohibited under this Agreement (including the lease between the Borrower and Paycor Headquarters with respect to the Headquarters Property);

(b) transactions on terms not less favorable to the Borrower or such Subsidiary as would be obtainable by the Borrower or such Subsidiary at the time in a comparable arm's-length transaction with a Person other than an Affiliate;

(c) the Transactions and the payment of fees and expenses related to the Transactions;

(d) the issuance of Equity Interests to any officer, director, manager, employee or consultant of the Borrower or any of their Subsidiaries or any direct or indirect parent of the Borrower in connection with the Transactions;

(e) [reserved];

(f) equity issuances, repurchases, redemptions, retirements or other acquisitions or retirements of Equity Interests by the Borrower or any Subsidiary permitted under Section 7.06;

(g) loans and other transactions by and among the Borrower and/or one or more Subsidiaries to the extent permitted under this Article VII;

(h) employment and severance arrangements between each the Borrower or any of its Subsidiaries and their respective officers and employees in the ordinary course of business and transactions pursuant to stock option plans and employee benefit plans and arrangements;

(i) to the extent permitted by Sections 7.06(g)(i) and (iii), payments by the Borrower (and any direct or indirect parent thereof) and its Subsidiaries pursuant to any tax sharing agreements among the Borrower (and any such direct or indirect parent thereof) and its Subsidiaries on customary terms to the extent attributable to the ownership or operation of the Borrower and the Subsidiaries;

(j) the payment of customary fees and reasonable out-of-pocket costs to, and indemnities provided on behalf of, directors, managers, officers, employees and consultants of the Borrower and its Subsidiaries or any direct or indirect parent of the Borrower in the ordinary course of business to the extent attributable to the ownership or operation of the Borrower and its Subsidiaries;

(k) transactions pursuant to agreements in existence on the Closing Date and set forth on Schedule 7.07(k) or any amendment thereto to the extent such an amendment is not adverse to the Lenders in any material respect;

(l) [reserved];

(m) [reserved];

(n) [reserved];

(o) Dispositions for Cash Equivalents (other than in connection with the capitalization of any special purpose entity used to effect any such Permitted Receivables Financing) of accounts receivable in connection with any Permitted Receivables Financing; and

(p) transactions in connection with Permitted Tax Restructurings.

Section 7.08 Prepayments, Etc., of Indebtedness.

(a) Prepay, redeem, purchase, defease or otherwise satisfy prior to the scheduled maturity thereof in any manner any Specified Indebtedness (it being understood that payments of regularly scheduled interest, AHYDO payments and mandatory prepayments with respect to any such Indebtedness shall not be prohibited by this clause), except for (i) the refinancing thereof with, or the exchange thereof for, any such Indebtedness (to the extent such Indebtedness constitutes a Permitted Refinancing), (ii) the conversion thereof to Equity Interests (other than Disqualified Equity Interests) of the Borrower or any of their direct or indirect parents (or any Intermediate Holding Company), (iii) so long as no Event of Default shall have occurred and be continuing or would result therefrom, prepayments, redemptions, purchases, defeasances and other payments thereof prior to their scheduled maturity in an aggregate amount not to exceed (A) \$5,000,000 plus (B) any amounts available under Section 7.06(j) (usage of which shall reduce availability under such Section 7.06(j)) plus (C) the Excluded Contribution Amount (provided that, at the time of any such prepayment, redemption, purchase, defeasance and other payment, no Specified Event of Default shall have occurred and be continuing or would result therefrom), (iv) [reserved] and (v) other prepayments, redemptions, purchases, defeasances and other payments thereof prior to their scheduled maturity (provided that, at the time of such prepayments, redemptions, purchases, defeasances or other payments, (x) no Event of Default has occurred and is continuing and (y) the Total Leverage Ratio of the Borrower as of the end of the most recently ended Test Period, on a pro forma basis after giving effect to such prepayment, redemption, purchase, defeasance or other payment, would be no greater than 2.00:1.00).

(b) Amend, modify or change in any manner materially adverse to the interests of the Lenders any term or condition of any Specified Debt Documents without the consent of the Required Lenders (not to be unreasonably withheld or delayed).

Section 7.09 Holdings Covenant

(a) Solely in the case of Holdings, own or acquire any assets (other than Equity Interests of the Borrower, any Intermediate Holding Company and any Subsidiary, cash and Cash Equivalents) or engage in any business or activity other than (i) the ownership of all the outstanding Equity Interests of the Borrower or any Intermediate Holding Company and activities incidental thereto, (ii) the maintenance of its corporate existence and activities incidental thereto, including general and corporate overhead, provided that Holdings may change its form of organization, so long as (A) it is organized under the laws of the United States, any State thereof or the District of Columbia and (B) its Guarantee of the Obligations and the Lien on or security interest in any Collateral held by it under the Loan Documents shall remain in effect to the same extent as immediately prior to such change, (iii) activities required to comply with applicable Laws, (iv) maintenance and administration of stock option and stock ownership plans and activities incidental thereto, (v) the receipt of Restricted Payments to the extent permitted by Section 7.06 and the making of Restricted Payments and other transactions between Holdings and the Borrower or Subsidiary permitted under Article VII, (vi) to the extent not otherwise covered by the other clauses of this Section 7.09, any of the activities of Holdings referred to in Section 7.06, (vii) concurrently with any issuance of Qualified Equity Interests, the redemption, purchase or retirement of any Equity Interests of each Holdings using the proceeds of, or conversion or exchange of any Equity Interests of each Holdings for, such Qualified Equity Interests, (viii) the obtainment of, and the payment of any fees and expenses for, management, consulting, investment banking and advisory services to the extent otherwise permitted by this Agreement, (ix) compliance with its obligations under the Loan Documents, (x) in connection with, and following the completion of, a Qualifying IPO, activities necessary or reasonably advisable for or incidental to the initial registration and listing of Holdings' or any direct or indirect parent of Holdings' common stock and the continued existence of Holdings or any direct or indirect parent of Holdings as a public company, (xi) the purchase of Indebtedness under this Agreement and other activities incidental to the consummation of the Transactions, including the formation and maintenance of special purpose vehicle entities and the making of or maintenance of intercompany loans and/or investments incidental to the Transactions, (xii) providing indemnification to officers and directors and as otherwise permitted under Article VII, (xiii) activities incidental to legal, tax and accounting matters in connection with any of the foregoing activities and (xiv) incurring unsecured Guarantee Obligations in respect of any Subordinated Debt, provided that such Guarantee Obligations shall be subordinated to the Obligations to the same extent and on the same terms as the Indebtedness so guaranteed is subordinated to the Obligations.

(b) Solely in the case of Holdings, create, incur, assume or permit to exist any Indebtedness or other liabilities except (i) Indebtedness created under the Loan Documents or any Permitted Refinancing thereof, (ii) Guarantees of Indebtedness or other obligations of the Borrower and/or any Subsidiary that are otherwise permitted hereunder and (iii) liabilities imposed by law, including tax liabilities, and other liabilities incidental to its existence and permitted business and activities (including the guarantee of obligations the Borrower and/or its Subsidiaries in the ordinary course).

(c) Solely in the case of Holdings, create, incur, assume or permit to exist any Lien on any of the Equity Interests issued by the Borrower to Holdings, other than (i) the Liens created under the Collateral Documents, to which it is a party, (ii) any other Lien created in connection with the Transactions and (iii) any Liens of the type permitted under Section 7.01 (other than in respect of debt for borrowed money).

Section 7.10 Subsidiary Distributions. Enter into any agreement, instrument, deed or lease which prohibits or limits the ability of any Subsidiary to pay dividends or other distributions with respect to any of its Equity Interests; provided that the foregoing shall not apply to:

- (a) restrictions and conditions imposed by (A) law or (B) any Loan Document;
- (b) restrictions and conditions existing on the Closing Date or to any extension, renewal, amendment, modification or replacement thereof, except to the extent any such amendment, modification or replacement expands the scope of any such restriction or condition;
- (c) customary restrictions and conditions arising in connection with any Disposition permitted by Section 7.05;
- (d) customary provisions in leases, licenses and other contracts restricting the assignment thereof;
- (e) restrictions imposed by any agreement relating to secured Indebtedness permitted by this Agreement to the extent such restriction applies only to the property securing such Indebtedness;
- (f) any restrictions or conditions set forth in any agreement in effect at any time any Person becomes a Subsidiary (but not any modification or amendment expanding the scope of any such restriction or condition), provided that such agreement was not entered into in contemplation of such Person becoming a Subsidiary and the restriction or condition set forth in such agreement does not apply to each Borrower or any other Subsidiary;
- (g) any restrictions or conditions in any Indebtedness permitted pursuant to Section 7.03 to the extent such restrictions or conditions are no more restrictive than the restrictions and conditions in the Loan Documents or, in the case of Subordinated Debt, are market terms at the time of issuance or, in the case of Indebtedness of any Non-Loan Party, are imposed solely on such Non-Loan Party and its Subsidiaries, provided that any such restrictions or conditions permit compliance with the Collateral and Guarantee Requirement and Section 6.10;
- (h) any restrictions on cash or other deposits imposed by agreements entered into in the ordinary course of business;
- (i) customary provisions in shareholders agreements, joint venture agreements, organizational documents or similar binding agreements relating to any JV Entity or non-Wholly Owned Subsidiary and other similar agreements applicable to JV Entities and non-Wholly Owned Subsidiaries permitted under Section 7.02 and applicable solely to such JV Entity or non-Wholly Owned Subsidiary and the Equity Interests issued thereby;
- (j) customary restrictions in leases, subleases, licenses or asset sale agreements and other similar contracts otherwise permitted hereby so long as such restrictions relate only to the assets subject thereto;

(k) customary provisions restricting assignment of any agreement entered into in the ordinary course of business;

(l) customary net worth provisions contained in real property leases entered into by Subsidiaries of the Borrower, so long as the Borrower has determined in good faith that such net worth provisions could not reasonably be expected to impair the ability of the Borrower and its Subsidiaries to meet their ongoing obligation; and

(m) restrictions imposed by any agreement governing Indebtedness entered into on or after the Closing Date and permitted under Section 7.03 that are, taken as a whole, in the good faith judgment of the Borrower, no more restrictive with respect to the Borrower or any Subsidiary than customary market terms for Indebtedness of such type, so long as the Borrower shall have determined in good faith that such restrictions will not adversely affect in any material respect its obligation or ability to make any payments required hereunder.

Section 7.11 Financial Covenants. On the last day of each Test Period permit (the covenants set forth in this Section 7.11 being, the “Financial Covenants”):

(a) the Total Leverage Ratio as of the end of such Test Period to be greater than 3.50:1.00; and

(b) the Interest Coverage Ratio as of the end of such Test Period to be less than 3.00:1.00.

ARTICLE VIII

Events of Default and Remedies

Section 8.01 Events of Default. Any of the following events referred to in any of clauses (a) through (l) inclusive of this Section 8.01 shall constitute an “Event of Default”:

(a) Non-Payment. Any Loan Party fails to pay (i) when and as required to be paid herein, any amount of principal of any Loan or (ii) within five (5) Business Days after the same becomes due, any interest on any Loan or any other amount payable hereunder or with respect to any other Loan Document; or

(b) Specific Covenants. Any Loan Party fails to perform or observe any term, covenant or agreement contained in any of Section 6.03(a) or Section 6.04 (solely with respect to Holdings and the Borrower) or Article VII and (ii) any Event of Default arising from a failure to observe the covenant contained in Section 6.03(a) shall be deemed no longer continuing automatically upon and simultaneously with the underlying Default ceasing to be continuing unless a Responsible Officer of Holdings or the Borrower had actual knowledge that such Default had occurred and was continuing; or

(c) Other Defaults. Any Loan Party fails to perform or observe any other covenant or agreement (not specified in Section 8.01(a) or (b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for thirty (30) days after receipt by the Borrower of written notice thereof by the Administrative Agent or the Required Lenders; or

(d) Representations and Warranties. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of any Loan Party herein, in any other Loan Document, or in any document required to be delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(e) Cross-Default. Any Loan Party or any Subsidiary (A) fails to make any payment beyond the applicable grace period with respect thereto, if any (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness (other than Indebtedness hereunder) having an aggregate principal amount exceeding the Threshold Amount, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness, or any other event occurs (other than (i) with respect to Indebtedness consisting of Swap Contracts, termination events or equivalent events pursuant to the terms of such Swap Contracts and (ii) any event requiring prepayment pursuant to customary asset sale events, insurance and condemnation proceeds events, change of control events and excess cash flow and indebtedness sweeps), the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, all such Indebtedness to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem all such Indebtedness to be made, prior to its stated maturity; provided that this clause (e)(B) shall not apply to secured Indebtedness that becomes due (or requires an offer to purchase) as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness, if such sale or transfer is permitted hereunder and under the documents providing for such Indebtedness; provided, further, that such failure or breach is unremedied and is not waived by the required holders of such Indebtedness prior to any termination of the Commitments or acceleration of the Loans pursuant to Article VIII; or

(f) Insolvency Proceedings, Etc. Except with respect to any dissolution or liquidation of a Subsidiary expressly permitted by Section 7.04 in connection with the consummation of a Permitted Tax Restructuring, any Loan Party or any of the Subsidiaries institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, interim receiver, monitor, receiver and manager, trustee, custodian, conservator, liquidator, rehabilitator, administrator, administrative receiver or similar officer for it or for all or any material part of its property; or any receiver, interim receiver, monitor, receiver and manager, trustee, custodian, conservator, liquidator, rehabilitator, administrator, administrative receiver or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for sixty (60) calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for sixty (60) calendar days; or an order for relief is entered in any such proceeding; or

(g) Inability to Pay Debts; Attachment. (i) Any Loan Party or any Subsidiary becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of the Loan Parties, taken as a whole, and is not released, vacated or fully bonded within sixty (60) days after its issue or levy; or

(h) Judgments. There is entered against any Loan Party or any Subsidiary a final judgment or order for the payment of money in an aggregate amount exceeding the Threshold Amount (to the extent not covered by independent third-party insurance) and such judgment or order shall not have been satisfied, vacated, discharged or stayed or bonded pending an appeal for a period of sixty (60) consecutive days; or

(i) Invalidity of Collateral Documents. Any material provision of any Collateral Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder (including as a result of a transaction permitted under Section 7.04 or Section 7.05) or solely as a result of acts or omissions by the Administrative Agent or any Lender or the satisfaction in full of all the Obligations, ceases to be in full force and effect or ceases to create a valid and perfected lien, with the priority set forth in the Collateral and Guarantee Requirement, on a material portion of the Collateral covered thereby; or any Loan Party contests in writing the validity or enforceability of any material provision of any Collateral Document; or any Loan Party denies in writing that it has any or further liability or obligation under any Collateral Document (other than as a result of repayment in full of the Obligations and termination of the Aggregate Commitments), or purports in writing to revoke or rescind any Collateral Document; or

(j) Invalidity of Guarantees. Any Guarantee, after its execution and delivery, provided by Holdings, any Intermediate Holding Company or any other Guarantor that is a Material Subsidiary, or any material provision thereof, ceases to be in full force and effect (other than pursuant to the terms hereof or thereof) or any Loan Party denies or disaffirms in writing any such Guarantor's material obligations under its Guarantee (other than as a result of repayment in full of the Obligations and terminations of the Commitments); or

(k) Change of Control. There occurs any Change of Control; or

(l) ERISA. (i) An ERISA Event occurs which, individually or together with other similar events which have occurred, has resulted or could reasonably be expected to result in liability to a Loan Party in an aggregate amount which could reasonably be expected to result in a Material Adverse Effect or (ii) a Loan Party or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its Withdrawal Liability under Section 4201 of ERISA the remaining balance of which could reasonably be expected to result in a Material Adverse Effect.

Section 8.02 Remedies Upon Event of Default. If any Event of Default occurs and is continuing, the Administrative Agent may and, at the request of the Required Lenders, shall take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower;

(c) require that the Borrower Cash Collateralize the L/C Obligations (in an amount equal to the then Outstanding Amount thereof); and

(d) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or applicable Law;

provided that upon the occurrence of an Event of Default under Section 8.01(f) or (g) with respect to Holdings or the Borrower, the obligation of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable and the obligation of the Borrower to Cash Collateralize the L/C Obligations as aforesaid shall automatically become effective, in each case without further act of the Administrative Agent or any Lender.

Section 8.03 Exclusion of Immaterial Subsidiaries. Solely for the purpose of determining whether a Default has occurred under clause (f) or (g) of Section 8.01, any reference in any such clause to any Subsidiary or Loan Party shall be deemed not to include any Subsidiary that is an Immaterial Subsidiary affected by any event or circumstances referred to in any such clause unless the Consolidated EBITDA of such Immaterial Subsidiary, together with the Consolidated EBITDA of all other Subsidiaries affected by such event or circumstance referred to in such clause, shall exceed 5% of the Consolidated EBITDA of the Borrower and its Subsidiaries.

Section 8.04 Application of Funds. If the circumstances described in Section 2.12(g) have occurred, or after the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable and the L/C Obligations have automatically been required to be Cash Collateralized as set forth in the proviso to Section 8.02), including in any bankruptcy or insolvency proceeding, any amounts received on account of the Obligations shall be applied by the Administrative Agent, subject to any Acceptable Intercreditor Agreement, in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (other than principal and interest, but including Attorney Costs payable under Section 10.04 and amounts payable under Article III) payable to each Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders (including Attorney Costs payable under Section 10.04 and amounts payable under Article III), ratably among them in proportion to the amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest (including, but not limited to, post-petition interest), ratably among the Lenders in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans, Unreimbursed Amounts, face amounts of the L/C Borrowings, Swap Termination Value under Secured Hedge Agreements and Cash Management Obligations, ratably among the Secured Parties in proportion to the respective amounts described in this clause Fourth held by them;

Fifth, to the Administrative Agent for the account of the L/C Issuers, to Cash Collateralize that portion of L/C Obligations comprised of the aggregate undrawn amount of Letters of Credit;

Sixth, to the payment of all other Obligations of the Loan Parties that are due and payable to the Administrative Agent and the other Secured Parties on such date, ratably based upon the respective aggregate amounts of all such Obligations owing to the Administrative Agent and the other Secured Parties on such date; and

Last, the balance, if any, after all of the Obligations have been paid in full, to the Borrower or as otherwise required by Law.

Subject to Section 2.03(c), amounts used to Cash Collateralize the aggregate undrawn amount of Letters of Credit pursuant to clause Fifth above shall be applied to satisfy drawings under such Letters of Credit as they occur. If any amount remains on deposit as Cash Collateral after all Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to the other Obligations, if any, in the order set forth above and, if no Obligations remain outstanding, to the Borrower.

ARTICLE IX

Administrative Agent

Section 9.01 Appointment and Authority. Each of the Lenders and the L/C Issuer hereby irrevocably appoints PNC Bank, National Association to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent, the Lenders and the L/C Issuer, and neither the Borrower nor any other Loan Party shall have rights as a third-party beneficiary of any of such provisions. It is understood and agreed that the use of the term “agent” herein or in any other Loan Documents (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead such term is used as a matter of market custom and is intended to create or reflect only an administrative relationship between contracting parties.

Section 9.02 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for, and generally engage in any kind of business with, the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

Section 9.03 Exculpatory Provisions.

(a) The Administrative Agent shall not have any duties or obligations except those expressly specified herein and in the other Loan Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or Event of Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents); provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law; and

(iii) shall not, except as expressly specified herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 8.02 and 10.01), or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment. The Administrative Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until notice describing such Default or Event of Default is given to the Administrative Agent in writing by the Borrower, a Lender or an L/C Issuer.

(c) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions specified herein or therein or the occurrence of any Default or Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition specified in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

Section 9.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance, extension, renewal or increase of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the L/C Issuer, the Administrative Agent may presume that such condition is satisfactory to such Lender or L/C Issuer unless the Administrative Agent shall have received notice to the contrary from such Lender or the L/C Issuer prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 9.05 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub agents appointed by the Administrative Agent. The Administrative Agent and any such sub agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub agent and

to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the Facilities as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and nonappealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

Section 9.06 Resignation of Administrative Agent.

(a) The Administrative Agent may upon thirty (30) days' prior notice give notice of its resignation to the Lenders, the L/C Issuer and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower (so long as no Event of Default pursuant to Sections 8.01(a), 8.01(f) or 8.01(g) has occurred and is continuing), to appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the "Resignation Effective Date"), then the retiring Administrative Agent may (but shall not be obligated to), on behalf of the Lenders and the L/C Issuer, appoint a successor Administrative Agent meeting the qualifications specified above; provided that in no event shall any such successor Administrative Agent be a Defaulting Lender. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as Administrative Agent is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Required Lenders may, to the extent permitted by applicable law, by notice in writing to the Borrower and such Person remove such Person as Administrative Agent and, in consultation with the Borrower, appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the Required Lenders) (the "Removal Effective Date"), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable) (i) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the L/C Issuer under any of the Loan Documents, the retiring or removed Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (ii) except for any indemnity payments owed to the retiring or removed Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and L/C Issuer directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring or removed Administrative Agent (other than any rights to indemnity payments owed to the retiring or removed Administrative Agent), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring or removed Administrative Agent's resignation or removal hereunder and under the other Loan Documents, the provisions of this Article IX and Sections 10.04 and 10.05 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent was acting as Administrative Agent.

Section 9.07 Non-Reliance on Administrative Agent and Other Lenders. Each Lender and the L/C Issuer acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and L/C Issuer also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Section 9.08 No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the bookrunners or arrangers listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or an L/C Issuer hereunder.

Section 9.09 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the L/C Issuer and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the L/C Issuer and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders, the L/C Issuer and the Administrative Agent under Sections 2.03(g), 2.04(e), 2.09, 10.04 and 10.05) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and the L/C Issuer to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders and the L/C Issuer, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.09, 10.04 and 10.05.

Section 9.10 Collateral and Guaranty Matters.

(a) Each of the Secured Parties irrevocably agrees:

(i) that any Lien on any property granted to or held by the Administrative Agent or the Collateral Agent under any Loan Document shall be automatically released (v) upon termination of the Aggregate Commitments and payment in full of all Obligations (other than (I) Obligations in respect of any Secured Hedge Agreements not yet due and payable, (II) Cash Management Obligations not yet due and payable and (III) contingent indemnification obligations and other contingent obligations not yet accrued and payable) and the expiration or termination of all Letters of Credit (other than Letters of Credit that have been Cash Collateralized or back-stopped to the reasonable satisfaction of the applicable L/C Issuer), (w) at the time the property subject to such Lien is transferred, sold or otherwise disposed of in a transaction permitted under the Loan Documents, (x) subject to Section 10.01, if approved, authorized or ratified in writing by the Required Lenders, (y) if the property subject to such Lien is owned by a Guarantor, upon release of such Guarantor from its obligations under its Guaranty pursuant to clause (iii) below or (z) if the property subject to such Lien becomes Excluded Property as a result of a transaction permitted under the Loan Documents;

(ii) the Administrative Agent is authorized to release or to subordinate any Lien on any property granted to or held by the Administrative Agent or the Collateral Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 7.01(i); and

(iii) that any Subsidiary Guarantor shall be automatically released from its obligations under the Guaranty, and any Liens granted by such Subsidiary Guarantor or Liens on the Equity Interests of such Subsidiary Guarantor (to the extent such Equity Interests have become Excluded Property or are being transferred to a Person that is not a Loan Party) shall be automatically released, if such Person becomes an Excluded Subsidiary or ceases to be a Subsidiary as a result of a transaction permitted under the Loan Documents; provided that the release of any Subsidiary Guarantor from its obligations under this Agreement if such Subsidiary Guarantor becomes an Excluded Subsidiary of the type described in clause (h) of the definition thereof shall only be permitted if, at the time such Subsidiary Guarantor becomes an Excluded Subsidiary of such type, (1) no Event of Default shall have occurred and be outstanding or would result therefrom, (2) after giving effect to such release and the consummation of the transaction that causes such Person to be an Excluded Subsidiary of such type, the Borrower is deemed to have made a new Investment in such Person for purposes of Section 7.02 (as if such Person were then newly acquired) and such Investment is permitted pursuant to Section 7.02 at such time (it being understood and agreed that such Investment shall be deemed to be an Investment in the entire fair market value of the Subsidiary subject to such release, and not in the portion of the Equity Interests subject to such disposition), (3) such Subsidiary becomes a bona fide joint venture where the other Person taking Equity Interest in such Subsidiary is not an Affiliate of any Permitted Holder or any Loan Party, and the primary purpose of such transaction is not the release of any guarantee or Lien, and (4) a Responsible Officer of the Borrower certifies to the Administrative Agent compliance with preceding clauses (1) and (3).

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guaranty pursuant to this Section 9.10. In each case as specified in this Section 9.10, the Administrative Agent will promptly (and each Lender irrevocably authorizes the Administrative Agent to), at the Borrower's expense, execute and deliver to the applicable Loan Party such documents as such Loan Party may

reasonably request to evidence the release or subordination of such item of Collateral from the assignment and security interest granted under the Collateral Documents, or to evidence the release of such Guarantor from its obligations under the Guaranty, in each case in accordance with the terms of the Loan Documents and this Section 9.10. Prior to releasing or subordinating its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guaranty pursuant to this Section 9.10, the Administrative Agent and/or the Collateral Agent shall be entitled to receive a certificate of a Responsible Officer of the Borrower stating that such actions are permitted under this Agreement. Neither the Administrative Agent nor the Collateral Agent shall be liable for any such release undertaken in reliance upon any such certificate of a Responsible Officer of the Borrower.

(b) The Administrative Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Administrative Agent's Lien thereon, or any certificate prepared by any Loan Party in connection therewith, nor shall the Administrative Agent be responsible or liable to the Lenders for any failure to monitor or maintain any portion of the Collateral.

Section 9.11 No Reliance on Administrative Agent's Customer Identification Program. Each Lender acknowledges and agrees that neither such Lender, nor any of its Affiliates, participants or assignees, may rely on the Administrative Agent to carry out such Lender's, Affiliate's, participant's or assignee's customer identification program, or other obligations required or imposed under or pursuant to the USA PATRIOT Act or the regulations thereunder, including the regulations contained in 31 CFR 103.121 (as hereafter amended or replaced, the "CIP Regulations"), or any other Anti-Terrorism Law or any Anti-Corruption Law, including any programs involving any of the following items relating to or in connection with any of the Loan Parties, their Affiliates or their agents, the Loan Documents or the transactions hereunder or contemplated hereby: (i) any identity verification procedures, (ii) any recordkeeping, (iii) comparisons with government lists, (iv) customer notices or (v) other procedures required under the CIP Regulations or such other Laws.

Section 9.12 Secured Hedge Agreements and Cash Management Obligations. Except as otherwise expressly specified herein, no Cash Management Bank or Hedge Bank that obtains the benefits of Section 8.04, the Guaranty or any Collateral by virtue of the provisions hereof or of the Guaranty or any Loan Document shall have any right to notice of any action or to consent to, direct or object to any action hereunder or under any other Loan Document or otherwise in respect of the Collateral (including the release or impairment of any Collateral) other than in its capacity as a Lender and, in such case, only to the extent expressly provided in the Loan Documents. Notwithstanding any other provision of this Article IX to the contrary, the Administrative Agent shall not be required to verify the payment of, or that other satisfactory arrangements have been made with respect to, Obligations arising under Secured Hedge Agreements or Cash Management Obligations unless the Administrative Agent has received written notice of such Obligations, together with such supporting documentation as the Administrative Agent may request, from the applicable Cash Management Bank or Hedge Bank, as the case may be.

Section 9.13 ERISA Matters.

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, Administrative Agent and the Lead Arranger and their respective Affiliates, and for the benefit of Borrower or any other Loan Party, that at least one of the following is and will be true:

(i) such Lender is not using “plan assets” (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of one or more Plans in connection with the Loans or the Commitments,

(ii) the transaction exemption set forth in one or more Prohibited Transaction Exemptions (“PTEs”), such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable, and the conditions of such exemption have been satisfied, with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement,

(iii) (A) such Lender is an investment fund managed by a “Qualified Professional Asset Manager” (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, such Lender and the Borrower; provided that the Borrower shall not unreasonably withhold its consent.

(b) In addition, unless sub-clause (i) in the immediately preceding Section 9.13(a) is true with respect to a Lender or such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding Section 9.13(a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Lead Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of Borrower, that:

(i) none of the Administrative Agent or the Lead Arranger or any of their respective Affiliates is a fiduciary with respect to the assets of such Lender (including in connection with the reservation or exercise of any rights by Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto),

(ii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies (including in respect of the Loans),

(iii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement is a fiduciary under ERISA or the Code, or both, with respect to the Loans, the Commitments and this Agreement and is responsible for exercising independent judgment in evaluating the transactions hereunder, and

(iv) no fee or other compensation is being paid directly to the Administrative Agent or Lead Arrangers or any their respective Affiliates for investment advice (as opposed to other services) in connection with the Loans, the Commitments or this Agreement.

The Administrative Agent and the Lead Arranger hereby inform the Lenders that each such Person is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Loans, the Commitments and this Agreement, (ii) may recognize a gain if it extended the Loans, or the Commitments for an amount less than the amount being paid for an interest in the Loans or the Commitments by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing.

Section 9.14 Withholding Tax. To the extent required by any applicable Law, the Administrative Agent may deduct or withhold from any payment to any Lender under any Loan Document an amount equivalent to any applicable withholding Tax. If the Internal Revenue Service or any other Governmental Authority asserts a claim that the Administrative Agent did not properly withhold Tax from amounts paid to or for the account of any Lender for any reason (including because the appropriate form was not delivered or was not properly executed or because such Lender failed to notify the Administrative Agent of a change in circumstance that rendered the exemption from, or reduction of, withholding Tax ineffective), such Lender shall indemnify and hold harmless the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as Tax or otherwise, and shall make payable in respect thereof within ten (10) days after demand therefore including any penalties, additions to Tax or interest and together with all expenses (including legal expenses, allocated internal costs and out-of-pocket expenses) incurred, whether or not such Tax was correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under this Agreement or any other Loan Document against any amount due the Administrative Agent under this Section 9.14. The agreements in this Section 9.14 shall survive the resignation and/or replacement of the Administrative Agent, any assignment of rights by, or the replacement of, a Lender, the termination of this Agreement and the repayment, satisfaction or discharge of all other obligations. For the avoidance of doubt, (1) the term "Lender" shall, for purposes of this Section 9.14, include any L/C Issuer and any Swing Line Lender and "applicable Law" includes FATCA and (2) this Section 9.14 shall not limit or expand the obligations of the Borrower or any Guarantor under Section 3.01 or any other provision of this Agreement.

Section 9.15 Erroneous Payments.

(a) If the Administrative Agent notifies a Lender, L/C Issuer or Secured Party, or any Person who has received funds on behalf of a Lender, L/C Issuer or Secured Party such Lender or L/C Issuer (any such Lender, L/C Issuer, Secured Party or other recipient other than a Loan Party, a "Payment Recipient") that the Administrative Agent has determined in its sole discretion (whether or not after receipt of any notice under immediately succeeding clause (b)) that any funds received by such Payment Recipient from the Administrative Agent or any of its Affiliates were erroneously transmitted to, or otherwise erroneously or mistakenly received by, such Payment Recipient (whether or not known to such Lender, L/C Issuer, Secured Party or other Payment Recipient on its behalf) (any such funds, whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise, individually and collectively, an "Erroneous Payment") and demands the return of such Erroneous Payment (or a portion thereof), such Erroneous Payment shall at all times remain the property of the Administrative Agent and shall be segregated by the Payment Recipient and held in trust for the benefit of the Administrative Agent, and such Lender, L/C Issuer or Secured Party shall (or, with respect to any Payment Recipient who received such funds on its behalf, shall cause such Payment Recipient to) promptly, but in no event later than two Business Days thereafter, return to the Administrative Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made, in same day funds (in the currency so received), together with interest thereon in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Payment Recipient to the date such amount is repaid to the Administrative Agent in same day funds at the greater of the Overnight Bank Funding Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect. A notice of the Administrative Agent to any Payment Recipient under this clause (a) shall be conclusive, absent manifest error.

(b) Without limiting immediately preceding clause (a), each Payment Recipient hereby further agrees that if it receives a payment, prepayment or repayment (whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise) from the Administrative Agent (or any of its Affiliates) (x) that is in a different amount than, or on a different date from, that specified in a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates) with respect to such payment, prepayment or repayment, (y) that was not preceded or accompanied by a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates), or (z) that such Payment Recipient otherwise becomes aware was transmitted, or received, in error or by mistake (in whole or in part) in each case:

(i) (A) in the case of immediately preceding clauses (x) or (y), an error shall be presumed to have been made (absent written confirmation from the Administrative Agent to the contrary) or (B) an error has been made (in the case of immediately preceding clause (z)), in each case, with respect to such payment, prepayment or repayment; and

(ii) such Payment Recipient shall (and shall cause any other recipient that receives funds on its respective behalf to) promptly (and, in all events, within one Business Day of its knowledge of such error) notify the Administrative Agent of its receipt of such payment, prepayment or repayment, the details thereof (in reasonable detail) and that it is so notifying the Administrative Agent pursuant to this Section 9.15(b).

(c) Each Lender, L/C Issuer or Secured Party hereby authorizes the Administrative Agent to set off, net and apply any and all amounts at any time owing to such Lender, L/C Issuer or Secured Party under any Loan Document, or otherwise payable or distributable by the Administrative Agent to such Lender, L/C Issuer or Secured Party from any source, against any amount due to the Administrative Agent under immediately preceding clause (a) or under the indemnification provisions of this Agreement.

(d) In the event that an Erroneous Payment (or portion thereof) is not recovered by the Administrative Agent for any reason, after demand therefor by the Administrative Agent in accordance with immediately preceding clause (a), from any Lender or L/C Issuer that has received such Erroneous Payment (or portion thereof) (and/or from any Payment Recipient who received such Erroneous Payment (or portion thereof) on its respective behalf) (such unrecovered amount, an “Erroneous Payment Return Deficiency”), upon the Administrative Agent’s notice to such Lender or L/C Issuer at any time, (i) such Lender or L/C Issuer shall be deemed to have assigned its Loans (but not its Commitments) of the relevant Class with respect to which such Erroneous Payment was made (the “Erroneous Payment Impacted Class”) in an amount equal to the Erroneous Payment Return Deficiency (or such lesser amount as the Administrative Agent may specify) (such assignment of the Loans (but not Commitments) of the Erroneous Payment Impacted Class, the “Erroneous Payment Deficiency Assignment”) at par plus any accrued and unpaid interest (with the assignment fee to be waived by the Administrative Agent in such instance), and is hereby (together with the Borrower) deemed to execute and deliver an Assignment and Assumption (or, to the extent applicable, an agreement incorporating an Assignment and Assumption by reference pursuant to a Platform as to which the Administrative Agent and such parties are participants) with respect to such Erroneous Payment Deficiency Assignment, and such Lender or L/C Issuer shall deliver any Notes evidencing such Loans to the Borrower or the Administrative Agent, (ii) the Administrative Agent as the assignee Lender shall be deemed to acquire the Erroneous Payment Deficiency Assignment, (iii) upon such deemed acquisition, the Administrative Agent as the assignee Lender shall become a Lender or L/C Issuer, as applicable, hereunder with respect to such Erroneous Payment Deficiency Assignment and the assigning Lender or assigning L/C Issuer shall cease to be a Lender or L/C Issuer, as applicable, hereunder with respect to such Erroneous Payment Deficiency Assignment, excluding, for the avoidance of doubt, its obligations under the indemnification provisions of this Agreement and its applicable Commitments which shall survive as to such assigning Lender or assigning L/C Issuer and (iv) the Administrative Agent may reflect in the Register its ownership interest in the Loans subject to the Erroneous Payment Deficiency Assignment. The Administrative Agent may, in its discretion, sell any Loans acquired pursuant to an Erroneous Payment Deficiency Assignment and upon receipt of the proceeds of such sale, the Erroneous Payment Return Deficiency owing by the applicable Lender or L/C Issuer shall be reduced by the net proceeds of the sale of such Loan (or portion thereof), and the Administrative Agent shall retain all other rights, remedies and claims against such Lender or L/C Issuer (and/or against any recipient that receives funds on its respective behalf). For the avoidance of doubt, no Erroneous Payment Deficiency Assignment will reduce the Commitments of any Lender or L/C Issuer and such Commitments shall remain available in accordance with the terms of this Agreement. In addition, each party hereto agrees that, except to the extent that the Administrative Agent has sold a Loan (or portion thereof) acquired pursuant to an Erroneous Payment Deficiency Assignment, and irrespective of whether the Administrative Agent may be equitably subrogated, the Administrative Agent shall be contractually subrogated to all the rights and interests of the applicable Lender, L/C Issuer or Secured Party under the Loan Documents with respect to each Erroneous Payment Return Deficiency (the “Erroneous Payment Subrogation Rights”).

(e) The parties hereto agree that an Erroneous Payment shall not pay, prepay, repay, discharge or otherwise satisfy any Obligations owed by the Borrower or any other Loan Party, except, in each case, to the extent such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by the Administrative Agent from the Borrower or any other Loan Party for the purpose of making such Erroneous Payment.

(f) To the extent permitted by applicable law, no Payment Recipient shall assert any right or claim to an Erroneous Payment, and hereby waives, and is deemed to waive, any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Administrative Agent for the return of any Erroneous Payment received, including without limitation waiver of any defense based on “discharge for value” or any similar doctrine.

(g) Each party’s obligations, agreements and waivers under this Section 9.15 shall survive the resignation or replacement of the Administrative Agent, any transfer of rights or obligations by, or the replacement of, a Lender or L/C Issuer, the termination of the Commitments and/or the repayment, satisfaction or discharge of all Obligations (or any portion thereof) under any Loan Document.

ARTICLE X

Miscellaneous

Section 10.01 Amendments, Etc. Except as otherwise set forth in this Agreement, no amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower or any other Loan Party therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrower or the applicable Loan Party and acknowledged by the Administrative Agent (provided that failure by the Administrative Agent to acknowledge any amendment, waiver or consent shall not impact the effectiveness of any such amendment, waiver or consent), as the case may be, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that no such amendment, waiver or consent shall:

(a) extend or increase the Commitment of any Lender without the written consent of each Lender directly and adversely affected thereby (it being understood that a waiver of any condition precedent set forth in Section 4.02 or the waiver of any Default, mandatory prepayment or mandatory reduction of the Commitments shall not constitute an extension or increase of any Commitment of any Lender);

(b) postpone any date scheduled for, or reduce the amount of, any payment of principal or interest under Section 2.07 or Section 2.08, fees or other amounts without the written consent of each Lender directly and adversely affected thereby;

(c) reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or (subject to clause (iii) of the second proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly and adversely affected thereby, it being understood that any change to the definition of Total Leverage Ratio or in the component definitions thereof shall not constitute a reduction in the rate of interest or fees; provided that only the consent of the Required Lenders shall be necessary to amend the definition of “Default Rate” or to waive any obligation of the Borrower to pay interest at the Default Rate;

(d) change any provision of this Section 10.01 or Section 8.04 that would alter the pro rata sharing of payments without the written consent of each Lender directly and adversely affected thereby;

(e) release all or substantially all of the Collateral in any transaction or series of related transactions, without the written consent of each Lender; provided that any transaction permitted under Section 7.04 or Section 7.05 shall not be subject to this clause (e) to the extent such transaction does not result in the release of all or substantially all of the Collateral;

(f) release all or substantially all of the value of the Guarantees in any transaction or series of related transactions, without the written consent of each Lender; provided that any transaction permitted under Section 7.04 or Section 7.05 shall not be subject to this clause (f) to the extent such transaction does not result in the release of all or substantially all of the Guarantees; and

(g) change the definition of "Required Lenders" without the written consent of each applicable Lender.

and provided, further, that (i) no amendment, waiver or consent shall, unless in writing and signed by each L/C Issuer in addition to the Lenders required above, change any provision of Section 1.11 or affect the rights or duties of an L/C Issuer under this Agreement or any Letter of Credit Application relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Lender in addition to the Lenders required above, affect the rights or duties of the Swing Line Lender under this Agreement; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of, or any fees or other amounts payable to, the Administrative Agent under this Agreement or any other Loan Document; (iv) Section 10.07(h) may not be amended, waived or otherwise modified without the consent of each Granting Lender all or any part of whose Loans are being funded by an SPC at the time of such amendment, waiver or other modification; and (v) (A) any amendment or waiver that by its terms affects the rights or duties of Lenders holding Loans or Commitments of a particular Class (but not the Lenders holding Loans or Commitments of any other Class) will require only the requisite percentage in interest of the affected Class of Lenders that would be required to consent thereto if such Class of Lenders were the only Class of Lenders and (B) in determining whether the requisite percentage of Lenders have consented to any amendment, modification, waiver or other action, any Defaulting Lenders shall be deemed to have voted in the same proportion as those Lenders who are not Defaulting Lenders, except with respect to (x) any amendment, waiver or other action which by its terms requires the consent of all Lenders or each affected Lender and (y) any amendment, waiver or other action that by its terms adversely affects any Defaulting Lender in its capacity as a Lender in a manner that differs in any material respect from other affected Lenders, in which case the consent of such Defaulting Lender shall be required. Notwithstanding the foregoing, this Agreement may be amended (or amended and restated) with the written consent of the Required Lenders, and the Borrower and the Administrative Agent (a) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Documents with the Revolving Credit Loans, if any, and the accrued interest and fees in respect thereof and (b) to include appropriately the Lenders holding such credit facilities in any determination of the Required Lenders.

Notwithstanding anything to the contrary contained in this Section 10.01, any guarantees, collateral security documents and related documents executed by Subsidiaries in connection with this Agreement may be in a form reasonably determined by the Administrative Agent and may be, together with this Agreement, amended, supplemented and waived with the consent of the Administrative Agent at the request of the Borrower without the need to obtain the consent of any Lender if such amendment, supplement or waiver is delivered in order (i) to comply with local Law or advice of local counsel, (ii) to cure ambiguities, omissions, mistakes or defects or (iii) to cause such guarantee, collateral security document or other document to be consistent with this Agreement and the other Loan Documents. Furthermore, with the consent of the Administrative Agent at the request of the Borrower (without the need to obtain any consent of any Lender), any Loan Document may be amended to cure ambiguities, inconsistencies, omissions, mistakes or defects.

Notwithstanding anything in this Section 10.01 to the contrary, (a) technical and conforming modifications to the Loan Documents may be made with the consent of the Borrower and the Administrative Agent to the extent necessary (i) to integrate any Incremental Facilities or Extended Revolving Credit Commitments, (ii) to integrate or make administrative modifications with respect to borrowings and issuances of Letters of Credit, (iii) to integrate and terms or conditions from any Incremental Facility Amendment that are more restrictive than this Agreement in accordance with Section 2.14(d), (iv) to make any amendments permitted by Section 1.03 and to give effect to any election to adopt IFRS and (b) without the consent of any Lender or L/C Issuer, the Loan Parties and the Administrative Agent or any collateral agent may (in their respective sole discretion, or shall, to the extent required by any Loan Document) enter into (x) any amendment, modification or waiver of any Loan Document, or enter into any new agreement or instrument, to effect the granting, perfection, protection, expansion or enhancement of any security interest in any Collateral or additional property to become Collateral for the benefit of the Secured Parties or as required by local Law to give effect to, or protect any security interest for benefit of the Secured Parties, in any property or so that the security interests therein comply with applicable law or this Agreement or in each case to otherwise enhance the rights or benefits of any Lender under any Loan Document or (y) any Acceptable Intercreditor Agreement pursuant to the terms thereof, in each case with the holders of Indebtedness permitted by this Agreement to be secured by the Collateral. Without limitation of the foregoing, the Borrower may, without the consent of any Lenders but with the consent of the Administrative Agent, modify any provision hereunder or under any other Loan Document in a manner, as determined by the Administrative Agent in its sole discretion, more favorable to the then-existing Lenders or Class or Classes of Lenders; provided that the Administrative Agent will have at least five Business Days (or such shorter period to which the Administrative Agent may consent in its reasonable discretion) after written notice from the Borrower to provide such consent and may, in its sole discretion, provide written notice to the Lenders regarding any such proposed amendment.

Section 10.02 Notices and Other Communications; Facsimile Copies.

(a) General. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder or under any other Loan Document shall be in writing (including by facsimile transmission or electronic mail). All such written notices shall be mailed, faxed or delivered to the applicable address, facsimile number or electronic mail address, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower, the Administrative Agent or an L/C Issuer or the Swing Line Lender, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule 10.02 or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the other parties; and

(ii) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a written notice to the Borrower, the Administrative Agent, any L/C Issuer and any Swing Line Lender.

All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the relevant party hereto and (ii) (A) if delivered by hand or by courier, when signed for by or on behalf of the relevant party hereto; (B) if delivered by mail, four (4) Business Days after deposit in the mails, postage prepaid; (C) if delivered by facsimile, when sent and receipt has been confirmed by telephone; and (D) if delivered by electronic mail (which form of delivery is subject to the provisions of Section 10.02(b)), when delivered; provided that notices and other communications to the Administrative Agent, any L/C Issuer and any Swing Line Lender pursuant to Article II shall not be effective until actually received by such Person during the person's normal business hours. In no event shall a voice mail message be effective as a notice, communication or confirmation hereunder.

(b) Electronic Communications. Notices and other communications to the Lenders and the L/C Issuers hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender or any L/C Issuer pursuant to Article II if such Lender or such L/C Issuer, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in their discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Platform. THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent, Lead Arranger or any of their respective Agent-Related Persons (collectively, the "Agent Parties") have any liability to the Loan Parties, any Lender, any L/C Issuer or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of the Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to any Loan Party, any Lender, any L/C Issuer or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Change of Address, Etc. Each of Holdings, the Borrower, the Administrative Agent, any L/C Issuer and any Swing Line Lender may change its address, electronic mail address or telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, electronic mail address or facsimile or telephone number for notices and other communications hereunder by notice to the Borrower, the Administrative Agent, any L/C Issuer and any Swing Line Lender. In addition, each Lender agrees to notify the Administrative Agents from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the "Private Side Information" or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender's compliance procedures and applicable Law, including United States Federal and state securities Laws, to make reference to Borrower Materials that are not made available through the "Public Side Information" portion of the Platform and that may contain material non-public information with respect to the Borrower or its securities for purposes of United States Federal or state securities laws.

(e) Reliance by Agents and Lenders. The Administrative Agent, the L/C Issuer and the Lenders shall be entitled to rely and act upon any notices (including telephonic Committed Loan Notices and Swing Line Loan Notices) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify each Agent-Related Person and each L/C Issuer and Lender from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower in the absence of gross negligence or willful misconduct. All telephonic notices to the Administrative Agent may be recorded by the Administrative Agent or the L/C Issuer, as applicable, and each of the parties hereto hereby consents to such recording.

(f) Notice to other Loan Parties. The Borrower agrees that notices to be given to any other Loan Party under this Agreement or any other Loan Document may be given to the Borrower in accordance with the provisions of this Section 10.02 with the same effect as if given to such other Loan Party in accordance with the terms hereunder or thereunder.

(g) Communications. Each Loan Party hereby agrees that it will provide to the Administrative Agent all information, documents and other materials that it is obligated to furnish to the Administrative Agent pursuant to this Agreement and any other Loan Document, including all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication (unless otherwise approved in writing by the Administrative Agent) that (i) relates to a request for a new, or a conversion of an existing, Borrowing or other extension of credit (including any election of an interest rate or interest period relating thereto), (ii) relates to the payment of any principal or other amount due under this Agreement prior to the scheduled date therefor, (iii) [reserved], (iv) provides notice of any Default under this Agreement or (v) is required to be delivered to satisfy any condition precedent to the effectiveness of this Agreement and/or any borrowing or other extension of credit hereunder (all such non excluded communications, collectively, the "Specified Communications"; and all such excluded and non-excluded communications, the "Communications"), by transmitting the Specified Communications in an electronic/soft medium in a format reasonably acceptable to the Administrative Agent at such e-mail address(es) provided to the Borrower from time to time or in such other form, including hard copy delivery thereof, as the Administrative Agent shall require.

In addition, each Loan Party agrees to continue to provide the Specified Communications to the Administrative Agent in the manner specified in this Agreement or any other Loan Document or in such other form, including hard copy delivery thereof, as the Administrative Agent shall reasonably request. Nothing in this Section 10.02 shall prejudice the right of the Agents, any Lender or any Loan Party to give any notice or other communication pursuant to this Agreement or any other Loan Document in any other manner specified in this Agreement or any other Loan Document or as any such Agent shall require.

Section 10.03 No Waiver; Cumulative Remedies. No failure by any Lender, the L/C Issuer or the Administrative Agent or Collateral Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided, and provided under each other Loan Document, are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Law.

Section 10.04 Attorney Costs and Expenses. The Borrower agrees (a) to pay or reimburse the Administrative Agent and the Lead Arrangers for all reasonable and documented or invoiced out-of-pocket costs and expenses associated with the syndication of the Commitments and the preparation, execution and delivery, administration, amendment, modification, waiver, notarization and/or enforcement of this Agreement and the other Loan Documents, and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated thereby are consummated), including all Attorney Costs of Latham & Watkins LLP (and any other counsel retained with the Borrower's consent (such consent not to be unreasonably withheld or delayed)) and one local and foreign counsel in each relevant jurisdiction, and (b) to pay or reimburse the Administrative Agent, the Lead Arranger, the L/C Issuer and each Lender for all reasonable and documented out-of-pocket costs and expenses incurred in connection with the enforcement of any rights or remedies under this Agreement or the other Loan Documents (including all costs and expenses incurred in connection with any workout or restructuring in respect of the Loans, all such costs and expenses incurred during any legal proceeding, including any proceeding under any Debtor Relief Law, and including all Attorney Costs of counsel to the Administrative Agent). The foregoing costs and expenses shall include all reasonable search, filing, recording and title insurance charges and fees related thereto, and other reasonable and documented out-of-pocket expenses incurred by any Agent. The agreements in this Section 10.04 shall survive the termination of the Aggregate Commitments and repayment of all other Obligations. All amounts due under this Section 10.04 shall be paid within ten (10) Business Days of receipt by the Borrower of an invoice relating thereto setting forth such expenses in reasonable detail. If any Loan Party fails to pay when due any costs, expenses or other amounts payable by it hereunder or under any Loan Document, such amount may be paid on behalf of such Loan Party by the Administrative Agent in its sole discretion.

Section 10.05 Indemnification by the Borrower. Whether or not the transactions contemplated hereby are consummated, the Borrower shall indemnify and hold harmless each Agent-Related Person, each Lender, each L/C Issuer, each Lead Arranger and their respective Affiliates and their and their Affiliates' respective partners, directors, officers, employees, counsel, agents, advisors, managers, members and other representatives (collectively, the "Indemnitees") from and against any and all losses, liabilities, damages, claims, and reasonable and documented or invoiced out-of-pocket fees and expenses (including reasonable Attorney Costs of one counsel for all Indemnitees and, if necessary, one firm of local counsel in each appropriate jurisdiction (which may include a single special counsel acting in multiple jurisdictions) for all Indemnitees (and, in the case of an actual or perceived conflict of interest, where the Indemnitee affected by such conflict informs the Borrower of such conflict and thereafter retains its own counsel, of another firm of counsel for such affected Indemnitee)) of any such Indemnitee arising out of or

relating to any claim or any litigation or other proceeding (regardless of whether such Indemnitee is a party thereto and whether or not such proceedings are brought by the Borrower, its equity holders, its Affiliates, creditors or any other third person) that relates to the Transactions, including the financing contemplated hereby, of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (b) any Commitment, Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by an L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), or (c) any actual or alleged presence or Release or threat of Release of Hazardous Materials on, at, under or from any property currently or formerly owned, leased or operated by the Borrower, any other Loan Party or any of their respective Subsidiaries, or any Environmental Liability related in any way to the Borrower, any other Loan Party or any of their respective Subsidiaries, or (d) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) (all the foregoing, collectively, the “Indemnified Liabilities”), in all cases, whether or not caused by or arising, in whole or in part, out of the negligence of the Indemnitee; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses or disbursements resulted from (w) the gross negligence, bad faith or willful misconduct of such Indemnitee or of any of its controlled Affiliates or controlling Persons or any of the partners, officers, directors, employees, agents, advisors, managers or members of any of the foregoing, in each case who are involved in or aware of the Transactions (as determined by a court of competent jurisdiction in a final and non-appealable decision), (x) a material breach of the Loan Documents by such Indemnitee or one of its Affiliates (as determined by a court of competent jurisdiction in a final and non-appealable decision), (y) disputes solely between and among such Indemnitees to the extent such disputes do not arise from any act or omission of the Borrower or any of its Affiliates (other than with respect to a claim against an Indemnitee acting in its capacity as an Agent or Lead Arranger or similar role under the Loan Documents unless such claim arose from the gross negligence, bad faith or willful misconduct of such Indemnitee (as determined by a court of competent jurisdiction in a final and non-appealable decision)) or, (z) in the case of a proceeding initiated by the Borrower or one of its Affiliates against an Indemnitee, a material breach of the obligations of such Indemnitee or any of such Indemnitee’s Affiliates or of any of its or their respective officers, directors, employees, agents, advisors or other representatives of any of the foregoing under this Agreement (as determined by a court of competent jurisdiction in a final and non-appealable decision). No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through IntraLinks or other similar information transmission systems in connection with this Agreement, nor shall any Indemnitee or any Loan Party have any liability for any special, punitive, indirect or consequential damages relating to this Agreement or any other Loan Document or arising out of its activities in connection herewith or therewith (whether before or after the Closing Date); provided that the foregoing shall not limit any Loan Party’s indemnification obligations hereunder. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 10.05 applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by any Loan Party, its directors, managers, partners, stockholders or creditors or an Indemnitee or any other Person, whether or not any Indemnitee is otherwise a party thereto and whether or not any of the transactions contemplated hereunder or under any of the other Loan Documents is consummated. All amounts due under this Section 10.05 shall be paid within ten (10) Business Days after demand therefor; provided, however, if the Borrower has reimbursed any Indemnitee for any legal or other expenses in connection with any Indemnified Liabilities and there is a final non-appealable judgment of a court of competent jurisdiction that the Indemnitee was not entitled to indemnification or contribution with respect to such Indemnified Liabilities pursuant to the express terms of this Section 10.05, then the

Indemnitee shall promptly refund such expenses paid by the Borrower to the Indemnitee. The agreements in this Section 10.05 shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations. For the avoidance of doubt, this Section 10.05 shall not apply to Taxes other than Taxes that represent liabilities, obligations, losses, damages, etc., with respect to a non-Tax claim.

Section 10.06 Payments Set Aside. To the extent that any payment by or on behalf of the Borrower is made to any Agent or any Lender, or any Agent or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by such Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share of any amount so recovered from or repaid by any Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Effective Federal Funds Rate (or if the Effective Federal Funds Rate is not available, a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation).

Section 10.07 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except as otherwise provided herein (including without limitation as permitted under Section 7.04), neither Holdings nor any of its Subsidiaries may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee, (ii) by way of participation in accordance with the provisions of Section 10.07(e), (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 10.07(g) or (iv) to an SPC in accordance with the provisions of Section 10.07(h) (and any other attempted assignment or transfer by any party hereto (other than to any Disqualified Lender) shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 10.07(e) and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees (“Assignees”) all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this Section 10.07(b), participations in L/C Obligations and in Swing Line Loans) at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld or delayed) of:

(A) the Borrower; provided that, no consent of the Borrower shall be required for an assignment (1) of any Revolving Credit Loan or Revolving Credit Commitment to any Affiliate of the assigning Lender or any Approved Fund of the assigning Lender or (2) if a Specified Event of Default has occurred and is continuing, to any Assignee;

(B) the Administrative Agent; and

(C) in the case of any assignment of any of the Revolving Credit Facility other than to an Approved Fund of the assigning Lender, each L/C Issuer and each Swing Line Lender.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans of any Class, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$2,000,000 unless the Borrower and the Administrative Agent otherwise consent; provided that (1) no such consent of the Borrower shall be required if a Specified Event of Default has occurred and is continuing and (2) such amounts shall be aggregated in respect of each Lender and its Affiliates or Approved Funds, if any;

(B) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption;

(C) (1) the Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire and any documentation required by Section 3.01(f) and (2) the Assignee shall have delivered to the Administrative Agent all documentation and other information that the Administrative Agent reasonably requests in order to comply with its ongoing obligations under applicable "know your customer", and anti-money laundering rules and regulations, including the USA PATRIOT Act;

(D) the Assignee shall not be a natural person, or a Disqualified Lender (and such Assignee shall be required to represent that it is not a Disqualified Lender or an Affiliate of a Disqualified Lender that would constitute a Disqualified Lender but for the fact that it is not readily identifiable as such on the basis of its name); provided that whether a prospective assignee is a Disqualified Lender may be communicated to a Lender upon request but the list of Disqualified Lenders shall be available to any Lender upon request;

(E) the Assignee shall not be a Defaulting Lender;

(F) [reserved];

(G) [reserved]; and

(H) Holdings and its Subsidiaries may not purchase any Loans or Commitments.

This paragraph (b) shall not prohibit any Lender from assigning all or a portion of its rights and obligations among separate Facilities on a non-pro rata basis.

(c) Subject to acceptance and recording thereof by the Administrative Agent pursuant to Section 10.07(d) and receipt by the Administrative Agent from the parties to each assignment of a processing and recordation fee of \$3,500 (provided that (x) the Administrative Agent may, in its

sole discretion, elect to waive such processing and recordation fee in the case of any assignment and (y) such processing and recordation fee shall not be payable in the case of assignments by any Affiliate of the Lead Arranger), from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.01, 3.03, 3.04, 10.04 and 10.05 with respect to facts and circumstances occurring prior to the effective date of such assignment). Upon request, and the surrender by the assigning Lender of its Note (if any), the Borrower (at their expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this clause (c) shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 10.07(e). For greater certainty, any assignment by a Lender pursuant to this Section 10.07 shall not in any way constitute or be deemed to constitute a novation, discharge, recession, extinguishment or substitution of the existing Indebtedness and any Indebtedness so assigned shall continue to be the same obligation and not a new obligations.

(d) The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and related interest amounts) of the Loans, L/C Obligations (specifying the Unreimbursed Amounts), L/C Borrowings and amounts due under Section 2.04, owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, absent demonstrable error, and the Borrower, the Agents and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower any Agent and any Lender (with respect to its own interests only), at any reasonable time and from time to time upon reasonable prior notice.

(e) Any Lender may at any time, without the consent of, or notice to, the Borrower, any L/C Issuer or the Administrative Agent, sell participations to any Person (other than a natural person or, so long the list of Disqualified Lenders has been made available to all Lenders, a Disqualified Lender) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Loans) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Agents and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and the other Loan Documents and to approve any amendment, modification or waiver of any provision of this Agreement or the other Loan Documents; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in Section 10.01(a), (b), (c), (d), (e) or (f) that directly affects such Participant. Subject to Section 10.07(f), the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.03 and 3.04 (through the applicable Lender), subject to the

requirements and limitations of such Sections (including Section 3.01(f) and Sections 3.05 and 3.06, to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 10.07(b) (provided that any documentation required to be provided under Section 3.01(f) shall be provided solely to the participating Lender). To the extent permitted by applicable Law, each Participant also shall be entitled to the benefits of Section 10.09 as though it were a Lender; provided that such Participant agrees to be subject to Section 2.13 as though it were a Lender. Any Lender that sells participations shall maintain a register on which it enters the name and the address of each Participant and the principal amounts and related interest amounts of each Participant's participation interest in the Commitments and/or Loans (or other rights or obligations) held by it (the "Participant Register"). The entries in the Participant Register shall be conclusive, absent demonstrable error, and such Lender shall treat each person whose name is recorded in the Participant Register as the owner of such participation interest as the owner thereof for all purposes notwithstanding any notice to the contrary. In maintaining the Participant Register, such Lender shall be acting as the non-fiduciary agent of the Borrower solely for this purpose and undertakes no duty, responsibility or obligation to the Borrower (without limitation, in no event shall such Lender be a fiduciary of the Borrower for any purpose). No Lender shall have any obligation to disclose all or any portion of a Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, or its other obligations under this Agreement) except to the extent that such disclosure is necessary to establish that such commitment, loan, or other obligation is in registered form under Section 5f.103(c) of the United States Treasury Regulations or Section 1.163-5(b) of the Proposed United States Treasury Regulations (or, in each case, any amended or successor version).

(f) A Participant shall not be entitled to receive any greater payment under Section 3.01, 3.03 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent or except to the extent such entitlement to a greater payment results from a Change in Law after such Participant became a Participant.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(h) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower (an "SPC") the option to provide all or any part of any Loan that such Granting Lender would otherwise be obligated to make pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to fund any Loan and (ii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. Each party hereto hereby agrees that (i) an SPC shall be entitled to the benefit of Sections 3.01, 3.03 and 3.04, subject to the requirements and limitations of such Sections (including Section 3.01(e) and (f) and Sections 3.05 and 3.06), to the same extent as if such SPC were a Lender, but neither the grant to any SPC nor the exercise by any SPC of such option shall increase the costs or expenses or otherwise increase or change the obligations of the Borrower under this Agreement (including its obligations under Section 3.01, 3.03 or 3.04) except to the extent any entitlement to greater amounts results from a Change in Law after the grant to the

SPC occurred, (ii) no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Lender would be liable and such liability shall remain with the Granting Lender, and (iii) the Granting Lender shall for all purposes, including the approval of any amendment, waiver or other modification of any provision of any Loan Document, remain the lender of record hereunder. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Notwithstanding anything to the contrary contained herein, any SPC may (i) with notice to, but without prior consent of the Borrower and the Administrative Agent, assign all or any portion of its right to receive payment with respect to any Loan to the Granting Lender and (ii) disclose on a confidential basis any non-public information relating to its funding of Loans to any rating agency, commercial paper dealer or provider of any surety or Guarantee Obligation or credit or liquidity enhancement to such SPC.

(i) Notwithstanding anything to the contrary contained herein, (a) (1) any Lender may in accordance with applicable Law create a security interest in all or any portion of the Loans owing to it and the Note, if any, held by it and (2) any Lender that is a Fund may create a security interest in all or any portion of the Loans owing to it and the Note, if any, held by it to the trustee for holders of obligations owed, or securities issued, by such Fund as security for such obligations or securities; provided that unless and until such trustee actually becomes a Lender in compliance with the other provisions of this Section 10.07, (i) no such pledge shall release the pledging Lender from any of its obligations under the Loan Documents and (ii) such trustee shall not be entitled to exercise any of the rights of a Lender under the Loan Documents even though such trustee may have acquired ownership rights with respect to the pledged interest through foreclosure or otherwise and (b) any Lender may in accordance with applicable Law assign its rights to any Person in such Person's capacity as (I) trustee or custodian holding assets for the satisfaction of the obligations of any Lender (or any affiliate of any Lender) pursuant to a reinsurance arrangement or (II) as counterparty to a reinsurance arrangement with any Lender (or any affiliate of any Lender).

(j) Notwithstanding anything to the contrary contained herein, any L/C Issuer or any Swing Line Lender may, upon thirty (30) days' notice to the Borrower and the Lenders, resign as an L/C Issuer or as a Swing Line Lender, respectively; provided that on or prior to the expiration of such 30-day period with respect to such resignation, the relevant L/C Issuer or Swing Line Lender shall have identified, in consultation with the Borrower, a successor L/C Issuer willing to accept its appointment as successor L/C Issuer or Swing Line Lender, as applicable. In the event of any such resignation of an L/C Issuer or a Swing Line Lender, the Borrower shall be entitled to appoint from among the Lenders willing to accept such appointment a successor L/C Issuer or Swing Line Lender hereunder; provided that no failure by the Borrower to appoint any such successor shall affect the resignation of the relevant L/C Issuer. If an L/C Issuer resigns as an L/C Issuer, it shall retain all the rights and obligations of an L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as an L/C Issuer and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 2.03(c)). If the Swing Line Lender resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Loans or fund risk participations in outstanding Swing Line Loans pursuant to Section 2.04(c).

(k) No Agent-Related Person shall be responsible or have any liability for, or have any duty to ascertain, inquire into, monitor or enforce, compliance with the provisions hereof relating to Disqualified Lenders; further, without limiting the generality of the foregoing clause, no Agent-Related Person shall (x) be obligated to ascertain, monitor or inquire as to whether any Lender or Participant or prospective Lender or Participant is a Disqualified Lender or (y) have any liability with respect to or arising out of any assignment or participation of Loans, or disclosure of confidential information, to any Disqualified Lender.

Section 10.08 Confidentiality. Each of the Agents, Lead Arrangers and the Lenders agrees to maintain the confidentiality of the Information and to not use or disclose such information, except that Information may be disclosed (a) to its Affiliates and its and its Affiliates' partners, directors, officers, employees, managers, administrators, limited partners, trustees, investment advisors, professionals and other experts or agents, including accountants, legal counsel, CUSIP bureau, independent auditors and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent requested by any Governmental Authority, to any pledgee referred to in Section 10.07(g); (c) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process; (d) to any other party to this Agreement; (e) subject to an agreement containing provisions substantially the same as those of this Section 10.08 (or as may otherwise be reasonably acceptable to the Borrower), to any pledgee referred to in Section 10.07(i), actual or potential counterparty to a Swap Contract, Eligible Assignee of or Participant in, or any prospective Eligible Assignee of or Participant in, any of its rights or obligations under this Agreement; (f) with the written consent of the Borrower; (g) to the extent such Information becomes publicly available other than as a result of a breach of this Section 10.08; (h) to any Governmental Authority or examiner regulating any Lender; (i) to any rating agency when required by it (it being understood that, prior to any such disclosure, such rating agency shall undertake to preserve the confidentiality of any Information relating to the Loan Parties received by it from such Lender); (j) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder; (k) to the extent that such Information is received by such Lender or any of its Affiliates from a third party that is not, to such Lender's knowledge, subject to any contractual or fiduciary confidentiality obligations owing to the Borrower or any of their Affiliates; (l) to the extent that such Information is independently developed by such Lender or any of its Affiliates; (m) to the extent consisting of customary disclosure regarding portfolio holdings in any public filing by such Lender; (n) upon the request or demand of any Governmental Authority or other regulatory authority having jurisdiction over the Agent or Lenders, as applicable, including without limitation the National Association of Insurance Commissioners or its securities valuation officer (in which case the Agent or Lenders, as applicable, agree (except with respect to any audit or examination conducted by bank accountants or any regulatory authority exercising examination or regulatory authority), to the extent practicable and not prohibited by applicable law, rule or regulation, to inform the Borrower promptly thereof prior to disclosure); or (o) to current and potential investors and financing sources. In addition, the Agents and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry, and service providers to the Agents and the Lenders in connection with the administration and management of this Agreement, the other Loan Documents, the Commitments, and the Credit Extensions. For the purposes of this Section 10.08, "Information" means all information received from any Loan Party or its Affiliates or its Affiliates' directors, managers, officers, employees, trustees, investment advisors or agents, relating to Holdings, the Borrower or any of their respective Subsidiaries or their business, other than any such information that is available to any Agent or any Lender on a nonconfidential basis and other than information pertaining to this Agreement routinely provided by arrangers to data service providers, including league table providers, that serve the lending industry prior to disclosure by any Loan Party other than as a result of a breach of this Section 10.08, including, without limitation, information delivered pursuant to Section 6.01, 6.02 or 6.03 hereof.

Section 10.09 Setoff. In addition to any rights and remedies of the Lenders provided by Law, upon the occurrence and during the continuance of any Event of Default, each Agent and its Affiliates, each Lender and its Affiliates and each L/C Issuer and its Affiliates is authorized at any time and from time

to time, without prior notice to the Borrower or any other Loan Party, any such notice being waived by the Borrower (on their own behalf and on behalf of each Loan Party and its respective Subsidiaries) to the fullest extent permitted by applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other Indebtedness (in any currency) at any time owing by, such Agent and its Affiliates, such Lender and its Affiliates or such L/C Issuer and its Affiliates, as the case may be, to or for the credit or the account of the respective Loan Parties and their Subsidiaries against any and all Obligations owing to such Agent and its Affiliates, such Lender and its Affiliates or such L/C Issuer and its Affiliates hereunder or under any other Loan Document, now or hereafter existing, irrespective of whether or not such Agent, such Lender, such L/C Issuer or such Affiliate shall have made demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured or denominated in a currency different from that of the applicable deposit or Indebtedness. Notwithstanding anything to the contrary contained herein, none of each Agent and its Affiliates, each Lender and its Affiliates and each L/C Issuer and its Affiliates shall have a right to set off and apply any deposits held or other Indebtedness owing by such Agent or its Affiliates, such Lender or its Affiliates or such L/C Issuer or its Affiliates, as the case may be, to or for the credit or the account of any Subsidiary of a Loan Party that is a Foreign Subsidiary or a Domestic Foreign Holding Company and that is not itself a Loan Party. Each Lender and L/C Issuer agrees promptly to notify the Borrower and the Administrative Agent after any such set off and application made by such Lender or L/C Issuer, as the case may be; provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Agent, each Lender and each L/C Issuer under this Section 10.09 are in addition to other rights and remedies (including other rights of setoff) that such Agent, such Lender and such L/C Issuer may have.

Section 10.10 Counterparts. This Agreement and each other Loan Document may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery by telecopier or other electronic transmission of an executed counterpart of a signature page to this Agreement and each other Loan Document shall be effective as delivery of an original executed counterpart of this Agreement and such other Loan Document. The Agents may also require that any such documents and signatures delivered by telecopier or other electronic transmission be confirmed by a manually signed original thereof; provided that the failure to request or deliver the same shall not limit the effectiveness of any document or signature delivered by telecopier or other electronic transmission.

Section 10.11 Integration. This Agreement, together with the other Loan Documents and the Fee Letter, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control; provided that the inclusion of supplemental rights or remedies in favor of the Agents or the Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

Section 10.12 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by each Agent and each Lender, regardless of any investigation made by any Agent or any Lender or on their behalf and notwithstanding that any Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding. The provisions of Sections 10.14 and 10.15 shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

Section 10.13 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.14 GOVERNING LAW, JURISDICTION, SERVICE OF PROCESS.

(a) THIS AGREEMENT AND EACH OTHER LOAN DOCUMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK (EXCEPT AS OTHERWISE EXPRESSLY PROVIDED THEREIN).

(b) EXCEPT AS SET FORTH IN THE FOLLOWING PARAGRAPH, ANY LEGAL ACTION OR PROCEEDING ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, SHALL BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF SUCH STATE (PROVIDED THAT IF NONE OF SUCH COURTS CAN AND WILL EXERCISE SUCH JURISDICTION, SUCH EXCLUSIVITY SHALL NOT APPLY), AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE BORROWER, HOLDINGS, EACH AGENT AND EACH LENDER CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF THOSE COURTS. THE BORROWER, HOLDINGS, EACH AGENT AND EACH LENDER IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY LOAN DOCUMENT OR OTHER DOCUMENT RELATED THERETO.

NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, THE COLLATERAL AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION (I) FOR PURPOSES OF ENFORCING A JUDGMENT, (II) IN CONNECTION WITH EXERCISING REMEDIES AGAINST THE COLLATERAL IN A JURISDICTION IN WHICH SUCH COLLATERAL IS LOCATED, (III) IN CONNECTION WITH ANY PENDING BANKRUPTCY, INSOLVENCY OR SIMILAR PROCEEDING IN SUCH JURISDICTION OR (IV) TO THE EXTENT THE COURTS REFERRED TO IN THE PREVIOUS PARAGRAPH DO NOT HAVE JURISDICTION OVER SUCH LEGAL ACTION OR PROCEEDING OR THE PARTIES OR PROPERTY SUBJECT THERETO.

Section 10.15 WAIVER OF RIGHT TO TRIAL BY JURY. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY

OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 10.15 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 10.16 Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower and Holdings and the Administrative Agent shall have been notified by each Lender, Swing Line Lender and L/C Issuer that each such Lender, Swing Line Lender and L/C Issuer has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, each Agent, the L/C Issuer, Swing Line Lender and each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders except as permitted by Section 7.04.

Section 10.17 Judgment Currency. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder or any other Loan Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of the Borrower in respect of any such sum due from it to the Administrative Agent or the Lenders hereunder or under the other Loan Documents shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent from the Borrower in the Agreement Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or the Person to whom such obligation was owing against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Administrative Agent in such currency, the Administrative Agent agrees to return the amount of any excess to the Borrower (or to any other Person who may be entitled thereto under applicable Law).

Section 10.18 Lender Action. Each Lender agrees that it shall not take or institute any actions or proceedings, judicial or otherwise, for any right or remedy against any Loan Party or any other obligor under any of the Loan Documents or the Secured Hedge Agreements (including the exercise of any right of setoff, rights on account of any banker's lien or similar claim or other rights of self-help), or institute any actions or proceedings, or otherwise commence any remedial procedures, with respect to any Collateral or any other property of any such Loan Party, without the prior written consent of the Administrative Agent. The provisions of this Section 10.18 are for the sole benefit of the Lenders and shall not afford any right to, or constitute a defense available to, any Loan Party.

Section 10.19 Know-Your-Customer, Etc. Each Lender shall, promptly following a request by the Administrative Agent, provide all documentation and other information that the Administrative Agent reasonably requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the USA PATRIOT Act.

Section 10.20 USA PATRIOT Act; Beneficial Ownership Regulation. Each Lender hereby notifies the Borrower that, pursuant to the requirements of the USA PATRIOT Act and the Beneficial Ownership Regulation, it is required to obtain, verify and record information that identifies the Borrower and the Guarantors, which information includes the name, address and tax identification number of the Borrower and the Guarantors and other information that will allow such Lender to identify the Borrower and the Guarantors in accordance with the USA PATRIOT Act and the Beneficial Ownership Regulation and other applicable “know your customer” and anti-money laundering rules and regulations. The Borrower shall promptly provide all documentation and other information that the Administrative Agent or any Lender requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act and the Beneficial Ownership Regulation.

Section 10.21 Acceptable Intercreditor Agreements. Each Lender (and, by its acceptance of the benefits of any Collateral Document, each other Secured Party) hereunder authorizes and instructs the Collateral Agent, as Collateral Agent and on behalf of such Lender or other Secured Party, to enter into one or more Acceptable Intercreditor Agreements from time to time and agrees that it will be bound by and will take no actions contrary to the provisions thereof.

Section 10.22 Obligations Absolute. To the fullest extent permitted by applicable Law, all obligations of the Loan Parties hereunder shall be absolute and unconditional irrespective of:

- (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of any Loan Party;
- (b) any lack of validity or enforceability of any Loan Document or any other agreement or instrument relating thereto against any Loan Party;
- (c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from any Loan Document or any other agreement or instrument relating thereto;
- (d) any exchange, release or non-perfection of any other Collateral, or any release or amendment or waiver of or consent to any departure from any guarantee, for all or any of the Obligations;
- (e) any exercise or non-exercise, or any waiver of any right, remedy, power or privilege under or in respect hereof or any Loan Document; or
- (f) any other circumstances which might otherwise constitute a defense available to, or a discharge of, the Loan Parties.

Section 10.23 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), each of the Borrower and Holdings acknowledges and agrees, and acknowledges its Affiliates’ understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent and the Lead Arranger are arm’s-length commercial transactions between the Borrower, Holdings and their respective Affiliates, on the one hand, and the Administrative Agent and the Lead Arranger, on the other hand, (B) the Borrower and Holdings has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) each of the Borrower and Holdings is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the

Administrative Agent, each Lender and the Lead Arranger each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower, Holdings or any of their respective Affiliates, or any other Person and (B) neither the Administrative Agent, nor any Lender or Lead Arranger has any obligation to the Borrower, Holdings or any of their respective Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent, each Lender and the Lead Arranger and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower, Holdings and their respective Affiliates, and neither the Administrative Agent nor any Lead Arranger has any obligation to disclose any of such interests to the Borrower, Holdings or any of their respective Affiliates. To the fullest extent permitted by law, each of the Borrower and Holdings hereby waives and releases any claims that it may have against the Administrative Agent, each Lender and each Lead Arranger with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 10.24 Electronic Execution of Assignments and Certain Other Documents. The words “execution,” “execute”, “signed,” “signature,” and words of like import in or related to any document to be signed in connection with this Agreement and the transactions contemplated hereby (including without limitation Assignment and Assumptions, amendments or other Committed Loan Notices, waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary the Administrative Agent is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it.

Section 10.25 Acknowledgement and Consent to Bail-In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-down and Conversion Powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-down and Conversion Powers of the applicable Resolution Authority.

Section 10.26 Acknowledgement Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for Swap Contracts or any other agreement or instrument that is a QFC (such support, "QFC Credit Support" and each such QFC a "Supported QFC"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

(a) In the event a Covered Entity that is party to a Supported QFC (each, a "Covered Party") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

(b) As used in this Section 10.26, the following terms have the following meanings:

- (i) "BHC Act Affiliate" of a party means an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.
- (ii) "Covered Entity" means any of the following: (i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b), (ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); (iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).
- (iii) "Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.
- (iv) "QFC" has the meaning assigned to the term "qualified financial contract" in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

PAYCOR, INC.
as the Borrower

By: /s/ Adam Ante

Name: Adam Ante

Title: Chief Financial Officer

[Signature Page to Credit Agreement]

PRIDE GUARANTOR, INC.,
as Holdings

By: /s/ Adam Ante

Name: Adam Ante

Title: Chief Financial Officer

[Signature Page to Credit Agreement]

PNC BANK, NATIONAL ASSOCIATION,
as Administrative Agent, Collateral Agent, the L/C
Issuer, the Swing Line Lender and a Lender

By: /s/ Jeffrey P. Fisher

Name: Jeffrey P. Fisher

Title: Senior Vice President

[Signature Page to Credit Agreement]

FIFTH THIRD BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ William Keehn

Name: William Keehn

Title: Vice President

[Signature Page to Credit Agreement]

DIRECTOR NOMINATION AGREEMENT

THIS DIRECTOR NOMINATION AGREEMENT (this "Agreement") is made and entered into as of [●], 2021, by and among Paycor HCM, Inc., a Delaware corporation (the "Company") and Pride Aggregator, L.P., a Delaware limited partnership ("Pride Aggregator"). This Agreement shall become effective (the "Effective Date") upon the closing of the Company's initial public offering (the "IPO") of shares of its common stock, par value \$0.001 per share (the "Common Stock").

WHEREAS, as of the date hereof, Pride Aggregator owns a majority of the outstanding equity interests of the Company;

WHEREAS, as of the date hereof, the majority of limited partnership interests in Pride Aggregator are held by Apax Partners, L.P. (together with its affiliated investment entities, "Apax Partners");

WHEREAS, Pride Aggregator is contemplating causing the Company to effect the IPO;

WHEREAS, in consideration of Pride Aggregator agreeing to undertake the IPO, the Company has agreed to permit Pride Aggregator to designate persons for nomination for election to the board of directors of the Company (the "Board") following the Effective Date on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the parties to this Agreement agrees as follows:

1. Board Nomination Rights.

- (a) From the Effective Date, Pride Aggregator shall have the right to designate (i) all of the nominees for election to the Board for so long as Pride Aggregator beneficially owns at least forty percent (40%) of the total number of shares of the Common Stock beneficially owned by Pride Aggregator upon completion of the IPO, as adjusted for any reorganization, recapitalization, stock dividend, stock split, reverse stock split or similar changes in the Company's capitalization (the "Original Amount"); (ii) forty percent (40%) of the nominees for election to the Board for so long as Pride Aggregator beneficially owns less than forty percent (40%) but at least thirty percent (30%) of the Original Amount; (iii) thirty percent (30%) of the nominees for election to our Board for so long as Pride Aggregator beneficially owns less than thirty percent (30%) but at least twenty percent (20%) of the Original Amount; (iv) twenty percent (20%) of the nominees for election to the Board for so long as Pride Aggregator beneficially owns less than twenty percent (20%) but at least ten percent (10%) of the Original Amount; and (v) one (1) of the nominees for election to the Board for so long as Pride Aggregator beneficially own at least five percent (5%) of the Original Amount (each such person, a "Nominee", and together, the "Nominees"). If Pride Aggregator is

dissolved at any time after the IPO, then Apax Partners will be permitted to cause the rights of Pride Aggregator to be assigned to it or one or more of its Affiliates (as defined below).

- (b) In the event that Pride Aggregator has nominated less than the total number of designees that Pride Aggregator shall be entitled to nominate pursuant to Section 1(a), Pride Aggregator shall have the right, at any time, to nominate such additional designees to which it is entitled, in which case, the Company and the Directors (as defined below) shall take all necessary corporation action, to the fullest extent permitted by applicable law (including with respect to fiduciary duties under Delaware law), to (x) enable Pride Aggregator to nominate and effect the election or appointment of such additional individuals, whether by increasing the size of the Board, or otherwise and (y) to designate such additional individuals nominated by Pride Aggregator to fill such newly created vacancies or to fill any other existing vacancies.
- (c) The Company shall pay all reasonable out-of-pocket expenses incurred by any Nominee in connection with the performance of his or her duties as a Director and in connection with his or her attendance at any meeting of the Board.
- (d) “Beneficially Own” shall mean that a specified person has or shares the right, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, to vote shares of capital stock of the Company. “Affiliate” of any person shall mean any other person controlled by, controlling or under common control with such person; where “control” (including, with its correlative meanings, “controlling,” “controlled by” and “under common control with”) means possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities, by contract or otherwise).
- (e) “Director” means any member of the Board.
- (f) No reduction in the number of shares of Common Stock that Pride Aggregator Beneficially Owns shall shorten the term of any incumbent Director. At the Effective Date, the Board shall be comprised of eight members and the initial Nominees shall be (i) Raul Villar Jr., (ii) Whitney Bouck, (iii) Kathleen Burke, (iv) Steven Collins, (v) Jonathan Corr, (vi) Umang Kajaria, (vii) Scott Miller and (viii) Jason Wright.
- (g) In the event that any Nominee shall cease to serve for any reason, Pride Aggregator shall be entitled to designate such person’s successor in accordance with this Agreement (regardless of Pride Aggregator’ Beneficial Ownership of Common Stock at the time of such vacancy) and the Board shall promptly fill the vacancy with such successor nominee; it being understood that any such designee shall serve the remainder of the term of the Director whom such designee replaces.

- (h) If a Nominee is not appointed or elected to the Board because of such person's death, disability, disqualification, withdrawal as a Nominee or for other reason is unavailable or unable to serve on the Board, Pride Aggregator shall be entitled to designate promptly another Nominee and the director position for which the original Nominee was nominated shall not be filled pending such designation.
- (i) So long as Pride Aggregator has the right to nominate at least one (1) Nominee under this Section 1 or any such Nominee is serving on the Board, the Company shall maintain in effect at all times directors and officers indemnity insurance coverage reasonably satisfactory to Pride Aggregator, and the Company's Second Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws (each as may be further amended, supplemented or waived in accordance with its terms) shall at all times provide for indemnification, exculpation and advancement of expenses to the fullest extent permitted under applicable law.
- (j) Except as provided for in Section 1(b) hereof, at any time that Pride Aggregator shall have any nomination rights under this Section 1, the Company shall not increase or decrease the number of Directors serving on the Board without the prior written consent of Pride Aggregator.
- (k) At such time as the Company ceases to be a "controlled company" and is required by applicable law or The Nasdaq Global Select Market (the "Exchange") listing standards to have a majority of the Board comprised of "independent directors" (subject in each case to any applicable phase-in periods), the Nominees shall include a number of persons that qualify as "independent directors" under applicable law and the Exchange listing standards such that, together with any other "independent directors" then serving on the Board that are not Nominees, the Board is comprised of a majority of "independent directors"; provided that at any time that Pride Aggregator shall have any nomination rights under this Section 1, (i) Pride Aggregator shall be entitled to nominate at least one (1) Nominee who does not qualify as an "independent director" and (ii) the number of "independent directors" required to be nominated by Pride Aggregator pursuant to this provision shall not be greater than the number of Nominees required to be "independent directors" pursuant to this provision to be nominated by Pride Aggregator with the right to nominate the same number of, or more, Nominees as Pride Aggregator.
- (l) At any time that Pride Aggregator shall have any nomination rights under this Section 1, the Company shall not take any action, including making or recommending any amendment to Company's Company's Second Amended and Restated Certificate of Incorporation or Amended and Restated Bylaws (each as may be further amended, supplemented or waived in accordance with its terms) that could reasonably be expected to adversely affect Pride Aggregator' rights under this Agreement, in each case without the prior written consent of Pride Aggregator.

- (m) The Company recognizes that Nominees (i) will from time to time receive non-public information concerning the Company, and (ii) may share such information with other individuals associated with Pride Aggregator and its affiliated entities. The Company hereby irrevocably consents to such sharing. Pride Aggregator agrees that it will keep confidential and not disclose or divulge to any third party any confidential information regarding the Company it receives from the Company or a Nominee, unless such information (x) is known or becomes known to the public in general, (y) is or has been independently developed or conceived by Pride Aggregator without use of the Company's confidential information or (z) is or has been made known or disclosed to Pride Aggregator by a third party without a breach of any obligation of confidentiality such third party may have; provided, however, that Pride Aggregator may disclose confidential information (I) to its Affiliates (other than, in the case of Apax Partners, portfolio companies), (II) to each of its and its Affiliate's (other than portfolio companies) attorneys, accountants, consultants, advisors and other professionals to the extent necessary to obtain their services in connection with evaluating the information, or (III) as may be required by law or legal, judicial or regulatory process or requested by any regulatory or self-regulatory authority or examiner, provided that Pride Aggregator takes reasonable steps to minimize the extent of any required disclosure described in this clause (III).

2. Company Obligations. The Company agrees that prior to the date that Pride Aggregator and its Affiliates cease to Beneficially Own shares of Common Stock representing at least 5% of the Original Amount, (i) each Nominee is included in the Board's slate of nominees to the stockholders (the "Board's Slate") for each election of Directors; and (ii) each Nominee is included in the proxy statement prepared by management of the Company in connection with soliciting proxies for every meeting of the stockholders of the Company called with respect to the election of members of the Board (each, a "Director Election Proxy Statement"), and at every adjournment or postponement thereof, and on every action or approval by written consent of the stockholders of the Company or the Board with respect to the election of members of the Board. Pride Aggregator will promptly report to the Company after Pride Aggregator ceases to Beneficially Own shares of Common Stock representing at least 5% of the total voting power of the Original Amount, such that Company is informed of when this obligation terminates. The calculation of the number of Nominees that Pride Aggregator is entitled to nominate to the Board's Slate for any election of Directors shall be based on the percentage of the Original Amount Beneficially Owned by Pride Aggregator immediately prior to the mailing to shareholders of the Director Election Proxy Statement relating to such election (or, if earlier, the filing of the definitive Director Election Proxy Statement with the U.S. Securities and Exchange Commission). Unless Pride Aggregator notifies the Company otherwise prior to the mailing to shareholders of the Director Election Proxy Statement relating to an election of Directors, the Nominees for such election shall be presumed to be the same Nominees currently serving on the Board, and no further action shall be required of Pride Aggregator for the Board to include such Nominees on the Board's Slate; provided that, in the event Pride Aggregator is no longer entitled to nominate the full number of Nominees then serving on the Board, Pride Aggregator shall provide advance written notice to the Company, of which currently servicing Nominee(s) shall be excluded from the Board's Slate, and of any other changes to the list of Nominees. If Pride Aggregator fails to provide such notice prior to the mailing to shareholders of the Director

Election Proxy Statement relating to such election (or, if earlier, the filing of the definitive Director Election Proxy Statement with the U.S. Securities and Exchange Commission), a majority of the independent directors then serving on the Board shall determine which of the Nominees of Pride Aggregator then serving on the Board will be included in the Board's Slate. Furthermore, the Company agrees for so long as the Company qualifies as a "controlled company" under the rules of the Exchange the Company will elect to be a "controlled company" for purposes of the Exchange and will disclose in its annual meeting proxy statement that it is a "controlled company" and the basis for that determination. The Company and Pride Aggregator acknowledge and agree that, as of the Effective Date, the Company is a "controlled company." The Company agrees to provide written notice of the preparation of a Director Election Proxy Statement to Pride Aggregator at least 20 business days, but no more than 40 business days, prior to the earlier of the mailing and the filing date of any Director Election Proxy Statement.

3. Governance.

- (a) Protective Provisions. Notwithstanding any other provision of this Agreement and to the fullest extent permitted by applicable law, in addition to the approval of the Directors, the following actions described in this Section 3(a) (collectively, the "Consent Matters") shall require the prior written consent of Pride Aggregator as set out below:
- i. none of the following actions shall be taken by the Company, including any proposal by the Board to be put to the vote of the stockholders of the Company with respect thereto, without the prior written consent of Pride Aggregator for so long as Pride Aggregator owns at least 5% of the Original Amount (except as set forth in the proviso in Section 3(a) (I)):
 - I. amending, altering or changing, or waiving any rights under, this Agreement, the organizational documents, including the Second Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws of the Company (which shall also be subject to Section 5 hereof), and/or the organizational documents of any subsidiary of the Company; provided that, notwithstanding the foregoing, for so long as Pride Aggregator owns any outstanding Common Stock, any amendment, alteration, or change to, or waiver under, other organizational documents, including the Second Amended and Restated Certificate of Incorporation or Amended and Restated Bylaws of the Company, and/or the organizational documents of any subsidiary of the Company that would adversely affect in any respect any rights specific to Pride Aggregator (subject to applicable law) require the written consent of Pride Aggregator;
 - II. authorizing or issuing any equity securities of the Company having rights, preferences or privileges that are superior or senior to the outstanding Common Stock (or any securities convertible or exchangeable therefor pursuant to their terms);

- III. any transaction with any stockholder or Affiliate of a stockholder or any Director or officer of the Company or any of its subsidiaries (other than employment agreements with officers not otherwise affiliated with a stockholder);
 - IV. winding up the Company; and
 - V. entering into any agreement with respect to the matters described in the foregoing clauses (I) through (IV) or taking any such action indirectly.
- ii. none of the following actions shall be taken by the Company, including any proposal by the Board to be put to the vote of the stockholders of the Company with respect thereto, without the prior written consent of Pride Aggregator for so long as Pride Aggregator owns at least 20% of the Original Amount:
- I. the declaration or payment of any dividend or other distribution to the stockholders by the Company or redemption, repurchase or exchange (as applicable) of any equity securities of the Company;
 - II. issuing or granting any equity securities of the Company or its subsidiaries, other than (A) grants under the [Company's 2021 Omnibus Incentive Plan], or (B) in connection with transactions consistent with certain specified strategies; and
 - III. entry by the Company into any agreement with respect to the matters described in the foregoing clauses (I) through (II) or taking any such action indirectly.

4. Committees. From and after the Effective Date hereof until such time as Pride Aggregator and its Affiliates cease to Beneficially Own Common Stock representing at least 5% of the Original Amount, Pride Aggregator shall have the right to designate one member of each committee of the Board, provided that any such designee shall be a Director and shall be eligible to serve on the applicable committee under applicable law or listing standards of the Exchange, including any applicable independence requirements (subject in each case to any applicable exceptions, including those for newly public companies and for "controlled companies," and any applicable phase-in periods). Any additional members shall be determined by the Board. Nominees designated to serve on a Board committee shall have the right to remain on such committee until the next election of Directors, regardless of the number of shares of Common Stock Pride Aggregator Beneficially Owns following such designation. Unless Pride Aggregator notifies the Company otherwise prior to the time the Board takes action to change the composition of a Board committee, and to the extent Pride Aggregator Beneficially Owns the

requisite percentage of the Original Amount for Pride Aggregator to nominate a Board committee member at the time the Board takes action to change the composition of any such Board committee, any Nominee currently designated by Pride Aggregator to serve on a committee shall be presumed to be re-designated for such committee.

5. Amendment and Waiver. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by the Company and Pride Aggregator, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law. Pride Aggregator shall not be obligated to nominate all (or any) of the Nominees they are entitled to nominate pursuant to this Agreement for any election of Directors but the failure to do so shall not constitute a waiver of their rights hereunder with respect to future elections; provided, however, that in the event Pride Aggregator fails to nominate all (or any) of the Nominees it is entitled to nominate pursuant to this Agreement prior to the mailing to shareholders of the Director Election Proxy Statement relating to such election (or, if earlier, the filing of the definitive Director Election Proxy Statement with the U.S. Securities and Exchange Commission), the Nominating & Governance Committee of the Board shall be entitled to nominate individuals in lieu of such Nominees for inclusion in the Board's Slate and the applicable Director Election Proxy Statement with respect to the election for which such failure occurred and Pride Aggregator shall be deemed to have waived its rights hereunder with respect to such election; provided, further, however, that any such waiver shall only be effective if the Company has provided written notice to Pride Aggregator of such Director Election Proxy Statement no less than 20 business days, and no more than 40 business days, prior to the earlier of the mailing or filing date of such Director Election Proxy Statement. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

6. Benefit of Parties. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective permitted successors and assigns. Notwithstanding the foregoing, the Company may not assign any of its rights or obligations hereunder without the prior written consent of Pride Aggregator. Except as otherwise expressly provided in Section 7, nothing herein contained shall confer or is intended to confer on any third party or entity that is not a party to this Agreement any rights under this Agreement.

7. Assignment. Upon written notice to the Company, Pride Aggregator may assign to any Affiliate (other than a portfolio company) all of its rights hereunder.

8. Indemnification.

- (a) The Company shall defend, indemnify and hold harmless Apax Partners, their respective Affiliates, partners, employees, agents, directors, managers, officers and controlling persons (collectively, the "Indemnified Parties") from and against any and all actions, causes of action, suits, claims, liabilities, losses, damages, costs, expenses, or obligations of any kind or nature (whether accrued or fixed, absolute or contingent) in connection therewith (including reasonable attorneys' fees and expenses) incurred by the Indemnified Parties before or after the date of this Agreement (each, an "Action") arising directly or indirectly out of, or in any way relating to, (i) Apax Partners' or its respective Affiliates' Beneficial Ownership of Common Stock or other equity securities of the Company or control or ability to influence the Company or any of its subsidiaries (other than any such Actions (x) to the extent such Actions arise out of any breach of this Agreement by an Indemnified Party or its Affiliates or the breach of any fiduciary or other duty or obligation of such Indemnified Party to its direct or indirect equity holders, creditors or Affiliates or (y) to the extent such Actions are directly caused by such Person's willful misconduct), (ii) the business, operations, properties, assets or other rights or liabilities of the Company or any of its subsidiaries or (iii) any services provided prior, on or after the date of this Agreement by Apax Partners or its respective Affiliates to the Company or any of its subsidiaries. The Company shall defend at its own cost and expense in respect of any Action which may be brought against the Company and/or its Affiliates and the Indemnified Parties. The Company shall defend at its own cost and expense any and all Actions which may be brought in which the Indemnified Parties may be impleaded with others upon any Action by the Indemnified Parties, except that if such damage shall be proven to be the direct result of gross negligence, bad faith or willful misconduct by any of the Indemnified Parties, then such Indemnified Party shall reimburse the Company for the costs of defense and other costs incurred by the Company in proportion to such Indemnified Party's culpability as proven. In the event of the assertion against any Indemnified Party of any Action or the commencement of any Action, the Company shall be entitled to participate in such Action and in the investigation of such Action and, after written notice from the Company to such Indemnified Party, to assume the investigation or defense of such Action with counsel of the Company's choice at the Company's expense; provided, however, that such counsel shall be reasonably satisfactory to the Indemnified Party. Notwithstanding anything to the contrary contained herein, the Company may retain one firm of counsel to represent all Indemnified

Parties in such Action; provided, however, that the Indemnified Party shall have the right to employ a single firm of separate counsel (and any necessary local counsel) and to participate in the defense or investigation of such Action and the Company shall bear the expense of such separate counsel (and local counsel, if applicable), if (x) in the opinion of counsel to the Indemnified Party use of counsel of the Company's choice could reasonably be expected to give rise to a conflict of interest, (y) the Company shall not have employed counsel satisfactory to the Indemnified Party to represent the Indemnified Party within a reasonable time after notice of the assertion of any such Action or (z) the Company shall authorize the Indemnified Party to employ separate counsel at the Company's expense. The Company further agrees that with respect to any Indemnified Party who is employed, retained or otherwise associated with, or appointed or nominated by, Apax Partners or any of their respective Affiliates and who acts or serves as a director, officer, manager, fiduciary, employee, consultant, advisor or agent of, for or to the Company or any of its subsidiaries, that the Company or such subsidiaries, as applicable, shall be primarily liable for all indemnification, reimbursements, advancements or similar payments (the "Indemnity Obligations") afforded to such Indemnified Party acting in such capacity or capacities on behalf or at the request of the Company, whether the Indemnity Obligations are created by law, organizational or constituent documents, contract (including this Agreement) or otherwise. The Company hereby agrees that in no event shall the Company or any of its subsidiaries have any right or claim against Apax Partners for contribution or have rights of subrogation against Apax Partners through an Indemnified Party for any payment made by the Company or any of its subsidiaries with respect to any Indemnity Obligation. In addition, the Company hereby agrees that in the event that Apax Partners pays or advances an Indemnified Party any expenses with respect to an Indemnity Obligation, the Company will, or will cause its subsidiaries to, as applicable, promptly reimburse Apax Partners for such payment or advance upon request; subject to the receipt by the Company of a written undertaking executed by the Indemnified Party and Apax Partners, as applicable, that makes such payment or advance to repay any such amounts if it shall ultimately be determined by a court of competent jurisdiction that such Indemnified Party was not entitled to be indemnified by the Company. The foregoing right to indemnity shall be in addition to any rights that any Indemnified Party may have at common law or otherwise and shall remain in full force and effect following the completion or any termination of the engagement. If for any reason the foregoing indemnification is unavailable to any Indemnified Party or insufficient to hold it harmless as and to the extent contemplated by this Section 8, then the Company shall contribute to the amount paid or payable by the Indemnified Party as a result of such Action in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Indemnified Party, as the case may be, on the other hand, as well as any other relevant equitable considerations.

- (b) The Company hereby acknowledges that the certain of the Indemnified Parties have certain rights to indemnification, advancement of expenses and/or insurance provided by investment funds managed by Apax Partners and certain of their Affiliates (collectively, the "Fund Indemnitors"). The Company hereby agrees with respect to any indemnification, hold harmless obligation, expense advancement or reimbursement provision or any other similar obligation whether pursuant to or with respect to this Agreement, the organizational documents of the Company or any of its subsidiaries or any other agreement, as applicable, (i) that the Company and its subsidiaries are the indemnitor of first resort (i.e., their obligations to the Indemnified Parties are primary and any obligation of the Fund Indemnitors to advance expenses or to provide indemnification for claims, expenses or obligations arising out of the same or similar facts and circumstances suffered by any Indemnified Party are secondary), (ii) that the Company shall be required to advance the full amount of expenses incurred by any Indemnified Party and shall be liable for the full amount of all expenses, liabilities, obligations, judgments, penalties, fines, and amounts paid in settlement to the extent legally permitted and as required by the terms of this Agreement, the organizational documents of the Company or any of its subsidiaries or any other agreement, as applicable, without regard to any rights any Indemnified Party may have against the Fund Indemnitors, and (iii) that the Company, on behalf of itself and each of its subsidiaries, irrevocably waives, relinquishes and releases the Fund Indemnitors from any and all Actions against the Fund Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Fund Indemnitors on behalf of any Indemnified Party with respect to any Action for which any Indemnified Party has sought indemnification from the Company shall affect the foregoing and the Fund Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of any Indemnified Party against the Company. The Company agrees that the Fund Indemnitors are express third-party beneficiaries of the terms of this Section 8(b).

9. Headings. Headings are for ease of reference only and shall not form a part of this Agreement.

10. Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of Delaware without giving effect to the principles of conflicts of laws thereof.

11. Jurisdiction. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement may be brought against any of the parties in any federal court located in the State of Delaware or any Delaware state court, and each of the parties hereby consents to the exclusive jurisdiction of such court (and of the appropriate appellate courts) in any such suit, action or proceeding and waives any objection to venue laid therein. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each of the parties agrees that service of process upon such party at the address referred to in Section 17, together with written notice of such service to such party, shall be deemed effective service of process upon such party.

12. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT.

13. Entire Agreement. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, both written and oral among the parties with respect to the subject matter hereof.

14. Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be deemed an original. This Agreement shall become effective when each party shall have received a counterpart hereof signed by each of the other parties. An executed copy or counterpart hereof delivered by facsimile shall be deemed an original instrument.

15. Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

16. Further Assurances. Each of the parties hereto shall execute and deliver such further instruments and do such further acts and things as may be required to carry out the intent and purpose of this Agreement.

17. Specific Performance. Each of the parties hereto agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof in any federal or state court located in the State of Delaware, in addition to any other remedy to which they are entitled at law or in equity.

18. Notices. All notices, requests and other communications to any party or to the Company shall be in writing (including telecopy or similar writing) and shall be given,

If to the Company:

Paycor HCM, Inc.
4811 Montgomery Road
Cincinnati, OH 45212
Attention: Chief Legal Officer

With a copy to (which shall not constitute notice):

Kirkland & Ellis LLP
300 N. LaSalle
Chicago, IL 60654
Attention: Robert M. Hayward, P.C.
Robert E. Goedert, P.C.
Kevin M. Frank
Facsimile: (312) 862-2200

If to Pride Aggregator or any of its Nominees:

c/o Apax Partners, L.P.
601 Lexington Avenue
53rd Floor
New York, New York 10022
Attention: [*****]
Email: [*****]

With a copy to (which shall not constitute notice):

Kirkland & Ellis LLP
300 N. LaSalle
Chicago, IL 60654
Attention: Robert M. Hayward, P.C.
Robert E. Goedert, P.C.
Kevin M. Frank
Facsimile: (312) 862-2200

or to such other address or telecopier number as such party or the Company may hereafter specify for the purpose by notice to the other parties and the Company. Each such notice, request or other communication shall be effective when delivered at the address specified in this Section 17 during regular business hours.

19. Enforcement. Each of the parties hereto covenants and agrees that the disinterested members of the Board have the right to enforce, waive or take any other action with respect to this Agreement on behalf of the Company.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

PAYCOR HCM, INC.

By: _____

Name: Raul Villar, Jr.

Title: Chief Executive Officer

[Signature Page to Director Nomination Agreement]

PRIDE AGGREGATOR, L.P.

By: Pride GP, Inc., its general partner

By: _____

Name: Jason Wright

Title: President

[Signature Page to Director Nomination Agreement]

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated February 25, 2021, in Amendment No. 2 to the Registration Statement (Form S-1 No. 333-255498) and related Prospectus of Paycor HCM, Inc. for the registration of shares of its common stock.

/s/ Ernst & Young LLP

Cincinnati, Ohio
July 12, 2021