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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **June 15, 2021**

REPAY HOLDINGS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**001-38531**	**98-1496050**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

3 West Paces Ferry Road
Suite 200
Atlanta, GA 30305
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(404) 504-7472**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A common stock, par value $0.0001 per share	RPAY	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

Explanatory Note

On June 15, 2021, Repay Holdings Corporation (the "Company" or "REPAY") filed a Current Report on Form 8-K (the "Original Form 8-K"), reporting that, on June 15, 2021, the Company acquired BT Intermediate, LLC, a Delaware limited liability company, pursuant to an Agreement and Plan of Merger, dated as of May 7, 2021.

This Current Report on Form 8-K/A amends Item 9.01 of the Original Form 8-K to include the financial statements and unaudited pro forma financial information required by Items 9.01(a) and (b) of Form 8-K, respectively, which were not included in the Original Form 8-K as permitted by Item 9.01(a)(3) and (b)(2) of Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses or Funds Acquired.

The audited BT Intermediate, LLC consolidated financial statements as of and for the years ended December 31, 2020 and 2019, and the accompanying notes to the audited financial statements, are attached hereto as Exhibit 99.1 and incorporated by reference.

The unaudited BT Intermediate, LLC consolidated financial statements as of and for the three months ended March 31, 2021 and 2020, and the accompanying notes to the consolidated financial statements, are attached hereto as Exhibit 99.2 and incorporated by reference.

(b) Pro Forma Financial Information.

The following information is attached hereto as Exhibit 99.3 and incorporated herein by reference:

(i)
Unaudited Pro Forma Condensed Combined Financial Information as of and for the three months ended March 31, 2021 and for the year ended December 31, 2020.

(ii)
Notes to the Unaudited Pro Forma Condensed Combined Financial Information.

(d) Exhibits

Exhibit No.	Description
23.1*	Consent of Henry & Horne, LLP, independent public accounting firm for BT Intermediate, LLC
99.1*	Audited Consolidated Financial Statements of BT Intermediate, LLC
99.2*	Unaudited Consolidated Financial Statements of BT Intermediate, LLC
99.3*	Pro Forma Financial Information
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith

SIGNATURES

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

Repay Holdings Corporation

Dated: August 20, 2021

By: /s/ Tyler B. Dempsey
Tyler B. Dempsey
General Counsel

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

We have issued our reports dated April 8, 2021 and August 17, 2021 appearing in this Form 8-K/A with respect to the audited and unaudited consolidated financial statements of BT Intermediate, LLC for the years ended December 31, 2020 and 2019 and three months ended March 31, 2021 and 2020, which are incorporated by reference in the Registration Statements of Repay Holdings Corporation on Form S-3 (File No. 333-232961), Form S-3 (File No. 333-248483), Form S-3 (File No. 333-253943), Form S-3 (File No. 333-257660), Form S-8 (File No. 333-233879) and Form S-8 (File No. 333-258902). We consent to the use of the aforementioned reports in these Registration Statements.

/s/ Henry + Horne, LLP

Tempe, Arizona
August 20, 2021

BT Intermediate, LLC and Subsidiaries

Phoenix, Arizona

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

BT INTERMEDIATE, LLC AND SUBSIDIARIES
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INDEPENDENT AUDITORS' REPORT

To the Board of Managers of
BT Intermediate, LLC and Subsidiaries
Phoenix, Arizona

We have audited the accompanying consolidated financial statements of BT Intermediate, LLC and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in member's equity and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BT Intermediate, LLC and Subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Henry + Horne, LLP

Tempe, Arizona
April 8, 2021

BT INTERMEDIATE, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	$ 8,271,318	$ 6,008,362
Cash reserved for settlement processing obligations	10,007,587	935,202
Accounts receivable	9,601,352	5,607,582
Prepaid expenses and other current assets	493,800	499,553
TOTAL CURRENT ASSETS	28,374,057	13,050,699
PROPERTY AND EQUIPMENT, net	355,913	456,542
OTHER ASSETS		
Software, net	29,976,611	31,002,749
Goodwill	59,447,261	59,447,261
Other intangibles, net	69,613,917	77,973,584
Risk reserve deposits	440,000	440,000
Other assets	540,498	45,050
TOTAL OTHER ASSETS	160,018,287	168,908,644
TOTAL ASSETS	$ 188,748,257	$ 182,415,885

See accompanying notes.

		2020		2019
LIABILITIES AND MEMBER'S EQUITY				
CURRENT LIABILITIES				
Accounts payable	$	1,801,051	$	980,087
Accrued liabilities		4,080,986		3,293,088
Loss reserves		50,000		50,000
Settlement processing obligations		10,350,936		808,925
Deferred revenue		1,973,570		1,080,438
Current portion of long-term debt		3,135,699		783,000
TOTAL CURRENT LIABILITIES		21,392,242		6,995,538
LINE OF CREDIT		-		7,500,000
LONG-TERM DEBT, net of current portion and unamortized debt issuance costs		71,124,134		73,944,039
DEFERRED RENT		23,587		6,490
DEFERRED INCOME TAXES		1,363,883		1,074,630
TOTAL LIABILITIES		93,903,846		89,520,697
COMMITMENTS AND CONTINGENCIES		-		-
MEMBER'S EQUITY		94,844,411		92,895,188
TOTAL LIABILITIES AND MEMBER'S EQUITY	$	188,748,257	$	182,415,885

See accompanying notes.

BT INTERMEDIATE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2020 and 2019

	2020	2019
REVENUES	$ 51,653,809	$ 44,347,565
EXPENSES		
Transactions and commissions	8,618,089	8,135,760
Operating, general, and administrative expenses	22,082,007	19,558,682
Amortization of software and other intangible assets	12,395,587	11,478,474
Interest expense	4,836,538	5,569,787
Acquisition-related costs	1,747,890	1,373,378
Other expense, net	66,185	692,842
TOTAL EXPENSES	49,746,296	46,808,923
LITIGATION SETTLEMENT INCOME	-	625,000
INCOME (LOSS) BEFORE INCOME TAX BENEFIT (PROVISION)	1,907,513	(1,836,358)
INCOME TAX BENEFIT (PROVISION)	(384,194)	76,277
NET INCOME (LOSS)	$ 1,523,319	$ (1,760,081)

See accompanying notes.

BT INTERMEDIATE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY
Years Ended December 31, 2020 and 2019

MEMBER'S EQUITY, December 31, 2018	$	91,961,057
Equity-based compensation		444,212
Net loss		(1,760,081)
Contributions		2,250,000
MEMBER'S EQUITY, December 31, 2019		92,895,188
Equity-based compensation		425,904
Net income		1,523,319
MEMBER'S EQUITY, December 31, 2020	$	94,844,411

See accompanying notes.

BT INTERMEDIATE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 1,523,319	$ (1,760,081)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	127,288	166,592
Amortization of debt issuance costs	303,544	303,544
Amortization of software and other intangible assets	12,395,587	11,478,473
Equity-based compensation	425,904	444,212
Deferred income taxes	289,253	(140,731)
Litigation settlement income	-	(625,000)
(Increase) decrease in:		
Accounts receivable	(3,993,770)	(637,285)
Prepaid expenses and other current assets	5,753	211,358
Other assets	(495,448)	-
Increase (decrease) in:		
Accounts payable	820,964	41,249
Accrued liabilities	787,898	830,768
Settlement processing obligations	9,542,011	543,530
Deferred revenue	893,132	(61,605)
Deferred rent	17,097	(8,344)
NET CASH PROVIDED BY OPERATING ACTIVITIES	22,642,532	10,786,680
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(26,659)	(5,715)
Software development costs	(3,009,782)	(3,301,184)
Payment for acquisition, net of cash acquired	-	(17,154,601)
Return of cash consideration paid for acquisition	-	625,000
NET CASH USED IN INVESTING ACTIVITIES	(3,036,441)	(19,836,500)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on line of credit	3,500,000	7,500,000
Payments on line of credit	(11,000,000)	-
Payments on long-term debt	(770,750)	(1,986,545)
Contributions from member	-	250,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(8,270,750)	5,763,455
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	11,335,341	(3,286,365)
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	7,383,564	10,669,929
CASH AND RESTRICTED CASH AT END OF YEAR	$ 18,718,905	$ 7,383,564
RECONCILIATION OF CASH AND RESTRICTED CASH TO AMOUNTS REPORTED IN THE CONSOLIDATED BALANCE SHEET:		
Cash	$ 8,271,318	$ 6,008,362
Cash reserved for settlement processing obligations	10,007,587	935,202
Risk reserve deposits	440,000	440,000
	$ 18,718,905	$ 7,383,564

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

BT Intermediate, LLC, a Delaware limited liability company ("BT Intermediate"), is a holding company for Electronic Payment Providers, Inc. BT Intermediate was organized in September 2016.

Electronic Payment Providers, Inc. dba BillingTree ("BillingTree"), an Arizona corporation, was incorporated in February 2003 to customize payment processing software and automate billing and payment solutions for customers in a variety of industries throughout the United States.

Internet Payment Exchange, Inc. ("iPayX"), a Delaware corporation and 100% owned subsidiary of BillingTree, provides internet-based electronic billing and payment technology solutions to healthcare providers and other industries across the United States.

Acquisition

On August 27, 2019, BillingTree acquired 91% of the outstanding shares of Blue Cow Software, Inc. and Hoot Payment Solutions, Inc. (collectively, "Blue Cow"), companies offering business management software and payment processing services to fuel oil and propane dealers. The acquisition expands BillingTree's operations into new industries and provides additional avenues for its payment processing services. The aggregate purchase price was $17,907,942 and was paid in cash.

Concurrently, the shareholders of Blue Cow contributed the remaining 9% of the outstanding shares to the parent of BT Intermediate, Billing Tree Parent, L.P., in return for common non-voting units of Billing Tree Parent, L.P. having a value of $2,000,000. This amount was effectively contributed into BillingTree, such that Blue Cow, became a wholly owned subsidiary of BillingTree. The $2,000,000 is included within contributions on the accompanying consolidated statement of changes in member's equity for the year ended December 31, 2019 and increased the recorded goodwill on BillingTree.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Acquisition (Continued)

The terms of the equity purchase agreement require BillingTree to pay the selling shareholders an aggregate of $2,500,000 so long as one of the selling shareholders remains employed by the Company for two years after the acquisition date. This amount is not completely forfeited should the selling shareholder be terminated but rather a prorated payment will be made based upon the employment services provided over the two-year period. Management has determined that this represents post-acquisition compensation to the shareholders and will be recognized as compensation expense as the services are rendered. During the year ended December 31, 2020, the selling shareholder terminated his employment prior to his second anniversary of the acquisition date. As of December 31, 2019, the Company has accrued $500,000 of post-acquisition compensation expense, which is included in accrued liabilities on the accompanying consolidated balance sheet. For the years ended December 31, 2020 and 2019, the Company recognized $1,150,000 and $500,000, respectively, of post-acquisition compensation expense under the equity purchase agreement, which is included in acquisition-related costs on the accompanying consolidated statement of operations.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date:

Cash	$	753,341
Accounts receivable		1,105,432
Prepaid expenses and other current assets		110,476
Software technology		1,280,000
Customer relationships		6,820,000
Tradename		880,000
Goodwill		12,528,394
Total identifiable assets acquired		23,477,643
Accounts payable, deferred revenue and accrued liabilities assumed		(1,459,440)
Creation of deferred tax liability		(2,110,261)
Net assets acquired	$	19,907,942

The recorded goodwill for the Blue Cow acquisition has been increased by $2,110,261 for net deferred tax liabilities that were created as a result of the acquisition. The deferred tax liabilities related to basis differences for financial statement and income tax purposes for intangible assets and the income tax effect associated with converting from a cash to accrual basis taxpayer.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Acquisition (Continued)

Goodwill recognized as part of the acquisition of Blue Cow reflects the value of adding Blue Cow to BillingTree to expand their commercial footprint, costs savings that BillingTree can bring to Blue Cow and intangible assets acquired and associated with the business that do not qualify for separate recognition. The goodwill recognized will not be amortized for tax purposes. Software technology and customer relationships intangible assets are subject to amortization over their estimate useful lives of 10 years.

The acquisition was accounted for using the purchase method of accounting and, accordingly, the assets and liabilities of Blue Cow were recorded at their estimated fair values at the respective dates of acquisition.

The accounts receivable acquired in the acquisition were amounts due from customers and have been collected in full. No significant accounts receivable acquired were written off through the date of the audit report.

Management believes that the Company's future cash flows are not materially impacted by its ability to extend or renew its registered tradenames.

Principles of Consolidation and Presentation

The accompanying consolidated financial statements of BT Intermediate and Subsidiaries (collectively, the "Company") include the accounts of BT Intermediate, BillingTree, iPayX and Blue Cow. All significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

Cash

For the purpose of the consolidated statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less at date of acquisition to be cash equivalents.

Settlement Processing Cash and Obligations

Settlement-related cash balances represent funds that the Company holds when the incoming amount from the card networks precedes the funding obligation to the merchant. Settlement-related cash balances are not restricted; however, these funds are generally paid out in satisfaction of settlement processing obligations the following day. The Company also holds merchant funds ("merchant reserves") that serve as collateral to minimize contingent liabilities associated with any losses that may occur under the merchant agreement. The Company records these merchant reserves in cash reserved for settlement processing obligations with a corresponding liability in settlement processing obligations in the consolidated balance sheet.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Settlement Processing Cash and Obligations (Continued)

Settlement processing obligations consist of the following:

	2020		2019	
Settlements liability to merchants	$	10,074,678	$	488,362
Merchant reserves		276,258		320,563
	$	10,350,936	$	808,925

Accounts Receivable

Accounts receivable represent monthly credit card and automated clearing house (“ACH”) gateway access and transaction fees due from customers, credit card residuals and commissions due from third-party processors, software license fees, fees for software maintenance, implementation and training services and subscription-based fees for business management software usage. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the period in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2020 and 2019, the Company did not have a valuation allowance on its accounts receivable as all outstanding receivables are generally collected within two months after the due date.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset using the straight-line method. Leasehold improvements are amortized over the lesser of the useful life of the improvements or the term of the lease. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in other income or expense.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Software

The Company develops various software programs for internal use. In addition, certain software programs for internal use are currently being marketed to customers on a software-as-a-service monthly licensing basis. Software development costs are expensed as incurred until technological feasibility of the software program is established. Development costs incurred subsequent to technological feasibility are capitalized and amortized on a straight-line basis over the estimated useful life of the software program once placed in service. Developed software technology acquired in business acquisitions, including the Blue Cow acquisition described in Note 1, is amortized over estimated useful lives of 10 to 12 years. Capitalization of software costs is discontinued, and amortization begins when the software program is placed in service.

Goodwill

Goodwill attributable to intangibles not qualifying for separate recognition was recognized in business acquisitions, including the Blue Cow acquisition described in Note 1. Goodwill is not being amortized and is evaluated annually for impairment. Any impairment loss recognized in future periods could have a significant impact on the consolidated financial statements.

Changes in the carrying amount of goodwill during the year ended December 31, 2019 is as follows:

Goodwill, December 31, 2018	$	46,918,867
Goodwill recognized in connection with the Blue Cow acquistion		12,528,394
Goodwill, December 31, 2019	$	59,447,261

There were no changes to the carrying amount of goodwill during the year ended December 31, 2020.

Other Intangibles

Noncompetition Agreements

In connection with business acquisitions, the Company entered into noncompetition agreements with former stockholders and certain employees. Noncompetition agreements are based upon management's determination of whether it was probable the individuals would be a significant competitive threat to the Company without the agreement. Noncompetition agreements are amortized over the shorter of the agreement's estimated useful life or the length of the agreement (typically ranging from 2 to 5 years) using the straight-line method.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Customer Relationships

The Company amortizes customer relationships on a straight-line basis over the estimated useful life of 10 years.

Tradenames

Certain tradenames are indefinite-lived intangible assets and, accordingly, are not subject to amortization but rather reviewed for impairment annually or on the occurrence of an event that indicates impairment may have occurred. Certain tradenames acquired in the iPayX acquisition were being amortized on a straight-line basis over their estimated useful life of 3 years. These tradenames became fully amortized during the year ended December 31, 2020.

Impairment of Long-Lived Assets

The Company reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets to be held and used may not be recoverable. No impairment losses were recognized during the years ended December 31, 2020 and 2019.

Risk Reserve Deposits

Risk reserve deposits on the accompanying consolidated balance sheets represent funds the Company has on deposit with third-party processors and banks held as a reserve for any potential chargebacks to the Company or unpaid fees in connection with the third-party and bank agreements. These reserve deposits are determined by the third-party processors and banks based upon the credit card processing volume of the Company's customers and are subject to change at any time.

Loss Reserves

Disputes between a cardholder and a merchant periodically arise due to the cardholder's dissatisfaction with merchandise quality or the merchant's service. These disputes may not always be resolved in the merchant's favor. In some of these cases, the transaction is charged back to the merchant and the purchase price is refunded to the cardholder by the card-issuing institution. If the merchant is unable to fund the refund, the Company is liable for the full amount of the transaction. The Company's obligation to stand ready to perform is minimal. The Company evaluates its ultimate risk and records an estimate of potential loss for chargebacks related to merchant disputes based upon an assessment of actual historical loss rates compared to recent bankcard processing volume levels.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Transaction Fee Revenue

The Company derives revenue from the electronic processing of ACH, credit and debit card transactions that are authorized and captured through third-party and in-house networks. Typically, merchants are charged for these processing services based upon a flat fee per transaction and batch, which are agreed upon within the individual contract with each customer. Given the nature of the promise and the underlying transaction fees based on unknown quantities or outcomes of services to be performed over the contract term, the total consideration is determined to be variable consideration. The variable consideration for the processing service is usage-based and, therefore, it specifically relates to the companies' efforts to satisfy their payment services obligation. The variability is satisfied each day the service is provided to the customer. The companies directly ascribe variable fees to the distinct day of service to which it relates and considers the services performed each day in order to ascribe the appropriate amount of total fees to that day. Therefore, the companies measure revenue for the payment service on a daily basis based on the services that are performed on that day.

Revenues derived from the electronic processing of ACH and certain credit card transactions are reported gross of amounts paid to sponsor banks and third-party processors.

Credit Card Residual Revenue

The Company also derives revenues from third-party credit card processors in the form of residual revenue. Residual revenue is recognized monthly, based on contractual agreements with such processors to share in the residual income derived from the underlying merchant agreements. The Company has determined that the third-party credit card processors control the services and the Company does not have the ability to direct the use of and obtain substantially all of the benefits of the services provided by the card issuing financial institutions and payment networks before those services are transferred to the Company's customers. Accordingly, revenues from credit card residuals are recorded net of the amounts retained by the third-party credit card processors as the Company is considered the agent in the processing of these transactions. Generally, these amounts are funded into the Company's bank accounts in the subsequent month from when they were earned.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Software Revenues

Revenues for Blue Cow consist of term license fees for Blue Cow's software products, software maintenance and software implementation and training services. Customers enter into initial contracts to license the Blue Cow software for a period of three months. These contracts include the initial term license, implementation services, training and three months of post-contract customer support ("PCS"). In addition, these contracts may include data conversion services, which are priced separately. The implementation of the software takes one to two months until the go-live date, at which time the three-month PCS period commences. The Company requires a 50% deposit for these contracts, with the remaining 50% due at the software go-live date.

The Company has combined the initial term license, implementation services and any data conversion into a distinct performance obligation that is recognized over time. Other performance obligations under the contract relate to training and PCS. PCS related to an initial license will be more involved than continuing license and are primarily used by the customer in the first month after the go-live date. Accordingly, the Company recognizes revenue associated with these contracts 50% in the first month, 25% in the second month and 25% in the third month, which represents the timing of satisfaction of these performance obligations based upon their relative standalone selling price. Any amounts allocated to PCS for the remaining months under the initial term not reflected above are considered immaterial in the context of the contract.

Software Revenues

Upon completion of the initial three-month term license and PCS term, customers enter into new contracts for an additional term license and PCS for one-year periods. The Company has determined that the term license and PCS, which includes rights to unspecified updates, upgrades and enhancements during the PCS period, are distinct performance obligations as the customer can benefit from the term license exclusive of the PCS. The components of PCS, consisting of technical support and the right to unspecified updates, upgrades and enhancements, are accounted for as a single performance obligation as they are provided over the same period and have the same pattern of transfer to the customer. The Company allocates 80% of the contract to the term license, representing its relative standalone selling price, which is recognized at a point in time. The remaining 20% associated with PCS is recognized ratably over the one-year term of the PCS.

Amounts for the additional one-year term license and PCS are billed one month in advance and are due within 30 days of invoice date. The Company recognizes deferred revenue for the amounts billed in advance and any unrecognized revenue in accordance with the Company's revenue recognition policy above. Deferred revenue as of December 31, 2020 and 2019 is $1,908,570 and $1,015,791, respectively.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Other Fee Revenue

Merchant customers are charged certain miscellaneous fees, including fees for handling chargebacks or unauthorized returns, monthly service fees, and fees for other miscellaneous services by the Company, which are agreed upon within the individual contract with each customer. These are recognized into revenue upon the occurrence of the event giving rise to the fees or, in the case of the monthly service fees, monthly for providing processing services to the customer for that month.

Monthly services fees billed in advance for iPayX are deferred and recognized in income ratably over the respective agreements, typically 30 to 60 days. The remainder of the fees are billed to customers monthly for the prior month. Generally, transaction and other fee revenues are auto drafted from the customer's account in the month billed. Certain customers receive manual invoices, which are due within 30 days of the invoice date. Deferred revenue as of December 31, 2020 and 2019 related to monthly services fees billed in advance is $65,000 and $64,647, respectively.

Revenue Recognition Timing

Revenue recognized during the years ended December 31, 2020 and 2019 based upon the timing of revenue recognition is as follows:

	2020	2019
Products and services transferred at a point in time	$ 2,893,461	$ 1,455,870
Products and services transferred over time	48,760,348	42,891,695
	$ 51,653,809	$ 44,347,565

Products and services transferred at a point in time consist primarily of annual term licenses of Blue Cow software.

Contract Balances

The opening contract balances from contracts with customers are as follows for the year ended December 31, 2019:

Accounts receivable from contracts with customers	$ 3,864,865
Deferred revenue from contracts with customers	$ 80,626

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Electronic Payment Processing Costs

The Company has entered into multiple agreements with partners and software providers whereby the Company pays commissions based upon electronic payment processing volume and the number of merchants maintained as customers. These costs are recognized as transactions and commissions expenses in the accompanying consolidated statements of operations.

Advertising Costs

Costs for advertising are expensed as incurred. Advertising expense was approximately $142,000 and $93,000 for the years ended December 31, 2020 and 2019, respectively.

Equity-Based Compensation

The Company uses the fair value-based method of accounting prescribed by the Accounting Standards Codification for its equity incentive plan. Under the Accounting Standards Codification, compensation expense related to the equity incentive plan is determined based on the estimated fair value of units granted (Note 8).

Acquisition-Related Costs

Acquisition-related costs include costs incurred associated with both consummated and non-consummated acquisitions.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Litigation Settlement Income

During the year ended December 31, 2019, the Company reached an agreement with the seller of iPayX, which was acquired during 2017, to recover the portion of the cash consideration that was put into escrow, pending resolution of any claims by the Company. The Company made a claim against the seller that certain acquired developed technology lacked certain security and functionality that was represented by the seller at acquisition. The Company recovered the entire escrow amount of $625,000. As the settlement is outside of the measurement period for provisional amounts recognized in connection with business combination accounting and there is no clear and direct link between the litigation and the acquisition price, this amount has been recognized in earnings for the year ended December 31, 2019.

Income Taxes

BT Intermediate has elected to be treated as a corporation for income tax purposes. The Company accounts for income taxes in accordance with the Accounting Standards Codification which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate principally to depreciation of property and equipment, amortization of goodwill, software and other intangible assets and deductibility of certain accrued liabilities and loss reserves. In addition, as a result of business acquisitions, deferred taxes were established for basis differences for financial statement and income tax purposes for fixed assets, goodwill, intangible assets and loss reserves at the dates of acquisition. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company has implemented the accounting guidance for uncertainty in income taxes using the provisions of the Accounting Standards Codification. Using this guidance, tax positions initially need to be recognized in the consolidated financial statements when it is more likely-than-not the positions will not be sustained upon examination by the tax authorities. As of December 31, 2020 and 2019, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

The Company recognizes interest and penalties associated with income taxes in other expenses. During the years ended December 31, 2020 and 2019, the Company did not have any income tax related interest or penalty expense.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Date of Management's Review

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 8, 2021, the date the consolidated financial statements were available to be issued.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject the Company to potential concentrations of credit risk consist principally of cash and accounts receivable. The Company maintains its cash in bank accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and closely monitors its financial institutions. Accordingly, the Company believes it is not exposed to any significant credit risk.

Accounts receivable is concentrated as the Company may be responsible for chargebacks that the merchant clients are unable to pay. The Company limits its credit risk in accounts receivable by performing credit evaluations of its customers' financial conditions, daily review of customer chargeback activity and requiring reserves for any potential returned items.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2020	2019
Furniture, fixtures, and office equipment	$ 226,523	$ 226,523
Computer equipment	526,210	499,551
Leasehold improvements	235,179	235,179
	987,912	961,253
Accumulated depreciation and amortization	(631,999)	(504,711)
	$ 355,913	$ 456,542

Depreciation and amortization expense was $127,288 and $166,592 for the years ended December 31, 2020 and 2019, respectively.

NOTE 4 SOFTWARE

Software consists of the following:

	2020	2019
Developed software technology	$ 43,037,376	$ 39,071,152
Accumulated amortization	(13,790,933)	(9,755,013)
	29,246,443	29,316,139
Software development in progress	730,168	1,686,610
	$ 29,976,611	$ 31,002,749

Amortization expense was $4,035,920 and $3,563,474 for the years ended December 31, 2020 and 2019, respectively.

NOTE 5 OTHER INTANGIBLES

At December 31, 2020, the gross carrying amount and accumulated amortization of other intangible assets are as follows:

	Gross Balance	Accumulated Amortization	Net Balance
Amortized intangibles:			
Noncompetition agreements	$ 2,540,000	$ 2,162,000	$ 378,000
Customer relationships	78,290,000	31,114,083	47,175,917
Tradename	80,000	80,000	-
	80,910,000	33,356,083	47,553,917
Unamortized intangibles:			
Tradename	22,060,000	-	22,060,000
Total other intangible assets	$ 102,970,000	$ 33,356,083	$ 69,613,917

At December 31, 2019, the gross carrying amount and accumulated amortization of other intangible assets are as follows:

	Gross Balance	Accumulated Amortization	Net Balance
Amortized intangibles:			
Noncompetition agreements	$ 2,540,000	$ 1,658,000	$ 882,000
Customer relationships	78,290,000	23,285,083	55,004,917
Tradename	80,000	53,333	26,667
	80,910,000	24,996,416	55,913,584
Unamortized intangibles:			
Tradename	22,060,000	-	22,060,000
Total other intangible assets	$ 102,970,000	$ 24,996,416	$ 77,973,584

Amortization expense was $8,359,667 and $7,914,999 for the years ended December 31, 2020 and 2019, respectively.

NOTE 5 OTHER INTANGIBLES (Continued)

Estimated amortization expense at December 31, 2020 for each of the five succeeding years is as follows:

Years Ending December 31,		
2021	$	8,207,000
2022		7,829,000
2023		7,829,000
2024		7,829,000
2025		2,571,000

NOTE 6 LONG-TERM DEBT

Long-term debt consists of the following:

	2020	2019
Term Loan ("First Lien Term Loan") due in quarterly principal payments of $195,750 through March 2023, with a balloon payment due April 2023. Interest, at the election of management, is based upon LIBOR (1% floor) plus 4.25% or the Base Rate (as defined in the credit agreement) plus 3.25%.	$ 74,955,455	$ 75,726,205
Revolving loan allowing for maximum borrowings of the lesser of $10,000,000 or borrowing availablity (as defined in the credit agreement). Amounts outstanding under the revolving loan are due April 2023. Interest, at the election of management, is based upon LIBOR (1% floor) plus 4.25% or the Base Rate (as defined in the credit agreement) plus 3.25%. The revolving loan committment also allows for the issuance of standby letters of credit not to exceed $2,000,000.	-	7,500,000
	74,955,455	83,226,205
Unamortized debt issuance costs	(695,622)	(999,166)
	74,259,833	82,227,039
Current portion	(3,135,699)	(783,000)
	$ 71,124,134	$ 81,444,039

NOTE 6 LONG-TERM DEBT (Continued)

For all debt instruments described above, interest on LIBOR-based balances are payable on the last day of each interest period relating to such loan, but at least quarterly. Interest on Base Rate-based balances are payable monthly.

Amortization of debt issuance costs is included within interest expense.

The long-term debt above is secured by substantially all assets of the Company, including all the outstanding stock of BillingTree owned by BT Intermediate. The credit agreement governing the First Lien Term Loan described above requires the Company to make mandatory prepayments of principal on the term loans equal to a percentage of excess cash flow (as defined) for the calendar year. The required prepayment for the year ended December 31, 2020 of $2,352,699 will be paid subsequent to the issuance of these consolidated financial statements and is included within the current portion of long-term debt described above. There was no required prepayment for the year ended December 31, 2019. The borrowers are also required to maintain certain financial and nonfinancial covenants, including a maximum total debt to EBITDA (as defined) ratio and minimum fixed charge coverage ratio.

The aggregate annual scheduled principal payment requirements on long-term debt are as follows:

Years Ending December 31,		
2021	$	3,135,699
2022		783,000
2023		71,036,756
	$	74,955,455

NOTE 7 INCOME TAXES

Components of the income tax provision reported in the statement of operations are comprised of the following:

	2020	2019
Current provision:		
Federal	$ -	$ -
State	94,941	64,454
Total current provision	94,941	64,454
Deferred provision:		
Federal	61,910	(123,185)
State	227,343	(17,546)
Total deferred provision	289,253	(140,731)
	$ 384,194	$ (76,277)

The effective tax rate differs from the U.S. federal statutory rate of 21% due to state taxes, non-deductible meals and entertainment, non-deductible equity-based compensation and non-deductible acquisition-related costs.

The following are the components of the Company's net deferred income taxes asset (liability) for federal and state income taxes:

	2020	2019
Asset basis difference related to property and equipment	$ (2,089,147)	$ (1,601,430)
Asset basis difference related to goodwill, software and other intangible assetes	(2,671,107)	(2,709,130)
Reserves and accrued liabilities	275,737	385,600
Interest expense carryforward	-	602,100
Federal and state tax net operating loss carryforwards	3,120,634	2,248,230
	$ (1,363,883)	$ (1,074,630)

Federal and state tax net operating loss carryforwards of approximately $4,206,000 and $8,233,000, respectively, expire in various years from 2031 through 2040. Federal tax net operating losses of approximately $9,086,000 do not expire.

NOTE 8 EQUITY INCENTIVE PLAN

The terms of the limited partnership agreement of BT Intermediate's parent, Billing Tree Parent, L.P. ("Billing Tree Parent") provide a means by which eligible employees, officers, directors, advisors and consultants may be given the opportunity to benefit from the increases in value of the common equity of Billing Tree Parent through the granting of equity incentive units in Billing Tree Parent (the "Plan"). The Plan is administered by the Board of Managers of Billing Tree Parent, which has the discretion of determining when, to whom, and the participation level of the incentive unit to be granted under the Plan.

Incentive units are issued in one of three tranches: Tranche 1, Tranche 2 and Tranche 3. As outlined in the limited partnership agreement, each tranche represents a level that the incentive unit participates in the profits of and distributions of Billing Tree Parent.

The following summarizes the equity incentive units authorized and granted:

	Tranche 1 Units	Tranche 2 Units	Tranche 3 Units	Total Units	Weighted Average Participation Rate
Authorized	8,015,289	4,469,823	4,895,826	17,380,938	
Outstanding at December 31, 2018	5,988,955	3,391,934	3,716,489	13,097,378	$ 1.86
Granted	3,017,455	1,712,482	1,874,985	6,604,922	2.56
Forfeited	(1,242,519)	(796,355)	(872,369)	(2,911,243)	1.92
Outstanding at December 31, 2019	7,763,891	4,308,061	4,719,105	16,791,057	2.10
Granted	74,113	47,585	52,063	173,761	3.52
Forfeited	(107,509)	(67,506)	(75,006)	(250,022)	2.21
Outstanding at December 31, 2020	7,730,495	4,288,140	4,696,162	16,714,796	$ 2.12

These granted units vest 20% after one year from the date of the grant, with the remaining 80% vesting in equal monthly installments through the fifth anniversary of the date of the grant.

NOTE 8 EQUITY INCENTIVE PLAN (Continued)

The following summarizes vesting activity of the equity incentive units:

	Tranche 1 Units	Tranche 2 Units	Tranche 3 Units	Total Units	Weighted Average Fair Value
Nonvested units at December 31, 2018	3,625,655	2,068,743	2,268,161	7,962,559	$ 0.15
Granted	3,017,455	1,712,482	1,874,985	6,604,922	0.15
Vested	(788,277)	(415,692)	(455,703)	(1,659,672)	0.15
Forfeited	(1,242,519)	(796,355)	(872,369)	(2,911,243)	0.15
Nonvested units at December 31, 2019	4,612,314	2,569,178	2,815,074	9,996,566	0.15
Granted	74,113	47,585	52,063	173,761	0.14
Vested	(1,816,508)	(990,405)	(1,084,456)	(3,891,370)	0.15
Forfeited	(107,509)	(67,506)	(75,006)	(250,022)	0.14
Nonvested units at December 31, 2020	2,762,409	1,558,852	1,707,675	6,028,936	$ 0.15

As of December 31, 2020, the weighted-average fair value of all vested units was $0.25, $0.09, and $0.04 for Tranche 1, Tranche 2 and Tranche 3 units, respectively. As of December 31, 2019, the weighted-average fair value of all vested units was $0.24, $0.11, and $0.05 for Tranche 1, Tranche 2 and Tranche 3 units, respectively.

The fair value of equity units granted was estimated on the date of the grant using an option valuation (Black-Scholes) model. Because the Company's equity is privately held, it is not possible to determine the Company's own share price volatility. Accordingly, the Company uses the historical share price volatility of publicly traded companies with operations in the payment processing industry as a surrogate for the expected volatility of the Company's stock. The risk-free interest rate for the expected term of the option is based on the interpolated U.S. Treasury yield equal to the expected time to a liquidity event.

The assumptions used in estimating the fair value of incentive units granted during 2020 and 2019, along with the weighted-average grant-date fair values, were as follows:

	2020	2019
Expected volatility	40%	40%
Expected life (years to liquidity event)	3	3
Risk-free interest rate	2.79%	2.79%
Dividend yield	0%	0%
Tranche 1 fair value	$ 0.27	$ 0.27
Tranche 2 fair value	$ 0.07	$ 0.07
Tranche 3 fair value	$ 0.02	$ 0.02

NOTE 8 EQUITY INCENTIVE PLAN (Continued)

Equity-based compensation expense for these equity unit grants has been pushed down to the Company by Billing Tree Parent. Compensation expense is recognized ratably over the vesting period associated with each incentive unit granted.

The Company accounts for forfeitures of incentive units as they occur. Forfeitures occur for any unvested units upon separation of service by the employee. All units, including vested and unvested, will be forfeited should there be a separation for cause or a material breach of any covenants in the terms of the unit grant agreements. There were 250,222 and 2,911,243 units forfeited during the years ended December 31, 2020 and 2019, respectively.

The unit grant agreements governing the incentive units provide for a repurchase option by BillingTree Parent of any vested units at a price equal to the pro-rata fair market value of the units as of the date notice to exercise this repurchase option is given.

For the years ended December 31, 2020 and December 31, 2019, the Company recognized $425,904 and $444,212, respectively, as compensation cost under the Plan. No deferred tax benefit was recognized for this as the tax deduction will be recognized on Billing Tree Parent's return. At December 31, 2020 and 2019, unrecognized compensation cost related to nonvested incentive units totaled approximately $839,000 and $1,276,000, respectively. This amount will be recognized through 2025. The weighted-average period over which this remaining compensation cost will be recognized is 1.86 and 2.84 years, respectively.

NOTE 9 DEFINED CONTRIBUTION PLAN

The Company established a defined contribution plan covering all qualified personnel. The Company makes discretionary contributions to the plan in such amounts as the Board of Directors determines, but not in excess of the maximum amount allowable under applicable provisions of the Internal Revenue Code. The plan also allows employees to make elective deferrals. The Company makes matching contributions on employee elective deferrals as defined in the plan document. Total expense under the plan was approximately $490,000 and $391,000 for the years ended December 31, 2020 and December 31, 2019, respectively.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space under operating leases that expire at various dates through August 2026. The leases currently require total monthly payments of approximately $33,500 and escalate through the terms of the leases.

NOTE 10 COMMITMENTS AND CONTINGENCIES (Continued)

Leases (Continued)

The Company records rent expense on a straight-line basis from the inception of the leases. Any difference between the calculated expense and the amounts actually paid are included as a component of the deferred rent in the accompanying consolidated balance sheets.

Future minimum annual lease payments on the operating leases described above are approximately as follows:

Years Ending December 31,		
2021	$	368,000
2022		348,000
2023		372,000
2024		381,000
2025		391,000
Thereafter		232,000
	$	2,092,000

Total rent expense, including common area maintenance and other charges associated with the operating leases, was approximately $382,000 and $452,000 for the years ended December 31, 2020 and 2019, respectively.

Legal Proceedings

The Company is party to legal disputes that may arise from time to time under the normal course of business. In the opinion of management, the resolution of such matters will not have a material adverse impact on the Company's financial position, results of operations or cash flows.

NOTE 11 MANAGEMENT SERVICES AGREEMENT

BillingTree has entered into a management services agreement with a related party. Under the agreement, BillingTree pays $250,000 per quarter for management services. Fees for management services totaled $1,000,000 for each of the years ended December 31, 2020 and 2019. Under terms of the agreement, in connection with the Blue Cow acquisition described in Note 1, BillingTree paid a transaction fee of $225,000 to the related party during 2019, which is included in acquisition-related costs on the accompanying statement of operations. There were no amounts due to the related party under the management services agreement as of December 31, 2020 and 2019.

NOTE 12 LIMITED LIABILITY COMPANY

The limited liability company agreement of BT Intermediate defines the rights and obligations of the members. Except as provided in the limited liability company agreement or in any agreement entered into by such person and BT Intermediate, and to the extent permitted by the Delaware Limited Liability Company Act, no manager, officer or member is personally liable to BT Intermediate or to another manager, officer or member. BT Intermediate shall continue in perpetual existence until BT Intermediate's members dissolve the company; it is dissolved by judicial decree or there are no members of the company.

NOTE 13 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest and income taxes was approximately $4,530,000 and $110,000, respectively, for the year ended December 31, 2020. Cash paid for interest and income taxes was approximately $5,269,000 and $64,000, respectively, for the year ended December 31, 2019.

During the year ended December 31, 2019, the Company had noncash investing and financing activities of $2,000,000 of investment in Blue Cow that was contributed by Billing Tree Parent to the Company, in order for Blue Cow to become a wholly owned subsidiary of BillingTree.

NOTE 14 SUBSEQUENT EVENT

On March 15, 2021, BillingTree acquired 93% of the outstanding shares of Stratus Payment Solutions, LLC ("Stratus"), a company that provides payment processing solutions to accounts receivable management ("ARM"), healthcare, legal and entertainment industries. The acquisition expands BillingTree's footprint in the ARM industry and expands operations into new industries. The aggregate purchase price was approximately $9,300,000 and was paid in cash of approximately $4,800,000 and borrowings under the Company's revolving loan of $4,500,000.

Concurrently, the equityholders of Stratus contributed the remaining 7% of the outstanding equity of Stratus to Billing Tree Parent, L.P., in return for common non-voting units of Billing Tree Parent, L.P. having a value of $700,000. This amount was effectively contributed into BillingTree, such that Stratus, became a wholly owned subsidiary of BillingTree.

As of the date the financial statements are available to be issued, the Company is accumulating the financial information of Stratus as of the acquisition date to determine the value of the assets acquired and liabilities assumed. As such, the initial accounting for the acquisition is in progress, and the amount of goodwill and intangible assets that will be recognized as a result of the acquisition is unable to be determined.

BT Intermediate, LLC and Subsidiaries

Phoenix, Arizona

CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended March 31, 2021 and 2020

(Review)

BT INTERMEDIATE, LLC AND SUBSIDIARIES
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Managers of
BT Intermediate, LLC and Subsidiaries
Phoenix, Arizona

We have reviewed the accompanying consolidated financial statements of BT Intermediate, LLC and Subsidiaries, which comprise the consolidated balance sheets as of March 31, 2021 and 2020, and the related consolidated statements of operations, changes in member's equity and cash flows for the periods then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

/s/ Henry + Horne, LLP

Tempe, Arizona
August 17, 2021

BT INTERMEDIATE, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	$ 5,298,543	$ 9,857,486
Cash reserved for settlement processing obligations	11,481,276	1,563,976
Accounts receivable	13,856,056	6,115,410
Prepaid expenses and other current assets	685,502	490,726
TOTAL CURRENT ASSETS	31,321,377	18,027,598
PROPERTY AND EQUIPMENT, net	569,399	418,928
OTHER ASSETS		
Software, net	29,722,553	30,990,648
Goodwill	66,129,411	59,447,261
Other intangibles, net	71,766,690	75,883,667
Risk reserve deposits	540,000	440,000
Other assets	536,025	45,050
TOTAL OTHER ASSETS	168,694,679	166,806,626
TOTAL ASSETS	$ 200,585,455	$ 185,253,152

See accompanying notes.

		2021		2020
LIABILITIES AND MEMBER'S EQUITY				
CURRENT LIABILITIES				
Accounts payable	$	2,681,695	$	968,232
Accrued liabilities		4,278,055		3,484,342
Due to seller		256,715		-
Loss reserves		50,000		50,000
Settlement processing obligations		13,643,389		1,544,198
Deferred revenue		1,731,255		731,306
Current portion of long-term debt		783,000		783,000
TOTAL CURRENT LIABILITIES		23,424,109		7,561,078
LONG-TERM DEBT, net of current portion and unamortized debt issuance costs		77,860,032		83,827,238
DEFERRED RENT		33,374		3,245
DEFERRED INCOME TAXES		2,799,393		995,542
TOTAL LIABILITIES		104,116,908		92,387,103
COMMITMENTS AND CONTINGENCIES		-		-
MEMBER'S EQUITY		96,468,547		92,866,049
TOTAL LIABILITIES AND MEMBER'S EQUITY	$	200,585,455	$	185,253,152

See accompanying notes.

BT INTERMEDIATE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended March 31, 2021 and 2020

	2021	2020
REVENUES	$ 14,064,651	$ 12,549,035
EXPENSES		
Transactions and commissions	2,379,269	2,194,709
Operating, general, and administrative expenses	5,495,735	5,712,762
Amortization of software and other intangible assets	3,273,953	3,094,006
Interest expense	1,084,127	1,318,246
Acquisition-related costs	477,138	399,048
Other expense, net	16,627	16,242
TOTAL EXPENSES	12,726,849	12,735,013
INCOME (LOSS) BEFORE INCOME TAX BENEFIT (PROVISION)	1,337,802	(185,978)
INCOME TAX BENEFIT (PROVISION)	(509,666)	45,839
NET INCOME (LOSS)	$ 828,136	$ (140,139)

See accompanying notes.

BT INTERMEDIATE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY
Three Months Ended March 31, 2021 and 2020

MEMBER'S EQUITY, BEGINNING OF PERIOD	$	94,844,411	$	92,895,188
Equity-based compensation		96,000		111,000
Net income (loss)		828,136		(140,139)
Contributions		700,000		-
MEMBER'S EQUITY, END OF PERIOD	$	96,468,547	$	92,866,049

See accompanying notes.

BT INTERMEDIATE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended March 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 828,136	$ (140,139)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	27,724	37,614
Amortization of debt issuance costs	75,886	75,886
Amortization of software and other intangible assets	3,273,953	3,094,006
Equity-based compensation	96,000	111,000
Deferred income taxes	417,531	(79,088)
(Increase) decrease in:		
Accounts receivable	(3,909,574)	(507,828)
Prepaid expenses and other current assets	(165,721)	8,827
Other assets	(193,506)	-
Increase (decrease) in:		
Accounts payable	839,850	(11,855)
Accrued liabilities	197,069	191,254
Settlement processing obligations	3,292,453	735,273
Deferred revenue	(242,315)	(349,132)
Deferred rent	9,787	(3,245)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,547,273	3,162,573
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(43,231)	-
Software development costs	(936,645)	(991,988)
Payment for acquisition, net of cash acquired	(9,273,796)	-
NET CASH USED IN INVESTING ACTIVITIES	(10,253,672)	(991,988)

See accompanying notes.

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on revolving loan	4,500,000	3,500,000
Payments on revolving loan	-	(1,000,000)
Payments on term loan	(192,687)	(192,687)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	4,307,313	2,307,313
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(1,399,086)	4,477,898
CASH AND RESTRICTED CASH AT BEGINNING OF PERIOD	18,718,905	7,383,564
CASH AND RESTRICTED CASH AT END OF PERIOD	$ 17,319,819	$ 11,861,462

	2021	2020
RECONCILIATION OF CASH AND RESTRICTED CASH TO AMOUNTS REPORTED IN THE CONSOLIDATED BALANCE SHEET:		
Cash	$ 5,298,543	$ 9,857,486
Cash reserved for settlement processing obligations	11,481,276	1,563,976
Risk reserve deposits	540,000	440,000
	$ 17,319,819	$ 11,861,462

See accompanying notes.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

BT Intermediate, LLC, a Delaware limited liability company ("BT Intermediate"), is a holding company for Electronic Payment Providers, Inc. BT Intermediate was organized in September 2016.

Electronic Payment Providers, Inc. dba BillingTree ("BillingTree"), an Arizona corporation, was incorporated in February 2003 to customize payment processing software and automate billing and payment solutions for customers in a variety of industries throughout the United States.

Internet Payment Exchange, Inc. ("iPayX"), a Delaware corporation and 100% owned subsidiary of BillingTree, provides internet-based electronic billing and payment technology solutions to healthcare providers and other industries across the United States.

Blue Cow Software, Inc. and Hoot Payment Solutions, Inc. (collectively, "Blue Cow"), Massachusetts corporations and 100% owned subsidiaries of BillingTree offer business management software and payment processing services to fuel oil and propane dealers.

Stratus Payment Solutions, LLC, a Florida limited liability company and 100% owned subsidiary of BillingTree, provides payment processing solutions to accounts receivable management ("ARM"), healthcare, legal and entertainment industries.

Acquisition

On March 15, 2021, BillingTree acquired 93% of the outstanding shares of Stratus Payment Solutions, LLC ("Stratus"). The acquisition expands BillingTree's footprint in the ARM industry and expands operations into new industries. The aggregate purchase price was approximately $9,300,000 and was paid in cash of approximately $4,800,000 and borrowings under the Company's revolving loan of $4,500,000.

Concurrently, the equity holders of Stratus contributed the remaining 7% of the outstanding equity of Stratus to Billing Tree Parent, L.P., in return for common non-voting units of Billing Tree Parent, L.P. having a value of $700,000. This amount was effectively contributed into BillingTree, such that Stratus, became a wholly owned subsidiary of BillingTree.

Under the terms of the equity purchase agreement, the Company determined that there was an increase to the purchase price of $256,715 associated with adjusted working capital delivered. This amount is reflected as due to seller on the accompanying consolidated balance sheet as of March 31, 2021 and was paid in April 2021.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Acquisition (Continued)

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date:

Cash	$	26,204
Accounts receivable		345,130
Prepaid expenses and other current assets		25,981
Customer relationships		4,061,659
Tradename		164,107
Noncompetition agreements		10,257
Goodwill		6,682,150
Total identifiable assets acquired		11,315,488
Accounts payable and accrued liabilities assumed		(40,794)
Creation of deferred tax liability		(1,017,979)
Net assets acquired	$	10,256,715

As of the date of the report, the third-party valuation of the acquired intangible assets is in progress. Accordingly, provisional amounts of customer relationships, tradename, and noncompetition agreements have been recognized based upon management's experience with other acquisitions.

The recorded goodwill for the Stratus acquisition has been increased by $1,017,979 for deferred tax liabilities that were created as a result of the acquisition. The deferred tax liabilities related to basis differences for financial statement and income tax purposes for intangible assets.

Goodwill recognized as part of the acquisition of Stratus reflects the value of adding Stratus to BillingTree to expand their commercial footprint, costs savings that BillingTree can bring to Stratus and intangible assets acquired and associated with the business that do not qualify for separate recognition. The goodwill recognized will not be amortized for tax purposes. Customer relationships and noncompetition agreements intangible assets are subject to amortization over their estimated useful lives of 10 and 2 years, respectively.

The acquisition was accounted for using the purchase method of accounting and, accordingly, the assets and liabilities of Stratus were recorded at their estimated fair values at the respective dates of acquisition.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Acquisition (Continued)

The accounts receivable acquired in the acquisition were amounts due from customers and third-party processors and have been collected in full.

Management believes that the Stratus' future cash flows are not materially impacted by its ability to extend or renew its registered tradename.

Principles of Consolidation and Presentation

The accompanying consolidated financial statements of BT Intermediate and Subsidiaries (collectively, the "Company") include the accounts of BT Intermediate, BillingTree, iPayX, Blue Cow and Stratus. All significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

Cash

For the purpose of the consolidated statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less at date of acquisition to be cash equivalents.

Settlement Processing Cash and Obligations

Settlement-related cash balances represent funds that the Company holds when the incoming amount from the card networks precedes the funding obligation to the merchant. Settlement-related cash balances are not restricted; however, these funds are generally paid out in satisfaction of settlement processing obligations the following day. The Company also holds merchant funds ("merchant reserves") that serve as collateral to minimize contingent liabilities associated with any losses that may occur under the merchant agreement. The Company records these merchant reserves in cash reserved for settlement processing obligations with a corresponding liability in settlement processing obligations in the consolidated balance sheet.

Settlement processing obligations consist of the following:

	2021	2020
Settlements liability to merchants	$ 13,366,434	$ 1,269,230
Merchant reserves	276,955	274,968
	$ 13,643,389	$ 1,544,198

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable represent monthly credit card and automated clearing house (“ACH”) gateway access and transaction fees due from customers, credit card residuals and commissions due from third-party processors, software license fees, fees for software maintenance, implementation and training services and subscription-based fees for business management software usage. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the period in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of March 31, 2021 and 2020, the Company did not have a valuation allowance on its accounts receivable as all outstanding receivables are generally collected within two months after the due date.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset using the straight-line method. Leasehold improvements are amortized over the lesser of the useful life of the improvements or the term of the lease. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in other income or expense.

Software

The Company develops various software programs for internal use. In addition, certain software programs for internal use are currently being marketed to customers on a software-as-a-service monthly licensing basis. Software development costs are expensed as incurred until technological feasibility of the software program is established. Development costs incurred subsequent to technological feasibility are capitalized and amortized on a straight-line basis over the estimated useful life of the software program once placed in service. Capitalization of software costs is discontinued, and amortization begins when the software program is placed in service. Developed software technology acquired in business acquisitions is amortized over estimated useful lives of 10 to 12 years.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill attributable to intangibles not qualifying for separate recognition was recognized in business acquisitions, including the Stratus acquisition described in Note 1. Goodwill is not being amortized and is evaluated annually for impairment. Any impairment loss recognized in future periods could have a significant impact on the consolidated financial statements.

Changes in the carrying amount of goodwill during the three months ended March 31, 2021 is as follows:

Goodwill, December 31, 2020	$	59,447,261
Goodwill recognized in connection with the Stratus acquisition		6,682,150
Goodwill, March 31, 2021	$	66,129,411

There were no changes to the carrying amount of goodwill during the three months ended March 31, 2020.

Other Intangibles

Noncompetition Agreements

In connection with business acquisitions, the Company entered into noncompetition agreements with former stockholders and certain employees. Noncompetition agreements are based upon management's determination of whether it was probable the individuals would be a significant competitive threat to the Company without the agreement. Noncompetition agreements are amortized over the shorter of the agreement's estimated useful life or the length of the agreement (typically ranging from 2 to 5 years) using the straight-line method.

Customer Relationships

The Company amortizes customer relationships on a straight-line basis over the estimated useful life of 10 years.

Tradenames

Certain tradenames are indefinite-lived intangible assets and, accordingly, are not subject to amortization but rather reviewed for impairment annually or on the occurrence of an event that indicates impairment may have occurred. Certain tradenames acquired in the iPayX acquisition were being amortized on a straight-line basis over their estimated useful life of 3 years. These tradenames were fully amortized as of March 31, 2021.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

The Company reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets to be held and used may not be recoverable. No impairment losses were recognized during the three months ended March 31, 2021 and 2020.

Risk Reserve Deposits

Risk reserve deposits on the accompanying consolidated balance sheets represent funds the Company has on deposit with third-party processors and banks held as a reserve for any potential chargebacks to the Company or unpaid fees in connection with the third-party and bank agreements. These reserve deposits are determined by the third-party processors and banks based upon the credit card processing volume of the Company's customers and are subject to change at any time.

Loss Reserves

Disputes between a cardholder and a merchant periodically arise due to the cardholder's dissatisfaction with merchandise quality or the merchant's service. These disputes may not always be resolved in the merchant's favor. In some of these cases, the transaction is charged back to the merchant and the purchase price is refunded to the cardholder by the card-issuing institution. If the merchant is unable to fund the refund, the Company is liable for the full amount of the transaction. The Company's obligation to stand ready to perform is minimal. The Company evaluates its ultimate risk and records an estimate of potential loss for chargebacks related to merchant disputes based upon an assessment of actual historical loss rates compared to recent bankcard processing volume levels.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Transaction Fee Revenue

The Company derives revenue from the electronic processing of ACH, credit and debit card transactions that are authorized and captured through third-party and in-house networks. Typically, merchants are charged for these processing services based upon a flat fee per transaction and batch, which are agreed upon within the individual contract with each customer. Given the nature of the promise and the underlying transaction fees based on unknown quantities or outcomes of services to be performed over the contract term, the total consideration is determined to be variable consideration. The variable consideration for the processing service is usage-based and, therefore, it specifically relates to the companies' efforts to satisfy their payment services obligation. The variability is satisfied each day the service is provided to the customer. The companies directly ascribe variable fees to the distinct day of service to which it relates and considers the services performed each day in order to ascribe the appropriate amount of total fees to that day. Therefore, the companies measure revenue for the payment service on a daily basis based on the services that are performed on that day.

Revenues derived from the electronic processing of ACH and certain credit card transactions are reported gross of amounts paid to sponsor banks and third-party processors.

Credit Card Residual Revenue

The Company also derives revenues from third-party credit card processors in the form of residual revenue. Residual revenue is recognized monthly, based on contractual agreements with such processors to share in the residual income derived from the underlying merchant agreements. The Company has determined that the third-party credit card processors control the services and the Company does not have the ability to direct the use of and obtain substantially all of the benefits of the services provided by the card issuing financial institutions and payment networks before those services are transferred to the Company's customers. Accordingly, revenues from credit card residuals are recorded net of the amounts retained by the third-party credit card processors as the Company is considered the agent in the processing of these transactions. Generally, these amounts are funded into the Company's bank accounts in the subsequent month from when they were earned.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Software Revenues

Revenues for Blue Cow consist of term license fees for Blue Cow's software products, software maintenance and software implementation and training services. Customers enter into initial contracts to license the Blue Cow software for a period of three months. These contracts include the initial term license, implementation services, training and three months of post-contract customer support ("PCS"). In addition, these contracts may include data conversion services, which are priced separately. The implementation of the software takes one to two months until the go-live date, at which time the three-month PCS period commences. The Company requires a 50% deposit for these contracts, with the remaining 50% due at the software go-live date.

The Company has combined the initial term license, implementation services and any data conversion into a distinct performance obligation that is recognized over time. Other performance obligations under the contract relate to training and PCS. PCS related to an initial license will be more involved than continuing license and are primarily used by the customer in the first month after the go-live date. Accordingly, the Company recognizes revenue associated with these contracts 50% in the first month, 25% in the second month and 25% in the third month, which represents the timing of satisfaction of these performance obligations based upon their relative standalone selling price. Any amounts allocated to PCS for the remaining months under the initial term not reflected above are considered immaterial in the context of the contract.

Upon completion of the initial three-month term license and PCS term, customers enter into new contracts for an additional term license and PCS for one-year periods. The Company has determined that the term license and PCS, which includes rights to unspecified updates, upgrades and enhancements during the PCS period, are distinct performance obligations as the customer can benefit from the term license exclusive of the PCS. The components of PCS, consisting of technical support and the right to unspecified updates, upgrades and enhancements, are accounted for as a single performance obligation as they are provided over the same period and have the same pattern of transfer to the customer. The Company allocates 80% of the contract to the term license, representing its relative standalone selling price, which is recognized at a point in time. The remaining 20% associated with PCS is recognized ratably over the one-year term of the PCS.

Amounts for the additional one-year term license and PCS are billed one month in advance and are due within 30 days of invoice date. The Company recognizes deferred revenue for the amounts billed in advance and any unrecognized revenue in accordance with the Company's revenue recognition policy above. Deferred revenue as of March 31, 2021 and 2020 is $1,666,255 and $666,306, respectively.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Other Fee Revenue

Merchant customers are charged certain miscellaneous fees, including fees for handling chargebacks or unauthorized returns, monthly service fees, and fees for other miscellaneous services by the Company, which are agreed upon within the individual contract with each customer. These are recognized into revenue upon the occurrence of the event giving rise to the fees or, in the case of the monthly service fees, monthly for providing processing services to the customer for that month.

Monthly services fees billed in advance for iPayX are deferred and recognized in income ratably over the respective agreements, typically 30 to 60 days. The remainder of the fees are billed to customers monthly for the prior month. Generally, transaction and other fee revenues are auto drafted from the customer's account in the month billed. Certain customers receive manual invoices, which are due within 30 days of the invoice date. Deferred revenue as of March 31, 2021 and 2020 related to monthly services fees billed in advance is $65,000.

Revenue Recognition Timing

Revenue recognized during the three months ended March 31, 2021 and 2020 based upon the timing of revenue recognition is as follows:

	2021	2020
Products and services transferred at a point in time	$ 257,630	$ 206,806
Products and services transferred over time	13,807,021	12,342,229
	$ 14,064,651	$ 12,549,035

Products and services transferred at a point in time consist primarily of annual term licenses of Blue Cow software.

Contract Balances

The opening contract balances from contracts with customers are as follows for the three months ended March 31, 2021:

Accounts receivable from contracts with customers	$ 9,601,352
Deferred revenue from contracts with customers	$ 1,973,570

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contract Balances (Continued)

The opening contract balances from contracts with customers are as follows for the three months ended March 31, 2020:

Accounts receivable from contracts with customers	$	5,607,582
Deferred revenue from contracts with customers	$	1,080,438

Electronic Payment Processing Costs

The Company has entered into multiple agreements with partners and software providers whereby the Company pays commissions based upon electronic payment processing volume and the number of merchants maintained as customers. These costs are recognized as transactions and commissions expenses in the accompanying consolidated statements of operations.

Advertising Costs

Costs for advertising are expensed as incurred. Advertising expense was approximately $29,000 and $36,000 for the three months ended March 31, 2021 and 2020, respectively.

Equity-Based Compensation

The Company uses the fair value-based method of accounting prescribed by the Accounting Standards Codification for its equity incentive plan. Under the Accounting Standards Codification, compensation expense related to the equity incentive plan is determined based on the estimated fair value of units granted (Note 8).

Acquisition-Related Costs

Acquisition-related costs include costs incurred associated with both consummated and non-consummated acquisitions.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

BT Intermediate has elected to be treated as a corporation for income tax purposes. The Company accounts for income taxes in accordance with the Accounting Standards Codification which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate principally to depreciation of property and equipment, amortization of goodwill, software and other intangible assets and deductibility of certain accrued liabilities and loss reserves. In addition, as a result of business acquisitions, deferred taxes were established for basis differences for financial statement and income tax purposes for fixed assets, goodwill, intangible assets and loss reserves at the dates of acquisition. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company has implemented the accounting guidance for uncertainty in income taxes using the provisions of the Accounting Standards Codification. Using this guidance, tax positions initially need to be recognized in the consolidated financial statements when it is more likely-than-not the positions will not be sustained upon examination by the tax authorities. As of March 31, 2021 and 2020, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

The Company recognizes interest and penalties associated with income taxes in other expenses. During the three months ended March 31, 2021 and 2020, the Company did not have any income tax related interest or penalty expense.

Date of Management's Review

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through August 17, 2021, the date the consolidated financial statements were available to be issued.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject the Company to potential concentrations of credit risk consist principally of cash and accounts receivable. The Company maintains its cash in bank accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and closely monitors its financial institutions. Accordingly, the Company believes it is not exposed to any significant credit risk.

Accounts receivable is concentrated as the Company may be responsible for chargebacks that the merchant clients are unable to pay. The Company limits its credit risk in accounts receivable by performing credit evaluations of its customers' financial conditions, daily review of customer chargeback activity and requiring reserves for any potential returned items.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2021	2020
Furniture, fixtures, and office equipment	$ 226,523	$ 226,523
Computer equipment	526,210	499,551
Leasehold improvements	235,179	235,179
	987,912	961,253
Accumulated depreciation and amortization	(659,723)	(542,325)
	328,189	418,928
Assets in progress	241,210	-
	569,399	418,928

Depreciation and amortization expense was $27,724 and $37,614 for the three months ended March 31, 2021 and 2020, respectively.

NOTE 4 SOFTWARE

Software consists of the following:

	2021	2020
Developed software technology	$ 43,139,057	$ 38,997,740
Accumulated amortization	(14,981,636)	(10,759,104)
	28,157,421	28,238,636
Software development in progress	1,565,132	2,752,012
	$ 29,722,553	$ 30,990,648

Amortization expense was $1,190,703 and $1,004,091 for the three months ended March 31, 2021 and 2020, respectively.

NOTE 5 OTHER INTANGIBLES

At March 31, 2021, the gross carrying amount and accumulated amortization of other intangible assets are as follows:

	Gross Balance	Accumulated Amortization	Net Balance
Amortized intangibles:			
Noncompetition agreements	$ 2,550,257	$ 2,288,000	$ 262,257
Customer relationships	82,351,659	33,071,333	49,280,326
Tradename	80,000	80,000	-
	84,981,916	35,439,333	49,542,583
Unamortized intangibles:			
Tradename	22,224,107	-	22,224,107
Total other intangible assets	$ 107,206,023	$ 35,439,333	$ 71,766,690

NOTE 5 OTHER INTANGIBLES (Continued)

At March 31, 2020, the gross carrying amount and accumulated amortization of other intangible assets are as follows:

	Gross Balance	Accumulated Amortization	Net Balance
Amortized intangibles:			
Noncompetition agreements	$ 2,540,000	$ 1,784,000	$ 756,000
Customer relationships	78,290,000	25,242,333	53,047,667
Tradename	80,000	60,000	20,000
	80,910,000	27,086,333	53,823,667
Unamortized intangibles:			
Tradename	22,060,000	-	22,060,000
Total other intangible assets	$ 102,970,000	$ 27,086,333	$ 75,883,667

Amortization expense was $2,083,250 and $2,089,917 for the three months ended March 31, 2021 and 2020, respectively.

Estimated amortization expense at March 31, 2021 for each of the next five years ending December 31 is as follows:

2021	$ 6,432,000
2022	8,240,000
2023	8,236,000
2024	8,235,000
2025	8,235,000

NOTE 6 LONG-TERM DEBT

Long-term debt consists of the following:

	2021	2020
Term Loan ("First Lien Term Loan") due in quarterly principal payments of $195,750 through March 2023, with a balloon payment due April 2023. Interest, at the election of management, is based upon LIBOR (1% floor) plus 4.25% or the Base Rate (as defined in the credit agreement) plus 3.25%.	$ 74,762,768	$ 75,533,518
Revolving loan allowing for maximum borrowings of the lesser of $10,000,000 or borrowing availablity (as defined in the credit agreement). Amounts outstanding under the revolving loan are due April 2023. Interest, at the election of management, is based upon LIBOR (1% floor) plus 4.25% or the Base Rate (as defined in the credit agreement) plus 3.25%. The revolving loan committment also allows for the issuance of standby letters of credit not to exceed $2,000,000.	4,500,000	10,000,000
	79,262,768	85,533,518
Unamortized debt issuance costs	(619,736)	(923,280)
	78,643,032	84,610,238
Current portion	(783,000)	(783,000)
	$ 77,860,032	$ 83,827,238

For all debt instruments described above, interest on LIBOR-based balances are payable on the last day of each interest period relating to such loan, but at least quarterly. Interest on Base Rate-based balances are payable monthly.

Amortization of debt issuance costs is included within interest expense.

The long-term debt above is secured by substantially all assets of the Company, including all the outstanding stock of BillingTree owned by BT Intermediate. The credit agreement governing the First Lien Term Loan described above requires the Company to make mandatory prepayments of principal on the term loans equal to a percentage of excess cash flow (as defined) for the calendar year. The borrowers are also required to maintain certain financial and nonfinancial covenants, including a maximum total debt to EBITDA (as defined) ratio and minimum fixed charge coverage ratio.

NOTE 6 LONG-TERM DEBT (Continued)

The aggregate principal maturities of long-term debt for the years ending December 31 are as follows:

2021	$	587,250
2022		783,000
2023		77,892,518
	$	79,262,768

NOTE 7 INCOME TAXES

Components of the income tax provision reported in the statement of operations are comprised of the following:

		2021		2020
Current provision:				
Federal	$	248,475	$	-
Benefits of federal net operating loss carryforwards		(198,780)		-
State		77,268		33,249
Benefits of state net operating loss carryforwards		(34,828)		-
Total current provision		92,135		33,249
Deferred provision:				
Federal		353,276		(245,437)
State		64,255		166,349
Total deferred provision		417,531		(79,088)
	$	509,666	$	(45,839)

The effective tax rate differs from the U.S. federal statutory rate of 21% due to state taxes, non-deductible meals and entertainment, non-deductible equity-based compensation and non-deductible acquisition-related costs.

NOTE 7 INCOME TAXES (Continued)

The following are the components of the Company's net deferred income taxes asset (liability) for federal and state income taxes:

	2021	2020
Asset basis difference related to property and equipment	$ (2,195,048)	$ (1,845,927)
Asset basis difference related to goodwill, software and other intangible assets	(3,708,027)	(2,619,285)
Reserves and accrued liabilities	216,657	404,605
Federal and state tax net operating loss carryforwards	2,887,025	3,065,065
	$ (2,799,393)	$ (995,542)

Federal and state tax net operating loss carryforwards of approximately $3,288,000 and $7,362,000, respectively, expire in various years from 2031 through 2040. Federal tax net operating losses of approximately $9,073,000 do not expire.

NOTE 8 EQUITY INCENTIVE PLAN

The terms of the limited partnership agreement of BT Intermediate's parent, Billing Tree Parent, L.P. ("Billing Tree Parent") provide a means by which eligible employees, officers, directors, advisors and consultants may be given the opportunity to benefit from the increases in value of the common equity of Billing Tree Parent through the granting of equity incentive units in Billing Tree Parent (the "Plan"). The Plan is administered by the Board of Managers of Billing Tree Parent, which has the discretion of determining when, to whom, and the participation level of the incentive unit to be granted under the Plan.

Incentive units are issued in one of three tranches: Tranche 1, Tranche 2 and Tranche 3. As outlined in the limited partnership agreement, each tranche represents a level that the incentive unit participates in the profits of and distributions of Billing Tree Parent.

NOTE 8 EQUITY INCENTIVE PLAN (Continued)

The following summarizes the equity incentive units authorized and granted:

	Tranche 1 Units	Tranche 2 Units	Tranche 3 Units	Total Units	Weighted Average Participation Rate
Authorized	8,015,289	4,469,823	4,895,826	17,380,938	
Outstanding at December 31, 2019	7,763,891	4,308,061	4,719,105	16,791,057	$ 2.10
Granted	-	-	-	-	$ -
Forfeited	(46,491)	(29,192)	(32,435)	(108,118)	$ 1.87
Outstanding at March 31, 2020	7,717,400	4,278,869	4,686,670	16,682,939	$ 2.10
Outstanding at December 31, 2020	7,730,495	4,288,140	4,696,162	16,714,797	$ 2.12
Granted	-	-	-	-	$ -
Forfeited	-	-	-	-	$ -
Outstanding at March 31, 2021	7,730,495	4,288,140	4,696,162	16,714,797	$ 2.12

These granted units vest 20% after one year from the date of the grant, with the remaining 80% vesting in equal monthly installments through the fifth anniversary of the date of the grant.

The following summarizes vesting activity of the equity incentive units:

	Tranche 1 Units	Tranche 2 Units	Tranche 3 Units	Total Units	Weighted Average Fair Value
Nonvested units at December 31, 2019	4,612,314	2,569,178	2,815,074	9,996,566	$ 0.15
Granted	-	-	-	-	$ -
Vested	(819,116)	(451,260)	(493,943)	(1,764,319)	$ 0.15
Forfeited	(46,491)	(29,192)	(32,435)	(108,118)	$ 0.15
Nonvested units at March 31, 2020	3,746,707	2,088,726	2,288,696	8,124,129	$ 0.15
Nonvested units at December 31, 2020	2,762,409	1,558,852	1,707,675	6,028,936	$ 0.15
Granted	-	-	-	-	$ -
Vested	(326,554)	(175,951)	(192,696)	(695,201)	$ 0.15
Forfeited	-	-	-	-	$ -
Nonvested units at March 31, 2021	2,435,855	1,382,901	1,514,979	5,333,735	$ 0.15

As of March 31, 2021 and 2020, the weighted-average fair value of all vested units was \$0.25, \$0.09, and \$0.04 for Tranche 1, Tranche 2 and Tranche 3 units, respectively.

The fair value of equity units granted are estimated on the date of the grant using an option valuation (Black-Scholes) model. There were no equity units granted during the three months ended March 31, 2021 and 2020.

NOTE 8 EQUITY INCENTIVE PLAN (Continued)

Equity-based compensation expense for these equity unit grants has been pushed down to the Company by Billing Tree Parent. Compensation expense is recognized ratably over the vesting period associated with each incentive unit granted.

The Company accounts for forfeitures of incentive units as they occur. Forfeitures occur for any unvested units upon separation of service by the employee. All units, including vested and unvested, will be forfeited should there be a separation for cause or a material breach of any covenants in the terms of the unit grant agreements. There were no units forfeited during the three months ended March 31, 2021. There were 108,118 units forfeited during the three months ended March 31, 2020.

The unit grant agreements governing the incentive units provide for a repurchase option by BillingTree Parent of any vested units at a price equal to the pro-rata fair market value of the units as of the date notice to exercise this repurchase option is given.

For the three months ended March 31, 2021 and 2020, the Company recognized $96,000 and $111,000, respectively, as compensation cost under the Plan. No deferred tax benefit was recognized for this as the tax deduction will be recognized on Billing Tree Parent's return. At March 31, 2021 and 2020, unrecognized compensation cost related to nonvested incentive units totaled approximately $839,000 and $1,152,000, respectively. This amount will be recognized through 2025. The weighted-average period over which this remaining compensation cost will be recognized is 1.61 and 2.59 years, respectively.

NOTE 9 DEFINED CONTRIBUTION PLAN

The Company established a defined contribution plan covering all qualified personnel. The Company makes discretionary contributions to the plan in such amounts as the Board of Directors determines, but not in excess of the maximum amount allowable under applicable provisions of the Internal Revenue Code. The plan also allows employees to make elective deferrals. The Company makes matching contributions on employee elective deferrals as defined in the plan document. Total expense under the plan was approximately $163,000 and $156,000 for the three months ended March 31, 2021 and 2020, respectively.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space under operating leases that expire at various dates through September 2026. The leases currently require total monthly payments of approximately $33,500 and escalate through the terms of the leases. In addition, certain leases provide for periods of abated rent starting at the lease commencement date.

NOTE 10 COMMITMENTS AND CONTINGENCIES (Continued)

Leases (Continued)

The Company records rent expense on a straight-line basis from the inception of the leases. Any difference between the calculated expense and the amounts actually paid are reflected as deferred rent in the accompanying consolidated balance sheets.

Future minimum lease payments on the operating leases described above for the years ending December 31 are approximately as follows:

2021	$	171,000
2022		343,000
2023		371,000
2024		380,000
2025		390,000
Thereafter		282,000
	$	1,937,000

Total rent expense, including common area maintenance and other charges associated with the operating leases, was approximately $47,000 and $126,000 for the three months ended March 31, 2021 and 2020, respectively.

Legal Proceedings

The Company is party to legal disputes that may arise from time to time under the normal course of business. In the opinion of management, the resolution of such matters will not have a material adverse impact on the Company's financial position, results of operations or cash flows.

NOTE 11 MANAGEMENT SERVICES AGREEMENT

BillingTree has entered into a management services agreement with a related party. Under the agreement, BillingTree pays $250,000 per quarter for management services. Fees for management services totaled $250,000 for each of the three months ended March 31, 2021 and 2020. Under terms of the agreement, in connection with the Stratus acquisition described in Note 1, BillingTree paid a transaction fee of $100,000 to the related party during the three months ended March 31, 2021, which is included in acquisition-related costs on the accompanying statement of operations. There were no amounts due to the related party under the management services agreement as of March 31, 2021 and 2020.

NOTE 12 LIMITED LIABILITY COMPANY

The limited liability company agreement of BT Intermediate defines the rights and obligations of the members. Except as provided in the limited liability company agreement or in any agreement entered into by such person and BT Intermediate, and to the extent permitted by the Delaware Limited Liability Company Act, no manager, officer or member is personally liable to BT Intermediate or to another manager, officer or member. BT Intermediate shall continue in perpetual existence until BT Intermediate's members dissolve the company; it is dissolved by judicial decree or there are no members of the company.

NOTE 13 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest and income taxes was approximately $1,014,000 and $37,000, respectively, for the three months ended March 31, 2021. Cash paid for interest and income taxes was approximately $1,242,000 and $38,000, respectively, for the three months ended March 31, 2020.

During the three months ended March 31, 2021, the Company had noncash investing and financing activities of $700,000 of investment in Stratus that was contributed by Billing Tree Parent to the Company, in order for Stratus to become a wholly owned subsidiary of BillingTree and $197,979 of furniture deposits in other assets as of December 31, 2020 that were transferred to assets in progress within property and equipment.

NOTE 14 SUBSEQUENT EVENTS

On April 23, 2021, BillingTree acquired 100% of the outstanding equity interests of Clear Payment Solutions, LLC ("Clear Payment Solutions"), a company that provides payment processing solutions to the ARM and other industries throughout the United States. The acquisition expands BillingTree's footprint in the ARM industry and expands operations into new industries. The aggregate purchase price was approximately $9,592,645 and was paid in cash of approximately $4,095,645 and borrowings under the Company's revolving loan of $5,500,000. In addition, under the terms of the equity purchase agreement, BillingTree is required to pay the sellers an earn-out amount, not to exceed $2,000,000, based upon Clear Payment Solution's adjusted net revenue (as defined) for its fiscal year 2021. The fair value of the earn-out payment was $1,000,000 as of the acquisition date and is considered additional consideration for the acquisition of the equity interests. Furthermore, in connection with the terms of the equity purchase agreement, the Company determined that there was a decrease to the purchase price of $149,169 associated with adjusted working capital delivered.

NOTE 14 SUBSEQUENT EVENTS (Continued)

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date:

Cash	$	389,577
Accounts receivable		266,581
Customer relationships		4,135,616
Tradename		167,096
Noncompetition agreements		10,443
Goodwill		6,533,105
Total identifiable assets acquired		11,502,418
Accounts payable and accrued liabilities assumed		(22,427)
Creation of deferred tax liability		(1,036,515)
Net assets acquired	$	10,443,476

As of the date the financial statements are available to be issued, the third-party valuation of the acquired intangible assets is in progress. Accordingly, provisional amounts of customer relationships, tradename, and noncompetition agreements have been recognized based upon management's experience with other acquisitions.

In addition, on June 15, 2021, 100% of the equity interests in the Company were sold to Repay Holdings Corporation.

Exhibit 99.3

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On June 15, 2021, Repay Holdings Corporation (“the Company” or “REPAY”) acquired all of the equity interests of BT Intermediate, LLC (“Target”) (together with its subsidiaries, “BillingTree”), pursuant to the Agreement and Plan of Merger, dated as of May 7, 2021 (as amended or supplemented from time to time, the “Merger Agreement”) by and between the Company, Target, Beckham Acquisition LLC, a Delaware limited liability company and wholly owned subsidiary of the Company (“Buyer”), Beckham Merger Sub LLC, a Delaware limited liability company and a wholly owned subsidiary of the Company (“Merger Sub”), and Beckham Parent, L.P., a Delaware limited partnership (formerly known as BillingTree Parent, L.P.)(“Seller”). Pursuant to the Merger Agreement, Merger Sub merged with and into the Target, with the Target being the surviving company of the merger (the “Acquisition”). Following the Acquisition, the Company contributed the subsidiaries of Target, including Electronic Payment Providers, LLC d/b/a BillingTree, to its indirect subsidiaries, consistent with the treatment of other Company operating companies.

Pursuant to the Merger Agreement, the Company paid aggregate consideration at closing of approximately $506.6 million, consisting of approximately $278.3 million in cash from the Company’s balance sheet and 10,051,302 shares of newly issued Class A common stock, representing approximately 10% of the voting power of the Company’s outstanding shares of common stock.

The following unaudited pro forma condensed combined balance sheet as of March 31, 2021 combines the historical balance sheet of REPAY as of March 31, 2021 and the historical consolidated balance sheet of BillingTree as of March 31, 2021, giving effect to the Acquisition as described below on a pro forma basis as if it had been completed on March 31, 2021. The following unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2021 and the year ended December 31, 2020 combines the historical consolidated statement of operations of REPAY for the three months ended March 31, 2021 and the year ended December 31, 2020 with the historical consolidated statement of operations of BillingTree for the three months ended March 31, 2021 and the year ended December 31, 2020, giving effect to the Acquisition as described on a pro forma basis as if it had been completed on January 1, 2020. The unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X.

The unaudited pro forma condensed combined financial information should be read in conjunction with the accompanying notes and the following historical financial statements and accompanying notes of BillingTree, which are included elsewhere in this Current Report on Form 8-K:

- BillingTree’s unaudited financial statements as of and for the three months ended March 31, 2021 and 2020 and the related notes; and

- BillingTree’s audited financial statements as of and for the years ended December 31, 2020 and 2019 and the related notes.

The historical financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are related and/or directly attributable to the Acquisition, are factually supportable and are expected to have a continuing impact on the Company’s operating results. The adjustments presented in the unaudited pro forma condensed combined financial statements have been identified and presented to provide relevant information necessary for an accurate understanding of the Company upon completion of the Acquisition. The pro forma adjustments set forth in the unaudited pro forma condensed combined financial statements and described in the notes thereto reflect, among other things, the completion of the Acquisition on the dates indicated.

The unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting under the provisions of ASC 805 on the basis of REPAY as the accounting acquirer. Accordingly, the purchase price is allocated to the underlying assets acquired and liabilities assumed based on their estimated fair values as of the closing of the Acquisition, with any excess purchase price allocated to goodwill. REPAY has completed preliminary valuations necessary to estimate the fair value of the assets acquired and the liabilities assumed and, accordingly, the adjustments to record the assets acquired and liabilities assumed at fair value reflect the best estimates of REPAY based on the information currently available and are subject to change once additional analyses are completed.

The unaudited pro forma condensed combined financial information is for illustrative purposes only. You should not rely on the unaudited pro forma condensed combined financial information as being indicative of the historical results that would have been achieved had the Acquisition occurred on the dates indicated or the future results that the Company will experience. The unaudited pro forma condensed combined financial information is not necessarily indicative of results for periods after March 31, 2021.

In addition, the pro forma adjustments are based on the information currently available and the assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes. Actual results may differ materially from the assumptions used to present the accompanying unaudited pro forma condensed combined financial statements.

PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF MARCH 31, 2021
(UNAUDITED)

	REPAY Historical	BillingTree Historical		Adjustments		Combined Pro Forma
Assets						
Cash and cash equivalents	$ 390,921,782	$ 5,298,543		(278,344,249)	(a)	$ 117,876,076
Accounts receivable	23,897,098	13,856,056		—		37,753,154
Related party receivable	—	—		—		—
Prepaid expenses and other	6,078,434	685,502		—		6,763,936
Total current assets	**420,897,314**	**19,840,101**		**(278,344,249)**		**162,393,166**
Property, plant and equipment, net	1,980,100	569,399		—		2,549,499
Restricted cash	19,525,277	11,481,276		—		31,006,553
Customer relationships, net of amortization	272,923,320	49,280,326		148,719,674	(b)	470,923,320
Software, net of amortization	59,987,041	29,722,553		(3,522,553)	(b)	86,187,041
Other intangible assets, net of amortization	23,388,792	22,486,364		(14,366,364)	(b)	31,508,792
Goodwill	458,959,477	66,129,411		225,942,363	(b)	751,031,251
Operating lease right-of-use assets, net of amortization	9,650,463	—		1,384,408	(c)	11,034,871
Deferred tax assets	141,799,307	—		(28,123,217)	(d)	113,676,090
Other assets	—	1,076,025	(1)	—		1,076,025
Total noncurrent assets	**988,213,777**	**180,745,354**		**330,034,311**		**1,498,993,442**
Total assets	**$ 1,409,111,091**	**$ 200,585,455**		**$ 51,690,062**		**$ 1,661,386,608**
Liabilities						
Accounts payable	$ 14,112,412	$ 2,681,695		—		$ 16,794,107
Related party payable	17,774,815	256,715	(2)	—		18,031,530
Accrued expenses	17,358,515	17,921,444	(3)	—		35,279,959
Current maturities of long-term debt	—	783,000		(783,000)	(e)	—
Current operating lease liabilities	1,562,964	—		147,802	(c)	1,710,766
Current tax receivable agreement	10,146,135	—		—		10,146,135
Deferred revenue	—	1,731,255		—		1,731,255
Total current liabilities	**60,954,841**	**23,374,109**		**(635,198)**		**83,693,752**
Long-term debt, net of current maturities	427,287,919	77,860,032		(77,860,032)	(e)	427,287,919
Line of credit	—	—		—		—
Noncurrent operating lease liabilities	8,470,264	33,374		1,203,233	(c)	9,706,871
Tax receivable agreement, net of current portion	220,237,348	—		—		220,237,348
Deferred tax liability	—	2,799,393		(2,799,393)	(d)	—
Other liabilities	889,371	50,000	(4)	—		939,371
Total noncurrent liabilities	**656,884,902**	**80,742,799**		**(79,456,192)**		**658,171,509**
Total liabilities	**$ 717,839,743**	**$ 104,116,908**		**$ (80,091,391)**		**$ 741,865,260**
Stockholders' equity						
Class A common stock, $0.0001 par value; 2,000,000,000 shares authorized and 78,084,846 issued and outstanding as of March 31, 2021; 2,000,000,000 shares authorized and 71,244,682 issued and outstanding as of December 31, 2020	7,809	—		1,005	(f)	8,814
Class V common stock, $0.0001 par value; 1,000 shares authorized and 100 shares issued and outstanding as of March 31, 2021 and December 31, 2020	—	—		—		—
Additional paid-in capital	839,589,351	—		228,636,942	(f)	1,068,226,293
Accumulated other comprehensive (loss) income	—	—		—		—
Accumulated deficit	(191,725,614)	—		—		(191,725,614)
Total stockholders' equity	**$ 647,871,546**	**$ -**		**$ 228,637,947**		**$ 876,509,493**
Members' equity	—	96,468,547		(96,468,547)	(g)	—
Equity attributable to non-controlling interests	**43,399,802**	—		(387,947)	(f)	**43,011,855**
Total liabilities and stockholders' equity and members' equity	**$ 1,409,111,091**	**$ 200,585,455**		**$ 51,690,062**		**$ 1,661,386,608**

PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(UNAUDITED)

	REPAY Historical	BillingTree Historical		Adjustments		Combined Pro Forma
Revenue	**$ 47,520,496**	**$ 14,064,651**		**$ 1,079,151**	(h)	**$ 62,664,298**
Operating Expenses						
Other costs of services	12,474,808	2,379,269		58,213	(h)	14,912,290
Selling, general and administrative	23,393,367	5,989,500	(1)	(428,184)	(h)(i)	28,954,683
Depreciation and amortization	17,792,994	3,273,953		3,899,380	(j)	24,966,327
Change in fair value of contingent consideration	2,648,786	—		—		2,648,786
Total operating expenses	**56,309,955**	**11,642,722**		**3,529,410**		**71,482,087**
(Loss) Income from operations	**(8,789,459)**	**2,421,929**		**(2,450,259)**		**(8,817,789)**
Other (expense) income						
Interest expense	(1,183,357)	(1,084,127)		1,084,127	(k)	(1,183,357)
Loss on extinguishment of debt	(5,940,600)	—		—		(5,940,600)
Change in fair value of warrant liabilities	—	—		—		-
Change in fair value of tax receivable liability	1,042,733	—		—		1,042,733
Other income	28,147	—		—		28,147
Other loss	(9,080,410)	—		—		(9,080,410)
Total other (expense) income	**(15,133,487)**	**(1,084,127)**		**1,084,127**		**(15,133,487)**
(Loss) income before income tax expense	(23,922,946)	1,337,802		(1,366,132)		(23,951,276)
Income tax benefit (expense)	5,941,773	(509,666)		339,308	(l)	5,771,415
Net (loss) income	$ (17,981,173)	$ 828,136		$ (1,026,824)		$ (18,179,861)
Less: Net (loss) income attributable to non-controlling interests	(2,187,272)	—		(124,905)	(m)	(2,312,177)
Net (loss) income attributable to the Company	$ (15,793,901)	$ 828,136		$ (901,919)		$ (15,867,684)
Loss per Class A share:						
Basic and diluted	$ (0.21)			$ (0.09)		$ (0.18)
Weighted-average shares outstanding:						
Basic and diluted	76,602,759			10,051,302		86,654,061

PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

	REPAY Historical	BillingTree Historical		Adjustments		Combined Pro Forma
Revenue	**$ 155,035,943**	**$ 51,653,809**		**$ 4,188,276**	(h)	**$ 210,878,028**
Operating Expenses						
Other costs of services	41,447,056	8,618,089		288,459	(h)	50,353,604
Selling, general and administrative	87,301,814	23,896,082	(1)	(2,225,218)	(h)(i)	108,972,678
Depreciation and amortization	60,806,659	12,395,587		16,324,413	(j)	89,526,659
Change in fair value of contingent consideration	(2,510,000)	—		—		(2,510,000)
Total operating expenses	**187,045,529**	**44,909,758**		**14,387,655**		**246,342,942**
(Loss) Income from operations	**(32,009,586)**	**6,744,051**		**(10,199,379)**		**(35,464,914)**
Other (expense) income						
Interest expense	(14,445,000)	(4,836,538)		4,836,538	(k)	(14,445,000)
Loss on extinguishment of debt	—	—		—		-
Change in fair value of warrant liabilities	(70,827,214)	—		—		(70,827,214)
Change in fair value of tax receivable liability	(12,439,485)	—		—		(12,439,485)
Other income	—	—		—		-
Other loss	(2,985)	—		—		(2,985)
Total other (expense) income	**(97,714,684)**	**(4,836,538)**		**4,836,538**		**(97,714,684)**
(Loss) income before income tax expense	(129,724,270)	1,907,513		(5,362,841)		(133,179,598)
Income tax benefit (expense)	12,358,025	(384,194)		1,125,253	(l)	13,099,084
Net (loss) income	$ (117,366,245)	$ 1,523,319		$ (4,237,587)		$ (120,080,513)
Less: Net (loss) income attributable to non-controlling interests	(11,769,683)	—		(486,562)	(m)	(12,256,245)
Net (loss) income attributable to the Company	$ (105,596,562)	$ 1,523,319		$ (3,751,025)		$ (107,824,268)
Loss per Class A share:						
Basic and diluted	$ (2.02)			$ (0.37)		$ (1.73)
Weighted-average shares outstanding:						
Basic and diluted	52,180,911			10,051,302		62,232,213

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Description of the Acquisition and basis of presentation

Description of the Acquisition

On June 15, 2021, the Company acquired all of the equity interests of Target, pursuant to the Merger Agreement. Following the Acquisition, the Company contributed the subsidiaries of Target, including Electronic Payment Providers, LLC d/b/a BillingTree, to its indirect subsidiaries, consistent with the treatment of other Company operating companies. Pursuant to the Merger Agreement, the Company paid aggregate consideration at closing of approximately $506.6 million, consisting of approximately $278.3 million in cash from the Company's balance sheet and 10,051,302 shares of newly issued Class A common stock, representing approximately 10% of the voting power of the Company's outstanding shares of common stock.

BillingTree, founded in 2003 and headquartered in Scottsdale, AZ, is a leading provider of omni-channel, integrated payments solutions to the Healthcare, Credit Union, Accounts Receivable Management, and Energy industries. Through its technology-enabled suite of products and services, including a variety of payment channels and reporting capabilities, BillingTree helps organizations get paid faster and more efficiently.

Basis of Presentation

BillingTree constitutes a business, with inputs, processes, and outputs. Accordingly, the Acquisition constitutes the acquisition of a business for purposes of ASC 805, and due to the changes in control from the Acquisition is accounted for using the acquisition method.

Under the acquisition method, the acquisition date fair value of the gross consideration paid by REPAY to close the Acquisition was allocated to the assets acquired and the liabilities assumed based on their estimated fair values. Management has made significant estimates and assumptions in determining the preliminary allocation of the gross consideration transferred in the unaudited pro forma condensed combined financial information. As the unaudited pro forma condensed combined financial information has been prepared based on these preliminary estimates, the final amounts recorded may differ materially from the information presented.

The pro forma adjustments reflecting the consummation of the Acquisition are based on certain currently available information and certain assumptions and methodologies that REPAY believes are reasonable under the circumstances. The unaudited condensed pro forma adjustments may be revised as additional information becomes available and alternative valuation methodologies are evaluated. Therefore, it is likely that the actual adjustments will differ from the pro forma adjustments and it is possible the differences may be material. REPAY believes that its assumptions and methodologies provide a reasonable basis for presenting all the significant effects of the Acquisition contemplated based on information available to management at the time and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information is not necessarily indicative of what the actual results of operations and financial position would have been had the Acquisition taken place on the dates indicated, nor are they indicative of the future consolidated results of operations or financial position of the Company. They should be read in conjunction with the historical financial statements and notes thereto of REPAY and BillingTree.

2. Accounting Policies

The Company will perform a comprehensive review of BillingTree's accounting policies. As a result of the review, management may identify differences between the accounting methodologies of REPAY and BillingTree, which, when conformed, could have a material impact on the financial statements of the Company. As such, the unaudited pro forma condensed combined financial information does not include comprehensive adjustments for accounting policy differences.

3. Estimated Preliminary Purchase Price Allocation

The preliminary consideration and allocation of the purchase price to the fair value of BillingTree's assets acquired and liabilities assumed, as if the acquisition date was March 31, 2021 is presented below. REPAY has completed the preliminary detailed valuations necessary to estimate the fair value of the assets acquired and the liabilities assumed and, accordingly, the adjustments to record the assets acquired and liabilities assumed at fair value reflect the best estimates of REPAY based on the information currently available and are subject to change once additional analyses are completed. Furthermore, the final purchase price of the BillingTree is subject to the settlement of certain closing adjustment items pursuant to the Merger Agreement, including, among others, working capital adjustments.

Cash consideration	$	278,344,249
Stock consideration		228,250,000
Total purchase price	$	506,594,249

Cash and cash equivalents	$	5,298,543
Accounts receivable		13,856,056
Prepaid expenses and other current assets		685,502
Total current assets		19,840,101
Property, plant and equipment, net		569,399
Restricted cash		11,481,276
Other assets		1,076,025
Identifiable intangible assets		232,320,000
Total identifiable assets acquired		265,286,801
Accounts payable		(2,681,695)
Accrued expenses		(19,959,414)
Deferred tax liability		(28,123,217)
Net identifiable assets acquired		214,522,475
Goodwill		292,071,774
Total purchase price	$	506,594,249

Intangible Assets. Intangible assets were identified that met either the separability criterion or the contractual-legal criterion described in ASC 805. The noncompetition agreements intangible assets represent the value of the existing noncompetition agreements for specific key personnel. The trade name intangible asset represents the BillingTree trade names, which was valued using the relief-from-royalty method. The developed technology intangible asset represents the software developed by BillingTree employees and contractors for the purpose of generating income for BillingTree, valued using the relief-from-royalty method. The merchant relationships intangible asset represents the existing customer relationships, valued using a discounted cash flow model using projected sales growth and customer attrition.

Identifiable intangible assets		**Fair Value (in millions)**	**Useful life (in years)**
Non-compete agreements	$	0.3	2
Trade names		7.8	Indefinite
Developed technology		26.2	3
Merchant relationships		198.0	10
	$	232.3	

Goodwill. Approximately $292 million of the purchase price has been allocated to goodwill. Goodwill represents the excess of the gross consideration transferred over the fair value of the underlying net tangible and identifiable definite-lived intangible assets acquired. Qualitative factors that contribute to the recognition of goodwill include certain intangible assets that are not recognized as separate identifiable intangible assets apart from goodwill.

Intangible assets not recognized apart from goodwill consist primarily of the strong market position and the assembled workforce of BillingTree.

In accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 350, *Goodwill and Other Intangible Assets*, goodwill will not be amortized, but instead will be tested for impairment at least annually or more frequently if certain indicators are present. In the event management of the Company determines that the value of goodwill has become impaired, an accounting charge for impairment during the quarter in which the determination is made may be recognized.

4. Reclassifications of BillingTree's Financial Statements

Certain historical financial information of BillingTree has been reclassified to conform to the presentation used by REPAY. These reclassifications include:

Unaudited Pro Forma Condensed Combined Balance Sheet

(1) The reclassification of $540,000 from risk reserve deposit to other assets.

(2) The reclassification of $256,715 of due to seller to related party payable.

(3) The reclassification of $13,643,389 of settlement processing obligations to accrued expenses.

(4) The reclassification of $50,000 of loss reserves to other liabilities.

Unaudited Pro Forma Condensed Combined Statement of Operations

(1) The reclassification of $477,138 and $16,627 from acquisition related costs and other expense, net to selling, general and administrative for the three months ended March 31, 2021. The reclassification of $1,747,890 and $66,185 from acquisition related costs and other expense, net to selling, general and administrative for the year ended December 31, 2020.

5. Pro Forma Adjustments

The unaudited pro forma condensed combined financial information has been prepared to illustrate the effect of the Acquisition and has been prepared for informational purposes only.

The historical financial statements have been adjusted in the unaudited pro forma condensed combined financial information to give pro forma effect to events that are directly attributable to the Acquisition, factually supportable, and with respect to the statements of operations, expected to have a continuing impact on the results of the Company.

Adjustments to the Unaudited Pro Forma Condensed Combined Balance Sheet

(a) Represents the payment of cash consideration of $278.3 million to the Seller.

(b) Reflects the adjustment of historical intangible assets acquired by the Company to their estimated fair values. As part of the preliminary valuation analysis, the Company identified intangible assets, including technology, trade names, non-compete agreements and customer relationships. The amount of total consideration paid, in excess of the identifiable intangibles assets and net tangibles assets represents the fair value of the goodwill. The fair value of identifiable intangible assets is determined primarily using the "income approach," which requires a forecast of all of the expected future cash flows.

These preliminary estimates of fair value and estimated useful lives could differ from final amounts the Company will calculate after completing a detailed valuation analysis, and the difference could have a material impact on the accompanying unaudited pro forma condensed combined financial statements.

Customer relationships, net of amortization - carrying value	$	49,280,326
Customer relationships, net of amortization - fair value		198,000,000
Pro forma adjustment to customer relationships, net of amortization	$	148,719,674
Software, net of amortization - carrying value	$	29,722,553
Software, net of amortization - fair value		26,200,000
Pro forma adjustment to software, net of amortization	$	(3,522,553)
Other intangible assets, net of amortization - carrying value	$	22,486,364
Other intangible assets, net of amortization - fair value		8,120,000
Pro forma adjustment to other intangibles, net of amortization	$	(14,366,364)
Goodwill - carrying value	$	66,129,411
Goodwill - fair value		292,071,774
Pro forma adjustment to Goodwill	$	225,942,363

(c) Represents the recognition of operating lease right-of-use assets and operating lease liabilities, in accordance with the adoption of Accounting Standards Codification 842, Leases.

(d) Reflects the adjustment of historical deferred tax liability ("DTL") acquired by the Company to their estimated fair value of the book to tax basis difference. This balance is presented net of the deferred tax asset.

Deferred tax liability - carrying value	$	2,799,393
Deferred tax liability - fair value		28,123,217
Pro forma adjustment to Deferred tax liability	$	25,323,824

(e) Represents the settlement of BillingTree's outstanding debt upon closing of the Acquisition.

(f) Represents the payment of equity consideration of $228.3 million by the Company to the Seller. Additionally, the Company allocated $0.4 million of noncontrolling interests ("NCI") to additional paid-in-capital, associated with the dilution of NCI ownership percentage as a result of the approximately 10 million shares issued as consideration for the Acquisition.

(g) Represents the reversal of all member equity of BillingTree.

Adjustments to the Unaudited Pro Forma Condensed Combined Statement of Operations

(h) Represents the recognition of revenue, other costs of services and selling, general and administrative expenses for Stratus Payment Solutions, LLC ("Stratus") and Clear Payment Solutions, LLC ("Clear"), which were acquired by BillingTree on March 15, 2021 and April 23, 2021, respectively. These adjustments reflect the financial impact, as if Stratus and Clear were acquired on January 1, 2020. Please see the unaudited statement of operations for Stratus and Clear, below.

	Three months ended March 31, 2021		Year ended December 31, 2020	
	Stratus	**Clear**	**Stratus**	**Clear**
Pro forma adjustment to revenue	**$ 569,956**	**$ 509,195**	**$ 2,427,203**	**$ 1,761,073**
Operating Expenses				
Pro forma adjustment to other costs of services	45,206	13,007	232,098	56,361
Pro forma adjustment to selling, general and administrative	212,265	158,150	1,031,451	460,029
Total pro forma adjustment operating expenses	**257,471**	**171,157**	**1,263,549**	**516,390**
Net Income	**$ 312,485**	**$ 338,037**	**$ 1,163,654**	**$ 1,244,683**

(i) Represents the reversal of transaction-related expenses, management fees, share-based compensation and other non-recurring fees incurred by BillingTree, which would not have been incurred if the Acquisition occurred on January 1, 2020.

	Three months ended March 31, 2021	Year ended December 31, 2020
Transaction-related expenses	$ (504,576)	$ (1,747,890)
Stock compensation	(96,000)	(425,904)
Management fees	(250,000)	(1,000,000)
Other	51,977	(542,903)
Pro forma adjustment to Selling, general and administrative	**$ (798,599)**	**$ (3,716,698)**

(j) Represents the incremental amortization expense related to the new fair value of intangibles of the Company at the closing of the Acquisition.

For the three months ended March 31, 2021	**Merchant Relationships**	**Developed Technology**	**Noncompete Agreements**
Fair value at the closing of the Acquisition	$ 198,000,000	$ 26,200,000	$ 320,000
Useful life (years)	10	3	2
Amortization expense through March 31, 2021	4,950,000	2,183,333	40,000
BillingTree historical amortization expense	1,957,250	1,190,703	126,000
Pro forma adjustment to depreciation and amortization	**$ 2,992,750**	**$ 992,630**	**$ (86,000)**

For the year ended December 31, 2020	**Merchant Relationships**	**Developed Technology**	**Noncompete Agreements**
Fair value at the closing of the Acquisition	$ 198,000,000	$ 26,200,000	$ 320,000
Useful life (years)	10	3	2
Amortization expense through December 31, 2020	19,800,000	8,733,333	160,000
BillingTree historical amortization expense	7,829,000	4,035,920	504,000
Pro forma adjustment to depreciation and amortization	**$ 11,971,000**	**$ 4,697,413**	**$ (344,000)**

(k) Represents the reversal of interest expense incurred by BillingTree, as BillingTree's outstanding debt was settled upon closing of the Acquisition.

(l) Represents the income tax benefit associated with the net loss attributable to the Company, based on an effective tax rate of 24.84% and 20.98% for the three months ended March 31, 2021 and year ended December 31, 2020, respectively.

(m) Represents the allocation of net loss to the noncontrolling interests, based on a weighted-average NCI ownership percentage of 9.14% and 9.07% for the three months ended March 31, 2021 and year ended December 31, 2020, respectively.