

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2020

OR

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

For the transition period from to

Commission File Number: 333-239644

VERTEX, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

2301 Renaissance Blvd
King of Prussia, Pennsylvania
(Address of principal executive offices)

23-2081753
(I.R.S. Employer
Identification No.)

19406
(Zip Code)

Registrant's telephone number, including area code: (800) 355-3500

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

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock, Par Value \$0.001 Per Share	VERX	NASDAQ

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

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

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

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

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

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

As of August 31, 2020, the registrant had 26,359,623 shares of Class A common stock, \$0.001 par value per share, and 120,417,000 shares of Class B common stock, \$0.001 par value per share, outstanding.

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”), that involve substantial risks and uncertainties. All statements made in this Quarterly Report on Form 10-Q that are not statements of historical fact, including statements about our beliefs and expectations and regarding future events or our future results of operations, financial condition, business, strategies, financial needs, and the plans and objectives of management, are forward-looking statements and should be evaluated as such. These statements often include words such as “anticipate,” “believe,” “expect,” “suggests,” “plan,” “believe,” “intend,” “estimates,” “targets,” “projects,” “should,” “could,” “would,” “may,” “will,” “forecast” and other similar expressions or the negatives of those terms. We base these forward-looking statements on our current expectations, plans and assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances at such time. As you read and consider this prospectus, you should understand that these statements are not guarantees of future performance or results. The forward-looking statements are subject to and involve risks, uncertainties and assumptions, and you should not place undue reliance on these forward-looking statements. Although we believe that these forward-looking statements are based on reasonable assumptions at the time they are made, you should be aware that many factors could affect our actual results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements. Important factors that may materially affect such forward-looking statements include, but are not limited to:

- the potential effects on our business of the current novel coronavirus (“COVID-19”) pandemic;
 - our ability to attract new customers on a cost-effective basis and the extent to which existing customers renew and upgrade their subscriptions;
 - our ability to sustain and expand revenues, maintain profitability, and to effectively manage our anticipated growth;
 - the timing of our introduction of new solutions or updates to existing solutions
 - our ability to successfully diversify our solutions by developing or introducing new solutions or acquiring and integrating additional businesses, products, services or content;
 - our ability to maintain and expand our strategic relationships with third parties;
 - risks related to our expanding international operations;
 - our ability to deliver our solutions to customers without disruption or delay;
 - our exposure to liability from errors, delays, fraud or system failures, which may not be covered by insurance;
 - risks related to our determinations of customers’ transaction tax and tax payments;
 - risks related to changes in tax laws and regulations or their interpretation or enforcement;
 - our ability to manage cybersecurity and data privacy risks;
 - risks related to failures in information technology, infrastructure and third party service providers;
 - our ability to effectively protect, maintain and enhance our brand;
 - global economic weakness and uncertainties, and disruption in the capital and credit markets;
 - business disruptions related to natural disasters, epidemic outbreaks, terrorist acts, political events or other events outside of our control;
 - our ability to comply with anti-corruption, anti-bribery and similar laws;
 - changes in interest rates, security ratings and market perceptions of the industry in which we operate, or our ability to obtain capital on commercially reasonable terms or at all;
 - any statements of belief and any statements of assumptions underlying any of the foregoing;
 - other factors beyond our control; and
 - other factors discussed in other sections of this Quarterly Report on Form 10-Q, including the sections titled “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” and under Part II, Item 1A. “Risk Factors.”
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You should not place undue reliance on our forward-looking statements and you should not rely on forward-looking statements as predictions of future events. The results, events, and circumstances reflected in the forward- looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements. The forward-looking statements made in this Quarterly Report on Form 10-Q speak only as of the date of this report. We undertake no obligation to update any forward-looking statements made in this report to reflect events or circumstances after the date of this report or to reflect new information or the occurrence of unanticipated events, except as required by law. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Vertex, Inc.
Condensed Consolidated Balance Sheets
As of December 31, 2019 and June 30, 2020 (unaudited)
(Amounts in thousands)

	June 30, 2020 (unaudited)	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 47,295	\$ 75,903
Funds held for customers	9,988	7,592
Accounts receivable, net of allowance of \$7,669 (unaudited), and \$7,515, respectively	63,739	70,367
Advances to stockholders	230	283
Prepaid expenses and other current assets	13,119	11,412
Total current assets	<u>134,371</u>	<u>165,557</u>
Property and equipment, net of accumulated depreciation	55,657	54,727
Capitalized software, net of accumulated amortization	33,761	32,075
Goodwill	19,355	—
Deferred commissions	10,390	11,196
Deposits and other assets	4,956	1,068
Total assets	<u>\$ 258,490</u>	<u>\$ 264,623</u>
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 649	\$ 50,804
Accounts payable	13,769	10,729
Accrued expenses	11,961	13,308
Distributions payable	—	13,183
Customer funds obligations	10,175	7,553
Accrued salaries and benefits	19,825	15,195
Accrued variable compensation	11,025	22,237
Deferred compensation, current	22,349	8,935
Deferred revenue	187,041	191,745
Deferred rent and other	917	840
Future acquisition commitment, current	808	—
Total current liabilities	<u>278,519</u>	<u>334,529</u>
Deferred compensation, net of current portion	77,505	18,530
Deferred revenue, net of current portion	11,396	14,046
Long-term debt, net of current portion	173,361	682
Future acquisition commitment, net of current portion	9,831	—
Deferred other liabilities	8,865	9,268
Total liabilities	<u>559,477</u>	<u>377,055</u>
Commitments and contingencies (Note 12)		
Options for redeemable shares	47,223	17,344
Stockholders' deficit (*):		
Class A voting common stock, \$0.001 par value, 600 shares authorized, 300 shares issued, 147 shares outstanding	—	—
Class B non-voting common stock, \$0.001 par value, 299,400 shares authorized, 162,470 (unaudited), and 162,297 shares issued, respectively, 120,443 (unaudited) and 120,270 shares outstanding, respectively	54	54
Accumulated deficit	(305,861)	(90,701)
Accumulated other comprehensive loss	(3,765)	(491)
Treasury stock	(38,638)	(38,638)
Total stockholders' deficit	<u>(348,210)</u>	<u>(129,776)</u>
Total liabilities and equity	<u>\$ 258,490</u>	<u>\$ 264,623</u>

(*) The number of shares of common stock have been retrospectively restated to reflect the three-for-one forward stock split which was effective July 28, 2020. See Note 13.

The accompanying notes are an integral part of these consolidated financial statements.

Vertex, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
For the three and six months ended June 30, 2019 and 2020 (unaudited)
(Amounts in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	(unaudited)		(unaudited)	
Revenues:				
Software subscriptions	\$ 77,306	\$ 67,267	\$ 153,066	\$ 131,651
Services	13,965	11,108	27,450	21,338
Total revenues	<u>91,271</u>	<u>78,375</u>	<u>180,516</u>	<u>152,989</u>
Cost of revenues:				
Software subscriptions	26,001	19,417	50,685	37,843
Services	15,744	7,692	30,522	14,830
Total cost of revenues	<u>41,745</u>	<u>27,109</u>	<u>81,207</u>	<u>52,673</u>
Gross profit	<u>49,526</u>	<u>51,266</u>	<u>99,309</u>	<u>100,316</u>
Operating expenses:				
Research and development	13,617	7,205	26,696	14,778
Selling and marketing	24,544	17,287	48,877	33,334
General and administrative	37,758	16,647	75,394	32,095
Depreciation and amortization	2,505	2,172	5,374	4,217
Other operating expense, net	103	305	214	468
Total operating expenses	<u>78,527</u>	<u>43,616</u>	<u>156,555</u>	<u>84,892</u>
Income (loss) from operations	<u>(29,001)</u>	<u>7,650</u>	<u>(57,246)</u>	<u>15,424</u>
Other (income) expense:				
Interest income	(101)	(232)	(456)	(524)
Interest expense	1,160	539	2,084	1,076
Total other expense, net	<u>1,059</u>	<u>307</u>	<u>1,628</u>	<u>552</u>
Income (loss) before income taxes	<u>(30,060)</u>	<u>7,343</u>	<u>(58,874)</u>	<u>14,872</u>
Income tax (benefit) expense	<u>(985)</u>	<u>221</u>	<u>(735)</u>	<u>425</u>
Net income (loss)	<u>(29,075)</u>	<u>7,122</u>	<u>(58,139)</u>	<u>14,447</u>
Other comprehensive loss from foreign currency translation adjustments and revaluations, net of tax	276	23	3,274	2
Total comprehensive income (loss)	<u>\$ (29,351)</u>	<u>\$ 7,099</u>	<u>\$ (61,413)</u>	<u>\$ 14,445</u>
Net income (loss) attributable to Class A stockholders	<u>\$ (35)</u>	<u>\$ 9</u>	<u>\$ (70)</u>	<u>\$ 18</u>
Net income (loss) per Class A share, basic and diluted (*)	<u>\$ (0.24)</u>	<u>\$ 0.06</u>	<u>\$ (0.48)</u>	<u>\$ 0.12</u>
Weighted average Class A common stock, basic and diluted (*)	<u>147</u>	<u>147</u>	<u>147</u>	<u>147</u>
Net income (loss) attributable to Class B stockholders	<u>\$ (29,040)</u>	<u>\$ 7,113</u>	<u>\$ (58,069)</u>	<u>\$ 14,429</u>
Net income (loss) per Class B share, basic (*)	<u>\$ (0.24)</u>	<u>\$ 0.06</u>	<u>\$ (0.48)</u>	<u>\$ 0.12</u>
Weighted average common Class B stock, basic (*)	<u>120,402</u>	<u>120,443</u>	<u>120,336</u>	<u>120,357</u>
Net income (loss) per Class B share, diluted (*)	<u>\$ (0.24)</u>	<u>\$ 0.06</u>	<u>\$ (0.48)</u>	<u>\$ 0.12</u>
Weighted average common Class B stock, diluted (*)	<u>120,402</u>	<u>124,158</u>	<u>120,336</u>	<u>124,169</u>
Loss before income taxes	<u>\$ (30,060)</u>		<u>\$ (58,874)</u>	
Pro forma provision for income tax benefit	<u>(7,605)</u>		<u>(14,895)</u>	
Pro forma net loss	<u>\$ (22,455)</u>		<u>\$ (43,979)</u>	
Pro forma net loss attributable to Class A stockholders (*)	<u>\$ (28)</u>		<u>\$ (54)</u>	
Weighted average Class A common stock, basic and diluted	<u>147</u>		<u>147</u>	
Pro forma net loss per Class A share, basic and diluted (*)	<u>\$ (0.19)</u>		<u>\$ (0.37)</u>	
Pro forma net loss attributable to Class B stockholders (*)	<u>\$ (22,427)</u>		<u>\$ (43,925)</u>	
Weighted average Class B common stock, basic and diluted	<u>120,402</u>		<u>120,336</u>	
Pro forma net loss per Class B share, basic and diluted (*)	<u>\$ (0.19)</u>		<u>\$ (0.37)</u>	

(*) The number of shares of common stock and the calculation of net income (loss) per share have been retrospectively restated to reflect the three-for-one forward stock split which was effective July 28, 2020. See Note 13.

The accompanying notes are an integral part of these consolidated financial statements.

Vertex, Inc.
Condensed Consolidated Statements of Changes in Equity
For the six months ended June 30, 2019 and 2020 (unaudited)
(Amounts in thousands)

	Outstanding Class A Shares (*)	Class A Common Stock	Outstanding Class B Shares (*)	Class B Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Shares Issued (*)	Treasury Stock	Total Stockholders' Deficit	Options for Redeemable Shares
Balance, January 1, 2019	147	\$ —	120,270	\$ 54	\$ (88,038)	\$ (496)	41,685	\$ (37,797)	\$ (126,277)	\$ 14,581
Remeasurement of options for redeemable shares	—	—	—	—	(607)	—	—	—	(607)	607
Distributions declared	—	—	—	—	(5,255)	—	—	—	(5,255)	—
Foreign currency translation adjustments and revaluations	—	—	—	—	—	21	—	—	21	—
Net income	—	—	—	—	7,325	—	—	—	7,325	—
Balance, March 31, 2019	147	—	120,270	54	(86,575)	(475)	41,685	(37,797)	(124,793)	15,188
Remeasurement of options for redeemable shares	—	—	—	—	424	—	—	—	424	(424)
Exercise of stock options, net	—	—	225	—	(116)	—	—	—	(116)	—
Distributions declared	—	—	—	—	(6,105)	—	—	—	(6,105)	—
Foreign currency translation adjustments and revaluations	—	—	—	—	—	(23)	—	—	(23)	—
Net income	—	—	—	—	7,122	—	—	—	7,122	—
Balance, June 30, 2019	147	\$ —	120,495	\$ 54	\$ (85,250)	\$ (498)	41,685	\$ (37,797)	\$ (123,491)	\$ 14,764
Balance, January 1, 2020	147	\$ —	120,270	\$ 54	\$ (90,701)	\$ (491)	41,910	\$ (38,638)	\$ (129,776)	\$ 17,344
Remeasurement of options for redeemable shares	—	—	—	—	(15,242)	—	—	—	(15,242)	15,242
Distributions declared	—	—	—	—	(4,010)	—	—	—	(4,010)	—
Foreign currency translation adjustments and revaluations	—	—	—	—	—	(2,998)	—	—	(2,998)	—
Net loss	—	—	—	—	(29,064)	—	—	—	(29,064)	—
Balance, March 31, 2020	147	—	120,270	54	(139,017)	(3,489)	41,910	(38,638)	(181,090)	32,586
Remeasurement of options for redeemable shares	—	—	—	—	(14,637)	—	—	—	(14,637)	14,637
Exercise of stock options, net	—	—	173	—	53	—	—	—	53	—
Distributions declared	—	—	—	—	(123,185)	—	—	—	(123,185)	—
Foreign currency translation adjustments and revaluations	—	—	—	—	—	(276)	—	—	(276)	—
Net loss	—	—	—	—	(29,075)	—	—	—	(29,075)	—
Balance, June 30, 2020	147	\$ —	120,443	\$ 54	\$ (305,861)	\$ (3,765)	41,910	\$ (38,638)	\$ (348,210)	\$ 47,223

(*) The number of shares of common stock and treasury stock have been retrospectively restated to reflect the three-for-one forward stock split which was effective July 28, 2020. See Note 13.

The accompanying notes are an integral part of these consolidated financial statements.

Vertex, Inc.
Condensed Consolidated Statements of Cash Flows
For the six months ended June 30, 2019 and 2020 (unaudited)
(Amounts in thousands)

	Six Months Ended June 30,	
	2020	2019
	(unaudited)	
Cash flows from operating activities:		
Net income (loss)	\$ (58,139)	\$ 14,447
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	15,416	12,154
Provision for subscription cancellations and non-renewals	154	(682)
Amortization of deferred financing costs	428	133
Stock-based compensation expense	76,596	2,620
Other	14	44
Changes in operating assets and liabilities:		
Accounts receivable	7,093	14,626
Advances to stockholders	53	79
Prepaid expenses and other current assets	(1,717)	(1,583)
Deferred commissions	807	71
Accounts payable	2,911	(767)
Accrued expenses	(1,481)	445
Accrued and deferred compensation	(10,804)	(9,084)
Deferred revenue	(7,353)	647
Other	(3,222)	590
	<u>20,756</u>	<u>32,850</u>
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(12,318)	—
Property and equipment additions	(10,565)	(8,271)
Capitalized software additions	(7,264)	(8,101)
	<u>(30,147)</u>	<u>(16,372)</u>
Cash flows from financing activities:		
Net increase in customer funds obligations	2,622	702
Proceeds from line of credit	12,500	—
Principal payments on line of credit	(12,500)	—
Proceeds from long-term debt	175,000	—
Principal payments on long-term debt	(51,009)	(3,112)
Payments for deferred financing costs	(2,904)	—
Proceeds from exercise of stock options	52	68
Distributions to stockholders	(140,378)	(22,252)
	<u>(16,617)</u>	<u>(24,594)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(204)	(2)
Net decrease in cash, cash equivalents and restricted cash	(26,212)	(8,118)
Cash, cash equivalents and restricted cash, beginning of period	83,495	59,174
Cash, cash equivalents and restricted cash, end of period	<u>\$ 57,283</u>	<u>\$ 51,056</u>
Reconciliation of cash, cash equivalents and restricted cash to the Consolidated Balance Sheets, end of period:		
Cash and cash equivalents	\$ 47,295	\$ 47,018
Restricted cash—funds held for customers	9,988	4,038
	<u>\$ 57,283</u>	<u>\$ 51,056</u>

The accompanying notes are an integral part of these consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Vertex, Inc. (“Vertex”) and its direct and indirect wholly-owned subsidiaries (collectively, the “Company”) operate as solutions providers of state, local and value added tax calculation, compliance and analytics, offering software products which are sold through software license and software as a service (“cloud”) subscriptions. The Company also provides implementation and training services in connection with its software license and cloud subscriptions, transaction tax returns outsourcing, and other tax-related services. The Company sells to customers located throughout the United States of America (“U.S.”) and internationally.

Effective January 7, 2020, the Company acquired a 60% controlling interest in Systax Sistemas Fiscais LTDA (“Systax”), a provider of Brazilian transaction tax content and software. Systax is considered a Variable Interest Entity (“VIE”) and its accounts have been included in the consolidated financial statements from the acquisition date. Systax was determined to be a VIE as the Company is the primary beneficiary of the equity interests in Systax and participates significantly in the variability in the fair value of Systax’s net assets. Although the Company does not have full decision-making authority as it is shared with the minority interest owners, as the minority interest owners are considered a related party, the Company is considered the most closely associated party to Systax and is required to consolidate. Systax’s assets may only be used to settle its own obligations and this will continue until such time as the Company owns 100% of the VIE. As of June 30, 2020, the net assets of Systax were \$19,555 (unaudited). The Company is at risk to the extent of its current 60% ownership of Systax, which risk will increase over time in proportion to increases in percentage ownership as the Company exercises its future share purchase commitment through 2024. See Note 2.

Registration of Company Stock

The Company’s Registration Statement on Form S-1 (the “S-1”) with the Securities and Exchange Commission (“SEC”) was declared effective on July 28, 2020, resulting in newly issued Class A common stock being registered and available for trading on the NASDAQ exchange (the “Offering”). Refer to Note 13 for further description of the impacts of this and other events which occurred in connection with the Offering.

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated balance sheet as of December 31, 2019, which has been derived from audited financial statements, and the unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC for interim financial information and include the accounts of the Company. All intercompany transactions have been eliminated in consolidation. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) have been condensed or omitted. Accordingly, these consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes for the year ended December 31, 2019 included in the Company’s final prospectus dated July 28, 2020 and filed with the SEC pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended, (the “Securities Act”), on July 30, 2020 (the “Prospectus”). The accompanying interim condensed consolidated balance sheet as of June 30, 2020, the interim condensed consolidated statements of comprehensive income (loss) and changes in equity for the three and six months ended June 30, 2020 and 2019, and the interim condensed consolidated statements of cash flows for the six months ended June 30, 2020 and 2019, are unaudited. The unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with that used to prepare the annual audited consolidated financial statements and include, in the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the consolidated financial statements. The operating results for the three and six months ended June 30, 2020 and 2019 are not necessarily indicative of the results expected for the full year periods ending December 31, 2020 and 2019, respectively.

Segments

The Company operates its business as one operating segment. Operating segments are defined as components of an enterprise about which separate financial information is evaluated regularly by the chief operating decision maker (“CODM”), the Company’s Chief Executive Officer, in deciding how to allocate resources and assess performance. The Company’s CODM allocates resources and assesses performance based upon discrete financial information at the consolidated level. For the three and six months ended June 30, 2020 and 2019, approximately 3% of the Company’s revenues were generated outside of the United States in each respective period. As of December 31, 2019, none of the Company’s long-lived assets were held outside of the U.S. As of June 30, 2020, 18%, or \$19,471, of the Company’s long-lived assets were held outside of the U.S. (unaudited) and consists primarily of goodwill of \$19,355 (unaudited) at June 30, 2020 related to the acquisition of the controlling interest in Systax, which is located in Brazil. See Note 2.

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, funds held for customers, accounts receivable, accounts payable, accrued expenses and debt approximate their related fair values.

Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, equity, revenues and expenses during the reporting period. Significant estimates used in preparing these consolidated financial statements include: (i) the estimated allowance for subscription cancellations, (ii) the reserve for self-insurance, (iii) assumptions related to achievement of technological feasibility for software developed for sale, (iv) product life cycles, (v) estimated useful lives and potential impairment of long-lived assets, intangible assets and goodwill, (vi) determination of the fair value of tangible and intangible assets acquired, liabilities assumed and consideration transferred in an acquisition, (vii) amortization period of material rights and deferred commissions (viii) valuation for the Company's stock used for stock-based compensation, and (ix) the potential outcome of future tax consequences of events that have been recognized in the consolidated financial statements or tax returns. Actual results may differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an initial maturity date of three months or less to be cash equivalents.

Funds Held for Customers

Funds held for customers in the consolidated balance sheets represents customer funds advanced for transaction tax returns outsourcing. Funds held for customers are restricted for the sole purpose of remitting such funds to satisfy obligations on behalf of such customers and are deposited at FDIC-insured institutions. Customer funds obligations are included in current liabilities in the consolidated balance sheets, as the obligations are expected to be settled within one year.

Property and Equipment

Property and equipment are stated at cost or fair value when acquired in a business combination and presented net of accumulated depreciation. Normal maintenance and repairs are charged to expense, while major renewals and betterments are capitalized. Assets under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets and are depreciated over the shorter of the asset's useful life or lease term. Depreciation and amortization are computed straight-line over the estimated useful lives of the assets, as follows:

Leasehold improvements	1 - 12 years
Equipment	3 - 10 years
Computer software	3 - 7 years
Internal-use software developed	3 - 5 years
Furniture and fixtures	7 - 10 years
Automobiles	5 years

Software Development Costs

Internal-Use Software

The Company follows Accounting Standard Codification (“ASC”) 350-40, *Goodwill and Other, Internal-Use Software*, to account for development costs incurred for the costs of computer software developed or obtained for internal use. ASC 350-40 requires such costs to be capitalized once certain criteria are met. Capitalized internal-use software costs are primarily comprised of direct labor, related expenses and initial software licenses. ASC 350-40 includes specific guidance on costs not to be capitalized, such as overhead, general and administrative and training costs. Internal-use software includes software utilized for cloud-based solutions as well as software for internal systems and tools. Costs are capitalized once the project is defined, funding is committed and it is confirmed the software will be used for its intended purpose. Capitalization of these costs concludes once the project is substantially complete and the software is ready for its intended purpose. Post-configuration training and maintenance costs are expensed as incurred. Internal-use software is included in internal-use software developed in property and equipment in the consolidated balance sheets once available for its intended use and is depreciated over periods between 3 to 5 years. Depreciation expense for internal-use software utilized for cloud-based solutions and for software for internal systems and tools is included in cost of revenues, software subscriptions and depreciation expense, respectively, in the consolidated statements of comprehensive income (loss).

Software Developed for Sale

The costs incurred for the development of computer software to be sold, leased, or otherwise marketed are capitalized in accordance with ASC 985-20, *Costs of Software to be Sold, Leased or Marketed*, when technological feasibility has been established. Technological feasibility generally occurs when all planning, design, coding and testing activities are completed that are necessary to establish that the product can be produced to meet its design specifications, including functions, features and technical performance requirements. The establishment of technological feasibility is an ongoing assessment of judgment by management with respect to certain external factors, including, but not limited to, anticipated future revenues, estimated economic life and changes in technology. Capitalized software includes direct labor and related expenses for software development for new products and enhancements to existing products and acquired software.

Amortization of capitalized software development costs begins when the product is available for general release. Amortization is provided on a product-by-product basis using the straight-line method over periods between 3 to 5 years. Unamortized capitalized software development costs determined to be in excess of the net realizable value of the product are expensed immediately.

Capitalized software costs are subject to an ongoing assessment of recoverability based on anticipated future revenues and changes in software technologies. At each balance sheet date, unamortized capitalized software costs are compared to the net realizable value of the related product. The carrying value of the related assets are written down to the net realizable value to the extent the unamortized capitalized costs exceed such value. The net realizable value is the estimated future gross revenues from the related product reduced by the estimated future costs of completing and disposing of such product, including the costs of providing related maintenance and customer support.

Assessment of Long-Lived Assets

The Company reviews the carrying value of long-lived assets, including internal-use software, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Whenever such events or circumstances are present, an impairment loss equal to the excess of the asset carrying value over its fair value, if any, is recorded.

Business Combinations

Upon acquisition of a company, the Company determines if the transaction is a business combination, which is accounted for using the acquisition method of accounting. Under the acquisition method, once control is obtained of a business, the assets acquired, liabilities assumed, consideration transferred and amounts attributed to noncontrolling interests, are recorded at fair value. The Company uses its best estimates and assumptions to assign fair value to the tangible and intangible assets acquired, liabilities assumed, consideration transferred, and amounts attributed to noncontrolling interests at the acquisition date. One of the most significant estimates relates to the determination of the fair value of these amounts. The determination of the fair values is based on estimates and judgments made by management. The Company’s estimates of fair value are based upon assumptions it believes to be reasonable, but which are inherently uncertain and unpredictable. Measurement period adjustments to these values as of the acquisition date are reflected at the time identified, up through the conclusion of the measurement period, which is the time at which all information for determination of the values of assets acquired, liabilities assumed, consideration transferred and noncontrolling interests is received, and is not to exceed one year from the acquisition date (the “Measurement Period”). Thus the Company may record adjustments to the fair value of these tangible and intangible assets acquired, liabilities assumed, consideration transferred and noncontrolling interests, with the corresponding offset to goodwill during this Measurement Period. Additionally, uncertain tax positions and tax-related valuation allowances are initially recorded in connection with a business combination as of the acquisition date. The Company continues to collect information and reevaluate these estimates and assumptions periodically and record any adjustments to preliminary estimates to goodwill, provided the Company is within the Measurement Period with any adjustments to amortization of new or previously recorded identifiable intangibles being recorded to the consolidated statements of comprehensive income (loss) in the period in which they arise. In addition, if outside of the Measurement Period, any subsequent adjustments to the acquisition date fair values are recorded to the consolidated statements of comprehensive income (loss) in the period in which they arise.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net tangible and intangible assets acquired in a business combination. The Company evaluates goodwill for impairment annually at December 31 and whenever events or circumstances make it more likely than not that impairment may have occurred. The Company has determined that its business comprises one reporting unit. The Company has the option to first assess qualitative factors to determine whether events or circumstances indicate it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, in which case a quantitative impairment test is not required.

The quantitative goodwill impairment test is performed by comparing the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not impaired. An impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the fair value up to the amount of goodwill allocated to the reporting unit. Income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit are considered when measuring the goodwill impairment loss, if applicable.

Deferred Financing Costs

The Company capitalizes costs related to obtaining, renewing or extending loan agreements and amortizes these costs on a straight-line basis, which approximates the interest method, over the life of the loan. Deferred financing costs related to outstanding borrowings under bank debt are reflected as a reduction of current portion of long-term debt and long-term debt, net of current portion. Deferred financing costs related to undrawn debt are reflected in deposits and other assets in the consolidated balance sheets in accordance with ASC 835-30, *Interest—Imputation of Interest*.

Accounting for Stock-Based Compensation

The Company applies the provisions of ASC 718, *Compensation—Stock Compensation*, for the award of equity-based instruments. The provisions of ASC 718 require a company to measure the fair value of stock-based compensation as of the grant date of the award. The Company has stock options and stock appreciation rights ("SAR(s)") (collectively, the "awards") outstanding that are subject to guidance set forth in ASC 718. The Company's Board of Directors (the "Board") intends all awards granted to be exercisable at a price per share not less than the per share fair value of the Company's common stock underlying such awards on the date of grant. Stock-based compensation expense reflects the cost of employee services received in exchange for the awards.

SARs are accounted for as liabilities under ASC 718 and, as such, the Company recognizes stock-based compensation expense by remeasuring the SARs at the end of each reporting period and accruing the portion of the requisite service rendered at that date. As a nonpublic entity for all periods presented, the Company elected to measure SARs based on their intrinsic values. Management measures the intrinsic value of the SARs as the difference between the fair value of the Company's Class B common stock less the grant date fair value of the underlying shares as this is the value the SAR participant can derive from exercise of the SAR award. The fair value of the Company's common stock is determined periodically by the Board with the assistance of management and a third-party valuation firm. Management continued to record changes in the intrinsic value of the SARs in 2020 up to the date on which the Company became a public entity. Upon becoming a public entity and up to the effective date of the Offering, Management will remeasure SARs using the fair value-based method under ASC 718. See Note 13 for discussion of the impact of the resulting change in accounting policy. Outstanding SARs are included in deferred compensation, current and deferred compensation, net of current portion in the consolidated balance sheets.

Due to the option holders having the right to require the Company to repurchase shares issued in connection with option exercises after six months of share issuance, the options are classified as temporary equity and reflected in options for redeemable shares on the consolidated balance sheets at their redemption value, which equals the options' intrinsic value, as of the end of each balance sheet measurement period. Changes as a result of remeasurement of the redemption value of options for redeemable shares are recorded as adjustments to accumulated deficit. The options were exchanged for new options in connection with the Offering. See Note 7.

The fair value of the common stock underlying the awards is determined by the Board with assistance from management and an independent third-party valuation firm. The determination of value uses the market and income approaches, with an adjustment for marketability discount pertinent to private company entities in arriving at the per share fair value (the "valuation methodology"). Under the market approach, the guideline public company method is used, which estimates the fair value of the Company based on market prices of stock of guideline public companies. The income approach involves projecting the future benefits of owning an asset and estimating the present value of those future benefits by discounting them based upon the time value of money and the investment risks associated with ownership. At the end of 2019, due to the consideration by the Board of pursuing the Offering, the valuation methodology began to consider the impact of such an event on the value of the Company's common stock underlying the awards. As the Company approached the Offering effective date, this resulted in increases in the intrinsic value of the awards which resulted in corresponding increases to compensation expense for the three and six months ended June 30, 2020 which exceed historical results. See Note 10. Management expects the SAR value increases to continue and to exceed historical results. See Note 13.

Operating Leases and Deferred Rent

Rent expense for operating leases is recognized on a straight-line basis over the period of the related lease. For lease agreements that include future specific rent increases, rent concessions and/or tenant improvement allowances, the difference between the rent payments and the straight-line rent expense is included in deferred rent liability in the consolidated balance sheets.

Self-insurance

The Company is self-insured for the majority of its health insurance costs, including medical claims subject to certain stop-loss provisions. Management periodically reviews the adequacy of the Company's stop-loss insurance coverage. The Company records an estimate of claims incurred but not reported, based on management's judgment and historical experience. Self-insurance accruals are \$1,473 and \$1,980 at December 31, 2019 and June 30, 2020 (unaudited), respectively, and are reflected in accrued salaries and benefits in the consolidated balance sheets. Material differences may result in the amount and timing of insurance expense if actual experience differs significantly from management's estimates.

Revenue Recognition

Revenue from contracts with customers

The Company recognizes revenue in accordance with Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, ("ASC 606"). Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration expected to be received in exchange for those products or services. The Company enters into contracts that can include various combinations of products and services, which are generally capable of being distinct, and accounted for as separate performance obligations. Revenue is recognized net of allowance for subscription and non-renewal cancellations and any taxes collected from customers, which are subsequently remitted to governmental authorities.

Nature of goods and services

Licenses for on-premise software subscriptions provide the customer with a right to use the software as it exists when made available to the customer. Customers purchase a subscription to these licenses, which includes the related software and tax content updates (collectively “updates”) and product support. The updates and support, which are part of the subscription agreement, are essential to the continued utility of the software; therefore, the Company has determined the software and the related updates and support to be a single performance obligation. Accordingly, when on-premise software is licensed, the revenue associated with this combined performance obligation is recognized ratably over the license term as these subscriptions are provided for the duration of the license term. Revenue recognition begins on the later of the beginning of the subscription period or the date the software is made available to the customer to download. The Company’s on-premise software subscription prices in the initial subscription year are higher than standard renewal prices. The excess initial year price over the renewal price (“new sale premium”) is a material right that provides customers with the right to this reduced renewal price. The Company recognizes revenue associated with this material right over the estimated period of benefit to the customer, which is generally three years.

Cloud-based subscriptions allow customers to use Company-hosted software over the contract period without taking possession of the software. The cloud-based offerings also include related updates and support. Cloud-based contracts consistently provide a benefit to the customer during the subscription period, thus the associated revenue is recognized ratably over the related subscription period. Revenue recognition begins on the later of the beginning of the subscription period or the date the customer is provided access to the cloud-based solutions.

Revenue from deliverable-based services is recognized as services are delivered. Revenue from fixed fee services is recognized as services are performed using the percentage of completion input method.

The Company has elected the “right to invoice” practical expedient for revenue related to services that are billed on an hourly basis, which enables revenue to be recognized as the services are performed.

The Company has determined that the methods applied to measuring its progress toward complete satisfaction of performance obligations recognized over time are a faithful depiction of the transfer of control of software subscriptions and services to customers.

Significant Judgments

Contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Identification of the amortization periods of material rights and contract costs requires significant judgement by management.

Disaggregation of revenue

The table reflects revenue by major source for the following periods:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
	(unaudited)		(unaudited)	
Sources of revenue:				
Software subscriptions	\$ 77,306	\$ 67,267	\$ 153,066	\$ 131,651
Services	13,965	11,108	27,450	21,338
Total revenue	<u>\$ 91,271</u>	<u>\$ 78,375</u>	<u>\$ 180,516</u>	<u>\$ 152,989</u>

Contract balances

Timing of revenue recognition may differ from the timing of invoicing customers. A receivable is recorded in the consolidated balance sheets when customers are billed related to revenue to be collected and recognized for subscription agreements as there is an unconditional right to invoice and receive payment in the future related to these subscriptions. A receivable and related revenue may also be recorded in advance of billings to the extent services have been performed and the Company has a right under the contract to bill and collect for such performance. Subscription-based customers are generally invoiced annually at the beginning of each annual subscription period. Accounts receivable is presented net of an allowance for potentially uncollectible accounts and estimated cancellations of software license and cloud-based subscriptions (the “allowance”) of \$7,515 and \$7,669 at December 31, 2019 and June 30, 2020 (unaudited), respectively. The allowance is based on management’s assessment of uncollectible accounts on a specific identification basis, with the estimate of potential cancellations being determined based on management’s review of historical cancellation rates.

Vertex, Inc.

Notes to Condensed Consolidated Financial Statements (unaudited), continued
(Amounts in thousands, except per share data)

The beginning and ending balances of accounts receivable, net of allowance, are as follows:

	<u>For the year ended</u> <u>December 31,</u> <u>2019</u>	<u>For the six months ended</u> <u>June 30,</u> <u>2020</u> <u>(unaudited)</u>
Balance, beginning of period	\$ 62,235	\$ 70,367
Balance, end of period	70,367	63,739
Increase (decrease), net	<u>\$ 8,132</u>	<u>\$ (6,628)</u>

A contract liability is recorded as deferred revenue on the consolidated balance sheets when customers are billed in advance of performance obligations being satisfied, and revenue is recognized after invoicing ratably over the subscription period or over the amortization period of material rights. Deferred revenue is reflected net of a related deferred allowance for subscription cancellations (the “deferred allowance”) of \$5,614 and \$5,335 at December 31, 2019 and June 30, 2020 (unaudited), respectively. The deferred allowance represents the portion of the allowance for subscription cancellations associated with deferred revenue.

The beginning and ending balances of and changes to the allowance and the deferred allowance are as follows:

	<u>For the three months ended</u> <u>June 30, 2020</u> <u>(unaudited)</u>	
	<u>Balance</u>	<u>Net Change</u>
Allowance balance, April 1	\$ (7,476)	
Allowance balance, June 30	(7,669)	
Change in allowance		\$ 193
Deferred allowance balance, April 1	5,118	
Deferred allowance balance, June 30	5,335	
Change in deferred allowance		(217)
Net amount charged to revenue		<u>\$ (24)</u>

	<u>For the three months ended</u> <u>June 30, 2019</u> <u>(unaudited)</u>	
	<u>Balance</u>	<u>Net Change</u>
Allowance balance, April 1	\$ (4,703)	
Allowance balance, June 30	(4,845)	
Change in allowance		\$ 142
Deferred allowance balance, April 1	3,901	
Deferred allowance balance, June 30	3,719	
Change in deferred allowance		182
Net amount charged to revenue		<u>\$ 324</u>

	<u>For the six months ended</u> <u>June 30, 2020</u> <u>(unaudited)</u>	
	<u>Balance</u>	<u>Net Change</u>
Allowance balance, January 1	\$ (7,515)	
Allowance balance, June 30	(7,669)	
Change in allowance		\$ 154
Deferred allowance balance, January 1	5,614	
Deferred allowance balance, June 30	5,335	
Change in deferred allowance		279
Net amount charged to revenue		<u>\$ 433</u>

Vertex, Inc.
Notes to Condensed Consolidated Financial Statements (unaudited), continued
(Amounts in thousands, except per share data)

	For the six months ended June 30, 2019	
	(unaudited)	
	Balance	Net Change
Allowance balance, January 1	\$ (5,527)	
Allowance balance, June 30	(4,845)	
Change in allowance		\$ (682)
Deferred allowance balance, January 1	4,858	
Deferred allowance balance, June 30	3,719	
Change in deferred allowance		1,139
Net amount charged to revenue		<u>\$ 457</u>

The table provides information about the balances of and changes to deferred revenue for the following periods:

	As of December 31, 2019	As of June 30, 2020
	(unaudited)	
Deferred revenue, current	\$ 191,745	\$ 187,041
Deferred revenue, non-current	14,046	11,396
Total	<u>\$ 205,791</u>	<u>\$ 198,437</u>

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
(unaudited)				
Changes to deferred revenue:				
Beginning balance	\$ 201,484	\$ 181,957	\$ 205,791	\$ 178,703
Additional amounts deferred	88,224	75,769	173,162	153,637
Revenue recognized	(91,271)	(78,375)	(180,516)	(152,989)
Ending balance	<u>\$ 198,437</u>	<u>\$ 179,351</u>	<u>\$ 198,437</u>	<u>\$ 179,351</u>

Contract costs

Deferred sales commissions earned by the Company's sales force and certain sales incentive programs and vendor referral agreements are considered incremental and recoverable costs of obtaining a contract with a customer. An asset is recognized for these incremental contract costs and reflected as deferred commissions in the consolidated balance sheets. These contract costs are amortized on a straight-line basis over a period consistent with the transfer of the associated product and services to the customer, which is generally three years. Amortization of these costs are included in selling and marketing expense in the consolidated statements of comprehensive income (loss). The Company periodically reviews these contract assets to determine whether events or changes in circumstances have occurred that could impact the period of benefit of these assets. There were no impairment losses recorded for the periods presented.

Vertex, Inc.
Notes to Condensed Consolidated Financial Statements (unaudited), continued
(Amounts in thousands, except per share data)

The table provides information about the changes to contract cost balances as of and for the following periods:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
	(unaudited)			
Deferred commissions:				
Beginning balance	\$ 10,563	\$ 8,239	\$ 11,196	\$ 8,830
Additions	1,630	1,605	2,694	3,066
Amortization	(1,803)	(1,084)	(3,500)	(3,136)
Ending balance	<u>\$ 10,390</u>	<u>\$ 8,760</u>	<u>\$ 10,390</u>	<u>\$ 8,760</u>

Payment terms

Payment terms and conditions vary by contract, although the Company's terms generally include a requirement of payment within 30 days. In instances where the timing of revenue recognition differs from the timing of payment, the Company has determined that its contracts do not include a significant financing component. The primary purpose of invoicing terms is to provide customers with simplified and predictable ways of purchasing products and services, not to receive financing from customers or to provide customers with financing.

Cost of Revenues

Cost of revenues, software subscriptions includes the direct cost to develop, host and distribute software products, the direct cost to provide customer support, and amortization of costs capitalized for software developed for sale and for internal-use software utilized for cloud-based subscriptions. Cost of revenues, services includes the direct costs of implementation, training, transaction tax returns outsourcing and other tax-related services.

Reimbursable Costs

Reimbursable costs passed through and invoiced to customers of the Company are recorded as services revenues with the associated expenses recorded as cost of revenues, services in the consolidated statements of comprehensive income (loss).

Research and Development

Research and development costs consist primarily of personnel and related expenses for research and development activities including salaries, benefits and other compensation. Research and development costs are expensed as incurred in accordance with ASC 730, *Research and Development*, and are included in the consolidated statements of comprehensive income (loss).

Foreign Currency

The Company transacts business in various foreign currencies. Management has concluded that the local country's currency is the functional currency of its foreign operations. Consequently, operating activities outside the U.S. are translated into U.S. Dollars using average exchange rates, while assets and liabilities of operations outside the U.S. are translated into U.S. Dollars using exchange rates at the balance sheet date. The effects of foreign currency translation adjustments are included in stockholders' deficit as a component of accumulated other comprehensive loss in the consolidated balance sheets. Related periodic movements in exchange rates are included in other comprehensive income (loss) in the consolidated statements of comprehensive income (loss).

Income Taxes

Vertex is taxed as an S-corporation for U.S. federal income tax purposes and for most states. As a result, net income or loss is allocated to the stockholders and is included on their individual income tax returns. In certain states, Vertex is taxed at the corporate level. Accordingly, the income tax provision or benefit is based on taxable income allocated to these states. In certain foreign jurisdictions, Vertex subsidiaries are taxed at the corporate level. Similar to states, the income tax provision or benefit is based on taxable income sourced to these foreign jurisdictions.

Vertex, Inc.

**Notes to Condensed Consolidated Financial Statements (unaudited), continued
(Amounts in thousands, except per share data)**

Certain direct and indirect wholly-owned subsidiaries are treated as disregarded entities for U.S. federal income tax purposes and most states under the Internal Revenue Service (“IRS”) “check-the-box” regulations. The income and loss from these disregarded entities are reported on the Company’s U.S. federal and most state income tax returns in addition to being reported on a foreign jurisdiction tax return if a foreign subsidiary. Other foreign subsidiaries in which we own greater than 50% of the equity by measure of vote or value are treated as controlled foreign companies (“CFCs”) for U.S. federal income tax purposes and most states under the IRS foreign tax regulations. The income and loss from these entities is reported on the Company’s U.S. federal and some state income tax returns when the foreign earnings are repatriated or deemed to be repatriated to the U.S.

The Company records deferred income taxes using the liability method. The Company recognizes deferred tax assets and liabilities for future tax consequences of events that have been previously recognized in the Company’s consolidated financial statements and tax returns. The measurement of deferred tax assets and liabilities is based on provisions of the enacted tax law. The effects of future changes in tax laws or rates are not anticipated.

The Company records uncertain tax positions in accordance with ASC 740, *Income Taxes*, on the basis of a two step process whereby: (i) management determines whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position, and (ii) for those tax positions that meet the more likely than not recognition threshold, management recognizes the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The impact as a result of the application of ASC 740 is reflected in the consolidated financial statements.

On July 27, 2020, the S corporation election was terminated by the Company’s stockholders in connection with the Offering. See Note 13.

Total Comprehensive Income (Loss)

Total comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) refers to revenues, expenses, gains and losses that under U.S. GAAP are recorded as elements of stockholders’ deficit but are excluded from net income. Other comprehensive income (loss) is comprised of foreign currency translation adjustments and revaluations.

Earnings Per Share

The Company calculates basic and diluted net income per share attributable to common stockholders using the treasury stock method. The Company has Class A voting common stock (“Class A common stock”) and Class B non-voting common stock (“Class B common stock”) outstanding. Neither class of stock has any liquidity or dividend preferences and are both considered to be participating securities. The diluted net income per share attributable to common stockholders is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, options to purchase common stock are considered common stock equivalents.

Unaudited Pro Forma Income Taxes

Effective July 27, 2020, the Company converted to and will be taxed as a C corporation for U.S. income tax purposes (see Note 13). Accordingly, a pro forma income tax provision has been disclosed as if the Company was a taxable corporation for the three and six months ended June 30, 2020. The Company has computed pro forma entity level income tax expense using an estimated effective tax rate of approximately 25% for these periods, inclusive of all applicable U.S. federal, state, local and foreign income taxes.

Unaudited Pro Forma Earnings Per Share

The Company has presented pro forma earnings per share for the three and six months ended June 30, 2020 to reflect the pro forma adjustment to income taxes resulting from the conversion to a C corporation effective July 27, 2020. See Note 13.

	For the three months ended June 30,	For the six months ended June 30,
	2020	2020
Class A common stock:		
(unaudited)		
Numerator:		
Pro forma net loss attributable to all stockholders	\$ (22,455)	\$ (43,979)
Class A stock as a percentage of total shares outstanding	0.12%	0.12%
Pro forma net loss attributable to Class A stockholders	\$ (28)	\$ (54)
Denominator:		
Weighted-average Class A stock outstanding—basic and diluted	147	147
Pro forma net loss per Class A share, basic and diluted	\$ (0.19)	\$ (0.37)
Class B common stock:		
(unaudited)		
Numerator:		
Pro forma net loss attributable to all stockholders	\$ (22,455)	\$ (43,979)
Class B stock as a percentage of total shares outstanding	99.88%	99.88%
Pro forma net loss attributable to Class B stockholders	\$ (22,427)	\$ (43,925)
Denominator:		
Weighted-average Class B stock outstanding—basic and diluted	120,402	120,336
Pro forma net loss per Class B share, basic and diluted	\$ (0.19)	\$ (0.37)

Supplemental Cash Flow Disclosures

Supplemental cash flow disclosures are as follows for the respective periods:

	For the six months ended June 30,	
	2020	2019
(unaudited)		
Cash paid for:		
Interest	\$ 1,360	\$ 946
Income taxes	\$ 490	\$ 471
Non-cash investing and financing activities:		
Exercised options exchanged in lieu of income taxes	\$ -	\$ 184
Acquisition purchase commitment liability	\$ 14,344	\$ -
Equipment acquired through capital leases	\$ -	\$ 1,904
Remeasurement of options for redeemable shares	\$ 29,879	\$ 183

Recently Issued Accounting Pronouncements

As an “emerging growth company,” the Jumpstart Our Business Startups Act (the “JOBS Act”) allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to delay adoption of certain new or revised accounting standards. As a result, the Company’s financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective date for new or revised accounting standards that are applicable to public companies.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This standard amends several of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset, and a corresponding lease liability, measured at the present value of the future minimum lease payments. The standard is effective for public entities for fiscal years and interim periods beginning after December 15, 2018, and after December 15, 2020 for all other companies, with early adoption permitted. The Company intends to adopt this standard effective January 1, 2021 using the modified retrospective transition method and therefore will not restate comparative periods. The Company expects to elect the “package of three” practical expedients permitted under the transition guidance, which allows (i) a carry forward of the historical lease classification conclusions, (ii) management’s assessment on whether a contract is or contains a lease, and (iii) the initial direct costs for any leases that exist prior to adoption of the new standard. The Company is currently evaluating the impact this guidance will have on the Company’s consolidated financial statements. While the Company has not yet quantified the impact, resulting adjustments are expected to materially increase total assets and total liabilities relative to such amounts reported prior to adoption, but not have a material impact on the consolidated statements of comprehensive income (loss) or consolidated statements of cash flows.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, (“ASU 2016-13”) which replaces the existing incurred loss impairment model with an expected credit loss model and requires financial assets, including trade receivables, to be measured at amortized cost to be presented at the net amount expected to be collected. ASU 2016-13 is effective for annual periods, and interim periods within those years, beginning after December 15, 2019, for business entities that are public and meet the definition of an SEC filer (excluding smaller reporting companies), and after December 15, 2022 for all other entities. The Company has elected to delay adoption of this guidance until January 1, 2021. The implementation of ASC 2016-13 is not expected to have a material impact on the Company’s financial position.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, (“ASU 2017-04”) to eliminate step two of the goodwill impairment test requiring a hypothetical purchase price allocation. Goodwill impairment, if any, is determined by comparing the reporting unit’s fair value to its carrying value. An impairment loss is recognized in an amount equal to the excess of the reporting unit’s carrying value over its fair value, up to the amount of goodwill allocated to the reporting unit. In addition, income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit should be considered when measuring the goodwill impairment loss, if applicable. ASU 2017-04 is effective for annual periods, and interim periods within those years, beginning after December 15, 2019, for business entities that are public and meet the definition of an SEC filer (excluding smaller reporting companies), and after December 15, 2022 for all other entities. The Company has adopted this guidance effective as of January 1, 2020.

In December 2019, the FASB issued ASU Update No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, (“ASU 2019-12”) which simplifies the accounting for income taxes. The guidance in ASU 2019-12 is required for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2020, for business entities that are public, and after December 15, 2021, including interim periods within those annual periods for all other entities, with early adoption permitted. The Company will adopt this guidance on January 1, 2021. The Company is currently evaluating the impact this guidance will have on the Company’s consolidated financial statements.

Risks and Uncertainties

In December 2019, a novel strain of coronavirus (“COVID-19”) appeared. In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. The COVID-19 pandemic is having widespread, rapidly evolving and unpredictable impacts on global society, economies, financial markets and business practices. To protect the health and well-being of Company employees and customers, substantial modifications were made to employee travel policies, our offices were closed and employees advised to work from home, and conferences and other marketing events were cancelled or shifted to virtual-only. The COVID-19 pandemic has impacted and may continue to impact Company operations, including employees, customers and partners, and there is substantial uncertainty in the nature and degree of its continued effects over time.

The Company did not experience any significant reductions in sales, revenues or collections through June 30, 2020 as a result of COVID-19. The uncertainty caused by the COVID-19 pandemic could, however, impact Company billings to new customers for the remainder of 2020, and may also negatively impact Company efforts to expand revenues from existing customers as they continue to evaluate certain long-term projects and budget constraints. In addition to the potential impact on sales, the Company may see delays in collections over the coming months. However, these delays are not expected to materially impact the business, and thus the Company has not recorded an additional allowance for doubtful accounts in connection with any delays. The Company believes it has ample liquidity and capital resources to continue to meet its operating needs, and to service debt and other financial obligations.

The extent to which the COVID-19 pandemic impacts the business going forward will depend on numerous evolving factors that cannot reliably be predicted, including the duration and scope of the pandemic; governmental, business, and individuals’ actions in response to the pandemic; and the impact on economic activity, including the possibility of recession or financial market instability. These factors may adversely impact consumer, business and government spending on technology as well as customers’ ability to pay for Company products and services on an ongoing basis. This uncertainty also affects management’s accounting estimates and assumptions, which could result in greater variability in a variety of areas that depend on these estimates and assumptions, including estimated allowance for subscription cancellations, product life cycles and estimated lives of long lived assets.

2. ACQUISITION

On January 7, 2020, the Company acquired a 60% controlling interest in Systax, a provider of Brazilian transaction tax content and software. Cash consideration for the purchase was \$12,374 and was funded through borrowings under the revolving line of credit (the “Line of Credit”). This acquisition provides the Company with full access to a sizeable database of Brazilian tax content that is critical to supporting its global multi-national customers’ business expansion into Brazil. The Company has a contractual purchase commitment to acquire the remaining 40% equity interest from the original Systax Quota holders incrementally between 2021 through 2024. Future purchase commitment payments for these incremental acquisition amounts are based on a multiple of Systax revenue and earnings before interest, depreciation, amortization and income taxes (“EBITDA”) performance at the end of 2020, 2022 and 2023, whereby the Company will have full ownership after the final payment in 2024. Management has determined these future purchase commitments to be a forward contract, resulting in the Company being required to estimate and record an estimated future purchase commitment amount (the “Purchase Commitment Liability”) in connection with recording the initial purchase. The Purchase Commitment Liability is estimated to be \$14,344 at the acquisition date based on information currently available. This amount is reflected in future acquisition commitment in the consolidated balance sheet at June 30, 2020, and any adjustments to the acquisition date fair value of this commitment will be adjusted to goodwill during the Measurement Period. Adjustments to the settlement date value that arise as a result of remeasurement at future balance sheet dates will be recorded as interest expense in the consolidated statements of comprehensive income (loss) in the period the change is identified.

The acquisition was accounted for as a business combination and the total preliminary purchase price was allocated to the net tangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date, with the excess being recorded as goodwill. The net tangible assets acquired and liabilities assumed were valued at their respective carrying amounts as of the acquisition date pending the receipt of additional information during the Measurement Period. The contractual value of accounts receivable was \$867 at acquisition date. The excess of the purchase consideration over the net tangible assets is recorded as goodwill and primarily reflects the value of the tax content database, the assembled workforce and expected future synergies. Goodwill is deductible for tax purposes. The preliminary values recorded will be adjusted during the Measurement Period as more detailed analyses are performed and further information becomes available regarding the fair values of these amounts as of the acquisition date. Any such adjustments may be material. Subsequent adjustments to these values not associated with determination of their fair values on the acquisition date would be recorded in the consolidated statements of comprehensive income (loss) in the period the change is identified.

Vertex, Inc.
Notes to Condensed Consolidated Financial Statements (unaudited), continued
(Amounts in thousands, except per share data)

The following table presents the preliminary purchase price allocation recorded in the Company's consolidated balance sheet as of the acquisition date (unaudited):

Net Assets and Assumed Liabilities	Initial Purchase Price Allocation (unaudited) (in thousands)
Cash and cash equivalents	\$ 56
Accounts receivable	867
Property and equipment	48
Other assets	18
Goodwill	26,124
Accounts payable and accrued expenses	(228)
Accrued compensation	(162)
Other liabilities	(5)
Total consideration at acquisition date	\$ 26,718

The Company has included the financial results of Systax in the consolidated statement of comprehensive income (loss) from the date of acquisition in accordance with ASC 810 due to the Company having a controlling financial interest in Systax. Systax revenue and net loss for the three months ended June 30, 2020 (unaudited) reflected in the consolidated statement of comprehensive income (loss), after elimination of intercompany activity, were \$944 and (\$25), respectively. Systax revenue and net loss for the six months ended June 30, 2020 (unaudited) reflected in the consolidated statement of comprehensive income (loss), after elimination of intercompany activity, were \$2,087 and (\$281), respectively. As the Systax acquisition did not have a material impact on the Company's reported revenue or net loss for the three and six months ended June 30, 2020, pro forma financial information has not been presented. The transaction costs associated with the acquisition were approximately \$504 and were recorded in general and administrative expense in the year ending December 31, 2019.

3. PROPERTY AND EQUIPMENT

The major components of property and equipment are as follows:

	As of December 31, 2019	As of June 30, 2020 (unaudited)
Leasehold improvements	\$ 20,887	\$ 21,028
Equipment	40,598	40,698
Computer software acquired	11,232	11,269
Internal-use software developed		
Cloud-based services	51,442	54,689
Internal systems and tools	23,957	24,584
Furniture and fixtures	7,451	7,505
Automobiles	27	60
In-process internal-use software	809	5,587
	<u>156,403</u>	<u>165,420</u>
Less accumulated depreciation	<u>(101,676)</u>	<u>(109,763)</u>
Property and equipment, net	<u>\$ 54,727</u>	<u>\$ 55,657</u>

Vertex, Inc.**Notes to Condensed Consolidated Financial Statements (unaudited), continued
(Amounts in thousands, except per share data)**

Depreciation expense for property and equipment, excluding all internal-use software and capital leases, was \$1,773 and \$1,371 for the three months ended June 30, 2020 and 2019 (unaudited), respectively, and \$3,948 and \$2,788 for the six months ended June 30, 2020 and 2019 (unaudited), respectively. Depreciation for property and equipment, excluding all internal-use software, is reflected in depreciation and amortization in the consolidated statements of comprehensive income (loss).

Assets under capital leases of \$1,455 and \$1,120, net of accumulated depreciation of \$627 and \$962, at December 31, 2019 and June 30, 2020 (unaudited), respectively, are included in property and equipment in the consolidated balance sheets. Depreciation expense for assets held under capital leases was \$167 and \$167 for the three months ended June 30, 2020 and 2019 (unaudited), respectively, and \$335 and \$229 for the six months ended June 30, 2020 and 2019 (unaudited), respectively. Depreciation expense for assets held under capital leases is included in depreciation and amortization expense in the consolidated statements of comprehensive income (loss).

The major components of internal-use software are as follows:

	<u>As of December 31, 2019</u>	<u>As of June 30, 2020 (unaudited)</u>
Internal-use software developed	\$ 75,399	\$ 79,273
Less accumulated depreciation	(53,852)	(59,051)
	<u>21,547</u>	<u>20,222</u>
In-process internal-use software	809	5,587
Internal-use software developed, net	<u>\$ 22,356</u>	<u>\$ 25,809</u>

Amounts capitalized for internal-use software and included in property and equipment additions on the consolidated statements of cash flows are as follows:

	<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
	<u>(unaudited)</u>	
Cloud-based solutions	\$ 7,731	\$ 4,594
Internal systems and tools	939	1,622
Total	<u>\$ 8,670</u>	<u>\$ 6,216</u>

In-process internal-use software is not depreciated until it is available for its intended use. Depreciation expense for internal-use software used for cloud-based solutions for the three months ended June 30, 2020 and 2019 (unaudited) was \$2,453 and \$2,105, respectively, and \$4,464 and \$4,219 for the six months ended June 30, 2020 and 2019 (unaudited), respectively. Depreciation expense for internal-use software used for cloud-based solutions is included in cost of revenues, software subscriptions in the consolidated statements of comprehensive income (loss).

Depreciation expense for internal-use software utilized for internal systems and tools for the three months ended June 30, 2020 and 2019 (unaudited) was \$565 and \$634, respectively, and \$1,091 and \$1,200 for the six months ended June 30, 2020 and 2019 (unaudited), respectively. Depreciation expense for internal-use software utilized for internal systems and tools is included in depreciation and amortization in the consolidated statements of comprehensive income (loss).

Research and development costs associated with internal-use software were \$240 and \$211 for the three months ended June 30, 2020 and 2019 (unaudited), respectively, and \$735 and \$398 for the six months ended June 30, 2020 and 2019 (unaudited), respectively.

4. CAPITALIZED SOFTWARE

Capitalized software includes acquired software and direct labor and related expenses for software developed for sale for new products and enhancements to existing products. Software development costs capitalized for the three months ended June 30, 2020 and 2019 (unaudited) were \$3,558 and \$4,186, respectively, and \$7,264 and \$8,101 for the six months ended June 30, 2020 and 2019 (audited), respectively.

The major components of capitalized software are as follows:

	<u>As of December 31, 2019</u>	<u>As of June 30, 2020 (unaudited)</u>
Capitalized software	\$ 47,862	\$ 57,560
Less accumulated amortization	20,281	25,859
	<u>27,581</u>	<u>31,701</u>
In-process capitalized software	4,494	2,060
Capitalized software, net	<u>\$ 32,075</u>	<u>\$ 33,761</u>

Capitalized software amortization expense for the three months ended June 30, 2020 and 2019 was \$3,022 and \$1,903, respectively, and \$5,578 and \$3,718 for the six months ended June 30, 2020 and 2019, respectively, and is included in cost of revenues, software subscriptions in the consolidated statements of comprehensive income (loss).

5. GOODWILL

The changes in the carrying amount of goodwill for the six months ended June 30, 2020 are as follows:

	<u>2020 (unaudited)</u>
Balance, January 1	\$ —
Acquisition of Systax, January	26,124
Foreign currency translation adjustment for the three months ended March 30	(5,893)
Foreign currency translation adjustment for the three months ended June 30	(876)
Balance, June 30	<u>\$ 19,355</u>

6. DEBT**New Credit Agreement (unaudited)**

On March 31, 2020, the Company entered into a new credit agreement with a bank, which was subsequently amended on April 3, 2020 to permit another bank to be a party to the agreement, consisting of a \$175,000 term loan (the "New Term Loan") and a \$100,000 committed line of credit (the "New Line of Credit") (collectively, the "New Credit Agreement"). Absent the occurrence of a triggering event, such as an initial public offering which requires immediate repayment of the New Term Loan, the New Term Loan matures in March 2023 and requires quarterly principal payments of \$4,375 starting October 1, 2020, with a balloon payment on the payoff date. The Company was required to distribute not less than \$110,000 and not more than \$125,000 to stockholders within 90 days of the closing date of the New Credit Agreement or such amount must be repaid to the lender. Net proceeds from the New Term Loan after payment of financing fees of \$2,904 and repayment of aggregate amounts outstanding at March 31, 2020 under the previous credit agreement term loan and line of credit of \$61,656, were used to fund a portion of the \$123,000 distribution made to the stockholders on May 29, 2020, thus satisfying this requirement. The New Term Loan was repaid on July 31, 2020 upon funding of the Offering (see Note 13). The outstanding balance of the New Term Loan of \$175,000 was classified as long-term debt, net of current portion in the consolidated balance sheet at June 30, 2020 due to this amount being repaid on July 31, 2020 with a portion of the proceeds from the Offering.

The New Line of Credit matures in March 2025 and had no outstanding borrowings at closing. The Company has the option to select an applicable interest rate at either the bank base rate plus an applicable margin (the “New Base Rate Option”) or the LIBOR plus an applicable margin (the “New LIBOR Option”). The applicable margins are determined by certain financial covenant performance as defined in the New Credit Agreement. At June 30, 2020, the New Base Rate Option and New LIBOR Option were 3.75% and 2.50%, respectively. The New Credit Agreement is collateralized by certain assets of the Company. The New Credit Agreement contains financial and operating covenants. The Company was in compliance with these covenants at June 30, 2020.

Credit Agreement

At December 31, 2019, the Company had a credit agreement (the “Credit Agreement”) consisting of a term loan (the “Term Loan”) with an outstanding principal balance of \$50,375 and a \$40,000 committed line of credit (the “Line of Credit”) with no outstanding borrowings. The Company had the option to select an applicable interest rate at either the bank base rate plus an applicable margin (the “Base Rate Option”) or the London Interbank Offered Rate (“LIBOR”) plus an applicable margin (the “LIBOR Option”). The applicable margins were determined by certain financial covenant performance as defined in the Credit Agreement. At December 31, 2019, the Base Rate Option and LIBOR Option resulted in rates of 4.75% and 2.69%, respectively. The Credit Agreement was collateralized by certain assets of the Company. The Credit Agreement contained financial and operating covenants, which included limitations on the amount of dividends payable in a given period. The Company was in compliance with these covenants at December 31, 2019.

The Term Loan required quarterly principal payments over five years, with a balloon payment in November 2020. The interest rate on the Term Loan was 2.69% at December 31, 2019 as the Company selected the LIBOR Option. Term Loan outstanding amounts are reported in current portion of long-term debt and long-term debt, net of current portion, in the consolidated balance sheets. As a result of the Term Loan becoming due in November 2020, the balance outstanding of \$50,375 was included in current portion of long-term debt on the consolidated balance sheet at December 31, 2019.

The Line of Credit was due to expire on November 1, 2020. The Company was required to pay a quarterly fee on the difference between the \$40,000 maximum borrowings allowed under the Line of Credit and the unpaid principal balance outstanding under the line at an applicable rate. The applicable rate, determined by certain financial covenant performance as defined in the Credit Agreement, was 0.200%.

Unamortized deferred financing costs of \$221 at December 31, 2019 are included as a reduction in current portion of long-term debt in the consolidated balance sheets. Amortization expense of deferred financing costs will be \$221 in 2020 and will be included in interest expense in the consolidated statements of comprehensive income (loss).

Capital Leases

Capital lease obligations were \$1,333 and \$701 at December 31, 2019 and June 30, 2020 (unaudited), respectively, and are included in current portion of long-term debt and long-term debt, net of current portion in the consolidated balance sheets.

7. OPTIONS FOR REDEEMABLE SHARES

Prior to 2006, Vertex issued stock options under separate option agreements, not subject to an option plan, permitting certain key members of management and the Board to purchase shares of Class B common stock. At December 31, 2019 and June 30, 2020, 3,849 and 3,676 (unaudited) shares of Class B common stock, respectively, were reserved for issuance under these option agreements. The exercise price of the shares under these option agreements is equal to the fair value of the shares as of the grant date, as determined by the Board with assistance from management and an independent third-party valuation provider. No options have been issued since December 2005. All options are fully vested at December 31, 2019 and June 30, 2020.

The options are exercisable upon: (i) any time after the option holder is no longer an employee of the Company or a member of the Board; (ii) the Grantee's death or disability; (iii) the occurrence of a Partial Triggering Event (as defined below); or (iv) the occurrence of a Triggering Event (as defined below). In addition, the option agreements provide employee option holders with the ability to exercise a portion of their options between April 15 and April 30 of each year based upon the fair value of the Class B common stock as of December 31 of the prior calendar year, provided that certain Company performance is achieved. At the election of the Company, the option agreements allow option holders to satisfy tax withholding obligations incurred in connection with the exercise by exchanging exercised options in lieu of payment of income taxes paid by the Company on their behalf. The fair value of exchanged exercised options is recorded as a reduction to stockholders' deficit as part of the exercise of the related options, net of cash received.

Since these option agreements permit the option holders to put their exercised shares back to the Company for a price per share based upon the fair value of the Class B common stock determined six months after the holder exercised the options, they are classified as temporary equity and included in options for redeemable shares on the consolidated balance sheets. In addition, these option agreements permit the Company to call the shares based upon the fair value of the Class B common stock determined six months after the options were exercised. The Company has never exercised its right to call any shares issued from option exercises. In the event of the sale of at least 50% of the Company's stock or all the assets of the Company ("Triggering Event") in a single or multiple transactions, the option holders have the right to exercise their options and sell their related shares in connection with the transactions. Unexercised options expire after a Triggering Event. In the event of a sale of at least 25% of the Company's assets to an unrelated third-party in a single or multiple transactions ("Partial Triggering Event"), the option holders have the right to exercise a portion of their options pro rata based on the sales price and sell their related shares in connection with the transaction. Unexercised options remaining after a Partial Triggering Event remain outstanding. In addition, in the event stockholders owning at least 51% of the outstanding stock of the Company (the "selling stockholders") sell a portion of their stock to an unrelated third-party, the option holders have the right to exercise and sell an amount of options in the same proportion as the selling stockholders (a "tag-along right"). The option holders may also be required to exercise all their outstanding options and sell all related shares in the event the selling stockholders sell at least 51% of their ownership to an unrelated third-party (a "drag-along right").

The table below reflects stock option activity for the following periods:

	Options	Intrinsic values	Per share range of option prices	Per share weighted average option prices
Outstanding at January 1, 2019	4,125	\$ 14,581	\$0.15—\$0.71	\$ 0.20
Exercised	(276)	\$ 957	\$0.15—\$0.38	\$ 0.25
Outstanding at December 31, 2019	3,849	\$ 17,344	\$0.15—\$0.71	\$ 0.19
Exercised (unaudited)	(173)	\$ 759	\$0.15—\$0.38	\$ 0.30
Outstanding at June 30, 2020 (unaudited)	<u>3,676</u>	\$ 47,223	\$0.15—\$0.71	\$ 0.19

Upon the effectiveness of the Offering on July 28, 2020 (see Note 13), outstanding options to purchase Class B common shares were exchanged for options to purchase an equivalent number of Class A shares at the same exercise price and vesting, subject to the terms of the 2020 Incentive Award Plan (the "2020 Plan") except with respect to the expiration of the options which remain subject to the Trigger Event requirements of the original option agreements. The option holders' ability to put the exercised option shares to the Company and the Company's ability to call these shares expired as these shares are now eligible to sold on the NASDAQ exchange. As a result of the put right no longer being applicable, the options will no longer be considered temporary equity and will be reclassified to stockholders' equity during the three months ended September 30, 2020.

8. STOCKHOLDERS' DEFICIT

Common Stock

There are no dividend or liquidation preference differences between the Class A common stock or Class B common stock.

In April 2020, Vertex issued 173 shares of Class B common stock in connection with the exercise of stock options by option holders for cash of \$53. In April 2019, Vertex issued 225 shares of Class B common stock in connection with the exercise of stock options by option holders for cash of \$68, net of 51 shares that were immediately returned to Vertex upon exercise in lieu of payment of income taxes payable by the option holders of \$184.

At December 31, 2019 and June 30, 2020, repurchased shares ("Treasury Stock") aggregating 41,910 for each period are carried at cost and included in Treasury Stock in the consolidated balance sheets. Treasury Stock includes 41,757 shares of Class B common stock and 153 shares of Class A common stock for both years.

The Board declared distributions of \$4,010 (\$0.03 per share) and \$123,185 (\$1.02 per share) during the three months ended March 31 and June 30, 2020, respectively, pro rata to stockholders of the Class A and Class B common stock.

The Board declared distributions of \$5,255 (\$0.04 per share) and \$6,105 (\$0.05 per share) during the three months ended March 31 and June 30, 2019, respectively, pro rata to stockholders of the Class A and Class B common stock.

9. EARNINGS PER SHARE

The table below illustrates the calculation of basic and diluted net income (loss) per common share for the Class A common stock and Class B common stock for the following periods:

Class A common stock:	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
	(unaudited)			
Numerator:				
Net income (loss) attributable to all stockholders	\$ (29,075)	\$ 7,122	\$ (58,139)	\$ 14,447
Class A stock as a percentage of total shares outstanding	0.12%	0.12%	0.12%	0.12%
Net income (loss) attributable to Class A stockholders	<u>\$ (35)</u>	<u>\$ 9</u>	<u>\$ (70)</u>	<u>\$ 18</u>
Denominator:				
Weighted-average Class A stock outstanding—basic	147	147	147	147
Dilutive effect of stock equivalents	—	—	—	—
Weighted-average Class A stock outstanding—diluted	<u>147</u>	<u>147</u>	<u>147</u>	<u>147</u>
Net income (loss) per Class A share, basic and diluted	<u>\$ (0.24)</u>	<u>\$ 0.06</u>	<u>\$ (0.48)</u>	<u>\$ 0.12</u>

Class B common stock:	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
(unaudited)				
Numerator:				
Net income (loss) attributable to all stockholders	\$ (29,075)	\$ 7,122	\$ (58,139)	\$ 14,447
Class B stock as a percentage of total stock outstanding	99.88%	99.88%	99.88%	99.88%
Net income (loss) attributable to Class B stockholders	\$ (29,040)	\$ 7,113	\$ (58,069)	\$ 14,429
Denominator:				
Weighted-average Class B stock outstanding—basic	120,402	120,443	120,336	120,357
Dilutive effect of stock equivalents	—	3,715	—	3,812
Weighted-average Class B stock outstanding—diluted	120,402	124,158	120,336	124,169
Net income (loss) per Class B share, basic	\$ (0.24)	\$ 0.06	\$ (0.48)	\$ 0.12
Net income (loss) per Class B share, diluted	\$ (0.24)	\$ 0.06	\$ (0.48)	\$ 0.12

10. EMPLOYEE BENEFIT AND DEFERRED COMPENSATION PLANS

401(k) Plan

The Company maintains a 401(k) plan that covers eligible employees subject to certain age and length of service requirements. The Company matches up to 3% of eligible compensation during the period in which an eligible participant contributes to the plan. Matching contributions were \$965 and \$779 for the three months ended June 30, 2020 and 2019 (unaudited), respectively, and \$2,090 and \$1,929 for the six months ended June 30, 2020 and 2019 (unaudited), respectively. In addition, a discretionary profit-sharing contribution of 3% of eligible compensation for eligible employees was approved and aggregated \$3,363 for the year ended December 31, 2019 and is reflected in accrued salaries and benefits in the consolidated balance sheet. Accrued salaries and benefits includes \$981 and \$1,942 for the three and six months ended June 30, 2020 (unaudited), respectively, for an estimated discretionary profit-sharing contribution for 2020.

Long-Term Rewards Plan

The Company has a long-term rewards (“LTR”) plan for certain key employees which provides for compensation related to growth in certain financial measures over a three-year period (the “Reward Performance Period”), subject to achieving an annual minimum net income target (the “Net Income Target”) during each year of the Reward Performance Period. Each year, eligible LTR plan participants receive an individual target award opportunity (“Award Opportunity”) for a new three-year Reward Performance Period (i.e. target award grant made in 2018 is for years 2018 through 2020). For Reward Performance Periods prior to 2018, compensation earned for growth in the financial measures over each Reward Performance Period is paid in cash in the year following the end of the respective Reward Performance Period, assuming the Net Income Target was achieved for each year of the respective Reward Performance Period. Starting in 2018, the Net Income Target is only required to be achieved in the final year of the Reward Performance Period. Estimated compensation is recorded during each year of a Reward Performance Period (“accrued LTR Award Opportunities”).

Compensation expense included \$799 and \$493 for the three months ended June 30, 2020 and 2019 (unaudited), respectively, and \$1,597 and \$985 for the six months ended June 30, 2020 and 2019 (unaudited), respectively, for open Reward Performance Periods. Amounts paid to participants in 2020 for the Reward Performance Period starting in 2017 of \$2,717 is reflected in deferred compensation, current in the consolidated balance sheet as of December 31, 2019. Amounts estimated to be paid in 2021 for performance through June 30, 2020 for the Reward Performance Period starting in 2018 of \$1,707 (unaudited) is reflected in deferred compensation, current in the consolidated balance sheet as of June 30, 2020. The remaining balances of accrued LTR Award Opportunities for open Reward Performance Periods of \$1,812 and \$3,329 at December 31, 2019 and June 30, 2020 (unaudited) are reflected in deferred compensation, net of current portion, in the consolidated balance sheets.

SAR Plan

The Company has a SAR plan for the purpose of providing incentives to key members of management to contribute to the growth and financial success of the Company. SAR plan awards (“SAR Awards”) are represented as a fixed number of shares of Class B common stock (“SAR Units”). SAR Units outstanding aggregated 12,276 and 12,086 at December 31, 2019 and June 30, 2020 (unaudited), respectively. SAR Units are issued at the equivalent of the fair value of the equivalent number of shares of the Company’s Class B common stock on the grant date (“Base Value”), as determined by the Board with assistance from management and an independent third-party valuation provider, and compensation is based upon the appreciation of the SAR Units in excess of the Base Value over the service vesting period. SAR Awards are exercisable upon 50% vesting or upon the occurrence of a triggering event.

Vested SAR units are redeemed upon the occurrence of a triggering event. Triggering events include: (i) expiration of the term of the SAR; (ii) a change of control of the Company whereby stockholders holding at least 50% of the voting stock of the company sell their shares; (iii) a merger of the Company with an unrelated third-party; (iv) an initial public offering; and (v) death, disability or retirement of a SAR participant.

SAR participants are limited to exercising no more than 25% of their vested SAR Units in any given year. SAR Awards generally vest 50% and 100% after two years and five years, respectively, from the grant date, or as determined by the Board. Maximum contractual terms range from ten years to term of employment of the participant. SAR Awards are settled in cash only, not through the issuance of shares. SAR Award exercises are limited each year to the proportion of the vested SAR units to the total units outstanding multiplied by adjusted net cash from operating activities (the "Liquidity Pool"), which is defined as cash from operating activities less cash paid for property and equipment and capitalized software for a given period.

The below table represents SAR activity for the following periods:

	Vested Units	Unvested Units	Total Units	Range of Grant Values
Balance, January 1, 2019	5,889	4,782	10,671	\$0.92–\$3.17
Granted	297	2,112	2,409	\$3.73
Exercised	(609)	—	(609)	\$1.31–\$2.50
Forfeited	—	(195)	(195)	\$2.13–\$2.50
Vested	630	(630)	—	
Balance, December 31, 2019	6,207	6,069	12,276	\$0.92–\$3.73
Granted (unaudited)	21	681	702	\$4.70
Exercised (unaudited)	(829)	—	(829)	\$1.31–\$2.50
Forfeited (unaudited)	—	(63)	(63)	\$2.50
Vested (unaudited)	1,410	(1,410)	—	
Balance June 30, 2020 (unaudited)	6,809	5,277	12,086	\$0.92–\$4.70

The weighted average grant date intrinsic value of the SARs on grant date is zero as the Company's Board grants all awards at a price per share not less than the per share fair value of the Company's Class B common stock underlying such awards on the date of grant.

The Company recognized stock-based compensation cost in the consolidated statements of comprehensive income (loss) to reflect the appreciation in value of the vested portion of outstanding SAR Awards over the Base Value from the grant date as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
	(unaudited)			
Cost of revenues, software subscriptions	\$ 4,168	\$ 131	\$ 7,660	\$ 262
Cost of revenues, services	6,251	197	11,489	394
Research and development	4,168	131	7,660	262
Selling and marketing	8,335	262	15,319	523
General and administrative	18,754	589	34,468	1,179
Total stock-based compensation	\$ 41,676	\$ 1,310	\$ 76,596	\$ 2,620

Vertex, Inc.

**Notes to Condensed Consolidated Financial Statements (unaudited), continued
(Amounts in thousands, except per share data)**

Accrued SAR Awards of \$5,790 and \$20,582 at December 31, 2019 and June 30, 2020 (unaudited), respectively, representing SAR Units scheduled for redemption and 25% of the vested SAR Units eligible for exercise within 12-months of the balance sheet date are reflected in deferred compensation, current in the consolidated balance sheets. The remaining balances of accrued SAR Awards of \$16,506 and \$75,705 at December 31, 2019 and June 30, 2020 (unaudited), respectively, are reflected as deferred compensation, net of current portion, in the consolidated balance sheets. We had approximately \$3,900 and \$27,867 of total unrecognized compensation expense for unvested SAR Awards at December 31, 2019 and June 30, 2020 (unaudited), respectively, which we expect to recognize over the respective service periods of one to five years.

The SAR Awards were amended in connection with the Offering. See Note 13.

11. RELATED PARTIES

The Company advanced amounts to certain stockholders of the Company of \$283 and \$230 at December 31, 2019 and June 30, 2020 (unaudited), respectively. These amounts are non-interest bearing as they are short-term in nature and repaid within three months. These amounts are included in advances to stockholders in the consolidated balance sheets.

12. COMMITMENTS AND CONTINGENCIES

The Company leases office space under operating leases that expire at various dates through September 2028. Rent expense under all property operating leases was \$1,754 and \$1,574 for the three months ended June 30, 2020 and 2019 (unaudited), respectively, and \$3,451 and \$3,092 for the six months ended June 30, 2020 and 2019 (unaudited), respectively. These amounts are reflected in general and administrative expense in the consolidated statements of comprehensive income (loss).

The Company may become involved in various lawsuits and legal proceedings, which arise, in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. The Company is not aware of any such legal proceedings or claims that management believes will have a material adverse effect on our business, financial condition, or operating results.

13. SUBSEQUENT EVENTS

Termination of S Corporation Filing Status

On July 27, 2020, the Company and its shareholders entered into an S corporation and Tax Sharing Agreement, pursuant to which the Company's S corporation status for U.S. federal income tax purposes was terminated on July 27, 2020 and the Company will thereafter be taxed as C Corporation. As a result, the Company's effective tax rate is projected to increase from approximately 2.5% to 25%. The Company estimates a tax benefit of approximately \$27,200 (unaudited) upon such conversion in the quarter ended September 30, 2020.

Changes to Capital Structure

On July 28, 2020, the Company filed its amended and restated certificate of incorporation with the Delaware Secretary of State to effect a three-for-one forward stock split (the "Stock Split"), a share exchange, and to establish a new capital structure for the Company. The Stock Split resulted in each one share owned by a stockholder being exchanged for three shares of common stock, and the number of shares of the Company's common stock issued and outstanding was increased proportionately based on the Stock Split. In addition, in connection with the Stock Split, stockholders of record exchanged their existing Class A and Class B common stock for newly created shares of Class A common stock ("Class A") and Class B common stock ("Class B") issued in connection with the new capital structure. The effect of the Stock Split was recognized retrospectively in the Consolidated Financial Statements.

In connection with the new capital structure, the Company authorized 450,000 shares of common stock, par value \$0.001 per share, and 30,000 shares of preferred stock, par value \$0.001 per share. Common stock is divided into two classes, Class A with one vote per share, and Class B with ten votes per share. The rights of the holders of Class A and Class B are identical, except with respect to voting, conversion and transfer rights. Following the Offering, authorized Class A will consist of 300,000 shares and authorized Class B will consist of 150,000 shares.

Each outstanding share of Class B is convertible at any time at the option of the holder into one share of Class A. Each share of Class B will convert automatically into one share of Class A upon any transfer, except for certain permitted transfers to other Class B stockholders or other members of the control group. Each share of Class B will convert automatically into one share of Class A if the voting power of all then-outstanding shares of Class B comes to represent less than ten percent of the combined voting power of all shares of the then-outstanding common stock. Once converted or transferred and converted into Class A, the Class B may not be reissued.

The Board is authorized to issue up to 30,000 shares of preferred stock in one or more series without stockholder approval. The Board of directors has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock. Upon closing of the Offering, there were no shares of preferred stock outstanding.

SAR Amendment

SAR participants were offered the option to either redeem their SARs upon the occurrence of the Offering or amend their SARs pursuant to which, upon effectiveness of the Company's 2020 Plan to occur concurrent or shortly after the effective date of the Offering, such SARs will become options to purchase shares of new Class A common stock under the 2020 Plan. Effective July 13, 2020, this offer period ended and all SAR participants eligible to receive the offer accepted and will have their outstanding SARs converted to stock options with equivalent terms under the 2020 Plan (the "Converted SARs"). This is considered a modification of these SAR awards.

Converted SARs with either no expiration date or that expire during calendar year 2020 were converted to options and automatically exercised into shares (the "Auto Exercise New Options") on July 28, 2020, the effective date of the Offering. Shares issued in connection with the Auto Exercise New Options were net of the number of shares of common stock necessary to satisfy the aggregate exercise price and the tax withholding obligation of such options. The Auto Exercise New Option participants also had the ability to require the Company to repurchase all or a portion of the shares remaining after this reduction on the Offering date for cash based on the Offering price, which aggregated \$22,900 (unaudited).

Management continued to record changes in the intrinsic value of the SARs in 2020 up to July 2, 2020, the date on which Management determined the Company was considered to have become a public entity. Management will record the change in accounting policy of \$2,421 in accordance with ASC 718 during the three months ended September 30, 2020, which includes \$1,299 of vested Converted SARs which will be recognized as compensation expense during this period, with the remaining \$1,122 of unvested Converted SARs being recognized as compensation expense over the remaining service period of one to five years through 2025. Any additional incremental increase in fair value of the Converted SARs after July 2, 2020 resulting from the modification will be recorded as compensation expense at the time of the exchange upon the Offering effective date. Upon modification, the Converted SARs will no longer be recorded as a liability under ASC 718 and the accumulated liability balance will be reclassified to stockholders' equity. The unvested portion of the Converted SAR liability at the Offering date will be amortized over the remaining service period of the Converted SARs as compensation expense. At the Offering price of \$19.00 management estimates the fair value of the Converted SARs at the Offering date to be approximately \$197,000 (unaudited), of which approximately \$153,000 (unaudited) is vested. At this value, management expects to record estimated additional compensation expense of approximately \$57,000 (unaudited) for vested Converted SARs from July 1 to the Offering date, which includes the \$1,299 impact of the change in accounting of vested Converted SARs. The remaining approximate \$44,000 (unaudited) of unvested Converted SAR liability, which includes the \$1,122 of unvested Converted SARs, will be recognized as compensation expense over the remaining service period of one to five years through 2025.

Vertex, Inc.

**Notes to Condensed Consolidated Financial Statements (unaudited), continued
(Amounts in thousands, except per share data)**

Registration of Company Stock

The Company's Registration Statement filed with the SEC was declared effective on July 28, 2020, resulting in Class A being registered and available for trading on the NASDAQ exchange. Concurrent with the effectiveness of the S-1, the Company filed a form S-8 registration statement, which was also declared effective covering registration of shares issued or to be issued under the Company's 2020 Plan and the Employee Stock Purchase Plan.

Debt Redemption

On July 31, 2020, the Company received \$423,024 in proceeds, net of underwriting fees, from the sale of 23,812 shares of Class A and used a portion of the proceeds to pay off the \$175,000 New Term Loan. The Company expects to record a write down of deferred financing costs associated with the New Term Loan of \$1,174, which will be recorded as interest expense in the consolidated statement of comprehensive income for the three months ended September 30, 2020. The net proceeds remaining after payment of Offering costs will be used for working capital and other corporate purposes as described in the Prospectus.

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, beliefs and expectations that involve risks and uncertainties. Our actual results and the timing of events could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report on Form 10-Q, particularly in the section titled "Risk Factors" in Part II, Item 1A.

Overview

Vertex delivers comprehensive tax solutions that enable global businesses to transact, comply and grow with confidence. Companies with complex tax operations rely on Vertex to automate their end-to-end indirect tax processes. Indirect tax is the largest corporate tax category, encompassing sales tax, sellers use tax, consumer use tax and value added tax ("VAT"), among others. Indirect tax accounts for more than \$3.5 trillion of annual tax revenue, which is 2.5 times the amount of corporate income taxes, according to the 2019 OECD Tax Database. Our software, content and services address the increasing complexities of global commerce and compliance by reducing friction, enhancing transparency and enabling greater confidence in meeting indirect tax obligations. As a result, our software is ubiquitous within our customers' business systems, touching nearly every line item of every transaction that an enterprise can conduct.

We have pioneered tax technology for over 40 years. We first began electronic delivery of tax rules in the early 1980s and we first sold transaction tax processing software in 1982. Today, our software enables tax determination, compliance and reporting, tax data management and document management with powerful pre-built integrations to core business applications used by most companies, particularly those applications that have a significant impact on global commerce. Our software is fueled by over 300 million data-driven effective tax rules and supports indirect tax compliance in more than 19,000 jurisdictions worldwide. In order to maintain the quality of our content, our team includes many global tax and regulatory experts from industry and the public sector, who deliver monthly updates to our tax content, which are then incorporated directly into our software. Our solutions can be deployed on-premise, in the cloud, or both, with implementation services available to enable optimal customer outcomes and satisfy their unique business requirements.

We have accumulated industry-specific tax knowledge for over four decades and our customers leverage our in-depth content through their use of our software. This allows our customers to comply with the dynamic regulatory landscape in real time and mitigates our customers' risk exposure. As our customers expand their global footprint and business models, we are actively supporting their expansion by continuously strengthening our content offering and allowing for additional jurisdiction-specific tax compliance.

We derive the majority of our revenue from software subscriptions. These subscriptions include use of our software and ongoing monthly content updates. Our software is offered on a subscription basis to our customers, regardless of their deployment preferences. On-premise subscriptions are typically sold through one-year contracts and cloud-based subscriptions are typically sold through one- to three-year contracts. We bill almost all of our customers annually in advance of the subscription period.

We have over 4,000 customers, including the majority of the Fortune 500, as well as a majority of the top 10 companies by revenue in multiple industries such as retail, technology and manufacturing, in addition to leading marketplaces. At June 30, 2020, we had over 4,000 customers and our Annual Recurring Revenue ("ARR") per customer was over \$72,000, while at June 30, 2019, we had over 3,900 customers and our ARR per customer was over \$63,000. As our customers expand geographically and pursue omnichannel business models, their tax determination and compliance requirements increase and become more complex, providing sustainable organic growth opportunities for our business. Our pricing model is aligned with our customers' objectives by adjusting with their growth over time. We principally price our solutions based on a customer's revenue base, in addition to a number of other factors.

We employ a hybrid deployment model to align to our customers' technology preferences for their core financial management software across on premise, cloud deployments or any combination of these models. Over time, we expect both existing and newly acquired customers to continue to shift towards cloud deployment models. Cloud-based subscription sales to new customers have grown at a significantly faster rate than on premise software subscription sales, which is a trend that we expect to continue over time. We generated 26% and 18% of software subscription revenue from cloud-based subscriptions during the three months ended June 30, 2020 and 2019, respectively, and 26% and 17% for the six months ended June 30, 2019 and 2020, respectively. While our on premise software subscription revenue comprises 74% of our 2020 software subscription revenue, we anticipate that it will decrease as a percentage of total software subscription revenue as cloud-based subscriptions accelerate.

We sell our solutions primarily through our direct sales force, which focuses on selling to qualified leads provided by our marketing efforts, and through our network of referral partners. We also utilize indirect sales to a lesser extent to efficiently grow and scale our enterprise and mid-market revenues.

Our partner ecosystem is a differentiating, competitive strength in both our software development and our sales and marketing activities. We integrate with key technology partners that span ERP, CRM, procurement, billing, POS and eCommerce. These partners include Adobe/Magento, Coupa, Microsoft Dynamics, NetSuite, Oracle, Salesforce, SAP, SAP Ariba, Workday and Zuora. We also collaborate with numerous accounting firms who have built implementation practices around our software to serve their customer base.

We believe that global commerce and the compliance environment provides durable and accelerating growth opportunities for our business. We generated revenue of \$78.4 million and \$91.3 million for the three months ended June 30, 2019 and 2020, respectively. We generated revenue of \$153.0 million and \$180.5 million for the six months ended June 30, 2019 and 2020, respectively. We had net income of \$7.1 million and a net loss of \$(29.1) million for the three months ended June 30, 2019 and 2020, respectively. We had net income of \$14.4 million and a net loss of \$(58.1) million for the six months ended June 30, 2019 and 2020, respectively. Adjusted EBITDA was \$15.9 million and \$21.5 million for the three months ended June 30, 2019 and 2020, respectively. Adjusted EBITDA was \$31.1 million and \$36.8 million for the six months ended June 30, 2019 and 2020, respectively. Additionally, we generated net cash provided by operating activities of \$32.9 million and \$20.8 million in the six months ended June 30, 2019 and 2020, respectively. Our free cash flow was \$14.7 million and \$18.7 million in the three months ended June 30, 2019 and 2020, respectively. Our free cash flow was \$16.5 million and \$2.9 million in the six months ended June 30, 2019 and 2020, respectively. Adjusted EBITDA and free cash flow are non-GAAP financial measures. Refer to *"Use and Reconciliation of Non-GAAP Financial Measures"* for further discussion of non-GAAP financial measures and their comparison to GAAP financial measures.

Recent Developments—

Initial Public Offering

On July 31, 2020, we completed our initial public offering ("IPO") in which we sold 23,812,216 shares of our Class A common stock, and certain selling stockholders sold an additional 510,284 shares of Class A common stock, at a public offering price of \$19.00 per share. We received proceeds of approximately \$423.0 million, after deducting underwriting discounts and commissions, from sales of our shares in the IPO. We did not receive any of the proceeds from any sale of shares by the selling stockholders.

Impact of COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. The COVID-19 pandemic is having widespread, rapidly evolving and unpredictable impacts on global society, economies, financial markets and business practices. Federal and state governments have implemented measures in an effort to contain the virus, including social distancing, travel restrictions, border closures, limitations on public gatherings, work from home, supply chain logistical changes and closure of non-essential businesses. To protect the health and well-being of our employees and customers, we have made substantial modifications to employee travel policies, closed our offices as employees are advised to work from home and cancelled or shifted our conferences and other marketing events to virtual-only. The COVID-19 pandemic has impacted and may continue to impact our business operations, including our employees, customers and partners, and there is substantial uncertainty in the nature and degree of its continued effects over time.

During the first half of 2020, the COVID-19 pandemic had minimal impact on our revenue or results of operations, as we continue to derive the significant majority of our revenue from our existing software subscriptions. As we principally price our solutions based on our customers' revenues within certain revenue bands, elongated declines in our existing customers' revenues may impact our ability to grow our existing customer revenues. We did not experience an abnormal number of non-renewals in the first half of 2020, nor any material declines in revenue associated with declines in our customers' revenues, and we currently expect our existing customer base to remain largely stable, as it did through the recession in 2008 and 2009. However, significant decreases in non-renewals or concessions to renewal customers would have a material impact on our revenues and cash flows. We did see a decline in new software subscription billings at the end of the first quarter of 2020. It is important to note that our sales metrics are assessed quarterly, and given the size and complexity of our sales process we often see variances from month to month due to legal or procurement processes. In the case of the first quarter of 2020 we achieved our new software billings targets as several deals were completed earlier in the quarter.

For the second quarter of 2020, new software billings exceeded our original second quarter of 2020 forecasts. We have seen some delays due to prospects shifting to working remotely, and some due to economic uncertainty. We expect that the uncertainty caused by the COVID-19 pandemic could continue to impact our billings to new customers for the remainder of 2020, and it may also negatively impact our efforts to expand revenues from our existing customers as they continue to evaluate certain long-term projects and budget constraints. However, we do not anticipate that overall demand for our software and solutions, our ability to deliver such software and solutions, or our growth strategies to be materially impacted by the COVID-19 pandemic, as companies continue to rely on us for their indirect tax solutions. There is potential for an increase in demand for our products over the long-term considering the amount of state debt being accumulated during the pandemic, which may result in increases in taxes and revenue department audits which our products are positioned to address customer needs.

In addition to the impacts on our sales, our cash collections from existing customers were lower than expected at the end of the first quarter of 2020. During the second quarter of 2020, our collections exceeded our expectation as some of the procedural disruptions that customers experienced as they shifted to remote work in March had stabilized. We believe that we may see delays in collections over the coming months. However, we do not believe that these delays will materially impact our business; we continue to expect that we will be able to collect amounts due under subscription contracts from customer experiencing issues as a result of the COVID-19 pandemic, and we have not recorded an additional allowance for doubtful accounts in connection with any delays. Given that customers cannot forgo our monthly content updates, which are necessary to remain compliant with the most current regulations, we believe customers will continue to pay our renewal invoices in a timely, even if slightly elongated, manner. We believe that we currently have ample liquidity and capital resources to continue to meet our operating needs, and our ability to continue to service our debt or other financial obligations is not currently impaired. For a further description of our liquidity, including the New Credit Agreement entered into on March 31, 2020, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

The extent to which the COVID-19 pandemic impacts our business going forward will depend on numerous evolving factors we cannot reliably predict, including the duration and scope of the pandemic; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity, including the possibility of recession or financial market instability. These factors may adversely impact consumer, business and government spending on technology as well as customers' ability to pay for our products and services on an ongoing basis. This uncertainty also affects management's accounting estimates and assumptions, which could result in greater variability in a variety of areas that depend on these estimates and assumptions, including estimated allowance for subscription cancellations, product life cycles and estimated lives of long lived assets.

Key Business Metrics

We regularly review the metrics identified below to evaluate growth trends, measure our performance, formulate financial projections and make strategic decisions.

Annual Recurring Revenue.

We derive the vast majority of our revenue from recurring software subscriptions. We believe ARR provides us with visibility to our projected software subscription revenue in order to evaluate the health of our business. Because we recognize subscription revenue ratably, we believe investors can use ARR to measure our expansion of existing customer revenues, new customer activity, and as an indicator of future software subscription revenues. ARR is based on monthly recurring revenue (“MRR”) from software subscriptions for the most recent month at period end, multiplied by twelve. MRR is calculated by dividing the software subscription price, inclusive of discounts, by the number of subscription covered months. MRR only includes customers with MRR at the end of the last month of the measurement period.

(In millions)	June 30		Period Over	
	2020	2019	Period Change	
Annual Recurring Revenue	\$ 294.6	\$ 253.0	\$ 41.6	16.4%

ARR increased by \$41.6 million or 16.4% for the twelve month period ended June 30, 2020, as compared to the same period in 2019. The increase was primarily driven by \$20.7 million of growth in revenues from existing customers through their expanded use of our solutions as well as price increases and \$20.9 million of on premise and cloud-based subscription sales of our tax solutions to new customers.

Net Revenue Retention Rate.

We believe that our Net Revenue Retention Rate (“NRR”) provides insight into our ability to retain and grow revenue from our customers, as well as their potential long-term value to us. We also believe it demonstrates to investors our ability to expand existing customer revenues, which is one of our key growth strategies. Our NRR refers to the ARR expansion during the 12 months of a reporting period for all customers who were part of our customer base at the beginning of the reporting period. Our NRR calculation takes into account any revenue lost from departing customers or customers who have downgraded as well as any revenue expansion from upgrades, cross sells or upsells of our software.

	June 30	
	2020	2019
Net Revenue Retention Rate	108%	108%

The NRR remained consistent at June 30, 2020 with the same period in 2019 at 108%.

Adjusted EBITDA and Adjusted EBITDA Margin.

We believe that Adjusted EBITDA is a measure widely used by securities analysts and investors to evaluate the financial performance of our company and other companies. We believe that Adjusted EBITDA and Adjusted EBITDA margin are useful as supplemental measures to evaluate our overall operating performance as they measure business performance focusing on cash related charges and because they are important metrics to lenders under our New Credit Agreement. We define Adjusted EBITDA as net income or loss before interest, taxes, depreciation, and amortization, as adjusted to exclude charges for asset impairments, share based compensation expense, severance charges and offering transaction costs. Adjusted EBITDA margin represents Adjusted EBITDA divided by total revenues for the same period. For purposes of comparison, our net income (loss) was \$(29.1) million and \$7.1 million for the three months ended June 30, 2020 and 2019, respectively, while our net income margin was –31.9% and 9.1% over the same periods, respectively. Additionally, our net income (loss) was \$(58.1) million and \$14.4 million for the six months ended June 30, 2020 and 2019, respectively, while our net income margin was –32.2% and 9.4% over the same periods, respectively.

(dollars in thousands)	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Adjusted EBITDA:				
Net income (loss)	\$ (29,075)	\$ 7,122	\$ (58,139)	\$ 14,447
Interest, net	1,059	307	1,628	552
Income tax (benefit) expense	(985)	221	(735)	425
Depreciation and amortization – cost of subscription revenues	5,475	4,008	10,042	7,937
Depreciation and amortization	2,505	2,172	5,374	4,217
Stock-based compensation	41,676	1,310	76,596	2,620
Severance charges	859	409	2,042	947
Adjusted EBITDA	\$ 21,514	\$ 15,549	\$ 36,808	\$ 31,145
Adjusted EBITDA Margin:				
Total revenues	\$ 91,271	\$ 78,375	\$ 180,516	\$ 152,989
Adjusted EBITDA margin	23.6%	19.8%	20.4%	20.4%

The increase in Adjusted EBITDA for the three months ended June 30, 2020 of \$6.0 million over the comparable period in 2019 is primarily driven by an increase in gross profit, offset by an increase in operating expenses including additional sales and marketing and research and development investments. Adjusted EBITDA margin increased to 23.6% for the three months ended June 30, 2020 over the comparable period in 2019 margin of 19.8% primarily due to revenue increasing at a higher rate than operating expenses. The decrease in operating expenses as compared to the prior period was driven primarily by a reduction in travel and external marketing events in 2020 due to COVID-19 travel and conference restrictions. These costs are expected to increase once travel and conference restrictions are lifted, although it is uncertain whether these costs will return to their historical levels experienced pre-COVID-19.

The increase in Adjusted EBITDA for the six months ended June 30, 2020 of \$5.7 million over the comparable period in 2019 is primarily driven by an increase in gross profit, offset by an increase in operating expenses including additional sales and marketing and research and development investments. Adjusted EBITDA margin was consistent at 20.4% for the six months ended June 30, 2020 over the comparable period in 2019 primarily due to revenue and operating expenses increasing at comparable rates.

Free Cash Flow and Free Cash Flow Margin.

Our management uses free cash flow as a critical measure in the evaluation of liquidity in conjunction with related GAAP amounts. We also use this measure when considering available cash, including for decision making purposes related to dividends and discretionary investments. We consider free cash flow to be an important measure for investors because it measures the amount of cash we generate from our operations after our capital expenditures and capitalization of software development costs. In addition, we base certain of our forward-looking estimates and budgets on free cash flow and free cash flow margin. We define free cash flow as the total of net cash provided by operating activities less purchases of property and equipment and capitalized software. We define free cash flow margin as free cash flow divided by total revenues for the same period. Our net cash provided in operating activities was \$20.8 million and \$32.9 million for the six months ended June 30, 2020 and 2019, respectively, while our operating cash flow margin was 11.5% and 21.5% over the same periods, respectively. Net cash used in investing activities was \$(30.1) million and \$(16.4) million for the six months ended June 30, 2020 and 2019, respectively. Net cash used in financing activities was \$(16.6) million and \$(24.6) million for the six months ended June 30, 2020 and June 30, 2019, respectively.

	For the Six Months Ended June 30	
	2020	2019
Free cash flow (in thousands)	\$ 2,927	\$ 16,478
Free cash flow margin	2%	11%

Free cash flow decreased by \$13.6 million for the six months ended June 30, 2020 as compared to the same period in 2019, driven primarily by a decrease in cash from operating activities of \$12.1 million due to a reduction in cash provided by changes in operating assets and liabilities of \$17.8 million. This reduction was primarily due to decreases in accrued and deferred compensation of \$1.7 million, a reduction in deferred revenue of \$8.0 million and a reduction in accounts receivable of \$7.5 million. Accrued and deferred compensation decreased by \$1.7 million due to payments for variable compensation for the first half of 2020 increasing over the comparable quarter from the prior year by \$0.3 million as a result of increases in headcount, and due to payments of \$1.4 million for stock appreciation right redemptions in the first half of 2020 as compared to the same period of 2019. Deferred revenue decreased \$8.0 million due to a \$5.6 million decrease in nonrecurring extended product support fees billed in the first half of 2019 related to older versions of software subscription solutions retired during 2019. The balance of the deferred revenue reduction of \$2.4 million, and the reduction in accounts receivable of \$7.5 million are due primarily to modifications to billing frequencies requested by customers, primarily to align all the annual subscription billings for their subscription licenses to the same period. Such billing frequency modification results in a short-term reduction in deferred revenue, but no impact to revenue.

Components of Our Results of Operations

Revenue

We generate revenue from software subscriptions and services.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration expected to be received in exchange for those products or services. We enter into contracts that include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of allowance for subscription and non-renewal cancellations and any taxes collected from customers that are subsequently remitted to governmental authorities.

Software Subscriptions

Licenses for on-premise software subscriptions, which are generally one year, provide the customer with a right to use the software as it exists when made available to the customer. Customers purchase a subscription to these licenses, which includes the related software and tax content updates and product support. The updates and support, which are part of the subscription agreement, are essential to the continued utility of the software; therefore, we have determined the software and the related updates and support to be a single performance obligation. Accordingly, when on-premise software is licensed, the revenue associated with this combined performance obligation is recognized ratably over the license term as these subscriptions are provided for the duration of the license term. Revenue recognition begins on the later of the beginning of the subscription period or the date the software is made available to the customer to download. Our on-premise software subscription prices in the initial subscription year are higher than standard renewal prices. The excess initial year price over the renewal price is a material right that provides customers with the right to this reduced renewal price. We recognize revenue associated with this material right over the estimated period of benefit to the customer, which is generally three years.

Our cloud-based subscriptions allow customers to use Vertex-hosted software over the contract period without taking possession of the software. The contracts are generally for one to three years and are generally billed annually in advance of the subscription period. Our cloud-based offerings also include related updates and support. All services within the cloud-based contracts consistently provide a benefit to the customer during the subscription period, thus the associated revenue is recognized ratably over the subscription period. Revenue recognition begins on the later of the beginning of the subscription period or the date the customer is provided access to the cloud-based solutions.

Revenue is impacted by the timing of sales and our customers' growth or contractions resulting in their need to expand or contract their subscription usage, the purchase of new solutions or the non-renewal of existing solutions. In addition, revenue will fluctuate with the cessation of extended product support fees charged for older versions of our software subscription solutions when they are retired and these fees are no longer charged. Contracts for on-premise licenses permit cancellations at the end of the license term, which is generally one year. Legacy cloud-based subscription contracts for multi-year periods previously provided customers the right to terminate their contract for services prior to the end of the subscription period at a significant penalty. This penalty requires the payment of a percentage of the remaining months of the then current contract term. Current cloud-based contracts do not contain such termination rights. Terminations of cloud-based subscriptions prior to the end of the subscription term have occurred infrequently and the impact has been immaterial. The allowance for subscription and non-renewal cancellations reflects an estimate of the amount of such cancellations and non-renewals based upon our historical experience.

Services Revenue

We generate services revenue primarily in support of our customers' needs associated with our software and to enable them to realize the full benefit of our solutions. These software subscription-related services include configuration, data migration and implementation, and premium support and training. In addition, we generate services revenue through our managed services offering which allows customers to outsource all or a portion of their indirect tax operations to us. These services include indirect tax return preparation, filing and tax payment and notice management. We generally bill for services on a per-transaction or time and materials basis, and we recognize revenue from deliverable-based professional services as services are performed.

Fluctuations in services revenue are directly correlated to fluctuations in our subscription revenues with respect to implementation and training services as we have historically experienced an attachment rate to subscription sales for these services in excess of 60%. Our managed services offering has recently experienced increased revenue associated with returns processing volume increases attributable to regulatory changes, as customers expanded their tax filings into more jurisdictions.

Cost of Revenue

Software Subscriptions

Cost of software subscriptions revenue consists of costs related to providing and supporting our software subscriptions and includes personnel and related expenses, including salaries, benefits, bonuses and stock-based compensation. In addition, cost of revenue includes direct costs associated with information technology, such as data center and software hosting costs, and tax content maintenance. Cost of revenue also includes amortization associated with direct labor and related expenses for capitalized internal-use software and developed software for new products and enhancements to existing products and cloud-based subscription solutions. We plan to continue to significantly expand our infrastructure and personnel to support our future growth and increases in transaction volumes of our cloud-based solutions, including through acquisitions. We expect growth in our business will result in an increase in cost of revenue in absolute dollars.

Services

Cost of services revenue consists of direct costs of software subscription-related services and our managed services offering. These costs include personnel and related expenses, including salaries, benefits, bonuses, stock-based compensation and the cost of third-party contractors and other direct expenses. We plan to continue to expand our infrastructure and personnel as necessary to support our future growth and related increases in our service revenue. We expect growth in our business will result in an increase in the cost of services revenue in absolute dollars, but may decrease as a percentage of revenues as we scale our operations.

Research and Development

Research and development expenses consist primarily of personnel and related expenses for our research and development activities, including salaries, benefits, bonuses and stock-based compensation, and the cost of third-party developers and other contractors. Research and development costs, other than software development expenses qualifying for capitalization, are expensed as incurred. For the six months ended June 30, 2020 and 2019, \$7.3 million and \$8.1 million of software development costs were capitalized, respectively. Capitalized software development costs consist primarily of employee-related and third-party labor costs.

We devote substantial resources to developing new products and enhancing existing products, conducting quality assurance testing and improving our core technology. We believe continued investments in research and development are critical to attain our strategic objectives and expect research and development costs to increase in absolute dollars. These investments include enhancing our solution offerings to address changing customer needs to support their growth, as well as implementing changes required to keep pace with our partners' technology to ensure the continued ability of our solutions to work together and deliver value to our customers. The market for our solutions is characterized by rapid technological change, frequent new product and service introductions and enhancements, changing customer demands and evolving industry standards. As a result, although we are making significant research and development expenditures, which may be incurred and certain of which may be capitalized, there is no guarantee these solutions will be accepted by the market. This could result in increased costs or an impairment of capitalized development costs with no resulting future revenue benefit.

Selling and Marketing Expenses

Selling expenses consist primarily of personnel and related expenses in support of sales and marketing efforts. These costs include salaries, benefits, bonuses and stock-based compensation. In addition, selling expense includes costs related to advertising and promotion efforts, branding costs, partner-based commissions and costs associated with our annual customer conferences. We intend to continue to invest in our sales and marketing capabilities in the future to continue to increase our brand awareness and expect these costs to increase on an absolute dollar basis as we grow our business and continue to expand our market and partner ecosystem penetration. Sales and marketing expense in absolute dollars and as a percentage of total revenue may fluctuate from period-to-period based on total revenue levels and the timing of our investments in our sales and marketing functions as these investments may vary in scope and scale over future periods.

General and Administrative

General and administrative expenses consist primarily of personnel and related expenses for administrative, finance, information technology, legal, risk management, facilities and human resources staffing, including salaries, benefits, bonuses, stock-based compensation, professional fees, insurance premiums, facility costs and other internal support costs.

We expect our general and administrative expenses to increase in absolute dollars as we continue to expand our operations, hire additional personnel, integrate future acquisitions and incur additional costs associated with becoming a publicly listed company. As a public company, we expect to incur increased expenses related to accounting, tax and auditing activities, legal, insurance, SEC compliance and internal control compliance.

Depreciation and Amortization

Depreciation and amortization expense consists of the allocation of purchased and developed asset costs over the future periods benefitted by the use of these assets. These assets include leasehold improvements for our facilities, computers and equipment needed to support our customers and our internal infrastructure and capitalized internal-use software associated with our internal infrastructure and tools. Depreciation and amortization will fluctuate in correlation with our ongoing investment in internal infrastructure costs to support our growth.

Interest Income

Interest income reflects earnings on investments of our cash on hand and on funds held for customers related to our managed outsourcing services. Interest income will vary as a result of fluctuations in the future level of funds available for investment and the rate of return available in the market on such funds.

Interest Expense

Interest expense consists primarily of interest payments and other financing costs on our debt facility. Interest expense will vary as a result of fluctuations in the level of debt outstanding as well as interest rates on such debt. In addition, interest expense will include adjustments to the fair value of contracts that may be entered into to hedge risks associated with currency fluctuations for cash receipts or cash payments denominated in currencies other than U.S. dollars and which do not qualify for hedge accounting. In addition, changes in the settlement value of the future payment obligation for the Systax acquisition will be recorded as interest expense, as described further in "Note 2—Acquisition" to our interim consolidated financial statements included in this Quarterly Report on Form 10-Q.

Provision for Taxes

We have been taxed as an S Corporation for U.S. federal income tax purposes and for income tax purposes in most states. As a result, net income or loss has been allocated to our stockholders and included on their individual income tax returns. In certain states, we have been taxed at the corporate level. Accordingly, the income tax provision or benefit is based on taxable income allocated to these states. In certain foreign jurisdictions, our subsidiaries were taxed at the corporate level. Similar to states, the income tax provision or benefit is based on taxable income sourced to these foreign jurisdictions.

Effective as of July 27, 2020, we converted to a C Corporation, which will result in net income of the Company being taxed at the corporate level. As such, our provision for taxes will increase. Upon conversion to a C Corporation, we expect a pro forma entity level estimated effective tax rate of approximately 25%, inclusive of all applicable U.S. federal, state, local and foreign income taxes. The Company estimates a tax benefit of approximately \$27.2 million upon such conversion, which will be reflected in the three months ended September 30, 2020.

Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our Prospectus filed with the SEC on July 30, 2020. The period-to-period comparison of financial results is not necessarily indicative of financial results to be achieved in future periods.

The following table sets forth our consolidated statements of comprehensive income (loss) for the periods indicated.

(Dollars in thousands) (unaudited)	Three Months Ended June 30		Period-Over-Period Change	Six Months Ended June 30		Period-Over-Period Change		
	2020	2019		2020	2019			
Revenue:								
Software subscriptions	\$ 77,306	\$ 67,267	\$ 10,039	14.9%	\$ 153,066	\$ 131,651	\$ 21,415	16.3%
Services	13,965	11,108	2,857	25.7%	27,450	21,338	6,112	28.6%
Total revenue	91,271	78,375	12,896	16.5%	180,516	152,989	27,527	18.0%
Cost of Revenue:								
Software subscriptions ⁽¹⁾	26,001	19,417	6,584	33.9%	50,685	37,843	12,842	33.9%
Services ⁽¹⁾	15,744	7,692	8,052	104.7%	30,522	14,830	15,692	105.8%
Total cost of revenues	41,745	27,109	14,636	54.0%	81,207	52,673	28,534	54.2%
Gross profit	49,526	51,266	1,740	3.4%	99,309	100,316	(1,007)	(1.0%)
Operating expenses:								
Research and development ⁽¹⁾	13,617	7,205	6,412	89.0%	26,696	14,778	11,918	80.6%
Selling and marketing ⁽¹⁾	24,544	17,287	7,257	42.0%	48,877	33,334	15,543	46.6%
General and administrative ⁽¹⁾	37,758	16,647	21,111	126.8%	75,394	32,095	43,299	134.9%
Depreciation and amortization	2,505	2,172	333	15.3%	5,374	4,217	1,157	27.4%
Other operating expense	103	305	(202)	66.2%	214	468	(254)	54.3%
Total operating expenses	78,527	43,616	34,911	80.0%	156,555	84,892	71,663	84.4%
Income (loss) from operations	(29,001)	7,650	(36,651)	479.1%	(57,246)	15,424	(72,670)	471.1%
Other (income) expense:								
Interest income	(101)	(232)	131	56.5%	(456)	(524)	68	13.0%
Interest expense	1,160	539	621	115.2%	2,084	1,076	1,008	93.7%
Total other expense, net	1,059	307	752	245.0%	1,628	552	1,076	194.9%
Income (loss) before income taxes	(30,060)	7,343	(37,403)	509.4%	(58,874)	14,872	(73,746)	495.9%
Income tax (benefit) expense	(985)	221	1,206	545.7%	(735)	425	1,160	272.9%
Net income (loss)	(29,075)	7,122	(36,197)	508.2%	(58,139)	14,447	(72,586)	502.4%
Other comprehensive loss from foreign currency translations	276	23	253	1100.0%	3,274	2	3,272	163600.0%
Total comprehensive income (loss)	\$ (29,351)	\$ 7,099	\$ (36,450)	513.5%	\$ (61,413)	\$ 14,445	\$ (75,858)	525.2%

(1) Includes stock-based compensation expenses as follows in the table below. For more details, see "Seasonality and Quarterly Trends."

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
	(unaudited) (In thousands)			
Cost of revenues, software subscriptions	\$ 4,168	\$ 131	\$ 7,660	\$ 262
Cost of revenues, services	6,251	197	11,489	394
Research and development	4,168	131	7,660	262
Selling and marketing	8,335	262	15,319	523
General and administrative	18,754	589	34,468	1,179
Total stock-based compensation	\$ 41,676	\$ 1,310	\$ 76,596	\$ 2,620

The following table sets forth our results of operations as a percentage of our total revenue for the periods presented.

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
	(unaudited)			
Revenue:				
Software subscriptions	84.7%	85.8%	84.8%	86.1%
Services	15.3%	14.2%	15.2%	13.9%
Total revenue	100.0%	100.0%	100.0%	100.0%
Cost of Revenue:				
Software subscriptions	28.5%	24.8%	28.1%	24.7%
Services	17.2%	9.8%	16.9%	9.7%
Total cost of revenues	45.7%	34.6%	45.0%	34.4%
Gross profit	54.3%	65.4%	55.0%	65.6%
Operating expenses:				
Research and development	14.9%	9.2%	14.8%	9.7%
Selling and marketing	26.9%	22.1%	27.1%	21.8%
General and administrative	41.4%	21.2%	41.8%	21.0%
Depreciation and amortization	2.7%	2.8%	3.0%	2.8%
Other operating expense, net	0.1%	0.4%	0.1%	0.3%
Total operating expenses	86.0%	55.7%	86.8%	55.5%
Income (loss) from operations	(31.8)%	9.7%	(31.8)%	10.1%
Other (income) expense:				
Interest income	0.1%	0.3%	0.3%	0.3%
Interest expense	(1.3)%	(0.7)%	(1.2)%	(0.7)%
Total other expense, net	(1.2)%	(0.4)%	(0.9)%	(0.4)%
Income (loss) before income taxes	(33.0)%	9.3%	(32.7)%	9.7%
Income tax (benefit) expense	1.1%	(0.3)%	0.4%	0.3%
Net income (loss)	(31.9)%	9.0%	(32.3)%	9.4%
Other comprehensive loss from foreign currency translations	(0.3)%	(0.0)%	(1.8)%	(0.0)%
Total comprehensive income (loss)	(32.2)%	9.0%	(34.1)%	9.4%

Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019

Revenue

(Dollars in thousands)	Three Months Ended June 30		Period-Over-Period Change	
	2020	2019		
Revenue:				
Software subscriptions	\$ 77,306	\$ 67,267	\$ 10,039	14.9%
Services	13,965	11,108	2,857	25.7%
Total revenue	<u>\$ 91,271</u>	<u>\$ 78,375</u>	<u>\$ 12,896</u>	16.5%

Revenue increased \$12.9 million, or 16.5%, to \$91.3 million for the three months ended June 30, 2020 compared to \$78.4 million for the three months ended June 30, 2019. The increase in software subscriptions revenue of \$10.0 million, or 14.9%, was primarily driven by \$9.0 million in revenue growth derived from our existing customers and \$1.0 million of revenue from new customers.

The \$2.9 million increase in services revenue is primarily driven by an increase of \$2.4 million in software subscription related services associated with the growth in subscription revenues, which includes new customers implementing our solutions and upgrading existing customers to newer versions of our solutions. In addition, our managed services offering experienced a \$0.5 million increase in recurring services revenue over the prior year due to returns processing volume increases related to regulatory changes as customers expanded their tax filings into more jurisdictions.

Cost of Software Subscriptions Revenue

(Dollars in thousands)	Three Months Ended June 30		Period-Over-Period Change	
	2020	2019		
Cost of software subscription revenue	\$ 26,001	\$ 19,417	\$ 6,584	33.9%

Cost of software subscriptions revenue increased \$6.6 million, or 33.9%, to \$26.0 million for the three months ended June 30, 2020 compared to \$19.4 million for the three months ended June 30, 2019. Of this increase, 61.3% is due to an increase in stock-based compensation of \$4.1 million for the three months ended June 30, 2020 over the same period in 2019. After excluding the impact of stock-based compensation there is a remaining increase of \$2.5 million. Of this increase, \$1.5 million is due primarily to increased amortization expense associated with late Q3 2019 release of O Series 9.0. The remaining \$1.0 million variance is associated with increased costs of personnel supporting year-over-year growth of sales and customers and ongoing infrastructure investments to support expansion of customer transaction volumes for our cloud-based subscription customers. As a percentage of total revenue, the cost of software subscriptions revenue increased to 28.5% for the three months ended June 30, 2020 compared to 24.8% in June 30, 2019. Adjusting for the increase in stock-based compensation in 2020, cost of software subscriptions as a percentage of total revenue would have been 24.1% for the three months ended June 30, 2020.

Cost of Services Revenue

(Dollars in thousands)	Three Months Ended June 30		Period-Over-Period Change
	2020	2019	
Cost of services revenue	\$ 15,744	\$ 7,692	\$ 8,052 104.7%

Cost of services revenue increased \$8.1 million, or 104.7%, to \$15.7 million for the three months ended June 30, 2020 compared to \$7.7 million for the three months ended June 30, 2019. Of this increase, 75.2% is due to an increase in stock-based compensation of \$6.1 million for the three months ended June 30, 2020 over the same period in 2019. The balance of the increase of \$2.0 million is primarily due to headcount growth in the service delivery areas to support revenue growth in software subscription related services and our managed services offering. As a percentage of total revenue, cost of services revenue increased to 17.2% in 2020 compared to 9.8% in 2019. Adjusting for the increase in stock-based compensation in 2020, cost of services revenue as a percentage of total revenue would have been 10.6% for the three months ended June 30, 2020.

Research and Development

(Dollars in thousands)	Three Months Ended June 30		Period-Over-Period Change
	2020	2019	
Research and development	\$ 13,617	\$ 7,205	\$ 6,412 89.0%

Research and development expenses increased \$6.4 million, or 89.0%, to \$13.6 million for the three months ended June 30, 2020 compared to \$7.2 million for the three months ended June 30, 2019. Of this increase, 63.0% is due to an increase in stock-based compensation of \$4.0 million for the three months ended June 30, 2020 over the same period in 2019 for personnel that participate in the Company's stock-based compensation plans. The balance of the increase of \$2.4 million is primarily due to costs associated with increased development activity associated with nascent technologies and new solutions to address end-to-end data analysis and compliance needs of our customers. As a percentage of total revenue, research and development expenses increased to 14.9% for the three months ended June 30, 2020 compared to 9.2% for the three months ended June 30, 2019, driven in part by our expanded investment in developing our global compliance reporting solution. Adjusting for the increase in stock-based compensation in 2020, research and development expenses as a percentage of total revenue would have been 10.5% for the three months ended June 30, 2020.

Research and development expense excludes those costs that have been capitalized for solutions that have met our capitalization policy.

Selling and Marketing

(Dollars in thousands)	Three Months Ended June 30		Period-Over-Period Change
	2020	2019	
Selling and marketing	\$ 24,544	\$ 17,287	\$ 7,257 42.0%

Selling and marketing expenses increased \$7.3 million, or 42.0%, to \$24.6 million for the three months ended June 30, 2020 compared to \$17.3 million for the same period in 2019. Of this increase, 111.3% is due to an increase in stock-based compensation of \$8.1 million for the three months ended June 30, 2020 over the same period in 2019. The balance of the variance of \$(0.8) million is primarily due to a reduction in travel and external marketing events due to COVID-19 travel and conference restrictions. These costs are expected to increase once travel and conference restrictions are lifted, although it is uncertain whether these costs will return to their historical levels experienced pre-COVID-19. As a percentage of total revenue, selling and marketing expenses increased to 26.9% for the three months ended June 30, 2020 compared to 22.1% for the same period in 2019. Adjusting for the increase in stock-based compensation in 2020, selling and marketing expenses as a percentage of total revenue would have been 18.0% for the three months ended June 30, 2020.

General and Administrative

(Dollars in thousands)	Three Months Ended June 30		Period-Over-Period Change
	2020	2019	
General and administrative	\$ 37,758	\$ 16,647	\$ 21,111 126.8%

General and administrative expenses increased \$21.1 million, or 126.8%, to \$37.8 million for the three months ended June 30, 2020 compared to \$16.6 million for the same period in 2019. Of this increase, 86.0% is due to an increase in stock-based compensation of \$18.2 million for the three months ended June 30, 2020 over the same period in 2019. The balance of the increase of \$2.9 million is primarily due to planned strategic investments in information technology infrastructure, business process reengineering and other initiatives to drive future operating leverage, as well as investments in employees and other systems and resources in support of our growth. Due to these factors, as a percentage of total revenue, general and administrative expenses increased to 41.4% for the three months ended June 30, 2020 compared to 21.2% for the same period in 2019. Adjusting for the increase in stock-based compensation in 2020, general and administrative expenses as a percentage of total revenue would have been 21.5% for the three months ended June 30, 2020.

Depreciation and Amortization

(Dollars in thousands)	Three Months Ended June 30		Period-Over-Period Change
	2020	2019	
Depreciation and amortization	\$ 2,505	\$ 2,172	\$ 333 15.3%

Depreciation and amortization increased \$0.3 million, or 15.3%, to \$2.5 million for the three months ended June 30, 2020 compared to \$2.2 million for the same period in 2019. The increase was primarily due to the impact of infrastructure and technology purchases placed in service in 2019 and other capitalized infrastructure costs to support our growth. As a percentage of revenue, depreciation expense was relative consistent at 2.7% for the three months ended June 30, 2020 compared to 2.8% for the same period in 2019.

Interest Income

(Dollars in thousands)	Three Months Ended June 30		Period-Over-Period Change
	2020	2019	
Interest income	\$ (101)	\$ (232)	\$ 131 56.5%

Interest income for the three months ended June 30, 2020 did not fluctuate significantly compared to the same period in 2019.

Interest Expense

(Dollars in thousands)	Three Months Ended June 30		Period-Over-Period Change
	2020	2019	
Interest expense	\$ 1,160	\$ 539	\$ 621 115.2%

Interest expense increased \$0.6 million, or 115.2%, to \$1.2 million for the three months ended June 30, 2020 compared to \$0.5 million for the same period in 2019. The increase is primarily due to interest of \$0.6 million related to an increase in outstanding debt of \$113.6 million over the first quarter of 2020 related to borrowings under the New Credit Agreement entered into on March 31, 2020.

Provision for Taxes

(Dollars in thousands)	Three Months Ended June 30		Period-Over-Period Change
	2020	2019	
Income tax (benefit)	\$ (985)	\$ 221	\$ 1,206 545.7%

Income tax expense decreased \$1.2 million, or 545.7%, to a \$(1.0) million income tax benefit for the three months ended June 30, 2020 compared to \$0.2 million of income tax expense for the same period in 2019. The decrease was primarily due to a pretax loss resulting from an increase in stock-based compensation in 2020. As a percentage of revenue, income tax benefit increased to (1.1)% for the three months ended June 30, 2020 compared to expense of 0.3% for the same period in 2019 due to a pretax loss in 2020 resulting from an increase in stock-based compensation.

Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Revenue

(Dollars in thousands)	Six Months Ended June 30		Period-Over-Period Change
	2020	2019	
Revenue:			
Software subscriptions	\$ 153,066	\$ 131,651	\$ 21,415 16.3%
Services	27,450	21,338	6,112 28.6%
Total revenue	\$ 180,516	\$ 152,989	\$ 27,527 18.0%

Revenue increased \$27.5 million, or 18.0%, to \$180.5 million for the six months ended June 30, 2020 compared to \$153.0 million for the six months ended June 30, 2019. The increase in software subscriptions revenue of \$21.4 million, or 16.3%, was primarily driven by \$19.3 million in revenue growth derived from our existing customers and \$2.1 million of revenue from new customers.

The \$6.1 million increase in services revenue is primarily driven by an increase of \$4.9 million in software subscription-related services associated with the growth in subscription revenues, which includes new customers implementing our solutions and upgrading existing customers to newer versions of our solutions. In addition, our managed services offering experienced a \$0.4 million increase in recurring services revenue over the prior year due to returns processing volume increases related to regulatory changes as customers expanded their tax filings into more jurisdictions.

Cost of Software Subscriptions Revenue

(Dollars in thousands)	Six Months Ended June 30		Period-Over-Period Change
	2020	2019	
Cost of software subscription revenue	\$ 50,685	\$ 37,843	\$ 12,842 33.9%

Cost of software subscriptions revenue increased \$12.8 million, or 33.9%, to \$50.7 million for the six months ended June 30, 2020 compared to \$37.8 million for the six months ended June 30, 2019. Of this increase, 57.6% is due to an increase in stock-based compensation of \$7.4 million for the six months ended June 30, 2020 over the same period in 2019. After excluding the impact of stock-based compensation there is a remaining increase of \$5.4 million. Of this increase, \$2.1 million is due primarily to increased amortization expense associated with the late Q3 2019 release of O Series 9.0. The remaining \$3.3 million variance is associated with increased costs of personnel supporting year-over-year growth of sales and customers and ongoing infrastructure investments to support expansion of customer transaction volumes for our cloud-based subscription customers. As a percentage of total revenue, the cost of software subscriptions revenue increased to 28.1% for the six months ended June 30, 2020 compared to 24.7% in June 30, 2019. Adjusting for the increase in stock-based compensation in 2020, cost of software subscriptions as a percentage of total revenue would have been 24.0% for the six months ended June 30, 2020.

Cost of Services Revenue

(Dollars in thousands)	Six Months Ended June 30		Period-Over-Period Change
	2020	2019	
Cost of services revenue	\$ 30,522	\$ 14,830	\$ 15,692 105.8%

Cost of services revenue increased \$15.7 million, or 105.8%, to \$30.5 million for the six months ended June 30, 2020 compared to \$14.8 million for the six months ended June 30, 2019. Of this increase, 70.7% is due to an increase in stock-based compensation of \$11.1 million for the six months ended June 30, 2020 over the same period in 2019. The balance of the increase of \$4.6 million is primarily due to headcount growth in the service delivery areas to support revenue growth in software subscription related services and our managed services offering. As a percentage of total revenue, cost of services revenue increased to 16.9% in 2020 compared to 9.7% in 2019. Adjusting for the increase in stock-based compensation in 2020, cost of services revenue as a percentage of total revenue would have been 10.8% for the three months ended June 30, 2020.

Research and Development

(Dollars in thousands)	Six Months Ended June 30		Period-Over-Period Change
	2020	2019	
Research and development	\$ 26,696	\$ 14,778	\$ 11,918 80.6%

Research and development expenses increased \$11.9 million, or 80.6%, to \$26.7 million for the six months ended June 30, 2020 compared to \$14.8 million for the six months ended June 30, 2019. Of this increase, 62.1% is due to an increase in stock-based compensation of \$7.4 million for the six months ended June 30, 2020 over the same period in 2019 for personnel that participate in the Company's stock-based compensation plans. The balance of the increase of \$4.5 million is primarily due to costs associated with increased development activity associated with nascent technologies and new solutions to address end-to-end data analysis and compliance needs of our customers. As a percentage of total revenue, research and development expenses increased to 14.8% for the six months ended June 30, 2020 compared to 9.7% for the six months ended June 30, 2019, driven in part by our expanded investment in developing our global compliance reporting solution. Adjusting for the increase in stock-based compensation in 2020, research and development expenses as a percentage of total revenue would have been 10.7% for the three months ended June 30, 2020.

Research and development expense excludes those costs that have been capitalized for solutions that have met our capitalization policy.

Selling and Marketing

(Dollars in thousands)	Six Months Ended June 30		Period-Over-Period Change
	2020	2019	
Selling and marketing	\$ 48,877	\$ 33,334	\$ 15,543 46.6%

Selling and marketing expenses increased \$15.5 million, or 46.6%, to \$48.9 million for the six months ended June 30, 2020 compared to \$33.3 million for the same period in 2019. Of this increase, 95.2% is due to an increase in stock-based compensation of \$14.8 million for the six months ended June 30, 2020 over the same period in 2019. The balance of the increase of \$0.7 million is primarily due to an increase in payroll and related expenses associated with the growth in year-over-year subscription sales and services revenue and expansion of our partner and channel management programs. In addition, increases in advertising and promotional spending and expanded brand awareness efforts contributed to this increase. As a percentage of total revenue, selling and marketing expenses increased to 27.1% for the six months ended June 30, 2020 compared to 21.8% for the same period in 2019. Adjusting for the increase in stock-based compensation in 2020, selling and marketing expenses as a percentage of total revenue would have been 18.9% for the six months ended June 30, 2020.

General and Administrative

(Dollars in thousands)	Six Months Ended June 30		Period-Over-Period Change	
	2020	2019		
General and administrative	\$ 75,394	\$ 32,095	\$ 43,299	134.9%

General and administrative expenses increased \$43.3 million, or 134.9%, to \$75.4 million for the six months ended June 30, 2020 compared to \$32.1 million for the same period in 2019. Of this increase, 76.9% is due to an increase in stock-based compensation of \$33.3 million for the six months ended June 30, 2020 over the same period in 2019. The balance of the increase of \$10.0 million is primarily due to planned strategic investments in information technology infrastructure, business process reengineering and other initiatives to drive future operating leverage, as well as investments in employees and other systems and resources in support of our growth. Due to these factors, as a percentage of total revenue, general and administrative expenses increased to 41.8% for the six months ended June 30, 2020 compared to 21.0% for the same period in 2019. Adjusting for the increase in stock-based compensation in 2020, general and administrative expenses as a percentage of total revenue would have been 23.3% for the six months ended June 30, 2020.

Depreciation and Amortization

(Dollars in thousands)	Six Months Ended June 30		Period-Over-Period Change	
	2020	2019		
Depreciation and amortization	\$ 5,374	\$ 4,217	\$ 1,157	27.4%

Depreciation and amortization increased \$1.2 million, or 27.4%, to \$5.4 million for the six months ended June 30, 2020 compared to \$4.1 million for the same period in 2019. The increase was primarily due to the impact of infrastructure and technology purchases placed in service in 2019 and other capitalized infrastructure costs to support our growth. As a percentage of revenue, depreciation expense was relatively consistent at 3.0% for the six months ended June 30, 2020 compared to 2.8% for the same period in 2019.

Interest Income

(Dollars in thousands)	Six Months Ended June 30		Period-Over-Period Change	
	2020	2019		
Interest income	\$ (456)	\$ (524)	\$ (68)	(13.0)%

Interest income for the six months ended June 30, 2020 was relatively consistent with the same period in 2019.

Interest Expense

(Dollars in thousands)	Six Months Ended June 30		Period-Over-Period Change
	2020	2019	
Interest expense	\$ 2,084	\$ 1,076	\$ 1,008 93.7%

Interest expense increased \$1.0 million, or 93.7%, to \$2.1 million for the six months ended June 30, 2020 compared to \$1.1 million for the same period in 2019. The increase is primarily due to the increase in interest of \$0.9 million related to increases in outstanding debt due to the New Term Loan.

Provision for Taxes

(Dollars in thousands)	Six Months Ended June 30		Period-Over-Period Change
	2020	2019	
Income tax (benefit) expense	\$ (735)	\$ 425	\$ 1,160 272.9%

Income tax expense decreased \$1.2 million, or 272.9%, to a \$(0.7) million income tax benefit for the six months ended June 30, 2020 compared to \$0.4 million of income tax expense for the same period in 2019. The decrease was primarily due to a pre-tax loss resulting from an increase in stock based compensation in 2020. As a percentage of revenue, income tax benefit increased to (0.4)% for the six months ended June 30, 2020 compared to expense of 0.3% for the same period in 2019 due to a pre-tax loss in 2020 resulting from an increase in stock based compensation.

Liquidity and Capital Resources

As of June 30, 2020 we had cash and cash equivalents of \$47.3 million and an accumulated deficit of \$(348.2) million. Our primary sources of capital to date have been from sales of our solutions and proceeds from bank lending facilities. On July 31, 2020, we received \$423.0 million in proceeds, net of underwriting fees, from the sale of 23,812,216 shares of Class A common stock and used a portion of the proceeds to pay off the \$175.0 million term loan under the New Credit Agreement. As a result, we have no outstanding bank debt after such redemption. The net proceeds remaining after payment of Offering costs will be used for working capital and other corporate purposes as described in the Prospectus.

We believe that our existing cash resources and our bank line of credit will be sufficient to meet our capital requirements and fund our operations for at least the next 12 months. However, if these sources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or debt securities. If we raise additional funds by issuing equity securities, our stockholders would experience dilution. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. Any debt financing or additional equity that we raise may contain terms that are not favorable to us or our stockholders. Additional financing may not be available at all, or in amounts or on terms unacceptable to us.

The following table presents a summary of our cash flows for the periods indicated:

(In thousands)	Six months ended June 30	
	2020	2019
	(unaudited)	
Net cash provided by operating activities	\$ 20,756	\$ 32,850
Net cash used in investing activities	(30,147)	(16,372)
Net cash used in financing activities	(16,617)	(24,594)
Effect of foreign exchange rate changes	(204)	(2)
Net decrease in cash, cash equivalents and restricted cash	\$ (26,212)	\$ (8,118)

Operating Activities. Cash provided by operating activities was \$20.8 million for the six months ended June 30, 2020 compared to cash provided by operating activities of \$32.9 million for the same period in 2019, a decrease of \$12.1 million. This decrease was primarily due to a reduction in cash provided by changes in operating assets and liabilities of \$17.8 million. This reduction was primarily due to decreases in accrued and deferred compensation of \$1.7 million, a reduction in deferred revenue of \$8.0 million and a reduction in accounts receivable of \$7.5 million. Accrued and deferred compensation decreased by \$1.7 million due to payments for variable compensation for the first half of 2020 increasing over the prior year comparable quarter by \$0.3 million due to increases in headcount, and due to payments of \$1.4 million for stock appreciation right redemptions in the first half of 2020 as compared to the same period of 2019. Deferred revenue decreased \$8.0 million due to a \$5.6 million decrease in nonrecurring extended product support fees billed in the first half of 2019 related to older versions of software subscription solutions retired during 2019. The balance of the deferred revenue reduction of \$2.4 million, and the reduction in accounts receivable of \$7.5 million are due primarily to modifications to billing frequencies requested by customers, primarily to align all the annual subscription billings for their subscription licenses to the same period. This results in a short-term reduction in deferred revenue, but no impact to revenue.

Investing Activities. Cash used in investing activities was \$30.1 million for the six months ended June 30, 2020 compared to \$16.4 million for the same period in 2019, an increase of \$13.7 million. This increase was primarily related to the acquisition of a controlling interest in Systax, a Brazilian transaction tax software and content subscription provider, for cash paid of \$12.3 million during the three months ended March 31, 2020. For additional information, see “Note 2 to the Interim Condensed Consolidated Financial Statements (unaudited) —Acquisition.”

Financing Activities. Cash used in financing activities was \$16.6 million for the six months ended June 30, 2020 compared to \$24.6 million used for the same period in 2019, a decrease of \$8.0 million. This change was due primarily to borrowings under the term loan of \$175.0 million in connection with the New Credit Agreement entered into on March 31, 2020. The proceeds of the term loan were used to repay amounts outstanding under the Company’s previous credit agreement of \$61.7 million and pay related financing fees of \$2.9 million, with the balance being used to fund a portion of a \$123.0 million dividend to our stockholders on May 29, 2020.

Debt. As of June 30, 2020, we had a \$100 million line of credit with no related outstanding borrowings and a \$175.0 million dollar outstanding term loan. Interest on outstanding borrowings accrue at a Base Rate plus an applicable margin (0.50% as of June 30, 2020) or London Interbank Offered Rate (“LIBOR”) plus an applicable margin (1.50% as of June 30, 2020). As of June 30, 2020, the interest rate on the term loan was 2.50%. As noted above, the Company paid off the term loan on July 31, 2020 with a portion of the proceeds from the Offering, resulting in the Company having no outstanding bank debt after such redemption.

Funds Held for Customers and Customer Funds Obligations

We maintain trust accounts with financial institutions, which allows our customers to outsource their tax remittance functions to us. We have legal ownership over the accounts utilized for this purpose. Funds held for customers represents cash and cash equivalents that, based upon our intent, are restricted solely for satisfying the obligations to remit funds relating to our tax remittance services. Funds held for customers are not commingled with our operating funds.

Customer funds obligations represent our contractual obligations to remit collected funds to satisfy customer tax payments. Customer funds obligations are reported as a current liability on our consolidated balance sheets as the obligations are expected to be settled within one year. Cash flows related to changes in customer funds obligations liability are presented as cash flows from financing activities.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined by applicable regulations of the SEC, that are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations and Commitments

Other than the redemption of our outstanding debt through use of a portion of the Offering proceeds, there have been no material updates or changes to our contractual obligations and commitments compared to contractual obligations and commitments described in our Prospectus filed on July 30, 2020.

Use and Reconciliation of Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we have calculated non-GAAP cost of revenues, non-GAAP gross profit, non-GAAP gross margin, non-GAAP research and development expense, non-GAAP sales and marketing expense, non-GAAP general and administrative expense, non-GAAP operating income, non-GAAP net income, and free cash flow, which are each non-GAAP financial measures. We have provided tabular reconciliations of each of these non-GAAP financial measures to its most directly comparable GAAP financial measure. Management uses these non-GAAP financial measures to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, and to evaluate financial performance and liquidity. Our non-GAAP financial measures are presented as supplemental disclosure as we believe they provide useful information to investors and others in understanding and evaluating our results, prospects, and liquidity period-over-period without the impact of certain items that do not directly correlate to our performance and that may vary significantly from period to period for reasons unrelated to our operating performance, as well as comparing our financial results to those of other companies. Our definitions of these non-GAAP financial measures may differ from similarly titled measures presented by other companies, and therefore comparability may be limited. In addition, other companies may not publish these or similar metrics. Thus, our non-GAAP financial measures should be considered in addition to, not as a substitute for, or in isolation from, the financial information prepared in accordance with GAAP measures, and should be read in conjunction with the financial statements included elsewhere in this Quarterly Report on Form 10-Q and the Prospectus.

We calculate these non-GAAP financial measures as follows:

- Non-GAAP cost of revenues is determined by adding back to GAAP cost of revenue the stock-based compensation expense and the depreciation and amortization of capitalized software costs included in cost of revenue for the respective periods.
- Non-GAAP gross profit is determined by adding back to GAAP gross profit the stock-based compensation expense and the depreciation and amortization of capitalized software costs included in cost of revenue for the respective periods.
- Non-GAAP gross margin is determined by adding back to GAAP gross margin the impact of stock-based compensation expense and depreciation and amortization of capitalized software costs included in cost of revenues as a percentage of revenue for the respective periods.
- Non-GAAP research and development expense, non-GAAP selling and marketing expense, and non-GAAP general and administrative expense are determined by adding back to GAAP research and development expense, GAAP selling and marketing expense, and GAAP general and administrative expense, the stock-based compensation expense and severance expense included in the applicable expense categories for the respective periods.
- Non-GAAP operating income is determined by adding back to GAAP operating income (loss) the stock-based compensation expense, depreciation and amortization of capitalized software costs, and severance costs included for the respective periods.
- Non-GAAP net income is determined by adding back to GAAP net income (loss) amortization of capitalized software costs, stock-based compensation expense, and severance costs included for the respective periods.
- Adjusted EBITDA is determined by adding back to GAAP net income (loss) the net interest expense, taxes, depreciation and amortization of property and equipment and capitalized software costs, stock-based compensation expense and severance cost included for the respective periods.
- Adjusted EBITDA margin is determined by dividing Adjusted EBITDA by total revenues for the respective periods.
- Free cash flow is determined by adjusting net cash provided by (used in) operating activities by cash used for purchases of property and equipment and capitalized software additions for the respective periods.
- Free cash flow margin is determined by dividing free cash flow by total revenues for the respective periods.

We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view these non-GAAP financial measures in conjunction with the related GAAP financial measures.

The following schedules reflect our non-GAAP financial measures and reconcile our non-GAAP financial measures to the related GAAP financial measures. Refer to “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Key Business Metrics” for further discussion and reconciliation of Adjusted EBITDA, Adjusted EBITDA margin, free cash flow and free cash flow margin to the related GAAP financial measures.

(in thousands)	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Non-GAAP cost of revenues, software subscriptions	\$ 16,358	\$ 15,278	\$ 32,983	\$ 29,644
Non-GAAP cost of revenues, services	\$ 9,493	\$ 7,495	\$ 19,033	\$ 14,436
Non-GAAP gross profit	\$ 65,420	\$ 55,602	\$ 128,500	\$ 108,909
Non-GAAP gross margin	71.7%	70.9%	71.2%	71.2%
Non-GAAP research and development expense	\$ 9,449	\$ 7,074	\$ 19,036	\$ 14,516
Non-GAAP selling and marketing expense	\$ 16,209	\$ 17,025	\$ 33,558	\$ 32,811
Non-GAAP general and administrative expense	\$ 18,145	\$ 15,649	\$ 38,884	\$ 29,969
Non-GAAP operating income	\$ 19,009	\$ 13,377	\$ 31,434	\$ 26,928
Non-GAAP net income	\$ 18,935	\$ 12,849	\$ 30,541	\$ 25,951

(in thousands)	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Non-GAAP Cost of Revenue:				
Cost of revenues, software subscriptions	\$ 26,001	\$ 19,417	\$ 50,685	\$ 37,843
Stock-based compensation	(4,168)	(131)	(7,660)	(262)
Depreciation and amortization - cost of subscription revenues	(5,475)	(4,008)	(10,042)	(7,937)
Non-GAAP cost of revenues, software subscriptions	<u>\$ 16,358</u>	<u>\$ 15,278</u>	<u>\$ 32,983</u>	<u>\$ 29,644</u>
Cost of revenues, services	\$ 15,744	\$ 7,692	\$ 30,522	\$ 14,830
Stock-based compensation	(6,251)	(197)	(11,489)	(394)
Non-GAAP cost of revenues, services	<u>\$ 9,493</u>	<u>\$ 7,495</u>	<u>\$ 19,033</u>	<u>\$ 14,436</u>
Non-GAAP Gross Profit:				
Gross Profit	\$ 49,526	\$ 51,266	\$ 99,309	\$ 100,316
Stock-based compensation	10,419	328	19,149	656
Depreciation and amortization of capitalized software	5,475	4,008	10,042	7,937
Non-GAAP gross profit	<u>\$ 65,420</u>	<u>\$ 55,602</u>	<u>\$ 128,500</u>	<u>\$ 108,909</u>
Non-GAAP Gross Margin:				
Gross margin	54.3%	65.4%	55.0%	65.6%
Stock-based compensation as a percentage of revenue	11.4%	0.4%	10.6%	0.4%
Depreciation and amortization - cost of subscription revenues as a percentage of revenue	6.0%	5.1%	5.6%	5.2%
Non-GAAP gross margin	<u>71.7%</u>	<u>70.9%</u>	<u>71.2%</u>	<u>71.2%</u>
Non-GAAP Research and Development Expense:				
Research and development	\$ 13,617	\$ 7,205	\$ 26,696	\$ 14,778
Stock-based compensation	(4,168)	(131)	(7,660)	(262)
Non-GAAP research and development expense	<u>\$ 9,449</u>	<u>\$ 7,074</u>	<u>\$ 19,036</u>	<u>\$ 14,516</u>
Non-GAAP Selling and Marketing Expense:				
Selling and marketing	\$ 24,544	\$ 17,287	\$ 48,877	\$ 33,334
Stock-based compensation	(8,335)	(262)	(15,319)	(523)
Non-GAAP selling and marketing	<u>\$ 16,209</u>	<u>\$ 17,025</u>	<u>\$ 33,558</u>	<u>\$ 32,811</u>
Non-GAAP General and Administrative Expense:				
General and administrative	\$ 37,758	\$ 16,647	\$ 75,394	\$ 32,095
Stock-based compensation	(18,754)	(589)	(34,468)	(1,179)
Severance charges	(859)	(409)	(2,042)	(947)
Non-GAAP general and administrative	<u>\$ 18,145</u>	<u>\$ 15,649</u>	<u>\$ 38,884</u>	<u>\$ 29,969</u>
Non-GAAP Operating Income:				
Income (loss) from operations	\$ (29,001)	\$ 7,650	\$ (57,246)	\$ 15,424
Stock-based compensation	41,676	1,310	76,596	2,620
Severance expense	859	409	2,042	947
Depreciation and amortization - cost of subscription revenues	5,475	4,008	10,042	7,937
Non-GAAP operating income	<u>\$ 19,009</u>	<u>\$ 13,377</u>	<u>\$ 31,434</u>	<u>\$ 26,928</u>
Reconciliation of Non-GAAP Net Income:				
Net income (loss)	\$ (29,075)	\$ 7,122	\$ (58,139)	\$ 14,447
Stock-based compensation	41,676	1,310	76,596	2,620
Severance charges	859	409	2,042	947
Depreciation and amortization - cost of subscription revenues	5,475	4,008	10,042	7,937
Non-GAAP net income	<u>\$ 18,935</u>	<u>\$ 12,849</u>	<u>\$ 30,541</u>	<u>\$ 25,951</u>

Critical Accounting Policies and Estimates

The critical accounting policies that reflect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements include those described in “Note 1—Summary of Significant Accounting Policies” in Part I, Item 1 of this Quarterly Report on Form 10-Q.

There have been no material updates or changes to our critical accounting policies and estimates compared to the critical accounting policies and estimates described in our Prospectus filed on July 30, 2020.

Recent Accounting Pronouncements

For further information on recent accounting pronouncements, refer to Note 1 in the consolidated financial statements contained within this Quarterly Report on Form 10-Q and in our Registration Statement on Form S-1 filed on July 30, 2020.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We had cash and cash equivalents of \$47.3 million as of June 30, 2020. In addition, the Company received proceeds, net of underwriter fees, from its Offering of \$423.0 million on July 31, 2020, which it used to pay off outstanding debt of \$175.0 million resulting in the Company having no outstanding bank debt after such redemption. We maintain our cash and cash equivalents in deposit accounts and money market funds with various financial institutions. Due to the short-term nature of these instruments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, would reduce future interest income.

We are exposed to risk related to changes in interest rates. Borrowings under the New Credit Agreement bear interest at rates that are variable. Increases in the bank prime or LIBOR rates would increase the interest rate on any outstanding borrowings. Any debt we incur in the future may also bear interest at variable rates.

Foreign Currency Exchange Risk

Our revenue and expenses are primarily denominated in U.S. dollars. For our foreign operations, the majority of our revenues and expenses are denominated in other currencies, such as the Canadian Dollar, Euro, British Pound, Swedish Krona and Brazilian Real. Decreases in the relative value of the U.S. dollar as compared to these currencies may negatively affect our revenue and other operating results as expressed in U.S. dollars. For the three and six months ended June 30, 2019 and 2020, approximately 1% of our revenues were generated in currencies other than U.S. dollars in each respective period.

We have experienced and will continue to experience fluctuations in our net income (loss) as a result of transaction gains or losses related to revaluing certain current asset and current liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. We have historically recognized immaterial amounts of foreign currency gains and losses in each of the periods presented. We may in the future hedge selected significant transactions denominated in currencies other than the U.S. dollar as we expand our international operations and our risk grows. The acquisition of the controlling interest in Systax in January 2020 and the future purchase commitments associated with this acquisition are expected to increase our exposure to fluctuations of the Brazilian Real over time. In May 2020 we entered into a series of foreign currency forward contracts to hedge approximately 40% of our exposure to adverse fluctuations in the Brazilian Real associated with these future purchase commitments.

Inflation

Historically we do not believe that inflation had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures. Solely as a result of the material weaknesses described below, our principal executive officer and principal financial officer concluded that, as of June 30, 2020, our disclosure controls and procedures were not effective.

We have performed additional analyses, reconciliations, and other post-closing procedures and have concluded that, notwithstanding the material weaknesses in our internal control over financial reporting, the unaudited interim condensed consolidated financial statements for the periods covered by and included in this Quarterly Report on Form 10-Q fairly state, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

Previously Identified Material Weaknesses

As previously disclosed, we identified three material weaknesses in our internal control over financial reporting during the two-year period ended December 31, 2019. These material weaknesses were due to (i) the lack of an effective review control over the completeness and accuracy of significant conclusions regarding the impact of the new revenue recognition guidance prescribed by ASC 606, (ii) incorrect applications of software capitalization models and untimely identification of impairments of capitalized software development costs and (iii) an insufficient process for the provision and governance of user access to financially significant systems that resulted in a lack of segregation of duties related to journal entries and cash disbursements. The material weaknesses resulted in several control deficiencies that could have the following effects:

- the impact of new or revised accounting guidance on the Company's financial statements may not be identified and accurately reflected in the Company's financial statements;
- errors in the amount of software development costs capitalized and impairment assessments that are either not captured in a timely manner or not appropriate based on whether such costs are internal-use software versus software to be sold, leased or marketed; and
- an increased risk that unauthorized transactions will not be prevented and/or detected and corrected in a timely manner.

The material weaknesses relating to revenue recognition and capitalized software development costs resulted in errors that were not identified timely in conjunction with the issuance of our financial statements as of and for the years ended December 31, 2018 and 2019. These errors led to adjustments reflected in the 2019 and 2018 audited consolidated financial statements. We evaluated these errors under both quantitative and qualitative standards. No errors were identified with respect to the lack of segregation of user access to financially significant systems.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis by a company's internal controls.

Beginning in February 2020, we started specific efforts to remediate the material weaknesses described above, including the following:

- implemented additional and more precise review controls over revenue recognition, particularly considering the complex nature of this accounting pronouncement;

- instituted additional and more precise review controls over implementation of new accounting pronouncements, particularly where management seeks input from outside consultants with respect to implementation of those accounting pronouncements that are complex;
- instituted a control in which senior members of our finance, accounting, technology and product teams meet quarterly and review all new software projects, existing software assets that have changes in projected use and/or pipeline, and business and market conditions that could impact classification or impairment of capitalized software development costs; and
- began to implement changes needed over our user access governance practices to prevent individuals from having the ability to create and post journal entry or create a vendor and prepare checks.

We continue to implement new technology systems to automate certain processes, particularly with respect to revenue recognition. We expect these efforts to continue throughout 2020 and, in the interim, we will continue to employ enhanced review controls. We also plan to increase the education and training available to our management regarding new and revised accounting standards to aid in our efforts to remediate the material weakness regarding our implementation of ASC 606 and future accounting pronouncements. Our executive team in charge of reviewing potential impairments of capitalized software development costs will continue to meet quarterly in 2020 and thereafter. Finally, we are in the process of performing an overall review of user access for our core financial systems, which we expect may result in further segregation of duties. We also plan to periodically update our review of user access going forward.

The Company will require additional time to demonstrate the effectiveness of the remediation efforts. The material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control over Financial Reporting

Other than the changes described above regarding enhancements associated with ongoing remediation efforts, there were no changes in our internal control over financial reporting during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings, which arise, in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition, or operating results.

ITEM 1A. RISK FACTORS

You should carefully consider the following risks, together with management's discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the notes thereto included in our Prospectus filed with the SEC on July 30, 2020. If any of the events contemplated by the following discussion of risks should occur, our business, results of operations, financial condition and cash flows could suffer significantly.

Risks Relating to Our Business and Industry

A large portion of our revenue depends on maintaining and growing our revenue from existing customers, and if we fail to retain our customers or expand their usage of our solutions, our business, results of operations, financial condition and cash flows would be harmed.

We cannot accurately predict customer behavior. Our customers have no obligation to renew their subscriptions for our solutions after the expiration of their subscription periods and our customers may not renew subscriptions for a similar mix of solutions. Our retention rates would decline as a result of a number of factors, including customer dissatisfaction, decreased customer spending levels, decreased customer transaction volumes, increased competition, changes in tax laws or rules, pricing changes or legislative changes affecting tax compliance providers. If our customers do not renew their subscriptions, or our customers reduce the solutions purchased under their subscriptions, our revenue would decline and our business may be harmed.

Our future success also depends in part on our ability to sell additional solutions to existing customers and on our customers' expanded use of our solutions. If our efforts to sell our additional solutions to our customers are not successful or if our customers do not expand their use of our solutions, it would decrease our revenue growth and harm our business, results of operations, financial condition and cash flows.

Our business and success depend in part on our strategic relationships with third parties, including our partner ecosystem, and our business would be harmed if we fail to maintain or expand these relationships.

We depend in part on, and anticipate that we will continue to depend in part on, various third-party relationships to sustain and grow our business. Our relationships with third-party publishers of software business applications, including accounting, ERP, eCommerce, Point of Sales ("POS"), recurring billing and Customer Relationship Management ("CRM") systems, help drive our business because the integration of our solutions with their applications allows us to reach their sizeable customer bases. Our customers' user experience is dependent on our ability to connect easily to such third-party software applications. We may fail to retain and expand these integrations or relationships for many reasons, including due to failures by third parties to maintain, support or secure their technology platforms in general and our integrations in particular, or errors, bugs or defects in such third party technology, or changes in our technology platform. Any such failure could harm our relationship with our customers, our reputation and brand and our business and results of operations.

In addition, integrating third-party technology can be complex, costly and time-consuming. Third parties may be unwilling to build integrations, and we may be required to devote additional resources to develop integrations for business applications on our own. Providers of business applications with which we have integrations may decide to compete with us or enter into arrangements with our competitors, resulting in such providers withdrawing support for our integrations. In addition, any failure of our solutions to operate effectively with business applications could reduce the demand for our solutions, resulting in customer dissatisfaction and harm to our business. If we are unable to respond to these changes or failures in a cost-effective manner, our solutions may become less marketable, less competitive or obsolete and our results of operations may be negatively impacted.

If we are unable to adapt to technological change by successfully introducing new and enhanced solutions and services, our business, results of operations, financial condition and cash flows would be adversely affected.

The market for our solutions is characterized by rapid technological change, frequent new product and service introductions and enhancements, changing customer demands and evolving industry standards. The introduction of software embodying new technologies can quickly make existing software obsolete and unmarketable. Software solutions are inherently complex, and it can take a long time and require significant research and development expenditures to develop and test new or enhanced solutions. The success of any enhancements or improvements to our software solutions or any new solutions and services depends on several factors, including timely completion, competitive pricing, adequate quality testing, integration with existing technologies and our platform and overall market acceptance. We cannot be sure that we will succeed in developing, marketing and delivering on a timely and cost-effective basis enhancements or improvements to our software or any new solutions and services that respond to technological change or new customer requirements, nor can we be sure that any enhancements or improvements to our software or any new solutions and services will be free of errors and defects or that they will achieve market acceptance. Moreover, even if we introduce new solutions, we would experience a decline in revenue of our existing solutions that is not offset by revenue from the solutions. Customers may delay making purchases of new solutions to permit them to make a more thorough evaluation of these solutions or until industry and marketplace reviews become widely available. In addition, we may lose existing customers who choose a competitor's solutions rather than migrate to our new solutions. This could result in a temporary or permanent revenue shortfall and adversely affect our business.

Any failures in information technology or infrastructure could lead to disruptions of our software, loss of customer data or untimely remittance of taxes, any of which could adversely affect our reputation and financial condition.

Our software depends on uninterrupted, high-speed access to the internet in order to provide real-time tax determinations and processing of indirect tax data. Failures in our or our customers' and partners' information technology and infrastructure or service outages at third-party internet providers could lead to disruptions to our software. Such failures may be caused by numerous factors, including mechanical failure, power outage, human error, physical or electronic security breaches, war, terrorism, fire, earthquake, hurricane, flood and other natural disasters, sabotage and vandalism. Disruptions to our software could cause customers to lose sensitive or confidential information and could also lead to our or our customers' inability to timely remit taxes to the appropriate authorities. Any of these outcomes could lead customers to switch to our competitors or avoid using our solutions, which would negatively impact our revenue and harm our opportunities for growth.

Incorrect or improper implementation, integration or use of our solutions could result in customer dissatisfaction and negatively affect our business, results of operations, financial condition and cash flows.

Our customers may need training or education in the proper use of, and the variety of benefits that can be derived from, our solutions to maximize their potential benefits. If our solutions are not implemented or used correctly or as intended, inadequate performance may result. Because our customers rely on our solutions to manage a wide range of tax compliance operations, the incorrect or improper implementation or use of our solutions, or our failure to provide adequate support to our customers, may result in negative publicity or legal claims against us, which could harm our business, results of operations, financial condition and cash flows. Also, as we continue to expand our customer base, any failure by us to properly provide training and support will likely result in lost opportunities for additional subscriptions for our solutions.

If we fail to attract and retain qualified technical and tax-content personnel, our business could be harmed.

Our technology is complex and our success depends in large part on our ability to attract and retain highly qualified personnel, particularly tax-content specialists, software developers, technical support and research and development personnel. Competition for skilled personnel is intense and we may not be successful in attracting, motivating and retaining needed personnel. We also may be unable to attract or integrate into our operations qualified personnel on the schedule we desire. Any inability to attract, integrate, motivate and retain the necessary personnel could harm our business. Dealing with the loss of the services of our executive officers or key personnel and the process to replace any of our executive officers or key personnel may involve significant time and expense, take longer than anticipated, and significantly delay or prevent the achievement of our business objectives, which would harm our financial condition, results of operations, and business.

We face competitive pressures from other tax software and services providers, as well as the challenge of convincing businesses using manual processes and native ERP functions to switch to our software.

We face significant competitive challenges from other tax-specific software vendors and from outsourced transaction tax compliance services offered by accounting and specialized consulting firms. There are a number of competing tax-specific software vendors, some of which have substantially greater revenue, personnel and other resources than we do. Corporate competitors, as well as the state and local tax services offered by accounting firms, have historically targeted our customer base of large enterprise companies. In addition, our competitors who currently focus their tax compliance services on small- to medium-sized businesses may be better positioned to increase their market share with small- to medium-sized businesses and may choose to enter our markets, whether competing based on price, service or otherwise. We also face a growing number of competing private transaction tax compliance businesses focused primarily on eCommerce. Increased competition may impact our ability to add new customers and to retain and expand revenues from existing customers. It is also possible that large enterprises with substantial resources that operate in adjacent compliance, finance or eCommerce verticals may decide to pursue transaction tax compliance automation and become immediate, significant competitors. Our failure to successfully and effectively compete with current or future competitors could lead to lost business and negatively affect our revenue.

In addition, many companies continue to employ manual processes that often rely on transaction-specific research, static tax tables, non-tax specific software or rate calculator services, as well as manual filing and remittance activities. Many businesses using manual approaches believe that these processes are adequate and may be unaware that there is an alternative that is more effective, resulting in an inertia that can be difficult to overcome. In addition, the upfront costs of our solutions can limit our sales to businesses using manual processes.

Our recent success may not be indicative of our future results of operations.

We cannot predict with certainty our customers' future usage or retention given the diversity of our customer base across industries, geographies, customer size and other factors. Accordingly, we may be unable to accurately forecast our revenues notwithstanding our substantial investments in sales and marketing, tax content infrastructure and research and development in anticipation of continued growth in our business. If we do not realize returns on these investments in our growth, our results of operations could differ materially from our prior results, which could cause our stock price to decline.

We currently derive a substantial portion of our revenue from our indirect tax software, and any failure of our software to satisfy customer requirements or to achieve increased market penetration could adversely affect our business, results of operations, financial condition and growth prospects.

We currently derive a substantial portion of our revenue from subscriptions to our indirect tax software. We have added, and will continue to add, additional solutions to expand our offerings, but, at least in the near term, we expect to continue to derive the majority of our revenue from our indirect tax software. As such, the ability of our indirect tax software to meet our customers' requirements is critical to our success. Demand for our solutions is affected by a number of factors, many of which are beyond our control, such as continued market acceptance and continued employment of our solutions by existing and new customers, the timing of the development and release of upgraded or new solutions, the introduction or upgrading of products and services by our competitors, technological change and growth or contraction in our addressable market. If our indirect tax software does not continue to meet customer requirements, our business, results of operations, financial condition and growth prospects will suffer.

Changes to customers' and partners' software systems may impact our ability to offer a specific software deployment method to existing customers, which could cause a termination of customer contracts utilizing that deployment method, or otherwise effect our results of operations, financial condition and cash flow.

Our solutions are integrated with the software systems and complex workflows of our customers and partners. In the event that such software systems are modified or updated in a way that is incompatible with our software, we may be unable to continue to support the operations of our customers and partners. If our customers are unable to implement our solutions successfully or in a timely manner, or if our partners are unable to integrate with our solutions through our integrations, customer perceptions of our solutions may be impaired, our reputation and brand may suffer and customers may choose not to renew or expand the use of our solutions. In addition, if we fail to anticipate technological changes that our customers and partners may look to adopt, our solutions may be perceived as being less effective or obsolete. Any of these changes could have a material adverse effect on our results of operations and financial condition.

We need to continue making significant investments in software development and equipment to improve our business.

To improve the scalability, security and efficiency of our solutions, and to support the expansion of our software into other tax types, we will need to continue making significant capital expenditures and also invest in additional software and infrastructure development. If we experience increasing demand in subscriptions, we may not be able to augment our infrastructure quickly enough to accommodate such increasing demand. In the event of decreases in subscription sales, certain of our fixed costs, such as for capital expenditures, may make it difficult for us to quickly adjust our expenses downward. Additionally, we are continually updating our software and content, which increases expenses for us. We may also need to review or revise our software architecture as we grow, which may require significant resources and investments. As a result, although we may have significant research and development expenditures, which may be incurred and certain of which may be capitalized, there is no guarantee our solutions will be accepted by the market. This could result in increased costs or an impairment of capitalized development costs with no resulting future revenue benefit.

Our continued growth depends in part on our ability to continue to grow our customer base.

Increasing our customer base will depend, to a significant extent, on our ability to effectively expand our sales and marketing activities, as well as our partner ecosystem and other customer referral sources. We may not be able to recruit qualified sales and marketing personnel, train them to perform and achieve an acceptable level of sales production from them on a timely basis or at all. In the past, it has usually taken new members of our sales force at least six months to integrate into our operations and start converting sales leads at our expected levels. In addition, if we cannot continue to maintain or expand our relationships with our partners, we may receive fewer referrals, the set of integrations we offer may not keep up with the market and our customer expansion strategy may become less effective. If we are unable to maintain effective sales and marketing activities and maintain and expand our partner network, our ability to attract new customers could be harmed and our business, results of operations, financial condition and cash flows would suffer.

If we fail to effectively manage our growth, our business, results of operations, financial condition and cash flows will be harmed.

We have experienced, and may continue to experience, growth in our headcount and operations, both domestically and internationally, which has placed, and may continue to place, significant demands on our management and our administrative, operational and financial reporting resources. We have also experienced significant growth in the number of customers, number of transactions and the amount of tax content that our platform and solutions support. Our growth will require us to hire additional employees and make significant expenditures, particularly in sales and marketing but also in our technology, professional services, finance and administration teams, as well as in our facilities and infrastructure. Our ability to effectively manage our growth will also require the allocation of valuable management and employee resources and improvements to our operational and financial controls and our reporting procedures and systems. In addition, as we seek to continue to expand internationally, we will likely encounter unexpected challenges and expenses due to unfamiliarity with local requirements, practices and markets. Our expenses may increase more than we plan, and we may fail to hire qualified personnel, expand our customer base, enhance our existing solutions, develop new solutions, integrate any acquisitions, satisfy the requirements of our existing customers, respond to competitive challenges or otherwise execute our strategies. If we are unable to effectively manage our growth, our business, results of operations, financial condition and cash flows would likely be harmed.

Future acquisitions of, and investments in, other businesses, software, tax content or technologies may not yield expected benefits, and our inability to successfully integrate acquisitions may negatively impact our business, results of operations, financial condition and cash flows.

We may in the future seek to grow our operations by pursuing acquisitions of businesses, software and technologies. We may not realize the anticipated benefits, or any benefits, from future acquisitions. In addition, if we finance acquisitions by incurring debt or by issuing equity or convertible or debt securities, our existing stockholder may be diluted or we could face constraints related to covenants in the agreements governing the indebtedness, which could affect the market value of our capital stock. To the extent that the acquisition consideration is paid in the form of an earnout on future financial results, the success of such an acquisition will not be fully realized by us for a period of time as it is shared with the sellers. Further, if we fail to properly evaluate and execute acquisitions or investments, our business and prospects may be seriously harmed and the value of your investment may decline. For us to realize the benefits of future acquisitions, we must successfully integrate the acquired businesses, software or technologies with ours. This may take time and divert management's attention from our day-to-day operations, which could negatively impact our business, results of operations, financial condition and cash flows.

Our quarterly and annual results of operations will fluctuate in future periods.

We will experience quarterly or annual fluctuations in our results of operations due to a number of factors, many of which are outside of our control. This makes our future results difficult to predict and could cause our results of operations to fall below expectations or our predictions. Factors that might cause quarterly or annual fluctuations in our results of operations include:

- our ability to attract new customers and retain and grow revenue from existing customers;
- our ability to maintain, expand, train and achieve an acceptable level of production from our sales and marketing teams;
- our ability to find and nurture successful sales opportunities;
- the timing of our introduction of new solutions or updates to existing solutions;
- our ability to grow and maintain our relationships with our ecosystem of third-party partners, including integration partners and referral partners;
- the success of our customers' businesses;
- the timing of large subscriptions and customer renewal rates;
- new government regulations;
- changes in our pricing policies or those of our competitors;
- the amount and timing of our expenses related to the expansion of our business, operations and infrastructure;
- any impairment of our intangible assets, capitalized software, long-lived assets and goodwill;
- any seasonality in connection with new customer agreements, as well as renewal and upgrade agreements, each of which have historically occurred at a higher rate in the fourth quarter of each year;
- future costs related to acquisitions of content, technologies or businesses and their integration; and
- general economic conditions.

Any one of the factors above, or the cumulative effect of some or all of the factors referred to above, may result in significant fluctuations in our quarterly and annual results of operations. This variability and unpredictability could result in our failure to meet or exceed our internal operating plan. In addition, a percentage of our operating expenses is fixed in nature and is based on forecasted financial performance. In the event of revenue shortfalls, we may not be able to mitigate the negative impact on our results of operations quickly enough to avoid short-term impacts.

We generally recognize revenue from subscription fees paid by customers ratably over the subscription term. As a result, most of the subscription revenue we report in each quarter is the result of agreements entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any one quarter will not be fully reflected in our revenue results for that quarter. Any such decline, however, will negatively affect our revenue in future quarters. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as subscription revenue from new customers is generally recognized over the applicable subscription terms.

Operating globally involves challenges that may adversely affect our ability to grow.

We plan to continue expanding our business operations globally and to enter new markets where we have limited or no experience in marketing, selling and deploying our solutions. If we fail to deploy or manage our operations in international markets successfully, our business may suffer. In the future, as our international operations increase, or more of our expenses are denominated in currencies other than the U.S. dollar, our results of operations may become more sensitive to fluctuations in the exchange rates of the currencies in which we do business. In addition, we are subject to a variety of risks inherent in doing business internationally, including:

- political, social and economic instability;
- risks related to the legal and regulatory environment in foreign jurisdictions, including with respect to privacy, localization and content laws as well as unexpected changes in laws, regulatory requirements and enforcement due to the wide discretion given to some local lawmakers and regulators regarding the enactment, interpretation and implementation of local regulations;
- potential damage to our brand and reputation due to compliance with local laws, including potential censorship and requirements to provide user information to local authorities;
- fluctuations in currency exchange rates;
- higher levels of credit risk and payment fraud;
- complying with the tax laws and regulations of multiple tax jurisdictions;
- enhanced difficulties of integrating any foreign acquisitions;
- complying with a variety of foreign laws, including certain employment laws requiring national collective bargaining agreements that set minimum salaries, benefits, working conditions and termination requirements;
- reduced protection for intellectual property rights in some countries;
- difficulties in staffing and managing global operations and the increased travel, infrastructure and compliance costs associated with multiple international locations;

- regulations that might add difficulties in repatriating cash earned outside our core markets and otherwise prevent us from freely moving cash;
- import and export restrictions and changes in trade regulation;
- complying with statutory equity requirements;
- complying with the U.S. Foreign Corrupt Practices Act (the “FCPA”), the U.K. Bribery Act and similar laws in other jurisdictions; and
- complying with export controls and economic sanctions administered by the relevant local authorities, including in the United States and European Union, in our international business.

If we are unable to expand internationally and manage the complexity of our global operations successfully, our business could be seriously harmed.

We hold significant amounts of money that we remit to taxing authorities on behalf of our customers, and this may expose us to liability from errors, delays, fraud or system failures, which may not be covered by insurance.

We handle significant amounts of our customers’ money so that we can remit those amounts to various taxing jurisdictions on their behalf. If we make mistakes in the determination or remittance of tax payments to the appropriate jurisdictions, our reputation and results of operations could suffer. Moreover, if our banks’ or our own internal compliance procedures regarding cash management fail, are hacked or sabotaged, or if our banks or we are the subject of fraudulent behavior by personnel or third parties, we could face significant financial losses. Our efforts to remit tax payments to applicable taxing jurisdictions after receiving the corresponding funds from our customers may fail, which would expose us to the financial risk of collecting from our customers after we have remitted funds on their behalf.

Additionally, we are subject to risk from concentration of cash and cash equivalent accounts, including cash from our customers that is to be remitted to taxing jurisdictions, with financial institutions where deposits routinely exceed federal insurance limits. If the financial institutions in which we deposit our customers’ cash were to experience insolvency or other financial difficulty, our access to cash deposits could be limited, any deposit insurance may not be adequate, we could lose our cash deposits entirely and we could be exposed to liability to our customers. Any of these events would negatively impact our liquidity, results of operations and our reputation.

If we are unable to successfully adapt to organizational changes and effectively implement strategic initiatives, our reputation and results of operations could be impacted.

We have a dynamic organization and routinely implement changes to our priorities and workforce in order to keep up with the constantly evolving market in which we operate. We expect these types of changes to continue for the foreseeable future. Successfully managing these changes, including retention of key employees, is critical to our business success. In addition, we are generally a build-from-within company, and our success is dependent on identifying, developing and retaining key employees to provide uninterrupted leadership and direction for our business. This includes developing organizational capabilities in key growth markets where the depth of skilled employees is limited and competition for these resources is intense. Further, business and organizational changes may result in more reliance on third parties for various services, and that reliance may increase reputational, operational and compliance risks.

Errors in our customers' transaction tax determinations and reporting functions, or delays in the remittance of their tax payments, could harm our reputation, results of operations and growth prospects.

The tax determinations functions that our customers have to perform are complicated from a data management standpoint, time-sensitive and dependent on the accuracy of the database of tax content underlying our solutions. Some of our processes are not fully automated, such as our process for monitoring updates to tax rates and rules, and even to the extent our processes are automated, our solutions are not proven to be without any possibility of errors. If errors are made in our customers' tax determinations and reporting functions, or delays occur in the remittance of their tax payments, our customers may be assessed interest and penalties. Although our agreements generally have disclaimers of warranties and limit our liability, a court could determine that such disclaimers and limitations are unenforceable as a matter of law and hold us liable for these errors. Additionally, erroneous tax determinations could result in overpayments to taxing authorities that are difficult to reclaim from the applicable taxing authorities or underpayments that could result in penalties. Any history of erroneous tax determinations for our customers could also harm our reputation, could result in negative publicity, loss of or delay in market acceptance of our solutions, loss of customer renewals and loss of competitive position. In addition, our insurance coverage may not cover all amounts claimed against us if such errors or failures occur. The financial and reputational costs associated with any erroneous tax determinations may be substantial and could harm our results of operations.

Changes in tax laws and regulations, or their interpretation or enforcement, may cause us to invest substantial amounts to modify our software, cause us to change our business model or draw new competitors to the market.

Changes in tax laws or regulations or interpretations of existing taxation requirements in the United States or in other countries may require us to change the manner in which we conduct some aspects of our business and could harm our ability to attract and retain customers. For example, a material portion of our revenue is generated by performing what can be complex transaction tax determinations and the corresponding preparation of tax returns and remittance of taxes. Changes in tax laws or regulations that reduce complexity or decrease the frequency of tax filings could negatively impact our revenue. In addition, there is considerable uncertainty as to if, when and how tax laws and regulations might change. As a result, we may need to invest substantial funds to modify our solutions to adapt to new tax laws or regulations. If our software solutions are not flexible enough to adapt to changes in tax laws and regulations, our financial condition and results of operations may suffer.

A number of states have considered or adopted laws that attempt to require out-of-state retailers to collect sales taxes on their behalf or to provide the jurisdiction with information enabling it to more easily collect use tax. On June 21, 2018, the U.S. Supreme Court issued its opinion in *South Dakota v. Wayfair, Inc.*, upholding South Dakota's economic nexus law, which requires certain out-of-state retailers to collect and remit sales taxes on sales into South Dakota. Following the Supreme Court's decision, certain states with pre-existing economic nexus provisions announced that they would begin enforcing these provisions on out-of-state retailers and additional states have proceeded with similar efforts. There also has been consideration of federal legislation related to taxation of interstate sales, which, if enacted into law, would place guidelines or restrictions on states' authority to require online and other out of state merchants to collect and remit indirect tax on products and services that they may sell. Similar issues exist outside of the United States, where the application of value-added taxes or other indirect taxes on online retailers is uncertain and evolving. The effect of changes in tax laws and regulations is uncertain and dependent on a number of factors. Depending on the content of any indirect tax legislation, the role of third-party compliance vendors may change, we may need to invest substantial amounts to modify our solutions or our business model, we could see a decrease in demand, we could see new competitors enter the market, or we could be negatively impacted by such legislation in a way not yet known.

We are exposed to cybersecurity and data privacy risks that, if realized, could expose us to legal liability, damage our reputation and harm our business.

We face risks of cyber-attacks, computer hacks, theft, viruses, malicious software, phishing, employee error, denial-of-service attacks and other security breaches that could jeopardize the performance of our software and expose us to financial and reputational harm. Any of these occurrences could create liability for us, put our reputation in jeopardy and harm our business. Such harm could be in the form of theft of our or our customers' confidential information, the inability of our customers to access our systems or the improper re-routing of customer funds through fraudulent transactions or other frauds perpetrated to obtain inappropriate payments. In some cases, we rely on the safeguards put in place by third parties to protect against security threats. These third parties, including vendors that provide products and services for our operations, could also be a source of security risk to us in the event of a failure or a security incident affecting their own security systems and infrastructure. Our network of ecosystem partners could also be a source of vulnerability to the extent their applications interface with ours, whether unintentionally or through a malicious backdoor. We do not review the software code included in third-party integrations in all instances. Because the techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, we or these third parties may be unable to anticipate these techniques or to implement adequate preventative measures. We have internal controls designed to prevent cyber-related frauds related to authorizing the transfer of funds, but such internal controls may not be adequate. With the increasing frequency of cyber-related frauds to obtain inappropriate payments and other threats related to cyber-attacks, we may find it necessary to expend resources to remediate cyber-related incidents or to enhance and strengthen our cybersecurity. Our remediation efforts may not be successful and could result in interruptions, delays or cessation of service. Although we have insurance coverage for losses associated with cyber-attacks, as with all insurance policies, there are coverage exclusions and limitations, and our coverage may not be sufficient to cover all possible claims, and we may still suffer losses that could have a material adverse effect on our reputation and business.

Our customers provide us with information that our solutions store, some of which may be confidential information about them or their financial transactions. In addition, we store personal information about our employees and, to a lesser extent, those who purchase products or services from our customers. We have security systems and information technology infrastructure designed to protect against unauthorized access to such information. The security systems and infrastructure we maintain may not be successful in protecting against all security breaches and cyber-attacks, social-engineering attacks, computer break-ins, theft and other improper activity. Threats to our information technology security can take various forms, including viruses, worms and other malicious software programs that attempt to attack our solutions or platform or to gain access to the data of our customers or their customers. Like other companies, we have on occasion and will continue to experience threats to our data and systems. Any significant data breach could result in the loss of business, litigation and regulatory investigations, loss of customers and fines and penalties that could damage our reputation and brand and adversely affect the growth of our business.

We may become involved in material legal proceedings and audits, the outcomes which could adversely affect our business, results of operations, financial condition and cash flows.

From time to time, we are involved in claims, suits, investigations, audits and proceedings arising in the ordinary course of our business, and we may in the future become involved in legal proceedings and audits that could have a material adverse effect on our business, results of operations, financial condition and cash flows. Claims, suits, investigations, audits and proceedings are inherently difficult to predict and their results are subject to significant uncertainties, many of which are outside of our control. Regardless of the outcome, such legal proceedings could have a negative impact on us due to legal costs, diversion of management resources and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in reputational harm, substantial settlements, judgments, fines or penalties, criminal sanctions, consent decrees or orders preventing us from offering certain features, functionalities, products or services, requiring us to change our development process or other business practices.

There is also inherent uncertainty in determining reserves for these matters. There is significant judgment required in the analysis of these matters, including assessing the probability of potential outcomes and determining whether a potential exposure can be reasonably estimated. Further, it may take time to develop factors on which reasonable judgments and estimates can be based. If we fail to establish appropriate reserves, our business could be negatively impacted.

Undetected errors, bugs or defects in our software could harm our reputation or decrease market acceptance of our software, which would harm our business and results of operations.

Our software may contain undetected errors, bugs or defects. We have experienced these errors, bugs or defects in the past in connection with new software and software upgrades and we expect that errors, bugs or defects may be found from time to time in the future in new or enhanced software after their commercial release. Our software is often used in connection with large-scale computing environments with different operating systems, system management software, equipment and networking configurations, which may cause or reveal errors or failures in our software or in the computing environments in which they are deployed. Despite testing by us, errors, bugs or defects may not be found in our software until they are used by our customers. In the past, we have discovered errors, bugs and defects in our software after they have been deployed to customers.

Any errors, bugs, defects, disruptions in service or other performance problems with our software may damage our customers' businesses and could hurt our reputation, brand and business. We may also be required, or may choose, for customer relations or other reasons, to expend additional resources to correct actual or perceived errors, bugs or defects in our software. If errors, bugs or defects are detected or perceived to exist in our software, we may experience negative publicity, loss of competitive position or diversion of the attention of our key personnel, our customers may delay or withhold payment to us or elect not to renew their subscriptions, or other significant customer relations problems may arise. We may also be subject to liability claims for damages related to errors, bugs or defects in our software. A material liability claim or other occurrence that harms our reputation or decreases market acceptance of our software may harm our business and results of operations.

Our software utilizes open-source software, and any defects or security vulnerabilities in the open-source software could negatively affect our business.

Certain of our software employs open-source software and we expect to use open-source software in the future. To the extent that our software depends upon the successful operation of open-source software, any undetected errors or defects in this open-source software could prevent the deployment or impair the functionality of our software, delay the introduction of new solutions, result in a failure of our software, and injure our reputation. For example, undetected errors or defects in open source software could render it vulnerable to breaches or security attacks, and, in conjunction, make our systems more vulnerable to data breaches.

In addition, the terms of various open-source licenses have not been interpreted by United States courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market certain of our software solutions. Some open-source licenses might require us to make our source code available for no cost, to make publicly available source code for modifications or derivative works that we create based upon, incorporating or using the open source software, and/or to license such modifications or derivative works under the terms of the particular open source license. While we try to insulate our proprietary code from the effects of such open-source license provisions, we cannot guarantee we will be successful. In addition to risks related to open-source license requirements, usage of open-source software can lead to greater risks than use of third-party commercial software, as open-source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with usage of open-source software cannot be eliminated and could negatively affect our business, financial condition and results of operations.

We rely on third-party data centers, systems and technologies to operate our business, and interruptions or performance problems with these third-party providers may adversely affect our business and results of operations.

We rely on data centers and other technologies and services provided by third parties in order to operate our business. If any of these services becomes unavailable or otherwise is unable to serve our requirements, there could be interruptions to our software and provision of services to our customers. Our business depends on our ability to protect the growing amount of information stored in data centers and related systems, offices and hosting facilities against damage from earthquakes, floods, fires, other extreme weather conditions, power loss, telecommunications failures, hardware failures, viruses, terrorist attacks, acts of war, unauthorized electronic or physical intrusion, overload conditions and other events. If our data centers or related systems fail to operate properly or become disabled even for a brief period of time, we could suffer financial loss, a disruption of our business, liability to customers or damage to our reputation. Our response to any type of disaster may not be successful in preventing the loss of customer data, service interruptions, disruptions to our operations or damage to our important facilities. Our data center providers have no obligations to renew their agreements with us on commercially reasonable terms, or at all, and it is possible that we will not be able to switch our operations to another provider in a timely and cost-effective manner should the need arise. If we are unable to renew our agreements with these providers on commercially reasonable terms, or if in the future we add additional data center facility providers, we may face additional costs or expenses or downtime, which could harm our business.

We also rely on computer hardware purchased or leased from, software licensed from, content licensed from and services provided by a variety of third parties, which include database, operating system, virtualization software, tax requirement content and geolocation content and services. Any errors, bugs or defects in such third-party hardware, software, content or services could result in errors or a failure of our solutions, which could harm our business. In the future, we might need to license other hardware, software, content or services to enhance our solutions and meet evolving customer requirements. Any inability to license or otherwise obtain such hardware or software could result in a reduction in functionality, or errors or failures of our products, until equivalent technology is either developed by us or, if available, is identified, obtained through purchase or license, and integrated into our solutions, any of which may reduce demand for our solutions and increase our expenses. In addition, third-party licenses may expose us to increased risks, including risks associated with the integration of new technology, the diversion of resources from the development of our own proprietary technology, and our inability to generate revenue from new technology sufficient to offset associated acquisition and maintenance costs, all of which may increase our expenses and harm our results of operations.

If we fail to effectively protect, maintain and enhance our brand, our business may suffer.

As a leader in our industry for over 40 years, our brand is one of our most valuable assets, and any failure to protect our brand could cause our business to suffer. In addition, the promotion of our brand requires us to make substantial expenditures, and we anticipate that the expenditures will increase as our market becomes more competitive and as we expand into new regions. The demand for and cost of online and traditional advertising have been increasing and may continue to increase. Our brand promotion efforts will require investment not just in our indirect tax solutions, but also in our full suite of software and services. To the extent that these activities yield increased revenue, this revenue may not offset the increased expenses we incur. If we do not successfully maintain and enhance our brand, our business may not grow, we may have reduced pricing power relative to competitors and we could lose customers or fail to attract potential new customers, all of which would adversely affect our business, results of operations, financial condition and cash flows.

Changes in the application, scope, interpretation or enforcement of laws and regulations pertaining to our operations may harm our business or results of operations, subject us to liabilities and require us to implement new compliance programs or business methods.

We perform a number of critical business functions for our customers, including remittance of the taxes our customers owe to taxing authorities. Our electronic payment of customers' taxes may be subject to federal or state laws or regulations relating to money transmission. The Federal Bank Secrecy Act requires that financial institutions, of which money transmitters are a subset, register with the U.S. Department of Treasury's Financial Crimes Enforcement Network and maintain policies and procedures reasonably designed to monitor, identify, report and, where possible, avoid money laundering and criminal or terrorist financing by customers. Most U.S. states also have laws that apply to money transmitters, and impose various licensure, examination and bonding requirements on them. We believe these federal and state laws and regulations were not intended to cover the business activity of remitting transaction taxes that taxpayers owe to the various states and localities. However, if federal or state regulators were to apply these laws and regulations to this business activity, whether through expansion of enforcement activities, new interpretations of the scope of certain of these laws or regulations or of available exemptions, or if our activities are held by a court to be covered by such laws or regulations, we could be required to expend time, money and other resources to deal with enforcement actions and any penalties that might be asserted, to institute and maintain a compliance program specific to money transmission laws, and possibly to change aspects of how we conduct our business to achieve compliance or minimize regulation. Application of these laws to our business could also make it more difficult or costly for us to maintain our banking relationships. Financial institutions may also be unwilling to provide banking services to us due to concerns about the large dollar volume moving in and out of our accounts on behalf of our customers in the ordinary course of our business. As we continue to expand the solutions we offer and the jurisdictions in which we offer them, we could become subject to other licensing, examination or regulatory requirements relating to financial services.

Determining the taxes owed by our customers involves providing solutions tailored to the types and prices of products our customers sell, as well as information regarding addresses that products are shipped from and delivered to. Numerous federal, state and local laws and regulations govern the collection, dissemination, use and safeguarding of personal information and other data, the scope of which is changing, subject to differing interpretations, and which may be costly to comply with, inconsistent between jurisdictions or conflicting with other rules. We may be subject to these laws in certain circumstances. Most states have also adopted laws that require notice be given to affected consumers in the event of a security breach. In the event of a security breach, our compliance with these laws may subject us to costs associated with notice and remediation, as well as potential investigations from federal regulatory agencies and state attorneys general. A failure on our part to safeguard consumer data adequately or to destroy data securely may subject us, depending on the personal information in question, to costs associated with notice and remediation, as well as to potential regulatory investigations or enforcement actions, and possibly to civil liability, under federal or state data security or unfair practices or consumer protection laws. If federal or state regulators were to expand their enforcement activities, or change their interpretation of the applicability of these laws, or if new laws regarding privacy and protection of consumer data were to be adopted, the burdens and costs of complying with them could increase significantly, negatively affecting our results of operations and possibly the manner in which we conduct our business. For example, the European Union's General Data Protection Regulation requires certain operational changes for companies that receive or process personal data of residents of the EU and includes significant penalties for noncompliance. In addition, other governmental authorities around the world are considering implementing similar types of legislative and regulatory proposals concerning data protection. We may incur significant costs to comply with these mandatory privacy and security standards.

If economic conditions worsen, it may negatively affect our business and financial performance.

Our financial performance depends, in part, on the state of the economy, both in the United States and globally. Declining levels of economic activity may lead to declines in spending and customer revenue, which may result in decreased revenue for us. Concern about the strength of the economy may slow the rate at which businesses of all sizes are willing to hire an outside vendor to perform the determination and remittance of their transaction taxes and filing of related returns. If our customers and potential customers experience financial hardship as a result of a weak economy, industry consolidation or other factors, the overall demand for our solutions could decrease. If economic conditions worsen, our business, results of operations, financial condition and cash flows could be harmed.

Natural disasters, epidemic outbreaks, terrorist acts and political events could disrupt business and result in lower sales and otherwise have a material adverse effect on our business, financial performance and results of operations.

The occurrence of one or more major natural disasters, unusual weather conditions, epidemic outbreaks, terrorist attacks or disruptive political events, each of which is out of our control, may result in reduced consumer and supplier spending and transactions, which in turn could cause our revenues to decline and our business to suffer. Natural disasters including tornados, hurricanes, floods and earthquakes may damage the facilities of our customers or those of their suppliers or retailers or their other operations, which could lead to reduced revenue for our customers and thus less transaction tax due. In addition, a global epidemic outbreak may have a material adverse effect on global economic conditions, consumer spending and the stability of global financial markets. For example, in December 2019, COVID-19 appeared. The COVID-19 pandemic is having widespread, rapidly evolving and unpredictable impacts on global society, economies, financial markets and business practices. Federal and state governments have implemented measures in an effort to contain the virus, including social distancing, travel restrictions, border closures, limitations on public gatherings, work-from-home, supply chain logistical changes and closure of non-essential businesses. To protect the health and well-being of our employees and customers, we have made substantial modifications to employee travel policies, closed our offices as employees are advised to work-from-home and cancelled or shifted our conferences and other marketing events to virtual-only. The COVID-19 pandemic has impacted and may continue to adversely impact our business operations, including our employees, customers and partners, and there is substantial uncertainty in the nature and degree of its continued effects over time. The extent to which the COVID-19 pandemic impacts our business going forward will depend on numerous evolving factors that we cannot reliably predict, including (i) the duration and scope of the pandemic; (ii) actions of governments, businesses and individuals in response to the pandemic and (iii) the impact on economic activity including the possibility of recession or financial market instability. These factors may adversely impact consumer and business spending as well as customers' ability to pay for our software and solutions on an ongoing basis. Similarly, terrorist attacks or disruptive political events, such as the imposition of retaliatory tariffs or governmental trade or price manipulation, could cause our customers, or their customers, to defer spending plans or otherwise reduce their economic activity. If any of the foregoing risks were to be realized, it could have a material adverse effect on our business, financial performance and results of operations.

We are subject to anti-corruption, anti-bribery and similar laws and noncompliance with such laws can subject us to criminal penalties or significant fines and harm our business and reputation.

We are subject to requirements under the U.S. Treasury Department's Office of Foreign Assets Control, anti-corruption, anti-bribery and similar laws, such as the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the U.K. Bribery Act 2010, and other anti-corruption, anti-bribery and anti-money laundering laws in countries in which we conduct activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly and prohibit companies and their employees and agents from promising, authorizing, making, offering or providing anything of value to a "foreign official" for the purposes of influencing official decisions or obtaining or retaining business, or otherwise obtaining favorable treatment. As we increase our international operations, our risks under these laws may increase. Non-compliance with these laws could subject us to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, adverse media coverage and other consequences. Any investigations, actions or sanctions could harm our business, results of operations, financial condition and cash flows.

In addition, in the future we may use third parties to sell access to our software and conduct business on our behalf abroad. We or such future third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities, and we can be held liable for the corrupt or other illegal activities of such future third-party intermediaries, and our employees, representatives, contractors, partners and agents, even if we do not explicitly authorize such activities. We cannot provide assurance that our internal controls and compliance systems will always protect us from liability for acts committed by employees, agents or business partners of ours (or of businesses we acquire or partner with) that would violate U.S. and/or non-U.S. laws, including the laws governing payments to government officials, bribery, fraud, kickbacks, false claims, pricing, sales and marketing practices, conflicts of interest, competition, employment practices and workplace behavior, export and import compliance, economic and trade sanctions, money laundering, data privacy and other related laws. Any such improper actions or allegations of such acts could subject us to significant sanctions, including civil or criminal fines and penalties, disgorgement of profits, injunctions and debarment from government contracts, as well as related stockholder lawsuits and other remedial measures, all of which could adversely affect our reputation, business, results of operations and financial condition.

Any violation of economic and trade sanction laws, export and import laws, the FCPA or other applicable anti-corruption laws or anti-money laundering laws could also result in whistleblower complaints, adverse media coverage, investigations and severe criminal or civil sanctions, any of which could have a materially adverse effect on our reputation, business, results of operations and prospects.

Our ability to protect our intellectual property is limited, and we may be subject to claims of infringement by third parties.

Our success depends, in part, upon our proprietary technology, processes, trade secrets, and other proprietary information and our ability to protect this information from unauthorized disclosure and use. We primarily rely upon a combination of copyright, trademark and trade secret laws, as well as confidentiality procedures, contractual provisions and other similar measures to protect our proprietary or confidential information and intellectual property. Our trademarks and service marks include VERTEX™ and O Series™, which is our flagship indirect tax solution. Despite our efforts to protect our proprietary rights and intellectual property, unauthorized parties may attempt to copy aspects of our solutions or to obtain and use information that we regard as proprietary, and third parties may attempt to independently develop similar technology, and policing unauthorized use of our technology and intellectual property rights may be difficult and may not be effective.

In addition, third parties may claim infringement by us with respect to current or future solutions or other intellectual property rights. The software and technology industries are characterized by the existence of a large number of patents, trademarks and copyrights and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. The outcome of any claims or litigation, regardless of the merits, is inherently uncertain. Any claims and lawsuits to enforce our intellectual property rights or to defend ourselves against claims of infringement of third-party intellectual property rights, and the disposition of such claims and lawsuits, whether through settlement or licensing discussions, or litigation, could be time-consuming and expensive to resolve, divert management attention from executing our strategies, result in efforts to enjoin our activities, lead to attempts on the part of other parties to pursue similar claims, and, in the case of intellectual property claims, require us to change our technology, change our business practices, pay monetary damages, or enter into short- or long-term royalty or licensing agreements. Any adverse determination related to intellectual property claims or other litigation could prevent us from offering our solutions to others, could be material to our financial condition or cash flows, or both, or could otherwise harm our results of operations.

Our ability to obtain additional capital on commercially reasonable terms may be limited.

We intend to continue to make investments to support our business growth and may require additional funds, beyond those generated by this offering, to respond to business challenges, including to better support and serve our customers, develop new software or enhance our existing solutions, improve our operating and technology infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in public or private equity, equity-linked or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock. Any debt financing that we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, including the ability to pay dividends. This may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and respond to business challenges could be significantly impaired, and our business and prospects could be adversely affected.

Risks Related to Being a Public Company

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

Ensuring that we have adequate internal financial and accounting controls and procedures in place to produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. The rapid growth of our operations and the planned initial public offering has created a need for additional resources within the accounting and finance functions due to the increasing need to produce timely financial information and to ensure the level of segregation of duties customary for a U.S. public company. We continue to reassess the sufficiency of finance personnel in response to these increasing demands and expectations.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our management does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company will have been detected.

We have identified material weaknesses in our internal control over financial reporting and may experience additional material weaknesses in the future. Our failure to remediate these material weaknesses and maintain effective internal control over financial reporting could result in material misstatements in our financial statements, the inability to timely report our financial condition or results of operations, investors losing confidence in our reported financial information and our stock price being adversely affected.

Management and our independent registered public accounting firm have identified material weaknesses in our internal control over financial reporting that affected our financial statements for each of the years in the two year period ended December 31, 2019. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Internal Control Over Financial Reporting."

The material weaknesses in our internal control over financial reporting during each of the years ended December 31, 2018 and 2019 related to the implementation of ASC 606, application of software capitalization guidance and recording of impairments, and our procedures for segregating user access to financially significant systems, which resulted in a lack of segregation of incompatible duties.

We cannot assure you that additional material weaknesses in our internal control over financial reporting will not be identified in the future. The failure to maintain effective internal control over financial reporting could result in errors in our financial statements that could result in a restatement of financial statements, cause us to fail to meet our periodic reporting obligations and cause investors to lose confidence in our reported financial information, which could lead to a decline in our stock price.

We are an “emerging growth company” and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our publicly traded Class A common stock less attractive to investors.

We are an “emerging growth company” as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates. We have elected to use this extended transition period and we intend to utilize this related to the FASB issued ASU No. 2016-02, *Leases*. This standard amends several aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset, and a corresponding lease liability, measured at the present value of the future minimum lease payments. The standard is effective for public companies for fiscal years beginning after December 15, 2018, and after December 15, 2020 for all other companies, with early adoption permitted. We intend to adopt this standard effective January 1, 2021 using the modified retrospective transition method and therefore will not restate comparative periods. While we have not yet quantified the impact, resulting adjustments are expected to materially increase total assets and total liabilities relative to such amounts reported prior to adoption, but not have a material impact on the consolidated statements of comprehensive income (loss) or consolidated statements of cash flows.

For as long as we continue to be an emerging growth company, we also intend to take advantage of certain other exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our Class A common stock less attractive because we will rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

We will remain an emerging growth company until the earliest of (i) the last day of the year in which we have total annual gross revenue of \$1.07 billion or more; (ii) the last day of the year following the fifth anniversary of the date of the closing of this offering; (iii) the date on which we have issued more than \$1.0 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the Nasdaq Global Market on which our Class A common stock will be traded and other applicable securities rules and regulations. The SEC and other regulators have continued to adopt new rules and regulations and make additional changes to existing regulations that require our compliance. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact, in ways we cannot currently anticipate, the manner in which we operate our business. We will need to institute a comprehensive compliance function and establish internal policies to ensure we have the ability to prepare financial statements that are fully compliant with all SEC reporting requirements on a timely basis and establish an investor relations function. Compliance with these rules and regulations may cause us to incur additional accounting, legal and other expenses that we did not incur as a private company. We also anticipate that we will incur costs associated with corporate governance requirements, including requirements under securities laws, as well as rules and regulations implemented by the SEC and the Nasdaq Global Market, particularly after we are no longer an "emerging growth company." We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, while also diverting some of management's time and attention from revenue-generating activities. Furthermore, these rules and regulations could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

Our management team has limited experience managing a public company.

Most members of our management team have limited experience managing a publicly traded company, interacting with public company investors and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company that is subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could harm our business, results of operations and financial condition.

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

2007 Plan-Related Issuances

From January 1, 2020 through February 5, 2020, we granted to our directors, officers and employees 234,638 SARs as the long-term equity incentive component of our compensation program under the 2007 Plan. The SARs generally entitled their holder, upon exercise, to receive from us an amount in cash equal to the appreciation of the shares subject to the award between the grant date and the exercise date.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. Unless otherwise stated, the sales of the above securities were deemed to be exempt from registration under the Securities Act in reliance on Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. All recipients had adequate access, through their relationships with us, to information about us. The issuance of these securities were made without any general solicitation or advertising.

In connection with our initial public offering, holders of outstanding SARs were offered the opportunity to amend outstanding SARs, whether vested or unvested, so that they become options to purchase shares of our Class A stock. These options cover an equal number of shares as the amended SARs and have an exercise price per share equal to the base price of an amended SAR, subject to the Stock Split that was effected in connection with our Offering. Such options were issued pursuant to the 2020 Plan registered on the Registration Statement on Form S-8 filed by us on July 28, 2020.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed Herewith</u>	<u>Furnished Herewith</u>
3.1	Amended and Restated Certificate of Incorporation of Vertex, Inc.					X	
3.2	Amended and Restated Bylaws of Vertex, Inc.					X	
4.1	Specimen Stock Certificate evidencing the shares of Class A common stock.	S-1/A	333-239644	4.1	7/24/2020		
4.2	Third Amended and Restated Stockholders' Agreement					X	
10.1	Credit Agreement by and among Vertex, Inc., the guarantors party thereto, PNC Bank, National Association, and the lenders party thereto, dated as of March 31, 2020.	S-1/A	333-239644	4.1	7/2/2020		
10.2	First Amendment to Loan Documents, by and among Vertex, Inc., the guarantors party thereto, the lenders party thereto and PNC Bank, National Association, dated as of April 3, 2020.	S-1/A	333-239644	4.1	7/2/2020		
10.3	Form of Indemnification Agreement between Vertex, Inc. and each of its Executive Officers and Directors	S-1/A	333-239644	10.3	7/20/2020		
10.4	Executive Employment Agreement, as amended and restated, by and between Vertex, Inc. and Lisa Butler.					X	
10.5	Executive Employment Agreement, as amended and restated, by and between Vertex, Inc. and David DeStefano.	S-1/A	333-239644	10.6	7/20/2020		
10.6	Executive Employment Agreement, as amended and restated, by and between Vertex, Inc. and Bryan Rowland.					X	
10.7	Executive Employment Agreement, as amended and restated, by and between Vertex, Inc. and John Schwab.					X	
10.8	S Corporation Termination and Tax Sharing Agreement.					X	
10.9	Vertex, Inc. 2020 Employee Stock Purchase Plan	S-1/A	333-239644	10.21	7/20/2020		
10.10	Vertex, Inc. 2020 Incentive Award Plan	S-1/A	333-239644	10.15	7/24/2020		

10.11	Form of Stock Option Amendment Agreement	S-1/A	333-239644	10.12	7/20/2020	
10.12	Form of Stock Option Award Agreement under 2020 Incentive Award Plan for Amended Options	S-1/A	333-239644	10.13	7/20/2020	
10.13	Form of Option Award Agreement under 2020 Incentive Award Plan for Amended Stock Appreciation Rights	S-1/A	333-239644	10.14	7/20/2020	
10.14	Form of Option Award Agreement under 2020 Incentive Award Plan	S-1/A	333-239644	10.16	7/20/2020	
10.15	Form of Restricted Stock Award Agreement under 2020 Incentive Award Plan	S-1/A	333-239644	10.17	7/20/2020	
10.16	Form of Restricted Stock Unit Award Agreement under 2020 Incentive Award Plan	S-1/A	333-239644	10.18	7/20/2020	
10.17	Form of Stock Award Agreement under 2020 Incentive Award Plan	S-1/A	333-239644	10.19	7/20/2020	
10.18	Form of Option Transfer Agreement	S-1/A	333-239644	10.20	7/20/2020	
10.19	Vertex, Inc. Non-Employee Director Compensation Program	S-1/A	333-239644	10.22	7/20/2020	
10.20	Vertex Inc. & Subsidiaries 2010 Long-Term Rewards Plan	S-1/A	333-239644	10.10	7/20/2020	
10.21	Vertex Inc. & Subsidiaries 2018 Long-Term Rewards Plan	S-1/A	333-239644	10.11	7/20/2020	
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					

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 thereunto duly authorized.

Vertex, Inc.

Date: September 11, 2020

By: /s/ David DeStefano

David DeStefano

President, Chief Executive Officer and Chairperson (principal executive officer)

Date: September 11, 2020

By: /s/ John Schwab

John Schwab

Chief Financial Officer (principal financial officer)

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION OF
VERTEX, INC.

Vertex, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the “DGCL”), hereby certifies as follows:

1. The name of the corporation is Vertex, Inc. The date of the filing of its original certificate of incorporation with the Secretary of State of the State of Delaware was June 26, 2020.
2. This Amended and Restated Certificate of Incorporation (this “Certificate of Incorporation”), which restates, integrates and further amends the certificate of incorporation of this corporation as heretofore amended and restated, has been duly adopted by the corporation in accordance with Sections 242 and 245 of the DGCL and has been adopted by the requisite vote of the stockholders of the corporation, acting by written consent in lieu of a meeting in accordance with Section 228 of the DGCL.
3. The certificate of incorporation of this corporation is hereby amended and restated in its entirety to read as follows:

ARTICLE I

NAME

The name of the corporation is “Vertex, Inc.” (hereinafter called the “Corporation”).

ARTICLE II

REGISTERED OFFICE AND AGENT

The address of the Corporation’s registered office in the State of Delaware is 251 Little Falls Drive, Wilmington, New Castle County, Delaware 19808. The name of its registered agent at such address is Corporation Service Company.

ARTICLE III

PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

ARTICLE IV
CAPITAL STOCK

Section 1. Authorized Shares

The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 480,000,000 shares, consisting of 300,000,000 shares of Class A Common Stock, par value \$0.001 per share ("Class A Common Stock"), 150,000,000 shares of Class B Common Stock, par value \$0.001 per share ("Class B Common Stock"), and together with the Class A Common Stock, the "Common Stock", and 30,000,000 shares of Preferred Stock, par value \$0.001 per share ("Preferred Stock"). Subject to the rights of the holders of any series of Preferred Stock, the number of authorized shares of Class A Common Stock, Class B Common Stock or Preferred Stock may be increased or decreased (but not below (i) the number of shares thereof then outstanding and (ii) with respect to the Class A Common Stock, the number of shares of Class A Common Stock reserved pursuant to Section 2(i) of this Article IV) by the affirmative vote of the holders of capital stock representing a majority of the voting power of all the then-outstanding shares of capital stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL.

Section 2. Class A Common Stock and Class B Common Stock

The following is a statement of the designations and the powers, preferences, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of Common Stock of the Corporation.

Unless otherwise indicated, references to "Sections" or "Subsections" in this Section 2 of this Article IV refer to sections and subsections of Section 2 of this Article IV.

(a) Equal Status; General. Except as otherwise provided in this Certificate of Incorporation or required by applicable law, shares of Class A Common Stock and Class B Common Stock shall have the same rights, privileges and powers, rank equally (including as to dividends and distributions, and upon any liquidation, dissolution, distribution of assets or winding up of the Corporation), share ratably and be identical in all respects and as to all matters. The voting, dividend, liquidation and other rights, powers and preferences of the holders of Class A Common Stock and Class B Common Stock are subject to, and qualified by, the rights, powers and preferences of the holders of the Preferred Stock of any series as may be designated by the Board of Directors of the Corporation (the "Board") upon any issuance of the Preferred Stock of any series.

(b) Voting. Except as otherwise required by applicable law, at all meetings of stockholders and on all matters submitted to a vote of stockholders of the Corporation generally, each holder of Class A Common Stock, as such, shall have the right to one (1) vote per share of Class A Common Stock held of record by such holder and each holder of Class B Common Stock, as such, shall have the right to ten (10) votes per share of Class B Common Stock held of record by such holder. Except as otherwise required by applicable law or provided in this Certificate of Incorporation, the holders of shares of Class A Common Stock and Class B Common Stock, as such, shall (i) at all times vote together as a single class on all matters (including the election of directors) submitted to a vote of the stockholders of the Corporation generally, (ii) be entitled to notice of any stockholders' meeting in accordance with the Amended and Restated Bylaws of the Corporation (as the same may be amended and/or restated from time to time, the "Bylaws"), and (iii) be entitled to vote upon such matters and in such manner as may be provided by applicable law; *provided, however*, that, except as otherwise required by applicable law, holders of Class A Common Stock and Class B Common Stock as such, shall not be entitled to vote on any amendment to this Certificate of Incorporation that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation or applicable law. There shall be no cumulative voting.

(c) Dividend Rights. Shares of Class A Common Stock and Class B Common Stock shall be treated equally, identically and ratably, on a per share basis, with respect to any dividends as may be declared and paid from time to time by the Board out of any assets of the Corporation legally available therefor; *provided, however*, that in the event a dividend is paid in the form of shares of Class A Common Stock or Class B Common Stock (or rights to acquire, or securities convertible into or exchangeable for, such shares), then holders of Class A Common Stock shall be entitled to receive shares of Class A Common Stock (or rights to acquire, or securities convertible into or exchangeable for, such shares, as the case may be), and holders of Class B Common Stock shall be entitled to receive shares of Class B Common Stock (or rights to acquire, or securities convertible into or exchangeable for, such shares, as the case may be), with holders of shares of Class A Common Stock and Class B Common Stock receiving, on a per share basis, an identical number of shares of Class A Common Stock or Class B Common Stock (or rights to acquire, or securities convertible into or exchangeable for, such shares, as the case may be), as applicable. Notwithstanding the foregoing, the Board may pay or make a disparate dividend per share of Class A Common Stock or Class B Common Stock (whether in the amount of such dividend payable per share, the form in which such dividend is payable, the timing of the payment, or otherwise) if such disparate dividend is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A Common Stock and Class B Common Stock, each voting separately as a class.

(d) Subdivisions, Combinations or Reclassifications. Shares of Class A Common Stock or Class B Common Stock may not be subdivided, combined or reclassified unless the shares of the other class is concurrently therewith proportionately subdivided, combined or reclassified in a manner that maintains the same proportionate equity ownership between the holders of the outstanding Class A Common Stock and Class B Common Stock on the record date for such subdivision, combination or reclassification; *provided, however*, that shares of one such class may be subdivided, combined or reclassified in a different or disproportionate manner if such subdivision, combination or reclassification is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A Common Stock and Class B Common Stock, each voting separately as a class.

(e) Liquidation, Dissolution or Winding Up. Subject to the preferential or other rights of any holders of Preferred Stock then outstanding, upon the dissolution, distribution of assets, liquidation or winding up of the Corporation, whether voluntary or involuntary, holders of Class A Common Stock and Class B Common Stock will be entitled to receive ratably all assets of the Corporation available for distribution to its stockholders unless disparate or different treatment of the shares of each such class with respect to distributions upon any such liquidation, dissolution, distribution of assets or winding up is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A Common Stock and Class B Common Stock, each voting separately as a class.

(f) Certain Transactions.

(1) Merger or Consolidation. In the case of any distribution or payment in respect of the shares of Class A Common Stock or Class B Common Stock, or any consideration into which such shares are converted, upon the consolidation or merger of the Corporation with or into any other entity, such distribution, payment or consideration that the holders of shares of Class A Common Stock or Class B Common Stock have the right to receive, or the right to elect to receive, shall be made ratably on a per share basis among the holders of the Class A Common Stock and Class B Common Stock as a single class; *provided, however*, that shares of such classes may receive, or have the right to elect to receive, different or disproportionate consideration in connection with such consolidation, merger or other transaction if (a) the only difference in the per share consideration to the holders of the Class A Common Stock and Class B Common Stock is that any securities distributed to the holder of, or issuable upon the conversion of, a share of Class B Common Stock have ten (10) times the voting power of any securities distributed to the holder of, or issuable upon the conversion of, a share of Class A Common Stock or (b) such different or disproportionate consideration is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A Common Stock and Class B Common Stock, each voting separately as a class.

(2) Third-Party Tender or Exchange Offers. The Corporation may not enter into any agreement pursuant to which a third party may by tender or exchange offer acquire any shares of Class A Common Stock or Class B Common Stock unless the holders of (a) the Class A Common Stock shall have the right to receive, or the right to elect to receive, the same form of consideration and the same amount of consideration on a per share basis as the holders of the Class B Common Stock would receive, or have the right to elect to receive, and (b) the Class B Common Stock shall have the right to receive, or the right to elect to receive, the same form of consideration and the same amount of consideration on a per share basis as the holders of the Class A Common Stock would receive, or have the right to elect to receive; *provided, however*, that shares of such classes may receive, or have the right to elect to receive, different or disproportionate consideration in connection with such tender or exchange offer if (a) the only difference in the per share consideration to the holders of the Class A Common Stock and Class B Common Stock is that any securities exchanged for a share of Class B Common Stock have ten (10) times the voting power of any securities exchanged for a share of Class A Common Stock or (b) such different or disproportionate consideration is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A Common Stock and Class B Common Stock, each voting separately as a class.

(g) Special Approval Rights. Notwithstanding any other provision of this Certificate of Incorporation, so long as any shares of Class B Common Stock remain outstanding, the Corporation shall not, and shall cause all direct or indirect subsidiaries of the Corporation to not, take any of the following actions (whether by merger, consolidation or otherwise) without the prior affirmative vote of the holders of a majority of the outstanding shares of Class B Common Stock, voting as a separate class:

(1) Amend or modify this Certificate of Incorporation, the Bylaws, or any other Organizational Documents of the Corporation in a manner adverse to the holders of Class B Common Stock; or

(2) a Change of Control Transaction.

(h) Conversion.

(1) Optional Conversion of Class B Common Stock. Each share of Class B Common Stock shall be convertible into one (1) fully paid and nonassessable share of Class A Common Stock at the option of the holder thereof at any time upon written notice to the Corporation (an “Optional Class B Conversion Event”). Before any holder of Class B Common Stock shall be entitled to convert any shares of Class B Common Stock into shares of Class A Common Stock pursuant to this Section 2(h)(1), such holder shall surrender the certificate or certificates therefor (if any), duly endorsed, at the principal corporate office of the Corporation or of any transfer agent for the Class B Common Stock, and shall provide written notice to the Corporation at its principal corporate office, of such conversion election and shall state therein the name or names (i) in which the certificate or certificates representing the shares of Class A Common Stock into which the shares of Class B Common Stock are so converted are to be issued (if such shares of Class A Common Stock are certificated) or (ii) in which such shares of Class A Common Stock are to be registered in book-entry form (if such shares of Class A Common Stock are uncertificated). If the shares of Class A Common Stock into which the shares of Class B Common Stock are to be converted are to be issued in a name or names other than the name of the holder of the shares of Class B Common Stock being converted, such notice shall be accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the holder. The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder, or to the nominee or nominees of such holder, a certificate or certificates representing the number of shares of Class A Common Stock to which such holder shall be entitled upon such conversion (if such shares of Class A Common Stock are certificated) or shall register such shares of Class A Common Stock in book-entry form (if such shares of Class A Common Stock are uncertificated). Any conversion made pursuant to this Section 2(h)(1) shall be deemed to be effective immediately prior to the close of business on the date of such surrender of the shares of Class B Common Stock to be converted following or contemporaneously with the provision of written notice of such conversion election as required by this Section 2(h)(1) (the “Optional Conversion Effective Time”), the shares of Class A Common Stock issuable upon such conversion shall be deemed to be outstanding as of the Optional Conversion Effective Time, and the Person or Persons entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be deemed to be the record holder or holders of such shares of Class A Common Stock as of the Optional Conversion Effective Time. Notwithstanding anything herein to the contrary, shares of Class B Common Stock represented by a lost, stolen or destroyed stock certificate may be converted pursuant to an Optional Class B Conversion Event if the holder thereof notifies the Corporation or its transfer agent that such certificate has been lost, stolen or destroyed and makes an affidavit of that fact acceptable to the Corporation and executes an agreement acceptable to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificate. Each share of Class B Common Stock that is converted pursuant to this Section 2(h)(1) shall thereupon automatically be retired and shall not be available for reissuance.

(2) Automatic Conversion of Class B Common Stock. Each share of Class B Common Stock shall automatically convert into one (1) fully paid and nonassessable share of Class A Common Stock upon the occurrence of an event described below (a “Mandatory Class B Conversion Event”):

(A) Transfers; Grants of Voting Control. Each share of Class B Common Stock shall automatically, without further action by the Corporation or the holder thereof, convert into one (1) fully paid and nonassessable share of Class A Common Stock upon (i) the occurrence of a Transfer, other than a Permitted Transfer, of such share of Class B Common Stock; or (ii) the grant by a Qualified Stockholder of Voting Control to any Person other than a Qualified Person, a trustee of a Qualified Trust, or an Applicable Proxy.

(B) Reduction in Voting Power. Each outstanding share of Class B Common Stock shall automatically, without further action by the Corporation or the holder thereof, convert into one (1) fully paid and nonassessable share of Class A Common Stock upon the first date on which the voting power of all then-outstanding shares of Class B Common Stock represents less than ten percent (10%) of the combined voting power of all then-outstanding shares of Common Stock.

(C) Affirmative Vote. Each outstanding share of Class B Common Stock shall automatically, without further action by the Corporation or the holder thereof, convert into one (1) fully paid and nonassessable share of Class A Common Stock upon the date specified by the holders of at least seventy-five percent (75%) of the then outstanding shares of Class B Common Stock, voting as a separate class.

(3) Certificates. Each outstanding stock certificate (if shares are in certificated form) that, immediately prior to the occurrence of a Mandatory Class B Conversion Event, represented one or more shares of Class B Common Stock subject to such Mandatory Class B Conversion Event shall, upon such Mandatory Class B Conversion Event, be deemed to represent an equal number of shares of Class A Common Stock, without the need for surrender or exchange thereof. The Corporation shall, upon the request of any holder whose shares of Class B Common Stock have been converted into shares of Class A Common Stock as a result of a Mandatory Class B Conversion Event and upon surrender by such holder to the Corporation of the outstanding certificate(s) formerly representing such holder’s shares of Class B Common Stock, if any (or, in the case of any lost, stolen or destroyed certificate, upon such holder providing an affidavit of that fact acceptable to the Corporation and executing an agreement acceptable to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificate), issue and deliver to such holder certificate(s) representing the shares of Class A Common Stock into which such holder’s shares of Class B Common Stock were converted as a result of such Mandatory Class B Conversion Event (if such shares are certificated) or, if such shares are uncertificated, register such shares in book-entry form. Each share of Class B Common Stock that is converted pursuant to this Section 2(h)(3) shall thereupon automatically be retired and shall not be available for reissuance.

(4) Policies and Procedures. The Corporation may, from time to time, establish such policies and procedures, not in violation of applicable law or the other provisions of this Certificate of Incorporation or the Bylaws, relating to the conversion of the Class B Common Stock into Class A Common Stock, as it may deem necessary or advisable in connection therewith. If the Corporation has reason to believe that a Transfer, an Optional Class B Conversion Event or Mandatory Class B Conversion Event giving rise to a conversion of shares of Class B Common Stock into Class A Common Stock has occurred but has not theretofore been reflected on the books of the Corporation (or in book-entry as maintained by the transfer agent of the Corporation), the Corporation may request that the holder of such shares furnish affidavits or other evidence to the Corporation as the Corporation deems necessary to determine whether a conversion of shares of Class B Common Stock to Class A Common Stock has occurred, and if such holder does not within ten (10) days after the date of such request furnish sufficient evidence to the Corporation (in the manner provided in the request) to enable the Corporation to determine that no such conversion has occurred, any such shares of Class B Common Stock, to the extent not previously converted, shall be automatically converted into shares of Class A Common Stock and the same shall thereupon be registered on the books and records of the Corporation (or in book-entry as maintained by the transfer agent of the Corporation). In connection with any action of stockholders taken at a meeting, the stock ledger of the Corporation (or in book-entry as maintained by the transfer agent of the Corporation) shall be presumptive evidence as to who are the stockholders entitled to vote in person or by proxy at any meeting of stockholders and the class or classes or series of shares held by each such stockholder and the number of shares of each class or classes or series held by such stockholder.

(i) Reservation of Stock. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Class A Common Stock, solely for the purpose of effecting the conversion of the shares of Class B Common Stock, such number of shares of Class A Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Class B Common Stock into shares of Class A Common Stock.

(j) Protective Provision. The Corporation shall not, whether by merger, consolidation or otherwise, amend, alter, repeal or waive any provision of Section 2 of this Article IV (or adopt any provision inconsistent therewith), unless such action is first approved by the affirmative vote (or written consent) of the holders of a majority of the then-outstanding shares of Class B Common Stock, voting as a separate class, in addition to any other vote required by applicable law, this Certificate of Incorporation or the Bylaws.

(k) Definitions. For purposes of this Article IV:

(1) “2001 Trust” means each of (i) those two separate and distinct trusts for the respective primary benefit of Antoinette R. Radcliffe and Kailey A. Radcliffe under The Trust of Amanda W. Radcliffe dated October 5, 2001, and that certain trust known as the “Third Party Funded Special Needs Trust for Callum W. Radcliffe” dated May 15, 2015, (ii) those three separate and distinct trusts for the respective primary benefit of Anne Marie Westphal, Kyle R. Westphal and Jacob J. Westphal under The Trust of Jeffrey R. Westphal dated October 5, 2001, and (iii) those four separate and distinct trusts for the respective primary benefit of Andrea P. Schmerin (f/k/a Andrea P. Lucas), Melanie H. Lucas, Mackenzie S. Lucas and Samantha W. Lucas under The Trust of Stefanie W. Lucas dated October 5, 2001.

(2) “2009 Trust” means each of (i) The Amanda W. Radcliffe Generation-Skipping Trust, (ii) The 2009 Jeffrey R. Westphal Generation-Skipping Trust and (iii) The 2009 Stefanie W. Lucas Generation-Skipping Trust.

(3) “Applicable Proxy” means the President of the Corporation and any other person designated by the Board, and each of them, whom a holder of Class B Common Stock (a “Class B Stockholder”) has constituted and appointed as such Class B Stockholder’s true and lawful proxy and attorney-in-fact, with full power of substitution, to represent and vote all of such Class B Stockholder’s shares of Common Stock in accordance with the obligations of such Class B Stockholder to vote such Class B Stockholder’s shares of Common Stock pursuant to an agreement entered into with the Corporation and other Class B Stockholders (the “Voting Obligations”), so long as:

(A) the Applicable Proxy may exercise the irrevocable proxy granted to it at any time any Class B Stockholder fails to vote (including by failing to cause such Class B Stockholder’s shares to be present at the meeting) or attempts to vote (whether by proxy, in person or by written consent) in a manner that does not comply with the Voting Obligations;

(B) the proxies and powers granted by such Class B Stockholder to the Applicable Proxy shall be irrevocable until the termination of the agreement to which the Voting Obligations relate and shall, to the fullest extent permitted by law, survive the death, incompetency and disability of each such Class B Stockholder who is an individual and the existence of each such Class B Stockholder that is a trust or other entity; and

(C) the Applicable Proxy may not use such irrevocable proxy unless a Class B Stockholder fails to vote (including by failing to cause such Class B Stockholder’s shares to be present at the meeting) or attempts to vote (whether by proxy, in person or by written consent) in a manner that does not comply with the Voting Obligations and, to the extent the Applicable Proxy uses such irrevocable proxy, it will only vote such Class B Stockholder’s shares of Common Stock with respect to the matters specified in, and in accordance with the provisions of the Voting Obligations.

(4) “Business Day” means any day other than a Saturday, Sunday or other day in the City of New York on which banking institutions are authorized or required by applicable law or regulations to close.

(5) “Change of Control Transaction” means (i) the sale, lease, exchange, or other disposition (other than liens and encumbrances created in the ordinary course of business, including liens or encumbrances to secure indebtedness for borrowed money that are approved by the Board, so long as no foreclosure occurs in respect of any such lien or encumbrance) of all or substantially all of the Corporation’s property and assets (which shall for such purpose include the property and assets of any direct or indirect subsidiary of the Corporation), *provided* that any sale, lease, exchange or other disposition of property or assets exclusively between or among the Corporation and any direct or indirect subsidiary or subsidiaries of the Corporation shall not be deemed a “Change of Control Transaction”; (ii) the sale, lease, exchange, or other disposition (other than liens and encumbrances created in the ordinary course of business, including liens or encumbrances to secure indebtedness for borrowed money that are approved by the Board, so long as no foreclosure occurs in respect of any such lien or encumbrance) of assets of the Corporation (which shall for such purpose include the property and assets of any direct or indirect subsidiary of the Corporation) that generated at least fifty percent (50%) of the consolidated annual revenues of the Corporation and its direct and indirect subsidiaries, taken as a whole, as of the most recent audited annual income statement preceding the execution and delivery of an agreement to effect such sale, lease, exchange or other disposition; (iii) the merger, consolidation, business combination, or other similar transaction of the Corporation with any other entity, other than a merger, consolidation, business combination, or other similar transaction that would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its Parent) more than fifty percent (50%) of the total voting power represented by the voting securities of the Corporation (or of the surviving entity, or in the case that the Corporation or the surviving entity is a wholly owned subsidiary following the transaction, of its ultimate Parent) and more than fifty percent (50%) of the total number of outstanding shares of the Corporation’s (or the surviving entity’s, or in the case that the Corporation or the surviving entity is a wholly owned subsidiary following the transaction, of the ultimate Parent’s) capital stock, in each case as outstanding immediately after such merger, consolidation, business combination, or other similar transaction, and the stockholders of the Corporation immediately prior to the merger, consolidation, business combination, or other similar transaction continuing to own voting securities of the Corporation, the surviving entity or its Parent immediately following the merger, consolidation, business combination, or other similar transaction in substantially the same proportions (*vis a vis* each other) as such stockholders owned of the voting securities of the Corporation immediately prior to the transaction; and (iv) a recapitalization, liquidation, dissolution, or other similar transaction involving the Corporation or any of its subsidiaries.

(6) “Family Member” means, for any individual, (i) a lineal descendant of such individual by blood or adoption (a “Descendant”), (ii) any spouse or widow or widower of such Descendant (but not a divorced former spouse or a spouse from whom such Descendant currently is, or at the time of his or her death was, legally separated) or (iii) any stepchild or lineal descendant by blood or adoption of a stepchild of such Descendant. Notwithstanding the foregoing, an adopted person whose adoption did not either occur during the adopted person’s minority or reflect an earlier parent-child relationship with the adopting parent that had existed during the adopted person’s minority, shall not be treated as the child of his or her adopted parent, and such adopted person and his or her lineal descendants shall not be treated as the lineal descendants of the adopted parent or of any ancestor of the adopted parent.

(7) “Fiduciary” means a Person who (a) is an executor, personal representative, administrator, trustee, manager, managing member, general partner, director, officer or any other agent of a Person and (b) manages, controls or otherwise has decision-making authority with respect to such Person.

(8) “Founder” means Amanda W. Radcliffe, Jeffrey R. Westphal, or Stefanie W. Thompson (formerly known as Stefanie W. Lucas).

(9) “Founder Qualified Stockholder” means a Qualified Stockholder who is also a Founder.

(10) “IPO Date” means the date of the consummation of the Corporation’s initial public offering of shares of its Class A Common Stock.

(11) “Liquidation Event” means any liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, or any Change of Control Transaction.

(12) “Organizational Documents” means, with respect to any Person (other than an individual), (a) the certificate or articles of association or incorporation or organization or limited partnership or limited liability company, and any joint venture, limited liability company, operating or partnership agreement and other similar documents adopted or filed in connection with the creation, formation or organization of such Person and (b) all bylaws, regulations and similar documents or agreements relating to the organization or governance of such Person, in each case, as amended or supplemented.

(13) “Parent” of an entity means any entity that directly or indirectly owns or controls a majority of the voting power of the voting securities of such entity.

(14) “Permitted Entity” means with respect to a Qualified Stockholder:

(A) a Qualified Trust;

(B) a Qualified Foundation;

(C) any general partnership, limited partnership, limited liability company, corporation, public benefit corporation or other entity exclusively owned by (i) one or more Qualified Stockholders, (ii) one or more Family Members of such Qualified Stockholders and/or (iii) any other Permitted Entity of such Qualified Stockholders; or

(D) the estate of a Qualified Stockholder upon the death of such Qualified Stockholder, including the executor or personal representative of such estate to the extent the executor or personal representative is acting in the capacity of executor or personal representative of such estate;

Except as explicitly provided for herein, a Permitted Entity of a Qualified Stockholder shall not cease to be a Permitted Entity of that Qualified Stockholder solely by reason of the death of that Qualified Stockholder.

(15) “Permitted Transfer” means, and is restricted to, any Transfer of a share of Class B Common Stock:

(A) by a Qualified Stockholder (or, in the case of a deceased Founder Qualified Stockholder, the executor or personal representative of the estate of such deceased Founder Qualified Stockholder) to (i) any other Qualified Stockholder or (ii) any Qualified Extended Family Member;

(B) by a Qualified Stockholder (or, in the case of a deceased Founder Qualified Stockholder, the executor or personal representative of the estate of such deceased Founder Qualified Stockholder) to any Permitted Entity of such Qualified Stockholder or of a Qualified Extended Family Member, *so long as* Voting Control over such shares is exercised by (i) such Qualified Stockholder, (ii) a Founder or Qualified Extended Family Member, (iii) a trustee of a Qualified Trust, or (iv) a Fiduciary of such Permitted Entity who is selected by such Qualified Stockholder, and whom such Qualified Stockholder has the power to remove and replace with another Fiduciary selected by such Qualified Stockholder;

(C) by a Permitted Entity of a Qualified Stockholder (or, in the case of a deceased Founder Qualified Stockholder, the executor or personal representative of the estate of such deceased Founder Qualified Stockholder) to (i) such Qualified Stockholder or one or more Qualified Extended Family Members, (ii) any other Permitted Entity of such Qualified Stockholder or (iii) any Permitted Entity of a Qualified Extended Family Member;

(D) to a broker or other nominee; *provided* that the transferor, immediately following such Transfer, retains (i) Voting Control, (ii) control over the disposition of such shares, and (iii) the economic consequences of ownership of such shares; or

(E) approved in advance by the Board, or a duly authorized committee of the Board, upon a determination that such Transfer is consistent with the purposes of the foregoing provisions of this definition of “Permitted Transfer.”

For the avoidance of doubt, (i) the direct Transfer of any share or shares of Class B Common Stock by a holder thereof to any other Person shall qualify as a “Permitted Transfer” within the meaning of this Section, if such Transfer could have been completed indirectly through one or more transactions involving more than one Transfer, so long as each Transfer in such transaction or transactions would otherwise have qualified as a “Permitted Transfer” within the meaning of this Section; and (ii) each of the foregoing clauses (A) through (E) constitutes a “Permitted Transfer” within the meaning of this Section without regard to any other clause of this Section (or any requirement of, or proviso in, any such clause) as may be applicable to such Transfer.

- (16) “Permitted Transferee” means a transferee of shares of Class B Common Stock received in a Permitted Transfer.
- (17) “Person” means any individual, partnership, corporation, limited liability company, association, trust, estate, or other entity.
- (18) “Qualified Foundation” means any foundation that is primarily for the benefit of one or more Qualified Persons.
- (19) “Qualified Extended Family Member” means a Family Member of Rainer J. Westphal.
- (20) “Qualified Person” means (i) Rainer J. Westphal, (ii) a Founder, or (iii) any Qualified Extended Family Member.
- (21) “Qualified Stockholder” means:
- (A) any registered holder of a share of Class B Common Stock as of 11:59 p.m. Eastern Time on the IPO Date;
 - (B) the initial record holder of any shares of Class B Common Stock that are originally issued by the Corporation after the IPO Date upon the approval of the Board or the Compensation Committee of the Board;
 - (C) each natural Person who Transferred shares of or equity awards for Class B Common Stock (including any option or warrant exercisable or convertible into, or any RSU or restricted stock that can be settled in shares of, Class B Common Stock) to a Permitted Entity;
 - (D) any Qualified Person; and
 - (E) any Permitted Transferee.
- (22) “Qualified Trust” means each 2009 Trust, each 2001 Trust and any other trust that (i) is primarily for the benefit of one or more Qualified Persons, and (ii) as to which no person other than a Qualified Person or another Qualified Trust is currently eligible or entitled to receive any distribution of income or principal from the trust. For avoidance of doubt, the mere possibility that, by reason of exercise of a power of appointment granted in the governing instrument or otherwise, Persons other than Qualified Persons or other Qualified Trusts might at some future date become eligible or entitled to receive distributions of income or principal from the trust shall not prevent a trust from being considered a Qualified Trust.
- (23) “Transfer” means any sale, exchange, gift, bequest, pledge, hypothecation, encumbrance, descent or distribution pursuant to intestacy laws or other operation of law, or any other direct or indirect disposition of Class B Common Stock which would change the legal or beneficial ownership thereof, including without limitation the creation of any form of common or joint ownership in Class B Common Stock between a holder of Class B Common Stock and one or more Persons. A Transfer shall also be deemed to have occurred with respect to a share of Class B Common Stock beneficially held by (x) an entity that is a Permitted Entity if there occurs any act or circumstance that causes such entity to no longer be a Permitted Entity or (y) an entity that is a Qualified Stockholder if there occurs a Transfer on a cumulative basis, from and after the IPO Date, of a majority of the voting power of the voting securities of such entity or any direct or indirect Parent of such entity. In addition, for the avoidance of doubt, a Transfer shall be deemed to have occurred if a holder that is a partnership, limited partnership, limited liability company or corporation distributes or otherwise transfers its shares of Class B Common Stock to its partners, stockholders, members or other equity owners. Notwithstanding the foregoing, none of the following (individually or in combination) shall be considered a Transfer:

(A) the granting of a revocable proxy to (i) an officer or director of the Corporation at the request of the Board in connection with actions to be taken at an annual or special meeting of stockholders or any other action of the stockholders permitted by this Certificate of Incorporation; (ii) a Qualified Person or (iii) the trustee of a Qualified Trust;

(B) the granting of a proxy to an Applicable Proxy;

(C) entering into a voting trust, agreement or arrangement (with or without granting a proxy) solely with stockholders who are holders of Class B Common Stock, which voting trust, agreement or arrangement does not involve any payment of cash, securities or other property to the holder of the shares subject thereto other than the mutual promise to vote shares in a designated manner; for the avoidance of doubt, any voting trust, agreement or arrangement entered into prior to the IPO Date shall not constitute a Transfer;

(D) the assignment, pledging, hypothecation or encumbrance (“Pledge”) by a holder of Class B Common Stock (the “Pledging Stockholder”) of shares of Class B Common Stock (the “Pledged Interest”) to an individual or entity (the “Pledgee”) for the purpose of securing the obligation of the Pledging Stockholder or any other Person to repay a loan or to render any other performance, so long as the Pledging Stockholder continues to exercise Voting Control over the Pledged Interest; *provided* that (i) no Pledge nor any related loan, obligation or other performance shall be conditioned upon or in any way related to the financial performance or position of the Corporation, or require a guarantee or other form of support by the Corporation or any other holder of Class B Common Stock, (ii) no Pledging Stockholder shall engage in any transaction (including a Pledge) with the Pledgee without first providing the Corporation with five (5) Business Days’ prior notice of the proposed transaction with the Pledgee, and (iii) no Pledging Stockholder shall engage in any transaction (including a Pledge) with the Pledgee without first entering into an agreement (the “Pledge Agreement”) with the Pledgee that expressly requires that, should the Pledgee desire and if the Pledge Agreement otherwise permits, the Pledgee may take for itself or Transfer to any Person other than the Pledging Stockholder the title to the Pledged Interest only if, prior to so taking or Transferring the Pledged Interest, the Pledgee shall allow the Corporation or one or more holders of Class B Common Stock to assume the Pledging Stockholder’s obligations under the Pledge Agreement; *provided, further*, that a foreclosure on the Pledged Interest or other similar action by the Pledgee shall constitute a “Transfer” unless such foreclosure or similar action qualifies as a Permitted Transfer at such time;

(E) any change in the trustee(s) or the Person(s) and/or entity(ies) having or exercising Voting Control over shares of Class B Common Stock of a Permitted Entity, *provided* that following such change such Permitted Entity continues to be a Permitted Entity and a Founder, a Family Member of such Founder or a trustee of a Qualified Trust continues to have Voting Control over the shares of Class B Common Stock held by such Permitted Entity;

(F) the Transfer of Class B Common Stock pursuant to the terms of a planned trading program effected pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, that has been approved by at least a majority of the disinterest members of (i) the Board or (ii) a committee of the Board authorized to take such action; *provided, however*, that a sale of such shares of Class B Common Stock pursuant to such plan shall constitute a “Transfer” at the time of such sale;

(G) in connection with a Change of Control Transaction that has been approved by the Board, (1) the entering into a support, voting, tender or similar agreement or arrangement (with or without a proxy), (2) the granting of any proxy and/or (3) the tendering of any shares in any tender or exchange offer for all of the outstanding shares of Class A Common Stock and Class B Common Stock, in each case that has also been approved by the Board;

(H) due to the fact that the spouse of any holder of shares of Class B Common Stock possesses or obtains an interest in such holder’s shares of Class B Common Stock arising solely by reason of the application of the community property laws of any jurisdiction, so long as no other event or circumstance shall exist or have occurred that constitutes a “Transfer” of such shares of Class B Common Stock; *provided* that any transfer of shares by any holder of shares of Class B Common Stock to such holder’s spouse, including a transfer in connection with a divorce proceeding, domestic relations order or similar legal requirement, shall constitute a “Transfer” of such shares of Class B Common Stock unless otherwise exempt from the definition of Transfer; and/or

(I) in connection with a Liquidation Event that has been approved by the Board, the entering into a support, voting, tender or similar agreement, arrangement or understanding (with or without granting a proxy) or consummating the actions or transactions contemplated therein (including, without limitation, tendering shares of Class B Common Stock in connection with a Liquidation Event, the consummation of a Liquidation Event or the sale, assignment, transfer, conveyance, hypothecation or other transfer or disposition of shares of Class B Common Stock or any legal or beneficial interest in shares of Class B Common Stock in connection with a Liquidation Event), in each case that has also been approved by the Board.

(24) “**Voting Control**” means, with respect to a share of Class B Common Stock, the power (whether exclusive or shared) to vote or direct the voting of such share by proxy, voting agreement or otherwise. Notwithstanding the foregoing, none of the following (individually or in combination) shall be considered a grant of Voting Control:

(A) the granting of a revocable proxy to (1) an officer or director of the Corporation at the request of the Board in connection with actions to be taken at an annual or special meeting of stockholders or any other action of the stockholders permitted by this Certificate of Incorporation, (2) a Qualified Person or, (3) the trustee of a Qualified Trust;

(B) the granting of a proxy to an Applicable Proxy;

(C) entering into a voting trust, agreement or arrangement (with or without granting a proxy) solely with stockholders who are holders of Class B Common Stock, which voting trust, agreement or arrangement does not involve any payment of cash, securities or other property to the holder of the shares subject thereto other than the mutual promise to vote shares in a designated manner;

(D) the Pledge by a Pledging Stockholder of Pledged Interest to a Pledgee for the purpose of securing the obligation of the Pledging Stockholder or any other Person to repay a loan or to render any other performance, so long as the Pledging Stockholder continues to exercise Voting Control over the Pledged Interest; *provided* that (i) no Pledge nor any related loan, obligation or other performance shall be conditioned upon or in any way related to the financial performance or position of the Corporation, or require a guarantee or other form of support by the Corporation or any other holder of Class B Common Stock, (ii) no Pledging Stockholder shall engage in any transaction (including a Pledge) with the Pledgee without first providing the Corporation with five (5) Business Days’ prior notice of the proposed transaction with the Pledgee, and (iii) no Pledging Stockholder shall engage in any transaction (including a Pledge) with the Pledgee without first entering into a Pledge Agreement with the Pledgee that expressly requires that, should the Pledgee desire and if the Pledge Agreement otherwise permits, the Pledgee may take for itself or Transfer to any Person other than the Pledging Stockholder the title to the Pledged Interest only if, prior to so taking or Transferring the Pledged Interest, the Pledgee shall allow the Corporation or one or more holders of Class B Common Stock to assume the Pledging Stockholder’s obligations under the Pledge Agreement; *provided, further*, that a foreclosure on the Pledged Interest or other similar action by the Pledgee shall constitute a grant of Voting Control unless such foreclosure or similar action qualifies as a Permitted Transfer at such time;

(E) any change in the trustee(s) or the Person(s) and/or entity(ies) having or exercising Voting Control over shares of Class B Common Stock of a Permitted Entity, *provided* that following such change such Permitted Entity continues to be a Permitted Entity and a Founder, a Family Member of such Founder or a trustee of a Qualified Trust continues to have Voting Control over the shares of Class B Common Stock held by such Permitted Entity;

(F) the Transfer of Class B Common Stock pursuant to the terms of a planned trading program effected pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, that has been approved by at least a majority of the disinterest members of (i) the Board or (ii) a committee of the Board authorized to take such action; *provided, however*, that a sale of such shares of Class B Common Stock pursuant to such plan shall constitute a grant of Voting Control at the time of such sale;

(G) in connection with a Change of Control Transaction that has been approved by the Board, (1) the entering into a support, voting, tender or similar agreement or arrangement (with or without a proxy), (2) the granting of any proxy and/or (3) the tendering of any shares in any tender or exchange offer for all of the outstanding shares of Class A Common Stock and Class B Common Stock, in each case that has also been approved by the Board;

(H) due to the fact that the spouse of any holder of shares of Class B Common Stock possesses or obtains an interest in such holder's shares of Class B Common Stock arising solely by reason of the application of the community property laws of any jurisdiction, so long as no other event or circumstance shall exist or have occurred that constitutes a "Transfer" of such shares of Class B Common Stock; *provided* that any transfer of shares by any holder of shares of Class B Common Stock to such holder's spouse, including a transfer in connection with a divorce proceeding, domestic relations order or similar legal requirement, shall constitute a grant of Voting Control of such shares of Class B Common Stock unless otherwise exempt from constituting a grant of Voting Control; and/or

(I) in connection with a Liquidation Event that has been approved by the Board, the entering into a support, voting, tender or similar agreement, arrangement or understanding (with or without granting a proxy) or consummating the actions or transactions contemplated therein (including, without limitation, tendering shares of Class B Common Stock in connection with a Liquidation Event, the consummation of a Liquidation Event or the sale, assignment, transfer, conveyance, hypothecation or other transfer or disposition of shares of Class B Common Stock or any legal or beneficial interest in shares of Class B Common Stock in connection with a Liquidation Event), in each case that has also been approved by the Board.

Section 3. Preferred Stock

Preferred Stock may be issued from time to time in one or more series, each of such series to have such terms as stated or expressed herein and in the resolution or resolutions providing for the issue of such series adopted by the Board as hereinafter provided. Subject to the rights of the holders of any series of Preferred Stock and except as otherwise provided by law, any shares of Preferred Stock that may be redeemed, purchased or acquired by the Corporation may be reissued by the Corporation.

Authority is hereby expressly granted to the Board from time to time to issue the Preferred Stock in one or more series and in connection with the creation of any such series, by adopting a resolution or resolutions providing for the issuance of the shares thereof and by filing a certificate of designations relating thereto in accordance with the DGCL, to determine and fix the number of shares of such series and such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including without limitation thereof, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be stated and expressed in such resolutions, all to the full extent now or hereafter permitted by the DGCL. Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior, equal or junior to any other series of Preferred Stock to the extent permitted by law.

Section 4. Stock Split

Immediately upon the filing and effectiveness of this Certificate of Incorporation with the Secretary of State of the State of Delaware (the “Effective Time”), a forward stock split of the Common Stock shall become effective, pursuant to which each share of Class A Common Stock outstanding and held of record by each stockholder of the Corporation or held by the Corporation in treasury immediately prior to the Effective Time shall automatically and without further action on the part of the Corporation or any holder thereof be reclassified and changed into three (3) validly issued, fully paid and non-assessable shares of Class A Common Stock and each share of Class B Common Stock outstanding and held of record by each stockholder of the Corporation or held by the Corporation in treasury immediately prior to the Effective Time shall automatically and without further action on the part of the Corporation or any holder thereof be reclassified and changed into three (3) validly issued, fully paid and non-assessable shares of Class B Common Stock (the “Stock Split”). Each stock certificate representing shares of Class A Common Stock or Class B Common Stock that was issued prior to the Effective Time shall, after the Effective Time, automatically and without the necessity of presenting the same for exchange, be deemed to represent the number of shares of Class A Common Stock or Class B Common Stock, respectively, into which such shares were reclassified pursuant to the Stock Split, and the holders of record thereof shall be entitled to receive, upon surrender of such certificate to the Corporation, a new certificate evidencing and representing the applicable number of shares of Class A Common Stock or Class B Common Stock resulting from the Stock Split.

ARTICLE V

AMENDMENT OF THE CERTIFICATE OF INCORPORATION

The Corporation reserves the right to amend, alter, change, adopt or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation; *provided, however*, that notwithstanding any other provision of this Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of shares of any class or series of capital stock of the Corporation required by law or by this Certificate of Incorporation, the affirmative vote of the holders of a majority of the voting power of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal, or adopt any provision of this Certificate of Incorporation inconsistent with Articles IV, V, VI, VII, VIII, IX, X, XI and XII; *provided further*, that so long as any shares of Class B Common Stock remain outstanding, the Corporation shall not, without the prior affirmative vote of the holders of a majority of the outstanding shares of Class B Common Stock, voting as a separate class, in addition to any other vote required by applicable law or this Certificate of Incorporation, directly or indirectly, whether by amendment, or through merger, recapitalization, consolidation or otherwise amend, alter, change, repeal or adopt any provision of this Certificate of Incorporation (1) in a manner that is inconsistent with, or that otherwise alters or changes, any of the voting, conversion, dividend or liquidation provisions of the shares of Class B Common Stock or other rights, powers, preferences or privileges of the shares of Class B Common Stock; (2) to provide for each share of Class A Common Stock to have more than one (1) vote per share or any rights to a separate class vote of the holders of shares of Class A Common Stock other than as provided by this Certificate of Incorporation or required by the DGCL; or (3) to otherwise adversely impact the rights, powers, preferences or privileges of the shares of Class B Common Stock in a manner that is disparate from the manner in which it affects the rights, powers, preferences or privileges of the shares of Class A Common Stock; *provided further*, so long as any shares of Class A Common Stock remain outstanding, the Corporation shall not, without the prior affirmative vote of the holders of a majority of the outstanding shares of Class A Common Stock, voting as a separate class, in addition to any other vote required by applicable law or this Certificate of Incorporation, directly or indirectly, whether by amendment, or through merger, recapitalization, consolidation or otherwise amend, alter, change, repeal or adopt any provision of this Certificate of Incorporation to provide for each share of Class B Common Stock to have more than ten (10) votes per share or any rights to a separate class vote of the holders of shares of Class B Common Stock other than as provided by this Certificate of Incorporation or required by the DGCL. For the avoidance of doubt, nothing in the immediately preceding provisions shall limit the rights of the Board as specified in Section 3 of Article IV or in Article VI of this Certificate of Incorporation.

ARTICLE VI

AMENDMENT OF THE BYLAWS

In furtherance and not in limitation of the powers conferred upon it by the DGCL, the Board shall have the power to adopt, amend, alter or repeal the Bylaws. The stockholders shall also have the power to adopt, amend, alter or repeal the Bylaws; provided, however, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Certificate of Incorporation, such action by stockholders shall require the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE VII

CORPORATE OPPORTUNITIES

To the fullest extent permitted by law, the Corporation renounces any interest or expectancy of the Corporation pursuant to Section 122(17) of the DGCL in, or in being offered an opportunity to participate in, any Excluded Opportunity. An “Excluded Opportunity” is any matter, transaction, business opportunity or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, any director of the Corporation who is not an employee or officer of the Corporation or any of its subsidiaries (a “Covered Person”), unless such matter, transaction, business opportunity or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person’s capacity as a director of the Corporation.

ARTICLE VIII

BOARD OF DIRECTORS

Section 1. General Powers

The business and affairs of the Corporation shall be managed by or under the direction of the Board, except as otherwise provided by law.

Section 2. Number of Directors; Election of Directors

Subject to the rights of holders of any series of Preferred Stock to elect directors, the number of the directors of the Corporation shall be fixed from time to time by resolution of the Board.

Section 3. Classes of Directors

Subject to the rights of holders of any series of Preferred Stock to elect directors, the Board shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one third of the total number of directors constituting the entire Board. The Board is authorized to assign members of the Board already in office to Class I, Class II or Class III at the time such classification becomes effective.

Section 4. Terms of Office

Subject to the rights of holders of any series of Preferred Stock to elect directors, each director shall serve for a term ending on the date of the third annual meeting of stockholders following the annual meeting of stockholders at which such director was elected; *provided* that each director initially assigned to Class I shall serve for a term expiring at the Corporation's first annual meeting of stockholders held following the time at which the initial classification of the Board becomes effective; each director initially assigned to Class II shall serve for a term expiring at the Corporation's second annual meeting of stockholders held following the time at which the initial classification of the Board becomes effective; and each director initially assigned to Class III shall serve for a term expiring at the Corporation's third annual meeting of stockholders held following the time at which the initial classification of the Board becomes effective; *provided, further*, that the term of each director shall continue until the election and qualification of his or her successor and be subject to his or her earlier death, disqualification, resignation or removal.

Section 5. Vacancies

Subject to the rights of holders of any series of Preferred Stock, any newly created directorship that results from an increase in the number of directors or any vacancy on the Board that results from the death, resignation, disqualification or removal of any director or from any other cause shall be filled solely by the affirmative vote of a majority of the total number of directors then in office, even if less than a quorum, or by a sole remaining director and shall not be filled by the stockholders. Any director elected to fill a newly created directorship or vacancy in accordance with the preceding sentence shall hold office until the next annual meeting of stockholders held to elect the class of directors to which such director is elected and until his or her successor shall be elected and qualified, subject to his or her earlier death, disqualification, resignation or removal.

Section 6. Removal

Subject to the rights of the holders of any series of Preferred Stock, (i) for so long as the holders of Class B Common Stock hold at least a majority of the voting power of the outstanding shares of Common Stock of the Corporation, any director or the entire Board may be removed from office at any time, with or without cause, by the holders of a majority in voting power of the shares of capital stock of the Corporation then entitled to vote at an election of directors and (ii) if the holders of Class B Common Stock no longer hold at least a majority of the voting power of the outstanding shares of Common Stock of the Corporation, any director or the entire Board may be removed from office at any time, but only for cause, by the holders of a majority in voting power of the shares of capital stock of the Corporation then entitled to vote at an election of directors.

Section 7. Committees

Pursuant to the Bylaws of the Corporation, the Board may establish one or more committees to which may be delegated any or all of the powers and duties of the Board to the full extent permitted by law.

Section 8. Stockholder Nominations and Introduction of Business.

Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders before a meeting of stockholders shall be given in the manner provided by the Bylaws.

Section 9. Preferred Stock Directors.

During any period when the holders of any series of Preferred Stock have the right to elect additional directors as provided for or fixed pursuant to the provisions of Article IV hereof or any certificate of designation of any series of Preferred Stock, then upon commencement and for the duration of the period during which such right continues: (i) the then otherwise total number of authorized directors of the Corporation shall automatically be increased by such specified number of directors, and the holders of such Preferred Stock shall be entitled to elect the additional directors so provided for or fixed pursuant to said provisions, and (ii) each such additional director shall serve until such director's successor shall have been duly elected and qualified, or until such director's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his earlier death, disqualification, resignation or removal. Except as otherwise provided for or fixed pursuant to the provisions of Article IV hereof or any certificate of designation of any series of Preferred Stock, whenever the holders of any series of Preferred Stock having such right to elect additional directors are divested of such right pursuant to the provisions of such stock, all such additional directors elected by the holders of such stock, or elected or appointed to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional directors shall automatically cease to be qualified as directors, the terms of office of all such directors shall forthwith terminate and the total authorized number of directors of the Corporation shall be reduced accordingly.

ARTICLE IX

ELECTION OF DIRECTORS

Unless and except to the extent that the Bylaws shall so require, the election of directors of the Corporation need not be by written ballot.

ARTICLE X

LIMITATION OF DIRECTOR LIABILITY

To the fullest extent permitted by the DGCL as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; *provided, however*, that nothing contained in this Article X shall eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to the provisions of Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. No amendment, repeal or modification of this Article X shall apply to or have any adverse effect on any right or protection of, or any limitation of the liability of, a director of the Corporation existing at the time of such amendment, repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

ARTICLE XI

INDEMNIFICATION

The Corporation may indemnify, and advance expenses to, to the fullest extent permitted by law, any person who was or is a party to or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

ARTICLE XII

CONSENT OF STOCKHOLDERS IN LIEU OF MEETING

Subject to the terms of any series of Preferred Stock, (i) for so long as the holders of shares of Class B Common Stock hold at least a majority of the voting power of the outstanding shares of the Common Stock of the Corporation, any action required or permitted to be taken by the stockholders of the Corporation may be effected by consent in lieu of a meeting and (ii) if the holders of shares of Class B Common Stock no longer hold at least a majority of the voting power of the outstanding shares of the Common Stock of the Corporation, any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of the stockholders and may not be effected by consent in lieu of a meeting.

ARTICLE XIII

SPECIAL MEETING OF STOCKHOLDERS

Special meetings of stockholders for any purpose or purposes may be called at any time by (i) the Board, (ii) the Chairman of the Board, (iii) the Chief Executive Officer of the Corporation or (iv) for so long as any shares of Class B Common Stock remain outstanding, the holders of at least one third (1/3) of the outstanding shares of Class B Common Stock. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

ARTICLE XIV

SECTION 203

The Corporation shall not be governed by Section 203 of the DGCL (or any successor provision thereto) ("Section 203"), and the restrictions contained in Section 203 shall not apply to the Corporation, until immediately following the time at which both of the following conditions exist (if ever): (a) Section 203 by its terms would, but for the provisions of this Article XIV, apply to the Corporation; and (b) no holder of Class B Common Stock owns (as defined in Section 203) shares of capital stock of the Corporation representing at least fifteen percent (15%) of the voting power of all the then outstanding shares of capital stock of the Corporation, and the Corporation shall thereafter be governed by Section 203 if and for so long as Section 203 by its terms shall apply to the Corporation.

ARTICLE XV

FORUM SELECTION

Unless the Corporation consents in writing to the selection of an alternative forum, (A) the Court of Chancery (the "Chancery Court") of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (1) any derivative action or proceeding brought on behalf of the Corporation, (2) any action asserting a claim of breach of a fiduciary duty owed by, or any other wrongdoing by, any current or former director, officer, other employee or stockholder of the Corporation, (3) any action asserting a claim against the Corporation arising pursuant to any provision of the DGCL, this Certificate of Incorporation or the Bylaws or as to which the DGCL confers jurisdiction on the Chancery Court or (4) any action asserting a claim governed by the internal affairs doctrine, and (B) the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended. If any action the subject matter of which is within the scope of the preceding sentence is filed in a court other than a court located within the State of Delaware (a "Foreign Action") in the name of any stockholder, such stockholder shall, to the fullest extent permitted by applicable law, be deemed to have consented to (a) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the preceding sentence and (b) having service of process made upon such stockholder in any such action by service upon such stockholder's counsel in the Foreign Action as agent for such stockholder. This provision will not apply to claims arising under the Securities Exchange Act of 1934, as amended,. Any Person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XV.

* * *

IN WITNESS WHEREOF, this Certificate of Incorporation has been executed this 28 day of July, 2020.

VERTEX, INC.

By: /s/ DAVID DEStEFANO

Name: David DeStefano

Title: President, Chief Executive Officer and Chairperson

[Signature Page to Amended and Restated Certificate of Incorporation]

Amended and Restated Bylaws of
Vertex, Inc.
(a Delaware corporation)

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**Amended and Restated Bylaws of
Vertex, Inc.**

Article I - Corporate Offices

1.1 Registered Office.

The address of the registered office of Vertex, Inc. (the "Corporation") in the State of Delaware, and the name of its registered agent at such address, shall be as set forth in the Corporation's certificate of incorporation, as the same may be amended and/or restated from time to time (the "Certificate of Incorporation").

1.2 Other Offices.

The Corporation may have additional offices at any place or places, within or outside the State of Delaware, as the Corporation's board of directors (the "Board") may from time to time establish or as the business of the Corporation may require.

Article II - Meetings of Stockholders

2.1 Place of Meetings.

Meetings of stockholders shall be held at any place within or outside the State of Delaware, designated by the Board. The Board may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the General Corporation Law of the State of Delaware (the "DGCL"). In the absence of any such designation or determination, stockholders' meetings shall be held at the Corporation's principal executive office.

2.2 Annual Meeting.

The Board shall designate the date and time of the annual meeting. At the annual meeting, directors shall be elected and other proper business properly brought before the meeting in accordance with Section 2.4 of these Bylaws may be transacted. The Board may postpone, reschedule or cancel any previously scheduled annual meeting of stockholders.

2.3 Special Meeting.

Special meetings of the stockholders may be called only by such persons and only in such manner as set forth in the Certificate of Incorporation.

No business may be transacted at any special meeting of stockholders other than the business specified in the notice of such meeting. The Board may postpone, reschedule or cancel any previously scheduled special meeting of stockholders.

2.4 Notice of Business to be Brought before a Meeting.

(a) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in a notice of meeting given by or at the direction of the Board of Directors, (ii) if not specified in a notice of meeting, otherwise brought before the meeting by the Board of Directors or (iii) otherwise properly brought before the meeting by a stockholder present in person who (A) (1) was a record owner of shares of the Corporation both at the time of giving the notice provided for in this Section 2.4 and at the time of the meeting, (2) is entitled to vote at the meeting, and (3) has complied with this Section 2.4 in all applicable respects or (B) properly made such proposal in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the “*Exchange Act*”). The foregoing clause (iii) shall be the exclusive means for a stockholder to propose business to be brought before an annual meeting of the stockholders. The only matters that may be brought before a special meeting are the matters specified in the notice of meeting given by or at the direction of the person calling the meeting pursuant to Section 2.6, and stockholders shall not be permitted to propose business to be brought before a special meeting of the stockholders. For purposes of this Section 2.4, “present in person” shall mean that the stockholder proposing that the business be brought before the annual meeting of the Corporation, or a qualified representative of such proposing stockholder, appear at such annual meeting. A “qualified representative” of such proposing stockholder shall be a duly authorized officer, manager or partner of such stockholder or any other person authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders. Stockholders seeking to nominate persons for election to the Board of Directors must comply with Section 2.5 and Section 2.6 and this Section 2.4 shall not be applicable to nominations except as expressly provided in Section 2.5 and Section 2.6.

(b) Without qualification, for business to be properly brought before an annual meeting by a stockholder, the stockholder must (i) provide Timely Notice (as defined below) thereof in writing and in proper form to the Secretary of the Corporation and (ii) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.4. To be timely, a stockholder’s notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the one-year anniversary of the preceding year’s annual meeting which, in the case of the first annual meeting of stockholders following the closing of the Corporation’s initial underwritten public offering of common stock, the date of the preceding year’s annual meeting shall be deemed to be July 31st; *provided, however*, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder to be timely must be so delivered, or mailed and received, not earlier than the one hundred twentieth (120th) day prior to such annual meeting and not later than the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public disclosure of the date of such annual meeting was first made by the Corporation (such notice within such time periods, “*Timely Notice*”). In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period (or extend any time period) for the giving of Timely Notice as described above.

(c) To be in proper form for purposes of this Section 2.4, a stockholder’s notice to the Secretary shall set forth:

(i) As to each Proposing Person (as defined below), (A) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the Corporation's books and records); and (B) the class or series and number of shares of the Corporation that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by such Proposing Person, except that such Proposing Person shall in all events be deemed to beneficially own any shares of any class or series of the Corporation as to which such Proposing Person has a right to acquire beneficial ownership at any time in the future (the disclosures to be made pursuant to the foregoing clauses (A) and (B) are referred to as "*Stockholder Information*");

(ii) As to each Proposing Person, (A) the full notional amount of any securities that, directly or indirectly, underlie any "derivative security" (as such term is defined in Rule 16a-1(c) under the Exchange Act) that constitutes a "call equivalent position" (as such term is defined in Rule 16a-1(b) under the Exchange Act) ("*Synthetic Equity Position*") and that is, directly or indirectly, held or maintained by such Proposing Person with respect to any shares of any class or series of shares of the Corporation; provided that, for the purposes of the definition of "Synthetic Equity Position," the term "derivative security" shall also include any security or instrument that would not otherwise constitute a "derivative security" as a result of any feature that would make any conversion, exercise or similar right or privilege of such security or instrument becoming determinable only at some future date or upon the happening of a future occurrence, in which case the determination of the amount of securities into which such security or instrument would be convertible or exercisable shall be made assuming that such security or instrument is immediately convertible or exercisable at the time of such determination; and, provided, further, that any Proposing Person satisfying the requirements of Rule 13d-1(b)(1) under the Exchange Act (other than a Proposing Person that so satisfies Rule 13d-1(b)(1) under the Exchange Act solely by reason of Rule 13d-1(b)(1)(ii)(E)) shall not be deemed to hold or maintain the notional amount of any securities that underlie a Synthetic Equity Position held by such Proposing Person as a hedge with respect to a bona fide derivatives trade or position of such Proposing Person arising in the ordinary course of such Proposing Person's business as a derivatives dealer, (B) any rights to dividends on the shares of any class or series of shares of the Corporation owned beneficially by such Proposing Person that are separated or separable from the underlying shares of the Corporation, (C) any material pending or threatened legal proceeding in which such Proposing Person is a party or material participant involving the Corporation or any of its officers or directors, or any affiliate of the Corporation, (D) any other material relationship between such Proposing Person, on the one hand, and the Corporation, any affiliate of the Corporation, on the other hand, (E) any direct or indirect material interest in any material contract or agreement of such Proposing Person with the Corporation or any affiliate of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), (F) a representation that such Proposing Person intends or is part of a group which intends to deliver a proxy statement or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or otherwise solicit proxies from stockholders in support of such proposal and (G) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (A) through (G) are referred to as "*Disclosable Interests*"); *provided, however*, that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner; and

(iii) As to each item of business that the stockholder proposes to bring before the annual meeting, (A) a brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of each Proposing Person, (B) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws, the language of the proposed amendment), and (C) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Proposing Persons or (y) between or among any Proposing Person and any other record or beneficial holder(s) or persons(s) who have a right to acquire beneficial ownership at any time in the future of the shares of any class or series of the Corporation or any other person or entity (including their names) in connection with the proposal of such business by such stockholder; and (D) any other information relating to such item of business that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act; *provided, however*, that the disclosures required by this paragraph (iii) shall not include any disclosures with respect to any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner.

For purposes of this Section 2.4, the term “*Proposing Person*” shall mean (i) the stockholder providing the notice of business proposed to be brought before an annual meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the business proposed to be brought before the annual meeting is made, and (iii) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) with such stockholder in such solicitation.

(d) A Proposing Person shall update and supplement its notice to the Corporation of its intent to propose business at an annual meeting, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.4 shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof). For the avoidance of doubt, the obligation to update and supplement as set forth in this paragraph or any other Section of these Bylaws shall not limit the Corporation’s rights with respect to any deficiencies in any notice provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted notice hereunder to amend or update any proposal or to submit any new proposal, including by changing or adding matters, business or resolutions proposed to be brought before a meeting of the stockholders.

(e) Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at an annual meeting that is not properly brought before the meeting in accordance with this Section 2.4. The presiding officer of the meeting shall, if the facts warrant, determine that the business was not properly brought before the meeting in accordance with this Section 2.4, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

(f) This Section 2.4 is expressly intended to apply to any business proposed to be brought before an annual meeting of stockholders other than any proposal made in accordance with Rule 14a-8 under the Exchange Act and included in the Corporation's proxy statement. In addition to the requirements of this Section 2.4 with respect to any business proposed to be brought before an annual meeting, each Proposing Person shall comply with all applicable requirements of the Exchange Act with respect to any such business. Nothing in this Section 2.4 shall be deemed to affect the rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(g) For purposes of these Bylaws, "*public disclosure*" shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

2.5 Notice of Nominations for Election to the Board of Directors.

(a) Nominations of any person for election to the Board of Directors at an annual meeting or at a special meeting (but only if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling such special meeting) may be made at such meeting only (i) by or at the direction of the Board of Directors, including by any committee or persons authorized to do so by the Board of Directors or these Bylaws, or (ii) by a stockholder present in person (A) who was a record owner of shares of the Corporation both at the time of giving the notice provided for in this Section 2.5 and at the time of the meeting, (B) is entitled to vote at the meeting, and (C) has complied with this Section 2.5 and Section 2.6 as to such notice and nomination. For purposes of this Section 2.5, "present in person" shall mean that the stockholder making the nomination, or a qualified representative of such stockholder, appear at such meeting. A "qualified representative" of such proposing stockholder shall be a duly authorized officer, manager or partner of such stockholder or any other person authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders. The foregoing clause (ii) shall be the exclusive means for a stockholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting or special meeting.

(b) (i) Without qualification, for a stockholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting, the stockholder must (1) provide Timely Notice (as defined in Section 2.4) thereof in writing and in proper form to the Secretary of the Corporation, (2) provide the information, agreements and questionnaires with respect to such stockholder and its candidate for nomination as required to be set forth by this Section 2.5 and Section 2.6 and (3) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.5 and Section 2.6.

(ii) Without qualification, if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling a special meeting, then for a stockholder to make any nomination of a person or persons for election to the Board of Directors at a special meeting, the stockholder must (i) provide timely notice thereof in writing and in proper form to the Secretary of the Corporation at the principal executive offices of the Corporation, (ii) provide the information with respect to such stockholder and its candidate for nomination as required by this Section 2.5 and Section 2.6 and (iii) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.5. To be timely, a stockholder's notice for nominations to be made at a special meeting must be delivered to, or mailed and received at, the principal executive offices of the Corporation not earlier than the one hundred twentieth (120th) day prior to such special meeting and not later than the ninetieth (90th) day prior to such special meeting or, if later, the tenth (10th) day following the day on which public disclosure (as defined in Section 2.4) of the date of such special meeting was first made.

(iii) In no event shall any adjournment or postponement of an annual meeting or special meeting or the announcement thereof commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(iv) In no event may a Nominating Person provide Timely Notice with respect to a greater number of director candidates than are subject to election by stockholders at the applicable meeting. If the Corporation shall, subsequent to such notice, increase the number of directors subject to election at the meeting, such notice but only with respect to any additional nominees shall be due on the later of (i) the conclusion of the time period for Timely Notice for annual meetings or the date set forth in Section 2.5(b)(ii) for special meetings or (ii) the tenth day following the date of public disclosure (as defined in Section 2.4) of such increase.

(c) To be in proper form for purposes of this Section 2.5, a stockholder's notice to the Secretary shall set forth:

(i) As to each Nominating Person (as defined below), the Stockholder Information (as defined in Section 2.4(c)(i), except that for purposes of this Section 2.5 the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 2.4(c)(i));

(ii) As to each Nominating Person, any Disclosable Interests (as defined in Section 2.4(c)(ii), except that for purposes of this Section 2.5 the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 2.4(c)(ii) and the disclosure with respect to the business to be brought before the meeting in Section 2.4(c)(ii) shall be made with respect to the nomination of persons for election to the Board at the meeting); and

(iii) As to each candidate whom a Nominating Person proposes to nominate for election as a director, (A) all information with respect to such candidate for nomination that would be required to be set forth in a stockholder's notice pursuant to this Section 2.5 and Section 2.6 if such candidate for nomination were a Nominating Person, (B) all information relating to such candidate for nomination that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such candidate's written consent to being named in the Corporation's proxy statement as a nominee and to serving as a director if elected), (C) a description of any direct or indirect material interest in any material contract or agreement between or among any Nominating Person, on the one hand, and each candidate for nomination or his or her respective associates or any other participants in such solicitation, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Nominating Person were the "registrant" for purposes of such rule and the candidate for nomination were a director or executive officer of such registrant (the disclosures to be made pursuant to the foregoing clauses (A) through (C) are referred to as "*Nominee Information*"), and (D) a completed and signed questionnaire, representation and agreement as provided in Section 2.6(a).

For purposes of this Section 2.5, the term "*Nominating Person*" shall mean (i) the stockholder providing the notice of the nomination proposed to be made at the meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made, and (iii) any other participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) with such stockholder in such solicitation.

(d) A stockholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.5 shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof). For the avoidance of doubt, the obligation to update and supplement as set forth in this paragraph or any other Section of these Bylaws shall not limit the Corporation's rights with respect to any deficiencies in any notice provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted notice hereunder to amend or update any nomination or to submit any new nomination.

(e) In addition to the requirements of this Section 2.5 with respect to any nomination proposed to be made at a meeting, each Nominating Person shall comply with all applicable requirements of the Exchange Act with respect to any such nominations.

2.6 Additional Requirements for Valid Nomination of Candidates to Serve as Director and, if Elected, to be Seated as Directors.

(a) To be eligible to be a candidate for election as a director of the Corporation at an annual or special meeting, a candidate must be nominated in the manner prescribed in Section 2.5 and the candidate for nomination, whether nominated by the Board of Directors or by a stockholder of record, must have previously delivered (with respect to nominations by stockholders pursuant to Section 2.5, within the time period for delivery of the stockholder's notice pursuant to Section 2.5), to the Secretary at the principal executive offices of the Corporation, (i) a completed written questionnaire (in a form provided by the Corporation upon request) with respect to the background, qualifications, stock ownership and independence of such proposed nominee, and such additional information with respect to such proposed nominee as would be required to be provided by the Corporation pursuant to Schedule 14A if such proposed nominee were a participant in the solicitation of proxies by the Corporation in connection with such annual or special meeting and (ii) a written representation and agreement (in form provided by the Corporation upon request) that such candidate for nomination (A) is not and, if elected as a director during his or her term of office, will not become a party to (1) any agreement, arrangement or understanding with, and has not given and will not give any commitment or assurance to, any person or entity as to how such proposed nominee, if elected as a director of the Corporation, will act or vote on any issue or question that has not been disclosed to the Corporation (a "Voting Commitment") or (2) any Voting Commitment that could limit or interfere with such proposed nominee's ability to comply, if elected as a director of the Corporation, with such proposed nominee's fiduciary duties under applicable law, (B) is not, and will not become a party to, any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation or reimbursement for service as a director that has not been disclosed therein or to the Corporation, (C) if elected as a director of the Corporation, will comply with all applicable corporate governance, conflict of interest, confidentiality, stock ownership and trading and other policies and guidelines of the Corporation applicable to directors and in effect during such person's term in office as a director (and, if requested by any candidate for nomination, the Secretary of the Corporation shall provide to such candidate for nomination all such policies and guidelines then in effect), (D) if elected as director of the Corporation, intends to serve the entire term until the next meeting at which such candidate would face re-election and (E) consents to being named as a nominee in the Corporation's proxy statement pursuant to Rule 14a-4(d) under the Exchange Act and any associated proxy card of the Corporation and agrees to serve if elected as a director.

(b) The Board of Directors may also require any proposed candidate for nomination as a Director to furnish such other information as may reasonably be requested by the Board of Directors in writing prior to the meeting of stockholders at which such candidate's nomination is to be acted upon in order for the Board of Directors to determine the eligibility of such candidate for nomination to be an independent director of the Corporation.

(c) A candidate for nomination as a director shall further update and supplement the materials delivered pursuant to this Section 2.6, if necessary, so that the information provided or required to be provided pursuant to this Section 2.6 shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation (or any other office specified by the Corporation in any public announcement) not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof). For the avoidance of doubt, the obligation to update and supplement as set forth in this paragraph or any other Section of these Bylaws shall not limit the Corporation's rights with respect to any deficiencies in any notice provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted notice hereunder to amend or update any proposal or to submit any new proposal, including by changing or adding nominees, matters, business or resolutions proposed to be brought before a meeting of the stockholders.

(d) No candidate shall be eligible for nomination as a director of the Corporation unless such nomination was made in accordance with Section 2.5 and this Section 2.6, as applicable. The presiding officer at the meeting shall, if the facts warrant, determine that a nomination was not properly made in accordance with Section 2.5 and this Section 2.6, and if he or she should so determine, he or she shall so declare such determination to the meeting, the defective nomination shall be disregarded and any ballots cast for the candidate in question (but in the case of any form of ballot listing other qualified nominees, only the ballots cast for the nominee in question) shall be void and of no force or effect.

(e) Notwithstanding anything in these Bylaws to the contrary, no candidate for nomination shall be eligible to be seated as a director of the Corporation unless nominated in accordance with Section 2.5 and this Section 2.6.

2.7 Notice of Stockholders' Meetings.

Unless otherwise provided by law, the Certificate of Incorporation or these Bylaws, the notice of any meeting of stockholders shall be sent or otherwise given in accordance with Section 8.1 of these Bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place, if any, date and time of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.8 Quorum.

Unless otherwise provided by law, the Certificate of Incorporation or these Bylaws, the holders of a majority in voting power of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. A quorum, once established at a meeting, shall not be broken by the withdrawal of enough votes to leave less than a quorum. If, however, a quorum is not present or represented at any meeting of the stockholders, then either (i) the person presiding over the meeting or (ii) a majority in voting power of the stockholders entitled to vote at the meeting, present in person, or by remote communication, if applicable, or represented by proxy, shall have power to adjourn the meeting from time to time in the manner provided in Section 2.9 of these Bylaws until a quorum is present or represented. At any adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.9 Adjourned Meeting; Notice.

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time, place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At any adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such meeting as of the record date so fixed for notice of such adjourned meeting.

2.10 Conduct of Business.

The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. The Board may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board, the person presiding over any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures (which need not be in writing) and to do all such acts as, in the judgment of such presiding person, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the person presiding over the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present (including, without limitation, rules and procedures for removal of disruptive persons from the meeting); (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the person presiding over the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding person at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting (including, without limitation, determinations with respect to the administration and/or interpretation of any of the rules, regulations or procedures of the meeting, whether adopted by the Board or prescribed by the person presiding over the meeting), shall, if the facts warrant, determine and declare to the meeting that a matter of business was not properly brought before the meeting and if such presiding person should so determine, such presiding person shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

2.11 Voting.

Except as may be otherwise provided in the Certificate of Incorporation, each stockholder shall be entitled to one (1) vote for each share of capital stock held by such stockholder.

Except as otherwise provided by the Certificate of Incorporation, at all duly called or convened meetings of stockholders at which a quorum is present, for the election of directors, a plurality of the votes cast shall be sufficient to elect a director. Except as otherwise provided by the Certificate of Incorporation, these Bylaws, the rules or regulations of any stock exchange applicable to the Corporation, or applicable law or pursuant to any regulation applicable to the Corporation or its securities, each other matter presented to the stockholders at a duly called or convened meeting at which a quorum is present shall be decided by the affirmative vote of the holders of a majority in voting power of the votes cast (excluding abstentions and broker non-votes which do not count as votes cast) on such matter.

2.12 Record Date for Stockholder Meetings and Other Purposes.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall, unless otherwise required by law, not be more than sixty (60) days nor less than ten (10) days before the date of such meeting. If the Board so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the next day preceding the day on which notice is first given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting; and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment or any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of capital stock, or for the purposes of any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

2.13 Proxies.

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the DGCL. A proxy may be in the form of an electronic transmission which sets forth or is submitted with information from which it can be determined that the transmission was authorized by the stockholder.

2.14 List of Stockholders Entitled to Vote.

The Corporation shall prepare, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, that if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. The Corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least ten (10) days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the Corporation's principal executive office. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 2.14 or to vote in person or by proxy at any meeting of stockholders.

2.15 Inspectors of Election.

Before any meeting of stockholders, the Corporation shall appoint an inspector or inspectors of election to act at the meeting or its adjournment and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If any person appointed as inspector or any alternate fails to appear or fails or refuses to act, then the person presiding over the meeting shall appoint a person to fill that vacancy.

Such inspectors shall:

- (i) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting and the validity of any proxies and ballots;
- (ii) count all votes or ballots;
- (iii) count and tabulate all votes;
- (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspector(s); and
- (v) certify its or their determination of the number of shares represented at the meeting and its or their count of all votes and ballots.

Each inspector, before entering upon the discharge of the duties of inspector, shall take and sign an oath faithfully to execute the duties of inspection with strict impartiality and according to the best of such inspector's ability. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein. The inspectors of election may appoint such persons to assist them in performing their duties as they determine.

2.16 Delivery to the Corporation.

Whenever this Article II requires one or more persons (including a record or beneficial owner of stock) to deliver a document or information to the Corporation or any officer, employee or agent thereof (including any notice, request, questionnaire, revocation, representation or other document or agreement), such document or information shall be in writing exclusively (and not in an electronic transmission) and shall be delivered exclusively by hand (including, without limitation, overnight courier service) or by certified or registered mail, return receipt requested, and the Corporation shall not be required to accept delivery of any document not in such written form or so delivered. For the avoidance of doubt, the Corporation expressly opts out of Section 116 of the DGCL with respect to the delivery of information and documents to the Corporation required by this Article II.

Article III - Directors

3.1 Powers.

Except as otherwise provided by the Certificate of Incorporation or the DGCL, the business and affairs of the Corporation shall be managed by or under the direction of the Board.

3.2 Number of Directors.

Subject to the Certificate of Incorporation, the total number of directors constituting the Board shall be determined from time to time by resolution of the Board. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 Election, Qualification and Term of Office of Directors.

Except as provided in Section 3.4 of these Bylaws, and subject to the Certificate of Incorporation, each director, including a director elected to fill a vacancy or newly created directorship, shall hold office until the expiration of the term of the class, if any, for which elected and until such director's successor is elected and qualified or until such director's earlier death, resignation, disqualification or removal. Directors need not be stockholders. The Certificate of Incorporation or these Bylaws may prescribe qualifications for directors.

3.4 Resignation and Vacancies.

Any director may resign at any time upon notice given in writing or by electronic transmission to the Corporation. The resignation shall take effect at the time specified therein or upon the happening of an event specified therein, and if no time or event is specified, at the time of its receipt. When one or more directors so resigns and the resignation is effective at a future date or upon the happening of an event to occur on a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in Section 3.3.

Unless otherwise provided in the Certificate of Incorporation or these Bylaws, vacancies resulting from the death, resignation, disqualification or removal of any director, and newly created directorships resulting from any increase in the authorized number of directors shall be filled only by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

3.5 Place of Meetings; Meetings by Telephone.

The Board may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board, or any committee designated by the Board, may participate in a meeting of the Board, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting pursuant to this bylaw shall constitute presence in person at the meeting.

3.6 Regular Meetings.

Regular meetings of the Board may be held within or outside the State of Delaware and at such time and at such place as which has been designated by the Board and publicized among all directors, either orally or in writing, by telephone, including a voice-messaging system or other system designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other means of electronic transmission. No further notice shall be required for regular meetings of the Board.

3.7 Special Meetings; Notice.

Special meetings of the Board for any purpose or purposes may be called at any time by the chairperson of the Board, the Chief Executive Officer, the President, the Secretary or a majority of the total number of directors constituting the Board.

Notice of the time and place of special meetings shall be:

- (i) delivered personally by hand, by courier or by telephone;
- (ii) sent by United States first-class mail, postage prepaid;
- (iii) sent by facsimile or electronic mail; or
- (iv) sent by other means of electronic transmission,

directed to each director at that director's address, telephone number, facsimile number or electronic mail address, or other address for electronic transmission, as the case may be, as shown on the Corporation's records.

If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile or electronic mail, or (iii) sent by other means of electronic transmission, it shall be delivered or sent at least twenty-four (24) hours before the time of the holding of the meeting. If the notice is sent by U.S. mail, it shall be deposited in the U.S. mail at least four (4) days before the time of the holding of the meeting. The notice need not specify the place of the meeting (if the meeting is to be held at the Corporation's principal executive office) nor the purpose of the meeting.

3.8 Quorum.

At all meetings of the Board, unless otherwise provided by the Certificate of Incorporation, a majority of the total number of directors shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board, except as may be otherwise specifically provided by statute, the Certificate of Incorporation or these Bylaws. If a quorum is not present at any meeting of the Board, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

3.9 Board Action without a Meeting.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission. After an action is taken, the consent or consents relating thereto shall be filed with the minutes of the proceedings of the Board, or the committee thereof, in the same paper or electronic form as the minutes are maintained. Such action by written consent or consent by electronic transmission shall have the same force and effect as a unanimous vote of the Board.

3.10 Fees and Compensation of Directors.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board shall have the authority to fix the compensation, including fees and reimbursement of expenses, of directors for services to the Corporation in any capacity.

Article IV - Committees

4.1 Committees of Directors.

The Board may designate one (1) or more committees, each committee to consist, of one (1) or more of the directors of the Corporation. The Board may designate one (1) or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent permitted by applicable law or provided in the resolution of the Board or in these Bylaws, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any bylaw of the Corporation.

4.2 Committee Minutes.

Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

4.3 Meetings and Actions of Committees.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

- (i) Section 3.5 (place of meetings; meetings by telephone);
- (ii) Section 3.6 (regular meetings);
- (iii) Section 3.7 (special meetings; notice);
- (iv) Section 3.9 (board action without a meeting); and
- (v) Section 7.13 (waiver of notice),

with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board and its members. *However:*

- (i) the time of regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee;
- (ii) special meetings of committees may also be called by resolution of the Board or the chairperson of the applicable committee; and
- (iii) the Board may adopt rules for the governance of any committee to override the provisions that would otherwise apply to the committee pursuant to this Section 4.3, provided that such rules do not violate the provisions of the Certificate of Incorporation or applicable law.

4.4 Subcommittees.

Unless otherwise provided in the Certificate of Incorporation, these Bylaws or the resolutions of the Board designating the committee, a committee may create one (1) or more subcommittees, each subcommittee to consist of one (1) or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

Article V - Officers

5.1 Officers.

The officers of the Corporation shall include a Chief Executive Officer, a President and a Secretary. The Corporation may also have, at the discretion of the Board, a Chairperson of the Board, a Vice Chairperson of the Board, a Chief Financial Officer, a Treasurer, one (1) or more Vice Presidents, one (1) or more Assistant Vice Presidents, one (1) or more Assistant Treasurers, one (1) or more Assistant Secretaries, and any such other officers as may be appointed in accordance with the provisions of these Bylaws. Any number of offices may be held by the same person. No officer need be a stockholder or director of the Corporation.

5.2 Appointment of Officers.

The Board shall appoint the officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 of these Bylaws.

5.3 Subordinate Officers.

The Board may appoint, or empower the Chief Executive Officer or, in the absence of a Chief Executive Officer, the President, to appoint, such other officers and agents as the business of the Corporation may require. Each of such officers and agents shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws or as the Board may from time to time determine.

5.4 Removal and Resignation of Officers.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the Board or, except in the case of an officer chosen by the Board, by any officer upon whom such power of removal may be conferred by the Board.

Any officer may resign at any time by giving notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

5.5 Vacancies in Offices.

Any vacancy occurring in any office of the Corporation shall be filled by the Board or as provided in Section 5.2.

5.6 Representation of Shares of Other Corporations.

The Chairperson of the Board, the Chief Executive Officer, or the President of this Corporation, or any other person authorized by the Board, the Chief Executive Officer or the President, is authorized to vote, represent and exercise on behalf of this Corporation all rights incident to any and all shares or voting securities of any other corporation or other entity standing in the name of this Corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

5.7 Authority and Duties of Officers.

All officers of the Corporation shall respectively have such authority and perform such duties in the management of the business of the Corporation as may be provided herein or designated from time to time by the Board and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board.

5.8 Compensation.

The compensation of the officers of the Corporation for their services as such shall be fixed from time to time by or at the direction of the Board. An officer of the Corporation shall not be prevented from receiving compensation by reason of the fact that he or she is also a director of the Corporation.

Article VI - Records

A stock ledger consisting of one or more records in which the names of all of the Corporation's stockholders of record, the address and number of shares registered in the name of each such stockholder, and all issuances and transfers of stock of the corporation are recorded in accordance with Section 224 of the DGCL shall be administered by or on behalf of the Corporation. Any records administered by or on behalf of the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or by means of, or be in the form of, any information storage device, or method, or one or more electronic networks or databases (including one or more distributed electronic networks or databases), provided that the records so kept can be converted into clearly legible paper form within a reasonable time and, with respect to the stock ledger, that the records so kept (i) can be used to prepare the list of stockholders specified in Sections 219 and 220 of the DGCL, (ii) record the information specified in Sections 156, 159, 217(a) and 218 of the DGCL, and (iii) record transfers of stock as governed by Article 8 of the Uniform Commercial Code as adopted in the State of Delaware.

Article VII - General Matters

7.1 Execution of Corporate Contracts and Instruments.

The Board, except as otherwise provided in these Bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation; such authority may be general or confined to specific instances.

7.2 Stock Certificates.

The shares of the Corporation shall be represented by certificates, provided that the Board by resolution may provide that some or all of the shares of any class or series of stock of the Corporation shall be uncertificated. Certificates for the shares of stock, if any, shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock represented by a certificate shall be entitled to have a certificate signed by, or in the name of the Corporation by, any two officers authorized to sign stock certificates representing the number of shares registered in certificate form. The Chairperson or Vice Chairperson of the Board, Chief Executive Officer, the President, Vice President, the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Corporation shall be specifically authorized to sign stock certificates. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

The Corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, or upon the books and records of the Corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the Corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

7.3 Special Designation of Certificates.

If the Corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or on the back of the certificate that the Corporation shall issue to represent such class or series of stock (or, in the case of uncertificated shares, set forth in a notice provided pursuant to Section 151 of the DGCL); provided, however, that except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock (or, in the case of any uncertificated shares, included in the aforementioned notice) a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

7.4 Lost Certificates.

Except as provided in this Section 7.4, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Corporation and cancelled at the same time. The Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

7.5 Shares Without Certificates

The Corporation may adopt a system of issuance, recordation and transfer of its shares of stock by electronic or other means not involving the issuance of certificates, provided the use of such system by the Corporation is permitted in accordance with applicable law.

7.6 Construction; Definitions.

Unless the context requires otherwise, the general provisions, rules of construction and definitions in the DGCL shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural and the plural number includes the singular.

7.7 Dividends.

The Board, subject to any restrictions contained in either (i) the DGCL or (ii) the Certificate of Incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property or in shares of the Corporation's capital stock.

The Board may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the Corporation, and meeting contingencies.

7.8 Fiscal Year.

The fiscal year of the Corporation shall be fixed by resolution of the Board and may be changed by the Board.

7.9 Seal.

The Corporation may adopt a corporate seal, which shall be adopted and which may be altered by the Board. The Corporation may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

7.10 Transfer of Stock.

Shares of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws. Shares of stock of the Corporation shall be transferred on the books of the Corporation only by the holder of record thereof or by such holder's attorney duly authorized in writing, upon surrender to the Corporation of the certificate or certificates representing such shares endorsed by the appropriate person or persons (or by delivery of duly executed instructions with respect to uncertificated shares), with such evidence of the authenticity of such endorsement or execution, transfer, authorization and other matters as the Corporation may reasonably require, and accompanied by all necessary stock transfer stamps. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing the names of the persons from and to whom it was transferred.

7.11 Stock Transfer Agreements.

The Corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes or series of stock of the Corporation to restrict the transfer of shares of stock of the Corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

7.12 Registered Stockholders.

The Corporation:

(i) shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner; and

(ii) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

7.13 Waiver of Notice.

Whenever notice is required to be given under any provision of the DGCL, the Certificate of Incorporation or these Bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the Certificate of Incorporation or these Bylaws.

Article VIII - Notice

8.1 Delivery of Notice; Notice by Electronic Transmission.

Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under any provisions of the DGCL, the Certificate of Incorporation, or these Bylaws may be given in writing directed to the stockholder's mailing address (or by electronic transmission directed to the stockholder's electronic mail address, as applicable) as it appears on the records of the Corporation and shall be given (1) if mailed, when the notice is deposited in the U.S. mail, postage prepaid, (2) if delivered by courier service, the earlier of when the notice is received or left at such stockholder's address or (3) if given by electronic mail, when directed to such stockholder's electronic mail address unless the stockholder has notified the Corporation in writing or by electronic transmission of an objection to receiving notice by electronic mail. A notice by electronic mail must include a prominent legend that the communication is an important notice regarding the Corporation.

Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate of Incorporation or these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice or electronic transmission to the Corporation. Notwithstanding the provisions of this paragraph, the Corporation may give a notice by electronic mail in accordance with the first paragraph of this section without obtaining the consent required by this paragraph.

Any notice given pursuant to the preceding paragraph shall be deemed given:

- (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;
- (ii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and
- (iii) if by any other form of electronic transmission, when directed to the stockholder.

Notwithstanding the foregoing, a notice may not be given by an electronic transmission from and after the time that (1) the Corporation is unable to deliver by such electronic transmission two (2) consecutive notices given by the Corporation and (2) such inability becomes known to the Secretary or an Assistant Secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice, provided, however, the inadvertent failure to discover such inability shall not invalidate any meeting or other action.

An affidavit of the Secretary or an Assistant Secretary or of the transfer agent or other agent of the Corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

Article IX - Indemnification

9.1 Indemnification of Directors and Officers.

The Corporation shall indemnify and hold harmless, to the fullest extent permitted by the DGCL as it presently exists or may hereafter be amended, any director or officer of the Corporation (a "covered person") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding") by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the Corporation or, while serving as a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees, judgments, fines ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred by such person in connection with any such Proceeding. Notwithstanding the preceding sentence, except as otherwise provided in Section 9.4, the Corporation shall be required to indemnify a person in connection with a Proceeding initiated by such person only if the Proceeding was authorized in the specific case by the Board.

9.2 Indemnification of Others.

The Corporation shall have the power to indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any employee or agent of the Corporation who was or is made or is threatened to be made a party or is otherwise involved in any Proceeding by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was an employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses reasonably incurred by such person in connection with any such Proceeding.

9.3 Prepayment of Expenses.

The Corporation shall to the fullest extent not prohibited by applicable law pay the expenses (including attorneys' fees) incurred by any covered person, and may pay the expenses incurred by any employee or agent of the Corporation, in defending any Proceeding in advance of its final disposition; *provided, however*, that such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the person to repay all amounts advanced if it should be ultimately determined that the person is not entitled to be indemnified under this Article IX or otherwise.

9.4 Determination; Claim.

If a claim for indemnification (following the final disposition of such Proceeding) under this Article IX is not paid in full within sixty (60) days, or a claim for advancement of expenses under this Article IX is not paid in full within thirty (30) days, after a written claim therefor has been received by the Corporation the claimant may thereafter (but not before) file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim to the fullest extent permitted by law. In any such action the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

9.5 Non-Exclusivity of Rights.

The rights conferred on any person by this Article IX shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, these Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

9.6 Insurance.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust enterprise or non-profit entity against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the DGCL.

9.7 Other Indemnification.

The Corporation's obligation, if any, to indemnify or advance expenses to any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or non-profit entity shall be reduced by any amount such person may collect as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise.

9.8 Continuation of Indemnification.

The rights to indemnification and to prepayment of expenses provided by, or granted pursuant to, this Article IX shall continue notwithstanding that the person has ceased to be a director or officer of the Corporation and shall inure to the benefit of the estate, heirs, executors, administrators, legatees and distributees of such person.

9.9 Amendment or Repeal; Interpretation.

The provisions of this Article IX shall constitute a contract between the Corporation, on the one hand, and, on the other hand, each individual who serves or has served as a director or officer of the Corporation (whether before or after the adoption of these Bylaws), in consideration of such person's performance of such services, and pursuant to this Article IX the Corporation intends to be legally bound to each such current or former director or officer of the Corporation. With respect to current and former directors and officers of the Corporation, the rights conferred under this Article IX are present contractual rights and such rights are fully vested, and shall be deemed to have vested fully, immediately upon adoption of these Bylaws. With respect to any directors or officers of the Corporation who commence service following adoption of these Bylaws, the rights conferred under this provision shall be present contractual rights and such rights shall fully vest, and be deemed to have vested fully, immediately upon such director or officer commencing service as a director or officer of the Corporation. Any repeal or modification of the foregoing provisions of this Article IX shall not adversely affect any right or protection (i) hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification or (ii) under any agreement providing for indemnification or advancement of expenses to an officer or director of the Corporation in effect prior to the time of such repeal or modification.

Any reference to an officer of the Corporation in this Article IX shall be deemed to refer exclusively to the Chief Executive Officer, President, and Secretary, or other officer of the Corporation appointed by (x) the Board pursuant to Article V of these Bylaws or (y) an officer to whom the Board has delegated the power to appoint officers pursuant to Article V of these Bylaws, and any reference to an officer of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be deemed to refer exclusively to an officer appointed by the board of directors (or equivalent governing body) of such other entity pursuant to the certificate of incorporation and Bylaws (or equivalent organizational documents) of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. The fact that any person who is or was an employee of the Corporation or an employee of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise has been given or has used the title of "Vice President" or any other title that could be construed to suggest or imply that such person is or may be an officer of the Corporation or of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall not result in such person being constituted as, or being deemed to be, an officer of the Corporation or of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise for purposes of this Article IX.

Article X - Amendments

The Board is expressly empowered to adopt, amend or repeal the Bylaws of the Corporation. The stockholders also shall have power to adopt, amend or repeal the Bylaws of the Corporation; *provided, however*, that such action by stockholders shall require, in addition to any other vote required by the Certificate of Incorporation or applicable law, the affirmative vote of the holders of at least a majority of the voting power of all the then-outstanding shares of voting stock of the Corporation with the power to vote generally in an election of directors, voting together as a single class.

Article XI - Emergency Bylaws

11.1 Emergency Bylaws.

This Article XI shall be operative during any emergency, resulting from an attack on the United States or on a locality in which the Corporation conducts its business or customarily holds meetings of its Board or its stockholders, or during any nuclear or atomic disaster or during the existence of any catastrophe, including, but not limited to, an epidemic or pandemic, and a declaration of a national emergency by the United States government, or other similar emergency condition, irrespective of whether a quorum of the Board or a standing committee thereof can readily be convened for action (an "Emergency"), notwithstanding any different or conflicting provision in these Bylaws, the Certificate of Incorporation or the General Corporation Law of the State of Delaware. To the extent not inconsistent with the provisions of this Article XI, the other provisions of these Bylaws and the Certificate of Incorporation shall remain in effect during such Emergency, and upon termination of such Emergency, the provisions of this Article XI shall cease to be operative.

11.2 Notice.

During any Emergency, a meeting of the Board or a committee thereof may be called by any director or officer, and notice of the place and time of any such meeting of the Board or any committee may be given only to such directors as it may be feasible to reach at the time and by such means as may be feasible at the time. Such notice shall be given at such time in advance of the meeting as, in the judgment of the person calling the meeting, circumstances permit. No notice of such meeting need be given to the Designated Officers (as defined below) or to the officers.

11.3 Quorum.

At any meeting of the Board or any committee thereof, called in accordance with Section 2, the director or directors in attendance at the meeting shall constitute a quorum. Vacancies on the Board, or any committee thereof, may be filled by a majority vote of the directors in attendance at the meeting. In the event that no directors are able to attend the meeting of the Board, then the Designated Officers in attendance shall serve as directors for the meeting, without any additional quorum requirement and will have full powers to act as directors of the Corporation for such meeting. For purposes of this Article XI, "Designated Officers" means a list of officers of the Corporation who shall be deemed to be directors of the Corporation for purposes of obtaining a quorum during an Emergency if a quorum of directors cannot otherwise be obtained during such Emergency, which officers have been designated by the Board or a committee thereof, as the case may be, from time to time but in any event prior to such time or times as an Emergency may have occurred. If the Board or a committee thereof has not approved a list of Designated Officers prior to the Emergency, then the officers of the Corporation in attendance shall serve as directors for the meeting, without any additional quorum requirement and will have full powers to act as directors of the Corporation for such meeting.

11.4 Liability.

No officer, director or employee acting in accordance with this Article XI shall be liable except for willful misconduct.

11.5 Powers.

The Board, either before or during any Emergency, may, effective in the Emergency, change the principal executive office or designate several alternative principal executive offices or regional offices, or authorize the officers so to do. Without limiting any powers or emergency actions that the Board may take during an Emergency, during an Emergency, the Board may take any action that it determines to be practical and necessary to address the circumstances of the Emergency including, without limitation, taking the actions with respect to stockholder meetings and dividends as provided in Section 110(i) of the General Corporation Law of the State of Delaware.

11.6 Amendments.

At any meeting called in accordance with Section 2, the Board may modify, amend or add to the provisions of this Article XI so as to make any provision that may be practical or necessary for the circumstances of the Emergency.

11.7 Repeal or Change.

The provisions of this Article XI shall be subject to repeal or change by further action of the Board or by action of the stockholders, but no such repeal or change shall modify the provisions of Section 4 with regard to action taken prior to the time of such repeal or change.

11.8 Nonexclusivity.

Nothing contained in this Article XI shall be deemed exclusive of any other provisions for emergency powers consistent with other sections of the General Corporation Law of the State of Delaware which have been or may be adopted by corporations created under the General Corporation Law of the State of Delaware.

Article XII - Definitions

As used in these Bylaws, unless the context otherwise requires, the following terms shall have the following meanings:

An “electronic transmission” means any form of communication, not directly involving the physical transmission of paper, including the use of, or participation in, one or more electronic networks or databases (including one or more distributed electronic networks or databases), that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

An “electronic mail” means an electronic transmission directed to a unique electronic mail address (which electronic mail shall be deemed to include any files attached thereto and any information hyperlinked to a website if such electronic mail includes the contact information of an officer or agent of the Corporation who is available to assist with accessing such files and information).

An “electronic mail address” means a destination, commonly expressed as a string of characters, consisting of a unique user name or mailbox (commonly referred to as the “local part” of the address) and a reference to an internet domain (commonly referred to as the “domain part” of the address), whether or not displayed, to which electronic mail can be sent or delivered.

The term “person” means any individual, general partnership, limited partnership, limited liability company, corporation, trust, business trust, joint stock company, joint venture, unincorporated association, cooperative or association or any other legal entity or organization of whatever nature, and shall include any successor (by merger or otherwise) of such entity.

Vertex, Inc.

Certificate of Amendment and Restatement of Bylaws

The undersigned hereby certifies that he is the duly elected, qualified, and acting Secretary of Vertex, Inc., a Delaware corporation (the "Corporation"), and that the foregoing Bylaws were approved on July 19, 2020, effective as of July 31, 2020 by the Corporation's board of directors.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 31 day of July, 2020.

/s/ BRYAN ROWLAND

Bryan Rowland

General Counsel and Secretary

THIRD AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT

This Third Amended and Restated Stockholders' Agreement (this "Agreement") made as of this 28th day of July, 2020 by, between and among Vertex, Inc., a Delaware corporation (the "Company") and each Person identified on Schedule 2 hereto and any other Person who becomes a party to this Agreement pursuant to the provisions hereof (each such Person, individually, a "Stockholder" and, collectively, the "Stockholders").

Recital

On July 16, 2020, the Company converted from a Pennsylvania corporation (the "Pennsylvania Company") to a Delaware corporation by virtue of a merger of the Pennsylvania Company with and into the Company, with the Company continuing as the surviving corporation.

The Company is authorized to issue 200,000 shares of Class A common stock, par value \$0.001 per share, and 99,800,000 shares of Class B common stock, par value \$0.001 per share, of which 49,000 shares of Class A common stock and 40,147,500 shares of Class B common stock are presently issued and outstanding.

The Pennsylvania Company and the Stockholders, in their capacities as stockholders of the Pennsylvania Company, have been parties to that certain Second Amended and Restated Shareholders' Agreement dated February 28, 2014 (the "Prior Agreement"). The Company and each of the Stockholders desire to amend and restate the Prior Agreement in its entirety in accordance with the terms thereof and to continue to impose certain restrictions and obligations on themselves and to provide for an arrangement governing certain dispositions of shares of Common Stock.

NOW THEREFORE, in consideration of the premises, the mutual promises herein, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Definitions. In addition to terms defined elsewhere in this Agreement, the following definitions shall apply to this Agreement:

"2001 Trusts" means, collectively, the AWR 2001 Trusts, the JRW 2001 Trusts, and the SWT 2001 Trusts (each, individually, a "2001 Trust").

"2009 Trusts" means, collectively, the AWR 2009 Trust, the JRW 2009 Trust, and the SWT 2009 Trust (each, individually, a "2009 Trust").

"Affiliate" means, as to any Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition only, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

“Applicable Market Value” means the average of the Closing Price per share of Class A Stock on each of the ten (10) consecutive Trading Days ending on the Trading Day immediately preceding the relevant date of determination, provided that if the Class A Stock is not listed or regularly traded on any national or regional securities exchange or association or traded on the over-the-counter market, the Applicable Market Value shall be the Fair Market Value per share.

“AWR” means Amanda W. Radcliffe, a Stockholder hereto, as identified in Schedule 2.

“AWR 2001 Trusts” means those two separate and distinct trusts for the respective primary benefit of Antoinette R. Radcliffe and Kailey A. Radcliffe under The Trust of Amanda W. Radcliffe dated October 5, 2001, and that certain trust known as the “Third Party Funded Special Needs Trust for Callum W. Radcliffe” dated May 15, 2015, each a Stockholder hereto, as identified in Schedule 2.

“AWR 2009 Trust” means The Amanda W. Radcliffe Generation-Skipping Trust, a Stockholder hereto, as identified in Schedule 2.

“Business Day” means any day other than a Saturday, Sunday or other day in the City of New York on which banking institutions are authorized or required by applicable law or regulations to close.

“Class A Stock” means the Class A common stock, par value \$0.0001 per share, of the Company which is now or hereafter owned or held by any Stockholder.

“Class B Stock” means the Class B common stock, par value \$0.0001 per share, of the Company which is now or hereafter owned or held by any Stockholder.

“Closing Price” means, on any date of determination, (i) if the Class A Stock is listed on one or more National Securities Exchanges, each share of Class A Stock shall be valued at the closing price of a share of Class A Stock on the principal exchange on which the shares are then trading on the most recent Trading Day preceding such date of determination, as reported in *The Wall Street Journal* or such other source as the Company’s board of directors (the “Board”) deems reliable, or (ii) if the Class A Stock is not traded on a National Securities Exchange but is quoted on a national market or other quotation system, each share of Class A Stock shall be valued at the last sales price on the most recent Trading Day preceding such date of determination, as reported in *The Wall Street Journal* or such other source as the Board deems reliable, or (iii) if the Class A Stock is not publicly traded on a National Securities Exchange and is not quoted on a national market or other quotation system, each share of Class A Stock shall be valued at the Fair Market Value per share.

“Commission” means the U.S. Securities and Exchange Commission and any successor agency performing comparable functions.

“Common Stock” means the Class A Stock and Class B Stock.

“Fair Market Value” means the price per share of the Class A Stock or Class B Stock, as applicable, as determined as of a Relevant Date by a valuation prepared by a regionally or nationally recognized investment banking or valuation firm, which valuation shall be done on a minority, non-marketable basis (if applicable to the price being determined). The investment banking or valuation firm that had most recently been engaged by the Company shall be used to determine Fair Market Value per share under this Agreement unless such firm is unavailable or the Company and the affected Stockholders agree otherwise on a replacement firm. If such existing firm is not available and the parties do not agree on a replacement firm, the investment banking or valuation firm shall be selected by the independent directors of the Company.

“Governmental Authority” means any regional, federal, state or local legislative, executive or judicial body or agency, any court of competent jurisdiction, any department, political subdivision or other governmental authority or instrumentality, or any arbitral authority, in each case, whether domestic or foreign.

“Individual Stockholders” or “Siblings” means, collectively, AWR, JRW, and SWT (each, individually, an “Individual Stockholder” or “Sibling”).

“IPO” means the initial public offering of the Company of Class A Stock pursuant to the Company’s registration statement on Form S-1 (File No. 333-239644) filed with and declared effective by the Commission.

“JRW” means Jeffrey R. Westphal, a Stockholder hereto, as identified in Schedule 2.

“JRW 2001 Trusts” means those three separate and distinct trusts for the respective primary benefit of Anne Marie Westphal, Kyle R. Westphal and Jacob J. Westphal under The Trust of Jeffrey R. Westphal dated October 5, 2001, each a Stockholder hereto, as identified in Schedule 2.

“JRW 2009 Trust” means The 2009 Jeffrey R. Westphal Generation-Skipping Trust, a Stockholder hereto, as identified in Schedule 2.

“National Securities Exchange” means a national securities exchange registered under Section 6(a) of the Exchange Act.

“Person” means any individual, partnership, corporation, limited liability company, association, trust, estate, or other entity.

“Proportionate Share” means, with respect to a Stockholder who is then eligible to participate in a transaction involving Class A Stock or Class B Stock pursuant to this Agreement, the percentage determined by the fraction, the numerator of which is the number of shares of the Class A Stock or Class B Stock, as applicable, held by that Stockholder and the denominator of which is the total number of shares of Class A Stock or Class B Stock, as applicable held by all Stockholders who are then eligible to participate in such transaction involving Class A Stock or Class B Stock, as applicable, pursuant to this Agreement; provided, however, that for purposes of making such determination as to a Stockholder who is an Individual Stockholder, such Stockholder may elect to include the shares of Class B Stock held by any trust which such Stockholder established or of which such Stockholder is a primary beneficiary in the numerator, and the Stockholder may elect to apply the percentage resulting from such numerator to (i) the Individual Stockholder alone, (ii) any such trust alone, or (iii) a combination thereof in such proportions as the Stockholder may elect.

“Qualified Extended Family Member” means a Qualified Family Member of Rainer J. Westphal.

“Qualified Family Member” means, for any individual, (i) a lineal descendant of such individual by blood or adoption (a “Descendant”), (ii) any spouse or widow or widower of such Descendant (but not a divorced former spouse or a spouse from whom such Descendant currently is, or at the time of his or her death was, legally separated), or (iii) any stepchild or lineal descendant by blood or adoption of a stepchild of such Descendant. Notwithstanding the foregoing, an adopted person whose adoption did not either occur during the adopted person’s minority or reflect an earlier parent-child relationship with the adopting parent that had existed during the adopted person’s minority, shall not be treated as the child of his or her adopted parent, and such adopted person and his or her lineal descendants shall not be treated as the lineal descendants of the adopted parent or of any ancestor of the adopted parent.

“Qualified Foundation” means any foundation that is (i) primarily for the benefit of one or more Qualified Persons or (ii) a donor-advised fund.

“Qualified Person” means (i) Rainer J. Westphal, (ii) an Individual Stockholder, or (iii) any Qualified Extended Family Member.

“Qualified Sibling Family Member” means, for each Sibling, a Qualified Family Member of such Sibling.

“Qualified Trust” means each 2009 Trust, each 2001 Trust and any other trust that (i) is primarily for the benefit of one or more Qualified Persons, and (ii) as to which no Person other than a Qualified Person or another Qualified Trust is currently eligible or entitled to receive any distribution of income or principal from the trust. For avoidance of doubt, the mere possibility that, by reason of exercise of a power of appointment granted in the governing instrument or otherwise, Persons other than Qualified Persons or other Qualified Trusts might at some future date become eligible or entitled to receive distributions of income or principal from the trust shall not prevent a trust from being considered a Qualified Trust.

“Registrable Securities” means any of the following owned by any Stockholder: (i) any Class B Stock or other equity securities of the Company into which the Class B Stock then outstanding shall be reclassified or changed, including by reason of a merger, consolidation, reorganization, recapitalization or statutory conversion, and (ii) any equity securities of the Company then outstanding which were issued as, or were issued directly or indirectly upon the conversion, exchange or exercise of other equity securities issued or issuable as a dividend, stock split or other distribution with respect to or in replacement of any equity securities referred to in clause (i) of this definition, provided, however, that Registrable Securities shall not include any equity securities that (a) have been registered or sold in a registered offering pursuant to the Securities Act of 1933, as amended (the “Securities Act”), (b) have been sold pursuant to Rule 144 or (c) are eligible for resale by the Stockholder under Rule 144 in any single ninety-day period without volume or manner-of-sale restrictions, as determined by the Company in its discretion after consultation with Company counsel.

“Relevant Date” means the last day of the month in which an event occurs giving rise to the necessity for determining the Fair Market Value hereunder, including, a deemed Offer under Section 6, death under Section 7, a deemed Offer under Section 8, or the notice of intent to sell under Section 9, as the case may be.

“Remaining Stockholders” means the Stockholders other than, in the case of an Offer under Section 6 hereof, the Offeree, in the case of the death of a Stockholder under Section 7 hereof, the Decedent and his or her estate, in the case of a bankruptcy or insolvency under Section 8 hereof and the bankrupt or insolvent Stockholder. “Remaining Stockholders” shall not include any Stockholder who is not a Qualified Person.

“Sibling Affiliated Group” means the associated Sibling Affiliated Stockholders of a Stockholder.

“Sibling Affiliated Stockholders” means, for each Sibling, (i) such Sibling, (ii) such Sibling’s Qualified Sibling Family Members, (iii) such Sibling’s Affiliates (other than the other Siblings), and (iv) any Qualified Trust relating to, and holding shares of Class B Stock on behalf of, such Sibling or such Sibling’s Qualified Sibling Family Members for the primary benefit of, or other entity holding on behalf of, any one or more of such Sibling and his or her Qualified Sibling Family Members.

“Subsidiary” means with respect to any Person, any corporation, limited liability company, partnership, association, trust or other form of legal entity, of which (a) such first Person directly or indirectly owns or controls at least a majority of the securities or other interests having by their terms voting power to elect a majority of the board of directors or others performing similar functions, or (b) such first Person is a general partner or managing member (excluding partnerships in which such Person or any Subsidiary thereof does not have a majority of the voting interests in such partnership).

“SWT” means Stefanie W. Thompson (formerly known as Stefanie W. Lucas), a Stockholder hereto, as identified in Schedule 2.

“SWT 2001 Trusts” means those four separate and distinct trusts for the respective primary benefit of Andrea P. Schmerin (f/k/a Andrea P. Lucas), Melanie H. Lucas, Mackenzie S. Lucas and Samantha W. Lucas under The Trust of Stefanie W. Lucas dated October 5, 2001, each a Stockholder hereto, as identified in Schedule 2.

“SWT 2009 Trust” means The 2009 Stefanie W. Lucas Generation-Skipping Trust, a Stockholder hereto, as identified in Schedule 2.

“Trading Day” means any day on which the Class A Stock is traded on a National Securities Exchange, or, if the Class A Stock is not traded on a National Securities Exchange, then on the principal securities exchange or securities market on which the Class A Stock is then traded.

“Transfer” means any sale, exchange, gift, bequest, pledge, hypothecation, encumbrance, descent or distribution pursuant to intestacy laws or other operation of law, or any other direct or indirect disposition of Class B Stock which would change the legal or beneficial ownership thereof, including without limitation the creation of any form of common or joint ownership in Class B Stock between a Stockholder and one or more Persons.

“Will” means a testamentary document including an individual’s last Will and a so-called “living” (or “revocable”) trust that is revocable by the individual during his or her lifetime and becomes irrevocable upon his or her death;

2. Restrictions on Transfer and Issue of Class B Stock. All shares of Class B Stock now owned or hereafter acquired by the Stockholders shall be issued, held and Transferred under and subject to the terms and provisions of this Agreement. Except as otherwise expressly provided herein, the Stockholders shall not Transfer any shares of Class B Stock, and any Transfer or attempt to Transfer shares of Class B Stock shall be null and void and shall be given no effect by the Company until the applicable terms and conditions of this Agreement are complied with. The Company shall not record the Transfer or attempted Transfer of any Class B Stock not made in accordance with the terms and conditions of this Agreement on the books and records of the Company. For the avoidance of doubt, in no event shall Class B Stock be owned or held by anyone who is not a Qualified Person or a Sibling Affiliated Stockholder.

3. Authorized Transfers. Notwithstanding anything to the contrary in this Agreement, including Sections 2, 4, 6, 7 and 8 hereof, each of the Transfers described in paragraphs (a), (b) and (d) of this Section 3 are expressly authorized under this Agreement:

(a) A Stockholder may Transfer all or a portion of such Stockholder’s shares of Class B Stock to (i) any other Stockholder, (ii) any Qualified Extended Family Member, (iii) any Qualified Trust, or (iv) any Qualified Foundation.

(b) A Stockholder may Transfer all or a portion of such Stockholder’s shares of Class B Stock (i) to the Company, (ii) to underwriters pursuant to the terms of an underwriting agreement, including in connection with the exercise of any over-allotment option granted to the underwriters in the IPO, or with the prior written consent of the lead underwriter on behalf of the underwriters in an offering by the Company and/or other selling stockholders of securities pursuant to an effective registration statement under the Securities Act, or in a private placement by the Company and/or other selling stockholders of securities that has been approved by at least a majority of the disinterested members of the Board, (iii) pursuant to the terms of any planned trading program effected pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that has been approved by at least a majority of the disinterested members of (A) the Board or (B) a committee of the Board authorized to take such action, or (iv) as otherwise permitted by this Agreement.

(c) In the event that any shares of Class B Stock are Transferred to a Person (including, without limitation, any Affiliate of any Stockholder) in accordance with the terms of this Agreement who is not already a party to and bound by this Agreement, such Person shall, as a condition precedent to the consummation of such Transfer, execute and deliver to the Company a joinder agreement to this Agreement, as may further be amended from time to time, substantially in the form of Exhibit A attached hereto (a "Joinder Agreement"), and such Person shall thereupon be deemed to be a Stockholder hereunder. The Transfer of shares of Class B Stock to such Person shall not be given effect and shall not be recorded on the books and records of the Company until such Person executes and delivers to the Company a Joinder Agreement, and any Transfer or attempted Transfer in violation thereof shall be null and void.

(d) All Transfers of shares of Common Stock pursuant to those certain Share Purchase Agreements, dated July 20, 2020, by and among the Company and the parties named therein (the "Share Purchase Agreement") are expressly authorized under this Agreement.

4. Pledges. Any Stockholder (the "Pledging Stockholder") may assign, Transfer, pledge, hypothecate or encumber ("Pledge") any of his or her shares of Class B Stock (the "Pledged Interest") to an individual or entity (the "Pledgee") for the purpose of securing the obligation of the Pledging Stockholder or any other Person to repay a loan or to render any other performance, subject to each of the requirements set forth in paragraphs (a) through (d) of this Section 4:

(a) Prior to the third anniversary of this Agreement, no Stockholder may so Pledge to a Pledgee who is not a Stockholder without the prior consent of Stockholders holding at least a majority of the outstanding shares of Class B Stock if the Pledged Interest exceeds thirty percent (30%) of the shares held by such Stockholder and his or her Sibling Affiliated Group.

(b) No Pledge made pursuant to this Section 4, nor any related loan, obligation or other performance, shall be conditioned upon or in any way related to the financial performance or position of the Company, or require a guarantee or other form of support by the Company or any other Stockholder.

(c) No Pledging Stockholder shall engage in any transaction (including a Pledge) with the Pledgee without first providing the Company with five (5) Business Days' prior notice of the proposed transaction with the Pledgee.

(d) No Pledging Stockholder shall engage in any transaction (including a Pledge) with the Pledgee without first entering into an agreement (the "Pledge Agreement") with the Pledgee that expressly requires that, should the Pledgee desire and if the Pledge Agreement otherwise permits, the Pledgee may take for itself or Transfer to any Person other than the Pledging Stockholder the title to the Pledged Interest only if, prior to so taking or Transferring the Pledged Interest, the following conditions are met:

(i) The Pledgee shall allow the Company or one or more Sibling Affiliated Stockholders to assume the Pledging Stockholder's obligations under the Pledge Agreement; and

(ii) If neither the Company nor any Sibling Affiliated Stockholders elects to assume the Pledging Stockholder's obligations under the Pledge Agreement, the Pledged Interest shall be deemed Offered Stock, the Pledging Stockholder shall be deemed an Offeree, the Pledgee shall be deemed a Third Party to whom the Offeree desires to Transfer such Offered Stock, and the Remaining Stockholders and/or the Company shall have the opportunity to purchase shares of Offered Stock through the procedures under Sections 6(a) through 6(d) hereof, provided that if the Remaining Stockholders and/or the Company do not elect to purchase all of the Offered Stock, the Offeree shall be obligated to Transfer the remaining balance of the Offered Stock as required under the Pledge Agreement.

5. Legend on Registrable Securities. Each certificate or other documents representing Registrable Securities now owned or hereafter acquired by the Stockholders shall have the following legend endorsed thereon until such time as the Registrable Securities represented thereby are no longer subject to the provisions hereof or such legend is no longer applicable (as determined by the Company in its sole discretion):

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR UNDER ANY STATE SECURITIES LAWS, AND MAY NOT BE SOLD, TRANSFERRED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT OR SUCH LAWS AND THE RULES AND REGULATIONS THEREUNDER.

THE VOTING, SALE, TRANSFER, ENCUMBRANCE OR OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS

CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A STOCKHOLDERS’ AGREEMENT, DATED AS OF JULY 28, 2020, AMONG VERTEX, INC. AND CERTAIN HOLDERS OF ITS CLASS B STOCK (AS THE SAME MAY BE AMENDED, MODIFIED, SUPPLEMENTED OR RESTATED FROM TIME TO TIME), A COPY OF WHICH MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF VERTEX, INC.”

6. Rights of First Offer/Refusal.

(a) If a Stockholder (the “Offeree”) desires to Transfer all or any part of Offeree’s shares of Class B Stock (the “Offered Stock”) to an unrelated third party that is not a Sibling Affiliated Stockholder (a “Third Party”), other than as permitted under Section 3 hereto (in which case, for the avoidance of doubt, this Section 6 will not apply), prior to soliciting an offer to buy the Offered Stock from or entering into any discussions or negotiations with any such Third Party, the Offeree shall first give notice of such desire to sell the Offered Stock to the Sibling to whom the Offeree is a Sibling Affiliated Stockholder (the “Sibling Notice”), provided that if the Offeree is Rainer J. Westphal or a Sibling, no such Sibling Notice nor Sibling Election Period shall be required, and the Offeree may instead proceed to give the Initial Notice through the provisions of Section 6(b) hereof. Upon receipt of the Sibling Notice, the Sibling shall have the right, but not the obligation, to elect to purchase all or part of the Offered Stock (the “Sibling Election Right”) or to extend the Sibling Election Right to such other of his or her Sibling Affiliated Stockholders in such proportions as the Sibling may elect in his or her sole discretion. Any such election by the Sibling or by one or more of his or her Sibling Affiliated Stockholders shall be made by giving notice of such election to the Offeree and each other Stockholder having the Sibling Election Right within ten (10) days from the Sibling’s receipt of the Sibling Notice (the “Sibling Election Period”). In the event that any Stockholder does not exercise his, her or its Sibling Election Right within the Sibling Election Period, then such Stockholder shall be deemed to have irrevocably waived his, her or its right to elect to purchase shares of Offered Stock during the Sibling Election Period and during the subsequent Initial Election Period and Secondary Election Period.

(b) Upon the date that is the earlier of the conclusion of the election period or the receipt by the Offeree of a notice of election or express notice in writing rejecting the offer to purchase Offered Stock from each Stockholder having an election right associated with such election period (the "Termination Date") related to the Sibling Election Period, if there remains any Offered Stock that has not yet been elected to be purchased (the "Remaining Offered Stock"), the Offeree shall give notice to the Remaining Stockholders who have not previously waived their right to elect to purchase shares of Offered Stock (the "Eligible Remaining Stockholders") and to the Company (the "Initial Notice"). Upon receipt of the Initial Notice from the Offeree, the Eligible Remaining Stockholders shall each have the right, but not the obligation, to elect to purchase a number of shares, up to each Eligible Remaining Stockholder's Proportionate Share, of the Remaining Offered Stock (the "Initial Election Right"), by giving notice of such election to the Offeree and each other Stockholder having the Initial Election Right (the "Initial Notice of Election") within thirty (30) days from the receipt of the Initial Notice (the "Initial Election Period"). In the event that any Eligible Remaining Stockholder does not exercise his, her or its Initial Election Right within the Initial Election Period, then such Eligible Remaining Stockholder shall be deemed to have irrevocably waived his, her or its right to elect to purchase shares of Remaining Offered Stock during the Initial Election Period and during the subsequent Secondary Election Period.

(c) Upon the Termination Date related to the Initial Election Period, if there exists any Remaining Offered Stock, the Offeree shall give notice of the Remaining Offered Stock to the Eligible Remaining Stockholders and to the Company (the "Secondary Notice"). Upon receipt of the Secondary Notice, the Eligible Remaining Stockholders shall each have the right, but not the obligation, to elect to purchase a number of shares up to each Eligible Remaining Stockholder's Proportionate Share, of the Remaining Offered Stock plus any or all Remaining Offered Stock that the other Eligible Remaining Stockholders do not elect to purchase, (the "Secondary Election Right"), by giving notice of such election to the Offeree and each other Stockholder having the Secondary Election Right (the "Secondary Notice of Election") within ten (10) days from the receipt of the Secondary Notice. If any Remaining Offered Stock is over-subscribed by the Eligible Remaining Stockholders at the conclusion of such ten (10) days, any Eligible Remaining Stockholders who have previously given a Secondary Notice of Election shall each be permitted to elect to purchase their Proportionate Share, or such other amount to which such subscribing Eligible Remaining Stockholders all agree, of the over-subscribed Remaining Offered Stock, by giving an updated Secondary Notice of Election within fifteen (15) days from the receipt of the Secondary Notice (the "Secondary Election Period"). In the event that any Stockholder does not exercise his, her or its Secondary Election Right within the Secondary Election Period, then such Stockholder shall be deemed to have irrevocably waived his, her or its right to elect to purchase shares of Offered Stock during the Secondary Election Period.

(d) Upon the Termination Date related to the Secondary Election Period, if there exists any Remaining Offered Stock, the Offeree shall give notice of the Remaining Offered Stock to the Company (the “Company Notice”). Upon receipt of the Company Notice, the Company shall have the right, but not the obligation, to elect to purchase all, but not less than all, of the Remaining Offered Stock, (the “Company Election Right”), by giving notice of such election to the Offeree within fifteen (15) days from the receipt of the Company Notice (the “Company Election Period”). In determining whether or not the Company shall purchase the Remaining Offered Stock, the Offeree (as a member of the Board, Stockholder or otherwise) shall not participate in the Company’s decision-making process. In the event that the Company does not exercise its Company Election Right within the Company Election Period, then the Company shall be deemed to have irrevocably waived its right to elect to purchase the Remaining Offered Stock during the Company Election Period.

(e) Upon the Termination Date related to the Company Election Period, if there exists any Remaining Offered Stock, then the Offeree may seek a bona fide offer in writing from a Third Party (an “Offer”) to purchase the Remaining Offered Stock.

(f) If, at any time, a Stockholder (whether or not an Offeree) receives an Offer to purchase all or any part of the Stockholder’s Class B Stock, the Stockholder shall promptly forward the Offer to the Board. In the event that the Offer relates to Class B Stock that has not previously been offered to the Sibling to whom the Offeree is a Sibling Affiliated Stockholder, the Remaining Stockholders and Company, as applicable through the procedures of Sections 6(a) through 6(d) hereto, and the Stockholder desires to accept the Offer, the Stockholder’s Class B Stock that is subject to the Offer shall be deemed Offered Stock, the Stockholder shall be deemed an Offeree under this Agreement and the Sibling to whom the Offeree is a Sibling Affiliated Stockholder, the Remaining Stockholders and the Company, as applicable, shall have the opportunity to purchase such shares of Offered Stock through the procedures under Sections 6(a) through 6(d) hereof. If all of the Offered Stock is not purchased through the procedures under Sections 6(a) through 6(d) hereof by the Sibling to whom the Offeree is a Sibling Affiliated Stockholder, the Remaining Stockholders or the Company, as applicable, then any Remaining Offered Stock may be sold by the Offeree to the Third Party, and any Remaining Offered Stock so sold to the Third Party shall automatically convert into Class A Stock in accordance with the Company’s Certificate of Incorporation, as it may be amended and restated from time to time.

(g) If upon the Termination Date related to any Company Election Period there exists any Remaining Offered Stock, and all such Remaining Offered Stock is not Transferred to a Third Party within fifteen (15) days of such Termination Date, such Offer shall be deemed to have expired and any Remaining Offered Stock must be reoffered to the Sibling to whom the Offeree is a Sibling Affiliated Stockholder, the Remaining Stockholders and the Company, as applicable, through the procedures of Sections 6(a) through 6(d) hereof before it may be Transferred to any Third Party.

(h) All purchases and sales of shares of Class B Stock pursuant to this Section 6 shall occur at a sale price equal to the Applicable Market Value and shall be settled:

(i) in the case of a private placement, within three (3) Business Days; and

(ii) in the case of a public offering pursuant to a registration, within the number of Business Days specified in the applicable prospectus.

7. Death of an Individual Stockholder.

(a) In the event of a death of an Individual Stockholder (the “Decedent”), upon the subsequent occurrence of any attempt to Transfer any of Decedent’s Class B Stock other than as permitted under Section 3(a) (such attempted Transfer, the “Triggering Event”), the shares of Decedent’s Class B Stock subject to such attempted Transfer shall be deemed Offered Stock and the Decedent’s estate shall be deemed an Offeree for purposes of this Section 7.

(b) The 2009 Trust for the benefit of the Offeree shall have the right, but not the obligation, to elect to purchase some or all of the Offered Stock (the “2009 Trust Election Right”) by giving notice of such election to the Offeree (the “2009 Trust Notice of Election”) within twenty (20) days from the Triggering Event (the “2009 Trust Election Period”). In the event that such 2009 Trust does not exercise its 2009 Trust Election Right within the 2009 Trust Election Period, then such 2009 Trust shall be deemed to have irrevocably waived its right to elect to purchase shares of Offered Stock during the 2009 Trust Election Period.

(c) Upon the Termination Date related to the 2009 Trust Election Period, the Offeree shall notify or cause such 2009 Trust to notify the Company and the Remaining Stockholders of the decision of such 2009 Trust as to the extent to which it will exercise its 2009 Trust Election Right (the “2009 Trust Notice”). If there exists any Remaining Offered Stock, the 2001 Trusts established by the Decedent shall then have the right, but not the obligation, to elect to purchase (in equal shares, or in such other proportions as such 2001 Trusts shall agree among themselves) some or all of the Remaining Offered Stock (the “2001 Trust Election Right”) by giving notice of such election to the Offeree, the Remaining Stockholders and the Company (the “2001 Trust Notice of Election”) within twenty (20) days of the receipt of the 2009 Trust Notice (the “2001 Trust Election Period”). In the event that any such 2001 Trust does not exercise its 2001 Trust Election Right within the 2001 Trust Election Period, then such 2001 Trust shall be deemed to have irrevocably waived its right to elect to purchase shares of Offered Stock during the 2001 Trust Election Period.

(d) Upon the Termination Date related to the 2001 Trust Election Period, the Offeree shall notify or cause such 2001 Trusts to notify the Company and the Remaining Stockholders of the decision of such 2001 Trusts as to the extent to which they will exercise their 2001 Trust Election Right (the “2001 Trust Notice”). If there exists any Remaining Offered Stock, such Remaining Offered Stock shall be deemed Offered Stock and the Offeree shall be deemed an Offeree for purposes of Section 6 hereof, and the Sibling to whom the Offeree is a Sibling Affiliated Stockholder, the Remaining Stockholders and the Company, as applicable, shall have the opportunity to purchase shares of Offered Stock through the procedures under Sections 6(a) through 6(d) hereof, after which, the Offeree shall have the opportunity to seek the Transfer of any Remaining Offered Stock to a Third Party through the procedures under Sections 6(e) through 6(g) hereof.

(e) All purchases and sales of shares of Class B Stock pursuant to this Section 7 shall be upon the sale terms set forth in Section 6(h) hereof.

8. Bankruptcy or Insolvency of a Stockholder.

(a) In the event a petition in bankruptcy is filed by or against a Stockholder and not dismissed within sixty (60) days from the date of filing, a Stockholder makes an assignment for the benefit of creditors, or all or substantially all of the real or personal property of a Stockholder is levied upon or sold in any judicial proceedings, any such event shall be deemed a Triggering Event, such Stockholder's shares of Class B Stock shall be deemed Offered Stock and such Stockholder shall be deemed an Offeree for the purposes of Section 7 hereof and such Stockholder shall give prompt notice thereof to the Remaining Stockholders and the Company. The Remaining Stockholders and the Company shall then have the opportunity to purchase shares of Offered Stock

in accordance with the procedures set forth in Sections 7(b) through 7(d) hereof, except that (i) references to the 2009 Trust in Sections 7(b) through 7(d) shall be deemed to refer to the 2009 Trust for the benefit of the Sibling to whom the Offeree is a Sibling Affiliated Stockholder and (ii) references to the 2001 Trusts shall be deemed to refer to the 2001 Trusts established by the Sibling to whom the Offeree is a Sibling Affiliated Stockholder.

(b) All purchases and sales of shares of Class B Stock pursuant to this Section 8 shall be upon the sales terms set forth in Section 6(h) hereof.

(c) Any purported Transfer of such bankrupt or insolvent Stockholder's shares of Class B Stock other than through this Section 8, whether involuntary or otherwise, shall not be given effect, shall be null and void, and the Company shall not be required to record such Transfer on its books and records.

9. Subscription Rights.

(a) In the event the Company desires to issue, in a transaction exempt from registration under the Securities Act, any new shares of Class A Stock (or any securities convertible into, exercisable for, or exchangeable for Class A Stock) other than securities issued to any director, employee or consultant of or to the Company or any of its Subsidiaries pursuant to an equity-incentive plan approved by the Board and securities issued in connection with stock splits, stock dividends, in-kind equity distributions, recapitalizations and stockholders' rights plans (collectively, "New Securities," and, deemed for purposes of this Section 9, Offered Stock), the Company shall first provide written notice of such desire to issue the Offered Stock to each Stockholder at least ten (10) days prior to such proposed issuance, which notice shall set forth a description of the Offered Stock, the price and terms upon which the Company proposes to issue the Offered Stock, the number of shares of Offered Stock equal to such Stockholder's Proportionate Share and the aggregate purchase price therefor (the "New Securities Initial Notice"). Upon receipt of the New Securities Initial Notice, the Stockholders shall each have the right, but not the obligation, to elect to purchase a number of shares, up to each Stockholder's Proportionate Share, of the Offered Stock (the "New Securities Initial Election Right"), by giving notice of such election to the Company and each other Stockholder within five (5) days from the receipt of the New Securities Initial Notice (the "New Securities Initial Election Period"). In the event that any Stockholder does not exercise his, her or its New Securities Initial Election Right within the New Securities Initial Election Period, then such Stockholder shall be deemed to have irrevocably waived his, her or its right to elect to purchase shares of Offered Stock during the New Securities Initial Election Period and during the subsequent New Securities Secondary Election Period.

(b) Upon the Termination Date of the New Securities Initial Election Period, if there exists any Remaining Offered Stock, the Company shall give notice of the Remaining Offered Stock to the Eligible Remaining Stockholders (the “New Securities Secondary Notice”). Upon receipt of the New Securities Secondary Notice, the Eligible Remaining Stockholders shall each have the right, but not the obligation, to elect to purchase a number of shares up to each Eligible Remaining Stockholder’s Proportionate Share, of the Remaining Offered Stock plus any or all Remaining Offered Stock that the other Eligible Remaining Stockholders do not elect to purchase (the “New Securities Secondary Election Right”), by giving notice of such election to the Company and each other Eligible Remaining Stockholder (the “New Securities Secondary Notice of Election”) within three (3) days from the receipt of the New Securities Secondary Notice. If any Remaining Offered Stock is over-subscribed by the Eligible Remaining Stockholders exercising their New Securities Secondary Election Right, any Eligible Remaining Stockholders who have previously given a New Securities Secondary Notice of Election shall each be permitted to elect to purchase their Proportionate Share, or such other amount to which such subscribing Eligible Remaining Stockholders all agree, of the over-subscribed Remaining Offered Stock, by giving an updated New Securities Secondary Notice of Election within two (2) days from the receipt of the New Securities Secondary Notice (the “New Securities Secondary Election Period”). In the event that any Stockholder does not exercise his, her or its New Securities Secondary Election Right within the New Securities Secondary Election Period, then such Stockholder shall be deemed to have irrevocably waived his, her or its right to elect to purchase shares of Offered Stock during the New Securities Secondary Election Period.

(c) All purchases and sales of shares of New Securities pursuant to Sections 9(a) and 9(b) hereof shall occur at the sale price and upon the other terms specified in the New Securities Initial Notice and shall be settled:

- (i) in the case of a private placement, within three (3) Business Days; and
- (ii) in the case of a public offering pursuant to a registration, within the number of Business Days specified in the applicable prospectus.

(d) Upon the Termination Date of the New Securities Secondary Election Period, if there exists any Remaining Offered Stock, the Company shall have seventy five (75) days thereafter (the “New Securities Issuance Period”) to issue and sell the Remaining Offered Stock to one or more Third Parties at a price and upon such other terms no more favorable to the purchasers thereof than those specified in New Securities Initial Notice.

(e) Upon the conclusion of the New Securities Issuance Period, if there exists any Remaining Offered Stock, such Remaining Offered Stock must be reoffered to the Stockholders through the procedures of Sections 9(a) through 9(b) hereof before the Company may issue and sell it to one or more Third Parties.

(f) The purchase rights granted by this Section 9 shall be exercisable only by “accredited investors” as defined under Section 501 of Regulation D of the Securities Act.

(g) The exercise or non-exercise of the rights of Stockholders under this Section 9 shall not adversely affect their rights to participate in subsequent offerings of New Securities subject to Section 9.

10. Board Seats.

(a) For so long as an Individual Stockholder, together with his or her Sibling Affiliated Stockholders, holds at least five percent (5%) of all issued and outstanding shares of Common Stock, such Individual Stockholder shall have the right to designate one (1) individual (a “Nominee”), for nomination to the Board. The Company shall include, and shall use its best efforts to cause the Board (subject to the Board’s fiduciary duties), whether acting through the nominating and corporate governance committee or otherwise, to include, such Nominee, in the slate of nominees recommended to the Company’s stockholders for election as a director at the next annual or special meeting of stockholders at or by which directors of the Company are to be elected.

(b) Upon the death of an Individual Stockholder, so long as the Sibling Affiliated Stockholders of such Individual Stockholder hold at least five percent (5%) of all issued and outstanding Common Stock, the Qualified Family Members of such Individual Stockholder shall collectively assume the right to designate a Nominee previously held by such Individual Stockholder pursuant to Section 10(a) hereof, which right shall be exercised in such Qualified Family Members’ discretion.

11. Voting.

(a) Notwithstanding anything to the contrary contained elsewhere in this Agreement, control over the voting rights of any shares of Class B Stock held by Stockholders may be exercised only by Qualified Person(s) or the trustees of a Qualified Trust. Such Persons may exercise such voting rights (i) in person, (ii) by proxy, but only if the proxy holder is a Qualified Person, the trustee of a Qualified Trust, or an Applicable Proxy under Section 11(d) hereof, (iii) by written consent, or (iv) in any other matter permitted by applicable law, but only if the Person exercising such voting rights is a Qualified Person, the trustee of a Qualified Trust, or an Applicable Proxy under Section 11(d) hereof.

(b) At any annual or special meeting of the stockholders of the Company involving the election of directors, each Stockholder shall be required to vote, or provide written consent on behalf of, all of his, her or its shares of Common Stock in favor of each Nominee to serve on the Board.

(c) For all matters other than the election of directors, voting shall be discretionary at the option of each Stockholder.

(d) In order to secure each Stockholder's obligation to vote its, his or her shares in accordance with the provisions of Section 11(b) hereof (the "Voting Obligations"), each Stockholder hereby constitutes and appoints, in connection with each vote pursuant to Section 11(b), the President of the Company and any other person designated by the Board, and each of them (the "Applicable Proxy") as his, her or its true and lawful proxy and attorney-in-fact, with full power of substitution, to represent and vote all of such Stockholder's shares of Common Stock in accordance with such Stockholder's Voting Obligations. The Applicable Proxy may exercise the irrevocable proxy granted to it hereunder at any time any Stockholder fails to vote (including by failing to cause such Stockholder's shares to be present at the meeting) or attempts to vote (whether by proxy, in person or by written consent) in a manner that does not comply with the Voting Obligations. The proxies and powers granted by each Stockholder pursuant to this Section 11(d) are coupled with an interest and are given to secure the performance of the obligations under this Agreement. Such proxies and powers shall be irrevocable until the termination of this Agreement and shall, to the fullest extent permitted by law, survive the death, incompetency and disability of each such Stockholder who is an individual and the existence of each such Stockholder that is a trust or other entity. It is understood and agreed that the Applicable Proxy will not use such irrevocable proxy unless a Stockholder fails to vote (including by failing to cause such Stockholder's shares to be present at the meeting) or attempts to vote (whether by proxy, in person or by written consent) in a manner that does not comply with the Voting Obligations and that, to the extent the Applicable Proxy uses such irrevocable proxy, it will only vote such Stockholder's shares of Common Stock with respect to the matters specified in, and in accordance with the provisions of, Section 11(b). Except as otherwise permitted by this Agreement or by the Company's Certificate of Incorporation, as it may be amended and restated from time to time, each Stockholder hereby revokes any and all previous proxies or powers of attorney with respect to such Stockholder's shares and shall not hereafter, until the termination of this Agreement, grant, or purport to grant, any other proxy or power of attorney with respect to such shares, deposit any of such shares into a voting trust or enter into any agreement (other than this Agreement), arrangement or understanding with any person, directly or indirectly, to vote, grant any proxy or power of attorney or give instructions with respect to the voting of any of such shares, in each case, with respect to the Voting Obligations.

12. Standstill.

(a) So long as a Stockholder owns shares of Class B Stock, such Stockholder agrees that he, she or it shall not (in his, her or its capacity as a Stockholder), unless previously consented to by each member of the Board and the Stockholders holding at least a majority of the outstanding shares of Class B Stock, or otherwise permitted under this Agreement, effect, seek, offer or propose (whether publicly or otherwise) to effect, or announce any intention to effect or cause or participate in or in any way assist, facilitate or encourage any other Person to effect or seek, offer or propose (whether publicly or otherwise) to effect or participate in:

- (i) any acquisition of any securities (or beneficial ownership thereof) of the Company or any of its Subsidiaries (except through the proper exercise of purchase rights granted hereunder), or rights or options to acquire any securities (or beneficial ownership thereof), other than through:
 - A. market-based purchases of up to an aggregate of two percent (2%) of issued and outstanding equity of the Company in any twelve (12) month period;
 - B. the exercise or conversion of outstanding securities; or
 - C. equity awards from the Company;

- (ii) any tender or exchange offer, merger or other business combination involving the Company, any of the Subsidiaries or Affiliates or assets of the Company or the Subsidiaries or Affiliates constituting a significant portion of the consolidated assets of the Company and its Subsidiaries or Affiliates;
- (iii) any recapitalization, restructuring, liquidation, dissolution or other extraordinary transaction with respect to the Company or any of its Subsidiaries or Affiliates; or
- (iv) any “solicitation” of a “proxy” (as such terms are defined in Rule 14a-1 under the Exchange Act) or written consents with respect to any voting securities of the Company or any of its Affiliates.

(b) Each Stockholder further agrees that, if at any time during such period, such Stockholder is approached by any Person seeking such Stockholder’s participation in a matter of one of the types addressed in this Section 12, such Stockholder will promptly inform the Board of the nature of the matter and the parties involved.

13. Registration Rights.

(a) *Demand Registration.*

(i) Subject to the terms of this Agreement, at any time at least one hundred and eighty (180) days following the consummation of the IPO, each Individual Stockholder, together with his or her Sibling Affiliated Group, shall be entitled to make up to ten requests to the Company for registration under and in accordance with the provisions of the Securities Act of all or part of their Registrable Securities (any such registration, a “Demand Registration”); provided, however, that with respect to any Demand Registration:

A. the anticipated aggregate offering amount of the Registrable Securities covered by any Demand Registration shall exceed \$50,000,000 (net of underwriting discounts and commissions); and

B. each Sibling Affiliated Group shall be limited to one (1) such Demand Registration during each calendar year;

(ii) Within ten (10) days after receipt of any written request pursuant to this Section 13(a), the Company will give written notice of such request to all other holders of Registrable Securities and will use its reasonable best efforts to include in such registration all Registrable Securities (in accordance with the priorities set forth in Section 13(a)(iii) below) with respect to which the Company has received written requests for inclusion specifying the number of equity securities desired to be registered within ten (10) days after delivery of the Company’s notice, and, thereupon the Company will use its reasonable best efforts to effect, at the earliest possible date, the registration under the Securities Act.

(iii) If the managing underwriters with respect to a Demand Registration advise the Company in writing that, in their opinion, the inclusion of the number of Registrable Securities and other securities requested to be included creates a substantial risk that the price per share of securities proposed to be included in the offering will be reduced due to the inclusion of such securities in the offering, the Company will include in such Demand Registration, prior to the inclusion of any securities which are not Registrable Securities, the number of such Registrable Securities that in the opinion of such underwriters can be sold without creating such a risk, pro rata among the respective holders of such Registrable Securities on the basis of the number of such Registrable Securities requested by such holders to be included in the applicable Demand Registration.

(iv) With respect to any Demand Registration, if the Board determines in good faith that such filing (i) would be materially detrimental to the Company, (ii) would require a disclosure of a material fact that might reasonably be expected to have a material adverse effect on the Company or any plan or proposal by the Company or any of its Subsidiaries to engage in any acquisition or disposition of assets or equity securities or any merger, consolidation, tender offer, material financing or other significant transaction, (iii) is inadvisable because the Company is planning to prepare and file a registration statement for a primary offering by the Company of its securities (which determination by the Board shall be certified in writing by an executive officer of the Company to the holders of Registrable Securities who have requested a Demand Registration) or (iv) would require the Company to prepare audited financial statements as of a date other than its fiscal year end, then the Company may postpone for up to one hundred twenty (120) days the filing or the effectiveness of a registration statement for a Demand Registration; provided, that the Company may not on any of the foregoing grounds postpone the filing or effectiveness of a registration statement for a Demand Registration for more than one hundred twenty (120) days during any twelve (12) month period (unless the holders of a majority of the unsold Registrable Securities included in such registration statement and not previously sold thereunder consent in writing to a longer postponement of the filing or effectiveness of such registration statement).

(b) *Piggyback Registrations.*

(i) At any time at least one hundred eighty (180) days following the consummation of the IPO, whenever the Company proposes to register any shares of Registrable Securities under the Securities Act for its own account or otherwise, including in response to a Demand Registration made through the procedures of Section 13(a) hereof, and the registration form to be used may be used for the registration of Registrable Securities (each, a "Piggyback Registration") (except for the registrations on Form S-8 or Form S-4 or any successor form thereto), the Company will give written notice, at least ten (10) days prior to the proposed filing of such registration statement, to the Stockholders, of its intention to effect such a registration and will use reasonable best efforts to include in such registration all Registrable Securities (in accordance with the priorities set forth in Sections 13(b)(ii) and 13(b)(iii) below) with respect to which the Company has received written requests from Stockholders for inclusion specifying the number of equity securities desired to be registered, which request shall be delivered within ten (10) days after the delivery of the Company's notice. The Company may postpone or withdraw the filing or the effectiveness of a Piggyback Registration at any time in its sole discretion.

(ii) If a Piggyback Registration is an underwritten primary offering on behalf of the Company and the managing underwriters advise the Company in writing that in their opinion the number of Registrable Securities requested to be included in the registration creates a substantial risk that the price per share of the Registrable Securities proposed to be sold in the offering will be reduced due to the inclusion of such securities in the offering, then the managing underwriter and the Company may exclude securities (including Registrable Securities) from the registration and the underwriting, and the number of securities that may be included in such registration and underwriting shall include: (a) first, any securities that the Company proposed to sell, and (b) second, any Registrable Securities requested by Stockholders to be included in such registration pursuant to this Section 13, pro rata among the holders of such Registrable Securities on the basis of the total number of Registrable Securities which are requested by such holders to be included in such registration.

(iii) In connection with any Piggyback Registration, the Company will have such right to select the managing underwriter(s) in respect of such offering in its sole discretion.

(c) *Shelf Registrations.*

(i) Subject to the terms of this Agreement, commencing on the date on which the Company becomes eligible to register securities issued by it in the IPO on a registration statement on Form S-3 or similar short-form registration, the Company shall use its reasonable best efforts to effect, as expeditiously as possible, the filing of a shelf registration statement on Form S-3 pursuant to Rule 415 with respect to the Registrable Securities (including the prospectus, amendments and supplements to the shelf registration statement or prospectus, including pre- and post-effective amendments, all exhibits thereto and all material incorporated by reference or deemed incorporated by reference, if any, in such shelf registration statement, the "Shelf Registration Statement").

(ii) The Company shall use its reasonable best efforts to cause the Shelf Registration Statement to be declared effective by the Commission as soon as practicable after such filing, and shall use its reasonable best efforts to keep the Shelf Registration Statement effective and updated, from the date such Shelf Registration Statement is declared effective until the first date as of which all of the shares of Registrable Securities included in the Shelf Registration Statement have been sold. If the Shelf Registration Statement has been outstanding at least three years, at the end of the third year, if any securities registered under the previous Shelf Registration Statement remain unsold, the Company shall use its reasonable best efforts to promptly refile a new shelf registration statement on Form S-3 pursuant to Rule 415 covering the Registrable Securities.

(d) *Registration Procedures.* Whenever the holders of Registrable Securities have requested that any Registrable Securities be registered pursuant to this Section 13, the Company will use its reasonable best efforts to effect the registration of such Registrable Securities in accordance with the intended method of disposition thereof and, pursuant thereto, the Company will as expeditiously as reasonably possible:

(i) prepare and, as soon as practicable after the end of the period within which requests for registration may be given to the Company, file with the Commission a registration statement with respect to such Registrable Securities and use its reasonable best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus, or any amendments or supplements thereto, the Company will furnish copies of all such documents proposed to be filed to one counsel designated by holders of a majority of the Registrable Securities covered by such registration statement and to the extent practicable under the circumstances, provide such counsel an opportunity to comment on any information pertaining to the holders of Registrable Securities covered by such registration statement contained therein; and the Company shall consider in good faith any corrections reasonably requested by such counsel with respect to such information);

(ii) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus(es) used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than the earlier of (i) 180 days and (ii) the date that all of the securities covered by the registration statement have been sold, and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement;

(iii) in connection with any filing of any registration statement or prospectus or amendment or supplement thereto, cause such document (i) to comply in all material respects with the requirements of the Securities Act and the rules and regulations of the Commission thereunder and (ii) to not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading;

(iv) furnish to each seller of Registrable Securities, without charge, such number of copies of such registration statement, each amendment and supplement thereto, the prospectus(es) included in such registration statement (including each preliminary prospectus) and such other documents as such seller may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such seller;

(v) use its commercially reasonable efforts to register or qualify such Registrable Securities under such securities or blue sky laws of such jurisdictions as the Stockholders reasonably request, keep each such registration or qualification effective during the period the associated registration statement is required to be kept effective, and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller (provided that the Company will not be required to qualify generally to do business, consent to general service of process, or subject itself or any of its Affiliates to taxation, in any jurisdiction where it would not otherwise be required to do so but for this subparagraph);

- (vi) promptly notify each seller of such Registrable Securities and, if requested by such seller, confirm in writing, when a registration statement has become effective and when any post-effective amendments and supplements thereto become effective;
- (vii) promptly notify each seller of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading, and, at the request of any such seller, the Company will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain any untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading;
- (viii) use commercially reasonable efforts to cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed, or if no such securities are then listed, on a National Securities Exchange selected by the Company;
- (ix) provide a transfer agent, registrar and CUSIP number for all such Registrable Securities not later than the effective date of such registration statement;
- (x) enter into such customary agreements (including underwriting agreements in customary form) and take all such other customary actions as the holders of a majority of the Registrable Securities being sold or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities;
- (xi) use commercially reasonable efforts to cooperate with each seller and the underwriter or managing underwriter, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any restrictive legends; and enable such Registrable Securities to be in such denominations (consistent with the provisions of the governing documents thereof) and registered in such names as each seller or the underwriter or managing underwriter, if any, may reasonably request at least three Business Days prior to any sale of Registrable Securities;

- (xii) subject to confidentiality agreements in form and substance acceptable to the Company, make available for inspection, at such place and in such manner as determined by the Company in its sole discretion, by any seller of Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant or other agent retained by any such seller or underwriter, financial and other records, pertinent corporate documents and properties of the Company reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement, and cause the Company's officers, directors, employees and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement; provided, however, that any records, information or documents that are furnished by the Company and that are non-public shall be used only in connection with such registration;
- (xiii) advise each seller of such Registrable Securities, promptly after it shall receive notice or obtain knowledge thereof, of the issuance of any stop order by the Commission suspending the effectiveness of such registration statement or the initiation or threatening of any proceeding for such purpose and promptly use its reasonable best efforts to prevent the issuance of any stop order or to obtain its withdrawal if such stop order should be issued;
- (xiv) make available to its security holders, as soon as reasonably practicable, an earnings statement (which need not be audited) covering at least twelve (12) months which shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder;
- (xv) cooperate and assist in any filing required to be made with the Financial Industry Regulatory Authority (FINRA);
- (xvi) at the request of any seller of such Registrable Securities in connection with an underwritten offering, furnish on the date or dates provided for in the underwriting agreement a letter or letters from the independent certified public accountants of the Company addressed to the underwriters and the sellers of Registrable Securities, covering such matters as such accountants, underwriters and sellers may reasonably agree upon, in which letter(s) such accountants shall state, without limiting the generality of the foregoing, that they are an independent registered public accounting firm within the meaning of the Securities Act and that in their opinion the financial statements and other financial data of the Company included in the registration statement, the prospectus(es), or any amendment or supplement thereto, comply in all material respects with the applicable accounting requirements of the Securities Act; and
- (xvii) with respect to any Demand Registration, make senior executives of the Company reasonably available to assist the underwriters with respect to, and participate in, the so-called "road show" in connection with the marketing efforts for, and the distribution and sale of Registrable Securities pursuant to a registration statement.

(e) *Registration Expenses.*

(i) The Company will pay all expenses incident to the Company's performance of or compliance with this Section 13, including, but not limited to: all registration and filing fees; fees and expenses of compliance with securities or blue sky laws; printing expenses; messenger and delivery expenses; and fees and disbursements of counsel for the Company; reasonable fees and disbursements of one counsel chosen by the holders of a majority of the Registrable Securities to be included in such registration to represent all holders of Registrable Securities to be included in the registration; fees and disbursements of the Company's registered public accounting firm; and reasonable fees and disbursements of all other Persons retained by the Company (all such expenses being herein called "Registration Expenses"); provided, however, that, as between the Company and holders of Registrable Securities, all underwriting discounts and commissions and transfer taxes relating to the Registrable Securities will be borne pro rata by the holders of such Registrable Securities sold in any offering hereunder. In addition, the Company will pay its internal expenses (including, but not limited to, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit or quarterly review, the expense of any liability insurance obtained by the Company and the expenses and fees for listing the securities to be registered on each securities exchange; provided, however, that if a Demand Registration is subsequently withdrawn at the request of a majority of the Stockholders initiating such request, the holders of Registrable Securities subject to such withdrawn registration shall forfeit such registration unless the holders of Registrable Securities to be registered pay (or reimburse the Company) for all of the Registration Expenses with respect to such withdrawn registration.

(ii) To the extent that any expenses incident to any registration are not required to be paid by the Company, each holder of Registrable Securities included in a registration will pay all such expenses which are clearly and solely attributable to the registration of such holder's Registrable Securities so included in such registration, and any other expenses not so attributable to one holder will be borne and paid by all sellers of securities included in such registration in proportion to the number of securities so included by each such seller.

(f) *Indemnification.*

(i) The Company agrees to indemnify, to the extent permitted by law, each holder of Registrable Securities and, as applicable, each of its trustees, stockholders, members, directors, managers, partners, officers and employees, and each Person who controls such holder (within the meaning of the Securities Act), against all losses, claims, damages, liabilities and expenses (including, but not limited to, attorneys' fees and expenses) caused by any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus, or any amendment thereof or supplement thereto (including, in each case, all documents incorporated therein by reference), or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same are caused by or contained in any information furnished in writing to the Company by such holder expressly for use therein or by such holder's failure to deliver a copy of the prospectus or any amendments or supplements thereto after the Company has furnished such holder with a sufficient number of copies of the same. In connection with an underwritten offering, the Company will indemnify such underwriters, their officers and directors and each Person who controls such underwriters (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the holders of Registrable Securities. The payments required by this Section 13(f)(i) will be made periodically during the course of the investigation or defense, as and when bills are received or expenses incurred.

(ii) In connection with any registration statement in which a holder of Registrable Securities is participating, each such holder will furnish to the Company in writing such information relating to such holder as is reasonably necessary for use in connection with any such registration statement or prospectus and, to the extent permitted by law, will indemnify the Company and, as applicable, each of its directors, employees and officers and each Person who controls the Company (within the meaning of the Securities Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of material fact contained in the registration statement, prospectus or preliminary prospectus, or any amendment thereof or supplement thereto (including, in each case, all documents incorporated therein by reference), or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is contained in or omitted from any information furnished in writing by such holder for the acknowledged purpose of inclusion in such registration statement, prospectus or preliminary prospectus; provided, however, that the obligation to indemnify will be several, not joint and several, among such holders of Registrable Securities and the liability of each such holder of Registrable Securities will be in proportion to and limited to the net amount received by such holder from the sale of Registrable Securities pursuant to such registration statement, unless such loss, claim, damage, liability or expense resulted from such holder's intentionally fraudulent conduct.

(iii) Each party entitled to indemnification under this Section 13(f) (the "Indemnified Party") shall give written notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has received written notice of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided that the counsel for the Indemnifying Party who is to conduct the defense of such claim or litigation is reasonably satisfactory to the Indemnified Party (whose approval shall not be unreasonably withheld or delayed). The Indemnified Party may participate in such defense at such Indemnified Party's expense; provided, however, that the Indemnifying Party shall bear the expense of such defense of the Indemnified Party if (i) the Indemnifying Party has agreed in writing to pay such expenses, (ii) the Indemnifying Party shall have failed to assume the defense of such claim or to employ counsel reasonably satisfactory to the Indemnified Party, or (iii) in the reasonable judgment of the Indemnified Party, based upon the written advice of such Indemnified Party's counsel, representation of both parties by the same counsel would be inappropriate due to actual or potential conflicts of interest; provided, however, that in no event shall the Indemnifying Party be liable for the fees and expenses of more than one counsel (excluding one local counsel per jurisdiction as necessary) for all Indemnified Parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same event, allegations or circumstances. The Indemnified Party shall not make any settlement without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. The failure of any Indemnified Party to give notice as provided herein shall relieve the Indemnifying Party of its obligations under this Section 13(f) only to the extent that such failure to give notice shall materially prejudice the Indemnifying Party in the defense of any such claim or any such litigation. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the prior written consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement (a) that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation in form and substance reasonably satisfactory to such Indemnified Party or (b) that includes an admission of fault, culpability or a failure to act, by or on behalf of any Indemnified Party.

(iv) The indemnification (and contribution provisions in Section 13(g) below) provided for under this Agreement will remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Party or any officer, director or controlling Person of such Indemnified Party and will survive the transfer of securities.

(g) *Contribution.*

(i) If the indemnification provided for in Section 13(f) from the Indemnifying Party is unavailable to or unenforceable by the Indemnified Party in respect to any costs, fines, penalties, losses, claims, damages, liabilities or expenses referred to herein, then the Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such costs, fines, penalties, losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Parties in connection with the actions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Parties shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such Indemnifying Party or Indemnified Parties, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the costs, fines, penalties, losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 13(f), any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding. Notwithstanding this Section 13(g), an indemnifying holder who is a Sibling Affiliated Stockholder shall not be required to contribute any amount in excess of the amount by which (a) the total price at which the Registrable Securities sold by such holder exceeds (b) the amount of any damages which such indemnifying holder has otherwise been required to pay by reason of the untrue or alleged untrue statement or omission or alleged omission giving rise to such payments, unless such loss, claim, damage, liability or expense in respect of which contribution is required resulted from such holder's intentionally fraudulent conduct.

(ii) The Company and the holders of Registrable Securities agree that it would not be just and equitable if contribution pursuant to this Section 13(g) were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding paragraph. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(h) At the request of any holder of Registrable Securities who proposes to sell securities in compliance with Rule 144, the Company will (i) forthwith furnish to such holder a written statement of compliance with the filing requirements of the Commission as set forth in Rule 144, and (ii) make available to the public and such holders such information, and take such action as is reasonably necessary, to enable the holders of Registrable Securities to make sales pursuant to Rule 144.

(i) No Person may participate in any registration pursuant to this Section 13 which is underwritten unless such Person (i) agrees to sell its securities on the basis provided in any underwriting arrangements approved by such Person or Persons entitled hereunder to approve such arrangements and (ii) completes and executes all questionnaires, powers of attorney, custody agreements, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

(j) Notwithstanding any provision of this Agreement to the contrary (including, without limitation, Sections 9 and 12 and this Section 13), nothing in this Agreement shall be interpreted to preclude or otherwise restrict any Stockholder from:

- (i) Purchasing shares of Class A Stock in the open market or otherwise;
- (ii) Purchasing or selling shares of Common Stock pursuant to the Share Purchase Agreement; or
- (iii) Selling shares of Class A Stock in connection with (A) the exercise of any over-allotment option granted to the underwriters in the IPO or (B) any follow-on offering of Class A Stock. In connection with the exercise of any over-allotment option granted to the underwriters in the IPO to purchase additional shares of Class A Stock (such shares, the “Over-Allotment Shares”), each Stockholder shall have the right, but not the obligation, to elect to transfer to the underwriters shares of such Stockholder’s Class B Stock in an amount equal to or less than such Stockholder’s Proportionate Share of the Over-Allotment Shares; provided, however, if a Stockholder elects not to transfer shares to the underwriters, the option to transfer a number of shares equal to such Stockholder’s Proportionate Share of the Over-Allotment Shares shall be offered to the electing Stockholders.

14. Severability. All provisions of this Agreement are distinct and severable and if any clause shall be held to be invalid, illegal or against public policy, the validity or the legality of the remainder of this Agreement shall not be affected thereby.

15. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to conflicts of laws principles.

16. Jurisdiction. The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby (whether brought by any party or any of its Affiliates or against any party or any of its Affiliates) shall be brought in the Delaware Chancery Court (or in the event, but only in the event, that such court does not have subject matter jurisdiction over such action or proceeding, the Superior Court of the State of Delaware (Complex Commercial Division) or, if subject matter jurisdiction over the action or proceeding is vested exclusively in the federal courts of the United States of America, the United States District Court for the District of Delaware) and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court.

17. Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR TRANSACTIONS CONTEMPLATED HEREBY.

18. Notices. All notices, offers, acceptances, refusals, payments, agreements, requests or other communications given or required to be given hereunder shall be made in writing and shall be deemed duly given and effective, if (a) delivered in person or sent by electronic mail or facsimile, on the date received, and, (b) mailed, on the second Business Day after mailing by certified mail, postage prepaid, return receipt requested, to a Stockholder at such Stockholder's last known address as it appears on the books and records of the Company, or to the Company at its then principal place of business.

19. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, successors and assigns. This Agreement cannot be assigned without the written consent of all of the parties hereto.

20. Entire Agreement; Modification. This Agreement expresses the entire and final understandings of the parties hereto and supersedes all prior agreements with reference to the subject matter hereof, including, without limitation, the Prior Agreement. Each of the parties hereto hereby irrevocably waives any and all claims and rights under all prior agreements with reference to the subject matter hereof, including, without limitation, any and all claims and rights under the Prior Agreement relating to transactions contemplated under this Agreement, including those pursuant to the Share Purchase Agreement. This Agreement may neither be altered nor modified except by a writing duly signed by the Company and a majority of the Stockholders.

21. Miscellaneous. Each party to this Agreement agrees to perform any and all further acts, and to execute and deliver any and all documents and instruments that may be reasonably necessary and appropriate to carry out the terms and conditions and to further the intent of this Agreement. As required by the context, the singular shall be construed to include the plural and vice versa, and the use of any gender shall be construed to include all genders. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument, and may be delivered by facsimile or emailed document scan.

22. Termination. This Agreement shall terminate and be of no further force and effect on the later to occur of (i) the first date when the Stockholders, taken together, hold less than two percent (2%) of all issued and outstanding shares of Common Stock and (ii) the first date when no party to this Agreement continues to hold any Registrable Securities.

[Signature page follows]

IN WITNESS WHEREOF, the Stockholders have executed this Agreement, and the Company has caused this Agreement to be executed by a duly authorized officer of the Company as of the date first above written.

VERTEX, INC.

By: /s/ DAVID DEStEFANO
Name: David DeStefano
Title: President, Chief Executive Officer and Chairperson

/s/ JEFFREY R. WESTPHAL
Jeffrey R. Westphal

/s/ STEFANIE W. THOMPSON
Stefanie W. Thompson

/s/ AMANDA W. RADCLIFFE
Amanda W. Radcliffe

/s/ CONRAD J.J. RADCLIFFE
Conrad J. J. Radcliffe

/s/ CHRISTOPHER J. THOMPSON
Christopher J. Thompson

/s/ BENJAMIN SCHMERIN
Benjamin Schmerin

**ITEM SECOND IRREVOCABLE TRUST FBO KAILEY RADCLIFFE
u/a of AMANDA W RADCLIFFE dated 10/05/2001**

By: /s/ CONRAD J.J. RADCLIFFE
Name: Conrad J. J. Radcliffe
Title: Trustee

By: /s/ KAILEY A. RADCLIFFE
Name: Kailey A. Radcliffe
Title: Trustee

**ITEM SECOND IRREVOCABLE TRUST FBO ANTOINETTE R.
RADCLIFFE u/a of AMANDA W RADCLIFFE dated 10/05/2001**

By: /s/ CONRAD J.J. RADCLIFFE
Name: Conrad J. J. Radcliffe
Title: Trustee

By: /s/ ANTOINETTE R. RADCLIFFE
Name: Antoinette R. Radcliffe
Title: Trustee

**THIRD PARTY FUNDED SPECIAL NEEDS TRUST FOR CALLUM
W. RADCLIFFE u/a of AMANDA W RADCLIFFE dated May 15, 2015**

By: /s/ CONRAD J.J. RADCLIFFE
Name: Conrad J. J. Radcliffe
Title: Trustee

By: /s/ ANOINETTE R. RADCLIFFE
Name: Antoinette R. Radcliffe
Title: Trustee

By: /s/ KAILEY A. RADCLIFFE
Name: Kailey A. Radcliffe
Title: Trustee

**ITEM SECOND IRR. TRUST FBO ANNE
MARIE WESTPHAL u/a of JEFFREY R.
WESTPHAL dated October 5, 2001**

By: /s/ ANNE MARIE WESTPHAL

Name: Anne Marie Westphal

Title: Trustee

By: /s/ JOSHUA R. LEVINE

Name: Joshua R. Levine

Title: Trustee

By: /s/ STEVE TREAT

Name: Steve Treat

Title: Trustee

**ITEM SECOND IRR. TRUST FBO KYLE R. WESTPHAL u/a of
JEFFREY R. WESTPHAL dated October 5, 2001**

By: /s/ KYLE R. WESTPHAL

Name: Kyle R. Westphal

Title: Trustee

By: /s/ JOSHUA R. LEVINE

Name: Joshua R. Levine

Title: Trustee

By: /s/ STEVE TREAT

Name: Steve Treat

Title: Trustee

**ITEM SECOND IRR. TRUST FBO JACOB J. WESTPHAL u/a of
JEFFREY R. WESTPHAL dated October 5, 2001**

By: /s/ JACOB J. WESTPHAL

Name: Jacob J. Westphal

Title: Trustee

By: /s/ JOSHUA R. LEVINE

Name: Joshua R. Levine

Title: Trustee

By: /s/ STEVE TREAT

Name: Steve Treat

Title: Trustee

**ITEM SECOND IRR. TRUST FBO MELANIE H. LUCAS u/a of
STEFANIE W. LUCAS dated October 5, 2001**

By: /s/ MELANIE H. LUCAS

Name: Melanie H. Lucas

Title: Trustee

**ITEM SECOND IRR. TRUST FBO SAMANTHA W. LUCAS u/a of
STEFANIE W. LUCAS dated October 5, 2001**

By: /s/ SAMANTHA W. LUCAS

Name: Samantha W. Lucas

Title: Trustee

**ITEM SECOND IRR. TRUST FBO MACKENZIE S. LUCAS u/a of
STEFANIE W. LUCAS dated October 5, 2001**

By: /s/ MACKENZIE S. LUCAS

Name: Mackenzie S. Lucas

Title: Trustee

**ITEM SECOND IRR. TRUST FBO ANDREA P. LUCAS u/a of
STEFANIE W. LUCAS dated October 5, 2001**

By: /s/ ANDREA SCHMERIN
Name: Andrea P. Schmerin (f/k/a Andrea P. Lucas)
Title: Trustee

The 2009 Jeffrey R. Westphal Generation Skipping Trust

By: /s/ JEFFREY R. WESTPHAL
Name: Jeffrey R. Westphal
Title: Trustee

The 2009 Stefanie Lucas Generation Skipping Trust

By: /s/ STEFANIE W. THOMPSON
Name: Stefanie W. Thompson (f/k/a Stefanie W. Lucas)
Title: Trustee

The 2009 Amanda W. Radcliffe Generation Skipping Trust

By: /s/ AMANDA W. RADCLIFFE
Name: Amanda W. Radcliffe
Title: Trustee

The Irrevocable Deed of Trust of Antoinette M. Westphal, dated March 31, 1987, Stefanie W. Thompson and Sterling Trustees LLC, Trustees

By: /s/ STEFANIE W. THOMPSON
Name: Stefanie W. Thompson
Title: Trustee

By: STERLING TRUSTEES LLC
Title: Trustee

By: /s/ ANTHONY JOFFE
Name: Anthony Joffe
Title: President

Irrevocable Trust of Rainer J. Westphal, Settlor, dated July 19, 2007 – Separate Trust for Benefit of Stefanie W. Lucas

By: /s/ STEFANIE W. THOMPSON
Name: Stefanie W. Thompson (f/k/a Stefanie W. Lucas)
Title: Trustee

Irrevocable Trust of Rainer J. Westphal, Settlor, dated July 19, 2007 – Separate Trust for Benefit of Amanda W. Radcliffe

By: /s/ AMANDA W. RADCLIFFE
Name: Amanda W. Radcliffe
Title: Trustee

Irrevocable Trust of Rainer J. Westphal, Settlor, dated July 19, 2007 – Separate Trust for Benefit of Jeffrey Westphal

By: /s/ JEFFREY R. WESTPHAL
Name: Jeffrey R. Westphal
Title: Trustee

2020 IRREVOCABLE TRUST FOR BENEFIT OF CONSTANCE A. THOMPSON

By: /s/ CONSTANCE A. THOMPSON

Name: Constance A. Thompson

Title: Trustee

By: /s/ CHRISTOPHER J. THOMPSON

Name: Christopher J. Thompson

Title: Trustee

2020 IRREVOCABLE TRUST FOR BENEFIT OF NICHOLAS A. SHUHAN

By: /s/ NICHOLAS A. SHUHAN

Name: Nicholas A. Shuhan

Title: Trustee

By: /s/ JOSHUA R. LEVINE

Name: Joshua R. Levine

Title: Trustee

By: /s/ STEPHEN R. TREAT

Name: Stephen R. Treat

Title: Trustee

SCHEDULE 1

Exhibit 4.2

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SCHEDULE 2

Stockholders

Stefanie W. Thompson (formerly known as Stefanie W. Lucas)

Amanda W. Radcliffe

Christopher J. Thompson

Conrad J. J. Radcliffe

Benjamin Schmerin

Item Second Irrevocable Trust fbo Kailey A. Radcliffe u/a of Amanda W. Radcliffe, dated October 5, 2001

Trustees: Conrad J. J. Radcliffe and Kailey A. Radcliffe

Item Second Irrevocable Trust fbo Antoinette R. Radcliffe u/a of Amanda W. Radcliffe, dated October 5, 2001

Trustees: Conrad J. J. Radcliffe and Antoinette R. Radcliffe

Third Party Funded Special Needs Trust for Callum W. Radcliffe u/a Of Amanda W. Radcliffe, dated May 15, 2015

Trustees: Conrad J. J. Radcliffe

Item Second Irr. Trust fbo Anne Marie Westphal u/a of Jeffrey R. Westphal, dated October 5, 2001

Trustees: Anne Marie Westphal, Joshua R. Levine and Steve Treat

Item Second Irr. Trust fbo Kyle R. Westphal u/a of Jeffrey R. Westphal, dated October 5, 2001

Trustees: Kyle R. Westphal, Joshua R. Levine and Steve Treat

Item Second Irr. Trust fbo Jacob J. Westphal u/a of Jeffrey R. Westphal, dated October 5, 2001

Trustees: Jacob J. Westphal, Joshua R. Levine and Steve Treat

Item Second Irr. Trust fbo Melanie H. Lucas u/a of Stefanie W. Lucas, dated October 5, 2001

Trustee: Melanie H. Lucas

Item Second Irr. Trust fbo Samantha W. Lucas u/a of Stefanie W. Lucas, dated October 5, 2001

Trustee: Samantha W. Lucas

Item Second Irr. Trust fbo Mackenzie S. Lucas u/a of Stefanie W. Lucas, dated October 5, 2001

Trustee: Mackenzie S. Lucas

Item Second Irr. Trust fbo Andrea P. Lucas u/a of Stefanie W. Lucas, dated October 5, 2001

Trustee: Andrea P. Schmerin (f/k/a Andrea P. Lucas)

The 2009 Jeffrey R. Westphal Generation-Skipping Trust

Trustee: Jeffrey R. Westphal

The 2009 Stefanie W. Lucas Generation-Skipping Trust

Trustee: Stefanie W. Thompson (f/k/a Stefanie W. Lucas)

The 2009 Amanda W. Radcliffe Generation-Skipping Trust

Trustee: Amanda R. Radcliffe

The Irrevocable Deed of Trust of Antoinette M. Westphal, dated March 31, 1987

Trustees: Stefanie W. Thompson and Sterling Trustees LLC

Irrevocable Trust of Rainer J. Westphal, Settlor, dated July 19, 2007 – Separate Trust for Benefit of Stefanie W. Lucas

Trustee: Stefanie W. Thompson (f/k/a Stefanie W. Lucas)

Irrevocable Trust of Rainer J. Westphal, Settlor, dated July 19, 2007 – Separate Trust for Benefit of Amanda W. Radcliffe

Trustee: Amanda R. Radcliffe

Irrevocable Trust of Rainer J. Westphal, Settlor, dated July 19, 2007 – Separate Trust for Benefit of Jeffrey Westphal

Trustee: Jeffrey R. Westphal

2020 Irrevocable Trust fbo Constance A. Thompson

Trustees: Christopher J. Thompson, Constance A. Thompson

2020 Irrevocable Trust fbo Nicholas A. Shuhan

Trustees: Nicholas A. Shuhan, Joshua R. Levine and Stephen R. Treat

EXHIBIT A
FORM OF JOINDER AGREEMENT

[Attached]

JOINDER AGREEMENT

This JOINDER AGREEMENT to the Third Amended and Restated Stockholders' Agreement (the "Joinder Agreement") is made and entered into as of _____, _____, by and among Vertex, Inc., a Delaware corporation (the "Company"), and the undersigned (the "Joining Stockholders"), and relates to that certain Third Amended and Restated Stockholders' Agreement, dated as of July 28, 2020 (as amended from time to time, the "Stockholders' Agreement"), by and among the Company and each Person set forth on Schedule 2 to the Stockholders' Agreement and any other Person who becomes a party to the Stockholders' Agreement pursuant to the provisions of the Stockholders' Agreement (each such Person, individually, a "Stockholder" and, collectively, the "Stockholders"). Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Stockholders' Agreement.

WHEREAS, the Joining Stockholders are acquiring as transferees shares of Class B Stock, par value \$0.0001 per share, of the Company and, in connection therewith, have agreed to become a party to the Stockholders' Agreement on the terms set forth herein.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Agreement to be Bound. Each Joining Stockholder agrees that, upon the execution of this Joinder Agreement, such Joining Stockholder shall become a party to the Stockholders' Agreement and shall be fully bound by, and subject to, all of the covenants, terms and conditions of the Stockholders' Agreement and such Joining Stockholder shall be deemed a "Stockholder" thereunder for all purposes.

2. Binding Effect. This Joinder Agreement shall be binding upon and shall inure to the benefit of, and be enforceable by, the Company, the Stockholders and the Joining Stockholders and their respective heirs, personal representatives, successors and assigns.

3. Severability. If any provision of this Joinder Agreement (or any portion thereof) or the application of any such provision (or any portion thereof) to any Person or circumstance shall be held invalid, illegal or unenforceable in any respect by a Governmental Authority, such invalidity, illegality or unenforceability shall not affect any other provision hereof (or the remaining portion thereof) or the application of such provision to any other Persons or circumstances. Upon such determination that any provision of this Joinder Agreement (or any portion thereof) or the application of any such provision (or any portion thereof) to any Person or circumstance is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Joinder Agreement so as to effect the original intent of the parties hereto as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

4. Further Agreement. The parties hereto shall use commercially reasonable efforts to do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments or documents as any other party may reasonably request in order to carry out the intent and purposes of this Joinder Agreement and to consummate the transactions contemplated hereby.

5. Effect of Headings. The Section headings of this Joinder Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Joinder Agreement.

6. Counterparts. This Joinder Agreement may be executed in one or more counterparts, each of which shall be deemed to constitute an original, but all such respective counterparts shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Joinder Agreement by facsimile or other electronic image scan shall be effective as delivery of a manually executed counterpart of this Agreement.

7. Governing Law. THIS JOINDER AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REFERENCE TO ITS INTERNAL CONFLICTS OF LAWS PRINCIPLES.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Joinder Agreement as of the date first above written:

VERTEX, INC.

By: _____
Name:
Title:

[NAME(S) OF JOINING STOCKHOLDER(S)]

By: _____
Name:
Title:

[Signature Page to Joinder Agreement]

EXECUTIVE EMPLOYMENT AGREEMENT
(as amended and restated)

THIS EXECUTIVE EMPLOYMENT AGREEMENT (“Agreement”) is made as of July 20, 2020 by and between VERTEX, INC., a Delaware corporation (“Company”), with offices at 2301 Renaissance Boulevard, King of Prussia, PA 19406, and Lisa A. Butler (“Executive”).

Recital

WHEREAS, Executive is currently employed by the Company as Chief Accounting Officer, pursuant to an Employment Agreement dated February 12, 2015, as amended from time to time (the “Prior Agreement”);

WHEREAS, in the course of its business, the Company has invested and will continue to invest substantial time, effort, money and other resources in the creation, development, maintenance and protection of confidential and proprietary business methods, Documents (as defined herein) and information, as well as substantial and ongoing customer and industry relationships, all of which gain for the Company a substantial advantage in the marketplace and represent assets of great value to the Company and all of which will continue to be disclosed to Executive in the course of Executive’s employment with the Company;

WHEREAS, the Company and Executive recognize the Company’s legitimate business interest in protecting its confidential and proprietary business methods, Documents and information, as well as its substantial and ongoing customer and industry relationships; and

WHEREAS, Executive and the Company desire to enter into this Agreement to set out the terms and conditions for the continued employment relationship of Executive with the Company effective as of the date of consummation of the initial public offering of the Company’s Class A common stock pursuant to an effective registration statement filed under the Securities Act of 1933, as amended, (the “Effective Date”).

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and, specifically, in consideration of the Company’s continued employment of Executive and Executive’s resulting access to the Company’s confidential and proprietary business methods, Documents and information as well as to its substantial and ongoing customer and industry relationships, the Company and Executive agree as follows:

1. Employment and Duties. The Company shall continue to employ Executive in the position of Chief Accounting Officer of the Company reporting to the Chief Financial Officer of the Company, and Executive hereby accepts such continued employment. Executive shall perform duties incident to this position, as well as any other duties that may be assigned to Executive from time to time by the Chief Financial Officer and/or the Chief Executive Officer of the Company (the “CEO”) or his or her designee, that are not inconsistent with service as an officer of the Company, including duties for any Company subsidiary or affiliate. Executive shall abide by the Company’s Code of Ethics and Business Conduct (“Code of Conduct”), policies, practices, procedures, and rules.

2. Term; Termination.

(a) Subject to the provisions of Section 14, Executive’s employment under this Agreement shall remain in effect until terminated in accordance with the provisions of this paragraph.

(b) Executive's employment may be terminated hereunder as follows:

(i) Executive's employment shall terminate automatically upon Executive's death and may be terminated at any time, in the Company's sole discretion, upon Executive's "Disability." For purposes of this Agreement, "Disability" shall mean that because of physical or mental illness or incapacity Executive is unable to substantially perform all of the essential functions of Executive's position on a full-time basis with or without reasonable accommodation, for a period of 90 consecutive days or in excess of 180 days in any one-year period. This provision does not limit Executive's access to and use of benefits made available to Executive by the Company pursuant to this Agreement. Further, this provision is not intended to replace or supersede any applicable laws.

(ii) The Company may terminate Executive's employment for "Cause," without advance notice and with no other continuing obligations of the Company to Executive under this Agreement. For purposes of this Agreement, "Cause" shall mean (A) Executive's material breach of this Agreement (including but not limited to Sections 6, 7, or 8 hereof); (B) Executive's repeated failure to perform Executive's duties or obligations to the Company or any corporation or other legal entity of which the Company has at least 51% equity ownership (a "Subsidiary"); (C) Executive's willful misconduct that is materially injurious to the Company or any Subsidiary; (D) dishonesty, unethical, fraudulent or similar misconduct on the part of Executive in connection with Executive's employment by, or performance of services for, the Company or any Subsidiary; (E) Executive's use of non-prescription controlled substances, misuse of prescription drugs, or habitual intoxication during work hours; (F) Executive's conviction (which includes a guilty plea or plea of nolo contendere) of a felony or any other crime involving fraud, dishonesty or moral turpitude; (G) Executive's material violation of any policy of the Company or of any Subsidiary for which Executive performs services; or (H) Executive's refusal to follow any directions of the Board of Directors of the Company (the "Board") or any other person at the Company or any Subsidiary to whom Executive reports that are reasonable, lawful and consistent with the Company's Code of Conduct, policies, practices, procedures, and rules. Notwithstanding the foregoing, the parties agree that "Cause" does not include any act of Executive covered by (A), (B), (G) or (H) of the foregoing sentence, that in the sole discretion of the CEO or his or her designee, is capable of cure and is cured by Executive within thirty (30) days after written notice thereof has been provided to Executive.

(iii) The Company may terminate Executive's employment without Cause upon thirty (30) days' written notice to Executive (or, at the Company's option, the Company may provide Executive a maximum of thirty (30) days' pay in lieu of such notice). In the event of (x) any termination by the Company without Cause pursuant to this subparagraph 2(b)(iii), or (y) any termination by Executive for Good Reason (as defined below) pursuant to subparagraph 2(b)(vi), provided, in any case, Executive first signs a general separation agreement and release of claims against the Company, its Subsidiaries and affiliates, in form to be provided by the Company that is substantially similar to the sample form attached hereto as Appendix A ("Release"), and further provided that Executive remains in compliance with Executive's continuing obligations under paragraphs 6 and 7 of this Agreement, Executive will be entitled to the following: (a) payment of Executive's Base Salary (as defined below) under Section 3(a) at the rate in effect on the date of termination of employment for a period of twelve (12) months (the "Severance Period"); and (b) if Executive timely elects continuation coverage under COBRA, payment of insurance premiums in order to continue Executive's then-existing health insurance coverage for a period of eighteen (18) months, or, at the Company's option, payment to Executive as additional severance pay in an amount equal to the premium payments for such continuation coverage. The health insurance continuation (or equivalent payment as additional severance) shall be at the Company's expense, but shall in all events terminate on the date Executive becomes eligible for health insurance coverage under the medical plan of a new employer.

(iv) Executive may terminate Executive's employment for any reason or no reason upon at least thirty (30) days' written notice to the Company; *provided, however*, that following such notice of termination, the Company may, at its option, select a shorter notice period and earlier termination date than Executive provided, without incurring liability hereunder or changing the nature of Executive's termination.

(v) Except as provided in subparagraph 2(b)(iii), in the event of termination of employment for any reason, Executive (or Executive's estate, as applicable) shall be entitled to no payments or benefits following the date of termination other than payment of (i) accrued but unpaid Base Salary earned through the termination date; (ii) the unpaid portion of incentive compensation, if any, earned by Executive with respect to the calendar year preceding the calendar year in which the date of termination occurs, subject to the terms and conditions of any plan governing such incentive compensation; (iii) expenses reimbursable under Section 5 incurred but not yet reimbursed to Executive prior to the termination date; and (iv) any vested benefits or amounts through the date of termination due and owing to Executive under the terms of any plan, program, or arrangement of the Company, less any amounts then owed by Executive to the Company. For the avoidance of doubt, if Executive's employment shall terminate as a result of Executive's death or Disability pursuant to Section 2(b)(i), pursuant to Section 2(b)(ii) for Cause, or pursuant to Section 2(b)(iv) for Executive's resignation from the Company without Good Reason or for no reason, then Executive shall not be entitled to any payments or benefits, except for those payments and benefits provided in clauses (i), (ii), (iii) and (iv) of this Section 2(b)(v).

(vi) Executive may terminate Executive's employment for Good Reason. "Good Reason" means, unless otherwise consented to by Executive, any action taken by the Company that causes (i) a material breach of this Agreement, (ii) the material diminution of Executive's duties, (iii) a material decrease in Base Salary or (iv) any relocation of Executive's principal office to a location more than fifty (50) miles from Executive's then current office. Before resigning for Good Reason, Executive shall provide written notice to the Company of the ground giving rise to Good Reason. The notice shall be provided within sixty (60) days of the occurrence of the event giving rise to Good Reason. The Company shall then have thirty (30) days within which to cure such event. If the Company fails to cure, Executive shall have the right to resign for Good Reason, provided the resignation occurs no later than one hundred and twenty (120) days from the date of the occurrence of the event giving rise to Good Reason.

(c) Amounts payable under this Agreement that are subject to Executive's execution of the Release shall commence on the sixtieth day after Executive's separation from service. Executive shall not be entitled to any such payments unless Executive executes the Release within forty-five days of the later of the date Executive receives the Release or Executive's separation from service, and does not revoke the Release; provided, however, that in no event shall the Company provide such Release to Executive later than five (5) business days after Executive's separation from service. Any amounts payable under this Agreement as an uninterrupted continuation of Executive's Base Salary or health insurance coverage that are delayed pending Executive's execution of a Release shall be paid in an aggregate lump sum upon such sixtieth day; provided, however, that Executive shall be responsible for paying any premiums that are due and necessary for the continuation of Executive's health insurance coverage prior to such sixtieth day, subject to reimbursement of such amounts to Executive by the Company upon the lapse of such sixty-day period. In the event Executive commits a material breach of Section 6 or Section 7 that, in the sole discretion of the CEO or his or her designee, is not capable of cure, or is not cured by Executive within thirty (30) days after notice thereof to Executive, then, without limiting the availability to the Company of any other relief or remedy, Executive shall no longer be entitled to any severance compensation or benefits provided for above in subparagraph 2(b)(iii) that have not yet been paid, and shall be required to repay to the Company any amounts theretofore paid under such subsection.

(d) Prior to and following any termination of employment, (i) Executive shall not disparage the professional or personal reputation of the Company, its Subsidiaries and affiliates or any of their officers, shareholders, directors, management, or employees or any products or services of the Company, its Subsidiaries and affiliates (other than good faith statements made in the performance of Executive's duties during Executive's employment); and (ii) the Board shall not disparage the professional or personal reputation of Executive (other than good faith statements made during Executive's employment). Nothing in this paragraph shall preclude any party from making truthful statements that are reasonably necessary to comply with applicable law, regulation or legal process, or to defend or enforce a party's rights under this Agreement.

(e) In event of termination of Executive's employment for any reason, Executive shall be deemed to have resigned from each position Executive holds as an officer or director of the Company and any Subsidiary or affiliate of the Company effective as of no later than the termination date.

3. Compensation.

(a) Salary. Beginning on the Effective Date, Executive's annual base salary ("Base Salary") shall be three hundred two thousand six hundred seventy-nine dollars (\$302,679), payable in accordance with the Company's generally applicable payroll practices and subject to any payroll or other deductions required by law, government or court order, or by agreement with, or consent of, Executive. The Base Salary may be increased from time to time in the discretion of the Board or the CEO or his or her designee.

(b) Incentive Compensation. Executive shall continue to be eligible to participate in the incentive compensation plans the Company may implement from time to time. The target bonus amounts and performance targets for Executive shall be established at the same time such amounts and targets are established for other executive officers of the Company, shall be as determined by the Board, and shall be payable only upon the Company's achievement of established targets as determined by the Board. Notwithstanding the foregoing, the Company and Executive agree that Executive's target annual bonus will equal forty percent (40%) of Executive's Base Salary.

(c) Performance Bonus. Executive shall be eligible to receive a bonus in the amount of seventy-five thousand dollars (\$75,000) ("Performance Bonus"), subject to the Company's generally applicable payroll practices and any payroll or other deductions required by law, upon the earlier to occur of the following: (i) the filing of the Company's first quarterly public company financial statement during calendar year 2020, (ii) the date the Board makes a determination to terminate the pursuit of the filing of a registration statement on Form S-1 during calendar year 2020, or (iii) December 31, 2020. Payment of the Performance Bonus by the Company is to occur no later than thirty (30) days from the date of the event giving rise to the obligation for such Performance Bonus. Executive must remain actively employed and in compliance with the Company's policies and directives concerning job performance and conduct to receive the Performance Bonus.

(d) Early Termination. Within six (6) months of (i) the timely filing of the Company's first quarterly public company financial statement during calendar year 2020, (ii) the date the Board makes a determination to terminate the pursuit of the filing of a registration statement on Form S-1 during calendar year 2020, or (iii) December 31, 2020, the Company and Executive may mutually agree that Executive and the Company should terminate this Agreement and Executive would be entitled to the severance payments and benefits set forth in Section 2(b)(iii), subject to the terms and conditions of that section.

(e) Executive MBA. The Company agrees to reimburse Executive for a maximum of \$75,000 in tuition and tuition related expenses for an accredited executive master's degree in business administration ("EMBA") program located in the United States. Executive shall submit (i) tuition costs to the Company for approval prior to incurring these expenses and (ii) any tuition-related expenses, including books and travel, after they have been incurred in accordance with the Company's expense reimbursement policy. To the extent such reimbursement is determined to be treated as taxable compensation to the Executive, the Company shall reimburse Executive or pay such amounts directly (through payroll gross up). If Executive voluntarily terminates this Agreement within one (1) year from completion of the EMBA, Executive shall reimburse the Company for the \$75,000 in its entirety (excluding any payroll tax payments or reimbursements) within forty-five (45) days of such termination and Executive authorizes the Company to deduct (in compliance with federal and state laws) from any amounts then owed to Executive by the Company, all amounts owed to the Company under this Section (3)(e).

4. Vacation and Executive Benefits.

(a) Executive shall be entitled to paid time off ("PTO") in accordance with the Company's standard PTO policy, as well as five (5) days PTO in addition to what is provided under the Company's standard PTO policy; provided, that Executive will use Executive's reasonable discretion, taking into account the Company's needs, when determining the time to take vacation.

(b) Executive shall be entitled to participate in the same manner and under the same terms and conditions as similarly-situated executives of the Company, in the Company's medical insurance, retirement plans, and other fringe benefit programs, including, for the avoidance of doubt, any group life and/or long-term disability insurance plans or programs adopted by the Company after the Effective Date, with Executive's rights and responsibilities under these programs governed by the terms of those plans and programs as they may be in effect and modified from time-to-time.

5. Expenses. The Company shall reimburse Executive for all reasonable and substantiated ordinary and necessary business expenses incurred in performing Executive's duties under this Agreement, provided that Executive shall comply with all Company requirements relating to the submission and documentation of such expenses.

6. Loyalty, Best Efforts, Non-Competition, Non-Solicitation.

(a) Executive will, while employed by the Company, devote all of Executive's full time and best efforts and, during work hours, all of Executive's attention, to the business of the Company, its Subsidiaries and affiliates and to the performance of Executive's duties. Further, Executive will not, without the advance, written permission of the CEO or his or her designee, engage in any activity that would in any way or to any extent, interfere with the performance of Executive's duties, including, without limitation, engaging to any extent in any other employment or occupation, whether or not for compensation, or undertaking any financial or other investment.

(b) Executive hereby agrees that during Executive's employment with the Company and for the period of twelve (12) months after termination of employment for any reason (the "Restricted Period"), Executive will not, without the advance, written permission of the CEO or his or her designee, engage in Competition (as defined below) with the Company. Executive shall be deemed to be engaging in "Competition" if Executive (A) engages anywhere within the United States of America or any other place where the Company, its Subsidiaries or affiliates are engaged during Executive's employment or actively preparing to be engaged in business (the "Restricted Territory"), in any business in which the Company, any of its Subsidiaries or affiliates is engaged or has invested material funds in development at the time of such termination of employment, and/or (B) owns, in whole or in part, is employed by, provides financing to, consults with or otherwise renders services to any person or entity who is engaged in any business (or proposes to engage in any business) in which the Company, any of its Subsidiaries or affiliates is engaged or has invested material funds in development at the time of such termination of employment anywhere within the Restricted Territory (for avoidance of doubt, such persons or entities include, but are not limited to, any of the following entities or their successors: Thomson Reuters, CCH/Wolters Kluwer, Avalara, Longview Solutions, MLM CorpTax, Taxware). Notwithstanding anything herein to the contrary, Executive may make passive investments in any enterprise the shares of which are publicly traded if such investment constitutes less than two percent (2%) of the equity of such enterprise.

(c) During the Restricted Period, Executive will not, directly or indirectly, (i) hire or assist any other person or entity to hire any current or former employee of the Company, its Subsidiaries or its affiliates, or (ii) recruit, solicit or induce, or assist any other person or entity to recruit, solicit or induce, any current or former employee to leave the employment of the Company, its Subsidiaries or its affiliates. For purposes of this subparagraph (c), “former employee” shall mean an individual who was employed by the Company, any of its Subsidiaries or any of its affiliates at any time within the twelve months prior to this prohibited activity.

(d) During the Restricted Period, Executive will not, directly or indirectly, solicit, induce, or attempt to induce any customer, client, or prospect of the Company, its Subsidiaries or its affiliates, to stop doing business in whole or in part with or through the Company, its Subsidiaries or affiliates, or to do business with any person or entity that competes with the Company. For the purposes of this subparagraph (d), “prospect” means any person or entity which the Company, its Subsidiaries or its affiliates had solicited for business within one year prior to the termination of Executive’s employment.

(e) During the Restricted Period, Executive will promptly disclose to the Company any and all direct contacts, solicitations, inquiries or other actual or potential business opportunities of which Executive may become aware and which relate to the business of the Company or any of its Subsidiaries or affiliates; *provided, however*, that the disclosure obligation under this paragraph shall apply only to such contacts, solicitations, inquiries, and opportunities of which Executive became aware during Executive’s employment with the Company.

(f) Executive acknowledges and agrees that the restrictions imposed by this Paragraph 6 are a condition of Executive’s employment with the Company; are fair and reasonably required for the protection of the Company; and will not preclude Executive from becoming gainfully employed following the termination of employment with the Company, regardless of reason. Executive further acknowledges and agrees that Executive provides and/or will provide unique services to the Company and that this Agreement has unique, substantial, and immeasurable value to the Company. If the Company seeks enforcement based on a breach of the provisions of this Section 6, the Company shall be entitled to reimbursement for the reasonable attorney’s fees and expenses incurred by the Company in that effort if the Company prevails in whole or in substantial part in its action. In the event of any breach of subparagraphs (b) through (e) above, the time periods set forth in those paragraphs shall be extended by the length of time Executive is in breach. In the event that the provisions of this Paragraph 6 should ever be deemed to exceed the limitations permitted by applicable laws, Executive and the Company agree that such provisions shall be reformed to the maximum limitations permitted by the applicable laws.

7. Confidentiality and Ownership of Documents, Methods and Information.

(a) Executive agrees that, both during employment with the Company and thereafter, Executive will treat the business affairs of the Company, its Subsidiaries and its affiliates as confidential and will not discuss or disclose any Confidential Information (as hereafter defined) of the Company, its Subsidiaries or its affiliates with or to any third party, except (i) as required in connection with the performance of duties on behalf of the Company or (ii) as authorized in advance by the CEO or his or her designee, and in each such case only after ensuring that the recipient has agreed in writing to appropriate confidentiality obligations, unless Executive has been otherwise instructed by the CEO or his or her designee. Further, Executive shall take reasonable steps and security precautions to prevent the unauthorized disclosure of Confidential Information and all components thereof, and to maintain the confidentiality of the Company's intellectual property. Notwithstanding the foregoing, Executive may disclose Confidential Information to the extent required by law or regulation; provided that Executive promptly notifies the Company of the disclosure request and, at the Company's request, provides reasonable assistance in any effort to prevent or limit such disclosure.

(b) Executive agrees that all Confidential Information, Documents, materials, business methods and other information created by, disclosed to or otherwise acquired by Executive in the course of employment with the Company (collectively, "Works") are and remain the exclusive property of the Company and are "works made for hire" for the Company under the copyright laws; that Executive will not retain, copy or otherwise appropriate any Work for Executive's own use or purposes or the use or purposes of any third party and that, upon the termination of employment, Executive will return all Works, including all copies or multiple versions thereof, to the Company and, in the case of Confidential Information, will destroy all electronic versions Executive may have on any device in Executive's possession or under Executive's control and in any format or media, and all excerpts and references that may be in any items Executive may have created, and, to the extent that Executive is not able to destroy all such copies, excerpts and references shall continue to hold them as the confidential and proprietary property of the Company and not disclose them or use them for any purpose. Further, in return for good and valuable consideration including Executive's employment relationship with the Company, Executive hereby assigns to the Company Executive's entire right, title and interest in and to all Works. Executive also agrees, at the Company's request and expense, to execute specific assignments to the Works, and execute, acknowledge and deliver such other documents and take such further action as the Company may require, at any time during or subsequent to the period of Executive's employment with the Company, to vest title in such Works in the Company and to obtain and defend copyright registrations in any and all countries. In addition, all inventions conceived and/or reduced to practice during Executive's employment with the Company and which relate to the business of the Company are hereby assigned to the Company, in return for good and valuable consideration including Executive's employment relationship with the Company. Executive agrees, at the Company's request and expense, to execute specific assignments to any inventions and to execute, acknowledge and deliver such other documents and take such further action as the Company may require, at any time during or subsequent to the period of Executive's employment with the Company, to vest title in all such inventions in the Company in any and all countries; to obtain patents covering such inventions in any and all countries; and to vest title in such patents in the Company. Executive also agrees that an invention disclosed by Executive to a third person or described in a patent application filed by or on Executive's behalf within twelve months following termination of Executive's employment with the Company for any reason shall be presumed to have been conceived or made by Executive during the period of employment, unless proved to have been conceived or made by Executive following the termination of Executive's employment with the Company. Executive hereby assigns Executive's entire right, title and interest in and to such inventions to the Company, and agrees to execute and deliver any documents or take any such actions as requested by the Company to vest title in such inventions exclusively in the Company.

(c) Executive is hereby notified that the requirements of paragraph (b) above do not apply to an invention for which no equipment, supplies, facility or Confidential Information of the Company was used and which was developed entirely on Executive's own time, unless (i) the invention relates to (A) the business of the Company, its Subsidiaries or its affiliates, or (B) the Company's actual or demonstrably anticipated research or development, or (ii) the invention results from any work performed by Executive for the Company.

(d) For purposes of this Agreement the term "Document" shall include correspondence, email, other written communications, data processing and storage units, computer software, tapes, contracts, agreements, notes, memoranda, telephone messages, analyses, projections, indices, work papers, studies, surveys, diaries, calendars, films, photographs, minutes of meetings, management or sales proposals, operations manuals or any other writing, including copies of any of the foregoing, in any format or media, past, current or future, including, without limitation, written, printed, typed, recorded or graphic matter or electronic media, however produced or reproduced. For the purposes of this Agreement the term "Confidential Information" means information (i) developed by, disclosed to or known by Executive as a consequence of Executive's employment with the Company, (ii) not generally known to others outside the Company, and (iii) which relates to the business of the Company, its Subsidiaries and its affiliates. Confidential Information includes but is not limited to the trade secrets, equipment, equipment configuration, research, development efforts, methodologies, testing, engineering, manufacturing, marketing, sales, finances, operations, processes, formulas, methods, techniques, devices, software programs, projections, strategies and plans, personnel information, and customer information, including customer needs, contacts, particular projects, lists, and pricing of the Company, its Subsidiaries and its affiliates. Confidential Information shall not include any information which has been published in a form generally available to the public prior to the date upon which Executive either wrongfully discloses or proposes to disclose such information.

(e) Notwithstanding anything to the contrary herein, nothing in this Agreement is intended to or will be used by the Company in any way to prohibit Executive from reporting possible violations of federal law or regulation to any United States governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies). Furthermore, in accordance with 18 U.S.C. § 1833, notwithstanding anything to the contrary in this Agreement: (A) Executive shall not be in breach of this Agreement and shall not be held criminally or civilly liable under any federal or state trade secret law (x) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (y) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (B) if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney, and may use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

8. Conflict of Interest; Avoiding the Appearance of Impropriety. Executive agrees that Executive's duty of loyalty to the Company requires both complete fidelity to the interests of the Company in fact and the avoidance of any appearance of impropriety, favoritism, personal benefit or aggrandizement or confusion between Executive's personal and business activities. Executive further agrees that Executive's conduct must be consistent with the Company's Code of Conduct. To that end, while an executive officer of the Company, Executive shall not, without the advance, written approval of the CEO or his or her designee:

(a) accept gifts, gratuities or favors of more than nominal value from any person or organization doing business or seeking to do business with the Company, its Subsidiaries or its affiliates, or from any employee of the Company with whom Executive has a direct or indirect reporting relationship;

(b) offer or provide any gift, gratuity or favor of more than nominal value to any person or organization with whom or which the Company, any of its Subsidiaries or any of its affiliates is doing business or seeking to do business or take any other action in respect of such person or organization, specifically including but not limited to, any public entity, officer thereof or federal, state or local government employee or officeholder, suggestive of any intent or effort to influence such individual or organization in the performance of their or its duties; or

(c) make use of Executive's job title or affiliation with the Company in connection with participation in outside organizations (with the exception of professional and industry organizations relating to Executive's job duties) or support of political, legal or other causes or organizations.

9. Injunctive Relief. Subject to the provisions of Paragraph 10, the Company will, in addition to other remedies provided by law, have the right to injunctive relief in court to the extent such relief may be available at law or in equity. Executive acknowledges that any breach or threatened breach of the provisions of this Agreement, including but not limited to the provisions of Paragraphs 6 and 7, will cause irreparable damage to the Company for which monetary damages will not provide an adequate remedy. Nothing contained herein will be construed as prohibiting the parties from pursuing any other remedies available to them for such breach or threatened breach, including any recovery of damages.

10. Dispute Resolution. With the specific exception only of the Company's right at any time to seek equitable relief to enforce the provisions of Paragraphs 6 and 7 of this Agreement in the courts, in the event of any dispute between the Company and Executive, whether arising out of or relating to this Agreement, the breach of this Agreement, or Executive's employment with the Company, Executive and the Company hereby agree that, after making a good-faith effort to resolve any dispute, such dispute shall be resolved by final and binding arbitration in Chester County, Pennsylvania, administered by the American Arbitration Association ("AAA") in accordance with its Commercial Arbitration Rules then in effect, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof, subject to the provisions of subparagraph 16(b). Any arbitration shall be held before a single arbitrator who shall be selected by mutual agreement of the Company and Executive, unless the parties are unable to agree to an arbitrator, in which case the arbitrator will be selected under the procedures of the AAA. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction, and the parties hereby agree to the emergency procedures of the AAA. Issues of arbitrability are to be decided by the arbitrator. A demand for arbitration under this paragraph must be made in writing to the other party within the time limit set by law for bringing that claim in court, or that claim shall be forever barred. The prevailing party shall be entitled to an award which shall include all costs of arbitration, including reasonable attorneys' fees, unless the arbitrator determines that to do so would be inconsistent with applicable law.

11. Notice. Any notice, demand, or other communication required to be given pursuant to the provisions of this Agreement shall be in writing and shall be personally delivered to the other party in person or at their place of business or to Executive at Executive's residence, delivered by a nationally recognized overnight delivery service, or sent by certified mail, email or other electronic means, return receipt requested, postage prepaid (as applicable), addressed to the respective addresses last given by each party to the other, and such notice shall be deemed to have been given upon personal delivery, if personally delivered, as of the close of the third business day following the date of mailing if mailed (except that notice of change of address shall be effective only upon receipt), or on the next business day in the case of overnight delivery service, email or other electronic means. Any notice to the Company shall be addressed to the attention of the General Counsel.

12. Entire Agreement; Modification. This Agreement represents the entire agreement between the parties with respect to its subject matter and supersedes all prior agreements and understandings, oral or written, between them, with respect to its subject matter, including the Prior Agreement. This Agreement may not be modified or amended except by a writing signed by both parties; provided, however, that this paragraph shall not limit the right of the Company to promulgate nor excuse Executive from compliance with, such workplace rules, policies and procedures as it may, from time-to-time, deem appropriate or to alter, amend, modify or terminate any employee benefit plan (whether or not referenced in this Agreement) in accordance with the terms of such plan.

13. Successors and Assigns. This Agreement shall inure to the benefit of the Company's successors and permitted assigns. Executive's rights and obligations under this Agreement are personal and not assignable or delegable by Executive in any manner or to any extent. Executive agrees that the Company can assign this Agreement to an entity that is a successor to the Company by statutory merger or otherwise, or that has purchased substantially all of the assets of the Company, without the consent or approval of Executive. As used in this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which assumes and agrees to perform this Agreement by operation of law or otherwise.

14. Termination and Survivability. This Agreement shall terminate upon the termination of Executive's employment with the Company; provided, however, that the provisions of Paragraphs 2 and 6 through 20 shall survive the termination and any expiration of the Agreement.

15. Waiver. The waiver by any party of a breach of any provision of this Agreement by any other party shall not operate or be construed as a waiver of any subsequent breach.

16. Governing Law; Choice of Forum.

(a) This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania (and United States federal law, to the extent applicable), without giving effect to otherwise applicable principles of conflicts of law.

(b) Without limiting in any way the Company's right to enforce the provisions of Paragraphs 6, 7 & 8 of this Agreement, any action to enforce the decision or award of the arbitrator under Paragraph 10 hereof may be brought and maintained only in the Court of Common Pleas of Chester County, Pennsylvania or the United States District Court for the Eastern District of Pennsylvania (to the extent that the latter court may have jurisdiction over the subject matter).

17. Headings. The headings used herein are for convenience of reference only and shall not affect the interpretation of any term or provision hereof.

18. Severability. If any provision of this Agreement shall be found invalid or unenforceable for any reason, in whole or in part, then such provision shall be deemed modified, restricted, or reformulated to the extent and in the manner necessary to render the same valid and enforceable, or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law, as if such provision had been originally incorporated herein as so modified, restricted, or reformulated or as if such provision had not been originally incorporated herein, as the case may be.

19. Withholding. All Base Salary, incentive compensation, expense reimbursements, severance pay, and other payments made by the Company to Executive under this Agreement shall be subject to customary withholding for applicable federal, state and local taxes, FICA and other amounts required by applicable law.

20. Internal Revenue Code Section 409A.

(a) This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the corresponding regulations, and the payments and benefits provided hereunder are intended to qualify for any applicable exemptions from the definition of deferred compensation under Code Section 409A. To the maximum extent permitted, the parties agree that (i) this Agreement shall be interpreted as being in compliance with Code Section 409A, and (ii) the payments and benefits will be reported to the Internal Revenue Service as being in compliance with Code Section 409A. For purposes of Code Section 409A, each payment made under this Agreement shall be treated as a separate payment. Severance benefits under this Agreement are intended to be exempt from Code Section 409A under the "short term deferral" exemption, to the extent applicable. A portion, the amount of which to be determined in accordance with Treas. Reg. § 1.409A-1(b)(9)(iii), of any additional monthly severance compensation under this Agreement shall be considered payments under a "separation pay plan" under Code Section 409A. In no event may Executive designate, directly or indirectly, the calendar year of payment.

(b) Notwithstanding anything in this Agreement to the contrary, to the extent required by Code Section 409A if Executive is considered a "specified employee" for purposes of Code Section 409A, and if the payment of any amounts under this Agreement is required to be delayed for a period of six months after "separation from service" pursuant to Code Section 409A, payment of such amounts shall be delayed as required by Code Section 409A and the accumulated amounts shall be paid in a single lump sum within five days after the end of the six-month period. If Executive dies during the postponement period prior to the payment of benefits, amounts withheld on account of Code Section 409A shall be paid to the personal representative of Executive's estate within sixty days after the date of Executive's death.

(c) For purposes of this Agreement, "separation from service" shall mean Executive's separation from service with the Company and its affiliates within the meaning of Treas. Reg. Section 1.409A-1(h).

(d) In the case of any in-kind benefits or any expenses eligible for reimbursement provided hereunder that are subject to Code Section 409A, (i) the benefits provided or the amount of expenses eligible for reimbursement during any calendar year shall not affect the benefits provided or expenses eligible for reimbursement in any other calendar year, except as provided in Treas. Reg. § 1.409A-3(i)(1)(iv)(B), and (ii) the reimbursement of an eligible expense shall be made as soon as possible after Executive requests such reimbursement, but not later than December 31 following the calendar year in which the expense was incurred.

(e) Executive's right to receive any installment payments of deferred compensation shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Code Section 409A. Except as otherwise permitted under Code Section 409A, no payment to you shall be accelerated or deferred unless such acceleration or deferral would not result in additional tax or interest pursuant to Code Section 409A.

21. Counterparts. This Agreement may be executed in counterparts with the same effect as if the parties executing the counterparts all had executed one counterpart as of the date hereof. All such counterparts taken together shall be deemed the original Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day, month and year first above written.

EXECUTIVE:

VERTEX, INC.

/s/ LISA A. BUTLER

By: /s/ DAVID DEStEFANO

Lisa A. Butler

July 20, 2020

July 20, 2020

Date

Date

APPENDIX A

EXECUTIVE EMPLOYMENT AGREEMENT

SEPARATION AGREEMENT AND RELEASE

This confidential Separation Agreement and Release ("*Agreement*") is entered into by and between Vertex, Inc., a Delaware corporation (the "*Company*") and _____ (hereinafter referred to as "you," or "your") to resolve any and all disputes concerning your employment with the Company and your separation from employment on _____. The actual date of separation is referred to herein as the "*Separation Date*."

WHEREAS, you are employed by the Company as _____, pursuant to an Employment Agreement dated _____ ("*Employment Agreement*");

WHEREAS, the Company has decided to terminate your employment without Cause or you have decided to resign for Good Reason under the Employment Agreement, entitling you to certain payments and benefits pursuant to paragraph 2(b)(iii) thereunder ("*Severance Benefits*"), provided you first sign (and do not revoke) this Agreement and are otherwise in compliance with the Employment Agreement;

NOW THEREFORE, in consideration of the mutual covenants, agreements, and promises hereinafter set forth, and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

- 1) **Consideration**. On the eighth day after you execute this Agreement ("*Effective Date*"), provided that you do not revoke this Agreement under paragraph 6(e), the Company agrees to begin to provide you the Severance Benefits as set forth in the Employment Agreement.
 - 2) **Termination of Employment**. You understand and agree that your employment with the Company and any affiliates, including any positions on any Company boards and committees, will terminate effective the Separation Date, and such termination shall be deemed a resignation effective the Separation Date from each position you hold as an officer or director of the Company and any subsidiary or affiliate of the Company.
 - 3) **No Additional Payments**. You acknowledge and agree that you will receive no additional payments or benefits other than as set forth herein or as required by law.
 - 4) **Release**. In exchange for the promises herein which you acknowledge as good and valuable consideration, and except as provided in paragraph 5, you release and discharge the Company and its past, present and future parents, divisions, subsidiaries, and affiliates, predecessors, successors and assigns, and their past, present, and future officers, directors, members, partners, attorneys, employees, independent contractors, agents, clients, and representatives ("*Released Parties*") from any and all actions, causes of action, debts, dues, claims and demands of every name and nature, without limitation, at law, in equity, or administrative, against the Released Parties which you may have had, now have, or may have, by reason of any matter or thing arising up to the date you execute this Agreement, including the ending of your employment. Those claims and causes of action from which you release the Released Parties include, but are not limited to, any known or unknown claim or action sounding in tort, contract, or discrimination of any kind, any claim arising under the Employment Agreement, and/or any cause of action arising under federal, state or local constitution, statute or ordinance, including, but not limited to, Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act (including the Older Worker Benefit Protection Act), as amended, the Americans With Disabilities Act, as amended, the Employee Retirement Income Security Act, as amended, the Family and Medical Leave Act, as amended, the Equal Pay Act, as amended, Section 1981 of the Civil Rights Act of 1866, as amended, the Worker Adjustment and Retraining Notification Act, as amended, the Sarbanes Oxley Act of 2002, as amended, the Pennsylvania Human Relations Act, as amended, the Pennsylvania Equal Pay Law, as amended, the Pennsylvania Wage Payment and Collection Law, as amended, the Pennsylvania Minimum Wage Act, as amended, and any other employee-protective law of any jurisdiction that may apply, and/or any claim for attorneys' fees or costs, whether presently accrued, accruing to, or to accrue to you on account of, arising out of, or in any way connected with any acts or activities by you or the Released Parties arising up to the date you execute this Agreement. You expressly acknowledge that no claim or cause of action against the Released Parties from the beginning of time to the date you execute this Agreement (other than as provided in paragraph 5) shall be deemed to be outside the scope of this Agreement whether mentioned herein or not. You agree that this release should be interpreted as broadly as possible to achieve your intention to waive, to the maximum extent permitted by law, any and all claims against the Released Parties. Excluded from the release set forth in this paragraph is any claim which cannot be waived as a matter of law and your right to indemnification by the Company or any of its affiliates pursuant to contract or applicable law.
-

5) Rights and Claims Preserved. Nothing in this Agreement limits your right, where applicable, to file or participate in an investigative proceeding of any federal, state, or local governmental agency, including filing a charge with the United States Equal Employment Opportunity Commission (“EEOC”). To the extent permitted by law, you agree that if such an administrative claim is made, you shall not be entitled to recover, accept, or retain any individual monetary relief or other individual remedies with respect to any matter covered by this Agreement. Nothing in this Agreement prevents you from filing a lawsuit limited to challenging the validity of your waiver of federal age discrimination claims under the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act.

6) OWBPA. The release in paragraph 4 of this Agreement includes a waiver of claims against the Released Parties under the Age Discrimination in Employment Act (“ADEA”) and the Older Workers Benefit Protection Act (“OWBPA”). Therefore, pursuant to the requirements of the ADEA and the OWBPA, you specifically acknowledge that:

- (a) you are and have been advised to consult with an attorney of your choosing concerning the legal significance of this Agreement;
- (b) this Agreement is written in a manner you understand;
- (c) the consideration set forth in paragraph 1 of the Agreement is adequate and sufficient for your entering into this Agreement and consists of benefits to which you are not otherwise entitled;
- (d) you have been afforded twenty-one (21) days to consider this Agreement before signing it, although you may sign it at any time within those 21 days, and that any changes to this Agreement subsequently agreed upon by the parties, whether material or immaterial, do not restart this period for consideration; and
- (e) you have been advised that during the seven (7) day period after you sign the Agreement, you may revoke your acceptance of this Agreement by delivering written notice to _____, and that this Agreement shall not become effective or enforceable until after the revocation period has expired.

- 7) No Admission of Wrongdoing. The Company denies any wrongdoing whatsoever in connection with its dealings with you, including but not limited to your employment and termination. It is expressly understood and agreed that nothing contained in this Agreement shall constitute or be treated as an admission of any wrongdoing or liability on the part of the Company.
- 8) Non-Disclosure. The parties understand and agree that this Agreement, and the matters discussed in negotiating its terms, are entirely confidential. It is therefore expressly understood and agreed that neither party will reveal, discuss, publish or in any way communicate any of the terms, amount or fact of this Agreement to any person, organization or other entity, with the exception of your immediate family members and professional representatives, or, with respect to the Company, with the exception of its professional representatives or as otherwise consistent with business need or necessity, or with respect to both parties, in an action to enforce the Agreement's terms, unless required by subpoena or court order.
- 9) Non-Disparagement. You agree that you will not disparage any of the Released Parties or make or publish any communication that reflects adversely upon any of them, consistent with paragraph 2(d) of the Employment Agreement.
- 10) No Filing of Claims. You represent that you have not filed, and to the maximum extent permitted by law and except as provided in paragraph 5, you agree that you will not file, any charge, complaint, lawsuit or claim (collectively, "Claim") with any administrative agency, federal, state or local court (collectively, "Agency") related in any way to your employment or the separation of your employment with the Company. You further agree that you will not accept, and will not be entitled to retain, any judgment, award, settlement or other payment or other relief resulting from, or related to, any Claim filed with any Agency related in any way to your employment with the Company or the termination of your employment. Nothing in this Agreement prevents you from filing for a state claim of unemployment compensation should you choose to do so.
- 11) No Voluntary Cooperation. Except as provided in paragraph 5, and/or unless required to do so by court order or subpoena, you agree that you will not (i) voluntarily make statements, take action, or give testimony adverse or detrimental to the interests of the Company; or (ii) aid or assist in any manner the efforts of any third party to sue or prosecute a claim against the Company. Should you ever be required to give testimony concerning any matter related to your employment with the Company, you agree to provide notice of such compulsory process to _____, within two (2) business days of its receipt so that the Company may take appropriate measures to quash or otherwise defend its interests.
- 12) Cooperation with the Company. Upon request of the Company, you agree to fully cooperate with the Company and to provide information and/or testimony regarding any current or future litigation arising from actions or events occurring during your employment with the Company.
- 13) Reemployment. You agree that you will not seek reemployment with the Company or any current or future parent, subsidiary, or affiliate, except at the request of the Company.
- 14) Return of Company Property. You agree that, as a condition precedent to receiving any payment under this Agreement, you will by the Separation Date return all property belonging to the Company, including, but not limited to, corporate credit cards; keys and access cards; documents; tapes; cell phones; computers, laptops, iPhone and other computer equipment and software; and any and all confidential and proprietary information.

15) Continuing Obligations. You acknowledge that you remain bound by and affirm that you will comply with all continuing obligations under the Employment Agreement, including, but not limited to, those set forth in paragraphs 6 and 7 thereof (pertaining to non-competition, non-solicitation, and confidentiality), and that such compliance is a condition of receipt of the Severance Benefits. You affirm that you have not violated the terms of the Employment Agreement during your employment with the Company.

16) Return of Consideration in Event of Breach. You agree that receipt of any consideration and all payments under this Agreement is contingent on your full compliance with its terms and conditions. Should you breach any provision of this Agreement (including but not limited to filing a lawsuit based upon any claim covered by this Agreement (but excluding a lawsuit covered by paragraph 5 of this Agreement)) or any continuing obligation under the Employment Agreement, the Company shall have the right to recover from you any Severance Benefits already paid, and the Company shall no longer be obligated to provide you any Severance Benefits otherwise due.

17) Attorneys' Fees and Jury Waiver. The prevailing party in an action for breach of this Agreement (except for a lawsuit covered by paragraph 5) will have its reasonable costs and attorneys' fees paid for by the party found to have breached. You and the Company hereby waive trial by jury as to any and all litigation arising out of and/or relating to this Agreement.

18) Arbitration. Any dispute, controversy, or difference arising out of, or related to, this Agreement or your employment with the Company shall be resolved by binding arbitration pursuant to paragraph 10 of the Employment Agreement.

19) Certification of Understanding and Competence. You acknowledge and agree that (a) you have read this Agreement in its entirety; (b) you are competent to understand, and do understand, the content and effect of this Agreement; (c) by entering into this Agreement, you are releasing forever the Released Parties from any claim or liability (including claims for attorney's fees and costs) arising from your employment with the Company; (d) you are entering this Agreement of your own free will in exchange for the consideration herein, which you agree is adequate and satisfactory; and (e) neither the Company nor the Released Parties have made any representations to you concerning the terms or effect of this Agreement, other than those contained in the Agreement.

20) Acknowledgments. You acknowledge and agree that (a) except for amounts due under Section 2(b)(v) of the Employment Agreement, you are not owed any wages by the Company for work performed, whether as wages or salary, overtime, bonuses or commissions, or for accrued but unused paid time off, and that you have been fully compensated for all hours worked; (b) you are not aware of any factual basis for a claim that the Company has defrauded the government of the United States or any state; (c) you have incurred no work related injuries; (d) you have received all family or medical leave to which you were entitled under the law; and (e) you have been and hereby are advised to consult with legal counsel of your choice prior to execution and delivery of this Agreement, and that you have done so or voluntarily elected not to do so.

21) Ownership of Claims. You represent and warrant that you are the sole and lawful owner of all rights, title and interest in and to all released matters, claims and demands referred to herein. You further represent and warrant that there has been no assignment or other transfer of any interest in any such matters, claims or demands which you may have against the Released Parties.

22) Counterparts. This Agreement may be executed in separate counterparts and by facsimile, and each such counterpart shall be deemed an original with the same effect as if all parties had signed the same document.

23) No Other Understandings. This Agreement, consisting of six (6) pages, together with the Employment Agreement, constitutes the entire Agreement between the parties with respect to its subject matter, and is binding upon and shall inure to the benefit of the parties and their respective heirs, executors, administrators, personal or legal representatives, successors and/or assigns. This Agreement may be amended only by a written agreement signed by you and the Company.

24) Headings. The headings in this Agreement are for convenience only and are not to be considered a construction of the provisions hereof.

25) Severability and Governing Law. If any provision of this Agreement is found to be invalid, unenforceable or void for any reason, such provision shall be severed from the Agreement and shall not affect the validity or enforceability of the remaining provisions. This Agreement shall be interpreted, enforced and governed by the laws of the Commonwealth of Pennsylvania, without regard to the conflicts of law provisions thereof.

26) Acceptance of Agreement. As provided in paragraph 6(d), the Company is providing you 21 days to consider whether to accept this Agreement (although you may accept it at any time within those 21 days), after which time the offer expires and is withdrawn if you have not yet accepted it. To accept the Agreement, you must sign below and send it to _____.

Dated: _____ [NAME]

Dated: _____
[NAME]
[TITLE]
Vertex, Inc.

EXECUTIVE EMPLOYMENT AGREEMENT
(as amended and restated)

THIS EXECUTIVE EMPLOYMENT AGREEMENT (“Agreement”) is made as of July 14, 2020 by and between VERTEX, INC., a Delaware corporation (“Company”), with offices at 2301 Renaissance Boulevard, King of Prussia, PA 19406, and Bryan T.R. Rowland (“Executive”).

Recital

WHEREAS, Executive is currently employed by the Company as Vice President and General Counsel, pursuant to an Employment Agreement dated April 10, 2017, as amended from time to time (the “Prior Agreement”);

WHEREAS, in the course of its business, the Company has invested and will continue to invest substantial time, effort, money and other resources in the creation, development, maintenance and protection of confidential and proprietary business methods, Documents (as defined herein) and information, as well as substantial and ongoing customer and industry relationships, all of which gain for the Company a substantial advantage in the marketplace and represent assets of great value to the Company and all of which will continue to be disclosed to Executive in the course of Executive’s employment with the Company;

WHEREAS, the Company and Executive recognize the Company’s legitimate business interest in protecting its confidential and proprietary business methods, Documents and information, as well as its substantial and ongoing customer and industry relationships; and

WHEREAS, Executive and the Company desire to enter into this Agreement to set out the terms and conditions for the continued employment relationship of Executive with the Company effective as of the date of consummation of the initial public offering of the Company’s Class A common stock pursuant to an effective registration statement filed under the Securities Act of 1933, as amended, (the “Effective Date”).

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and, specifically, in consideration of the Company’s continued employment of Executive and Executive’s resulting access to the Company’s confidential and proprietary business methods, Documents and information as well as to its substantial and ongoing customer and industry relationships, the Company and Executive agree as follows:

1. Employment and Duties. The Company shall continue to employ Executive in the position of Vice President and General Counsel of the Company reporting to the Chief Executive Officer of the Company (the “CEO”), and Executive hereby accepts such continued employment. Executive shall perform duties incident to this position, as well as any other duties that may be assigned to Executive from time to time by the CEO or his or her designee, and/or the Company’s Board of Directors (the “Board”), that are not inconsistent with service as an officer of the Company, including duties for any Company subsidiary or affiliate. Executive shall abide by the Company’s Code of Ethics and Business Conduct (“Code of Conduct”), policies, practices, procedures, and rules.

2. Term; Termination.

(a) Subject to the provisions of Section 14, Executive’s employment under this Agreement shall remain in effect until terminated in accordance with the provisions of this paragraph.

(b) Executive's employment may be terminated hereunder as follows:

(i) Executive's employment shall terminate automatically upon Executive's death and may be terminated at any time, in the Company's sole discretion, upon Executive's "Disability." For purposes of this Agreement, "Disability" shall mean that because of physical or mental illness or incapacity Executive is unable to substantially perform all of the essential functions of Executive's position on a full-time basis with or without reasonable accommodation, for a period of 90 consecutive days or in excess of 180 days in any one-year period. This provision does not limit Executive's access to and use of benefits made available to Executive by the Company pursuant to this Agreement. Further, this provision is not intended to replace or supersede any applicable laws.

(ii) The Company may terminate Executive's employment for "Cause," without advance notice and with no other continuing obligations of the Company to Executive under this Agreement. For purposes of this Agreement, "Cause" shall mean (A) the commitment by Executive of a material breach of this Agreement (including but not limited to Sections 6, 7, or 8 hereof); (B) Executive's willful failure to perform Executive's duties or obligations to the Company or any corporation or other legal entity of which the Company has at least 51% equity ownership (a "Subsidiary"), including, but not limited to, those duties that may arise from time to time out of the Company's business or strategic goals; (C) Executive's willful misconduct or gross negligence with regard to the Company or any Subsidiary or their business, assets or employees; (D) dishonesty, unethical, fraudulent or similar misconduct on the part of Executive in connection with Executive's employment by, or performance of services for, the Company or any Subsidiary; (E) Executive's use of non-prescription controlled substances, misuse of prescription drugs, or habitual intoxication during work hours due to alcohol or any non-prescription drugs or other substances; (F) Executive's indictment for any felony, if in the reasonable determination of the CEO or his or her designee, such indictment has caused or is reasonably likely to cause material adverse consequences to the Company, its businesses or prospects, or Executive's conviction (which includes a guilty plea or plea of nolo contendere) of a felony or any other crime involving fraud, dishonesty or moral turpitude; (G) Executive's material violation of any policy of the Company or of any Subsidiary for which Executive performs services, including, but not limited to, sexual harassment; or (H) Executive's breach of a fiduciary duty owed to the Company in good faith or refusal to follow any directions of the CEO or the Board that are reasonable, lawful and consistent with the Company's Code of Conduct, policies, practices, procedures, and rules. Notwithstanding the foregoing, the parties agree that "Cause" does not include any act of Executive covered by (A), (B), (G) or (H) of the foregoing sentence, that in the sole discretion of the CEO or his or her designee, is capable of cure and is cured by Executive within thirty (30) days after written notice thereof has been provided to Executive.

(iii) The Company may terminate Executive's employment without Cause upon thirty (30) days' written notice to Executive (or, at the Company's option, the Company may provide Executive a maximum of thirty (30) days' pay in lieu of such notice). In the event of (x) any termination by the Company without Cause pursuant to this subparagraph 2(b)(iii), or (y) any termination by Executive for Good Reason (as defined below) pursuant to subparagraph 2(b)(vi), provided, in any case, Executive first signs a general separation agreement and release of claims against the Company, its Subsidiaries and affiliates, in form to be provided by the Company that is substantially similar to the sample form attached hereto as Appendix A ("Release"), and further provided that Executive remains in compliance with his continuing obligations under paragraphs 6 and 7 of this Agreement, Executive will be entitled to the following: (a) payment of Executive's Base Salary (as defined below) under Section 3(a) at the rate in effect on the date of termination of employment for a period of twelve (12) months (the "Severance Period"); and (b) if Executive timely elects continuation coverage under COBRA, payment of insurance premiums in order to continue Executive's then-existing health insurance coverage for a period of eighteen (18) months, or, at the Company's option, payment to Executive as additional severance pay in an amount equal to the premium payments for such continuation coverage. The health insurance continuation (or equivalent payment as additional severance) shall be at the Company's expense, but shall in all events terminate on the date Executive becomes eligible for health insurance coverage under the medical plan of a new employer.

(iv) Executive may terminate Executive's employment for any reason or no reason upon at least thirty (30) days' written notice to the Company; *provided, however*, that following such notice of termination, the Company may, at its option, select a shorter notice period and earlier termination date than Executive provided, without incurring liability hereunder or changing the nature of Executive's termination.

(v) Except as provided in subparagraph 2(b)(iii), in the event of termination of employment for any reason, Executive (or Executive's estate, as applicable) shall be entitled to no payments or benefits following the date of termination other than payment of (i) accrued but unpaid Base Salary earned through the termination date; (ii) the unpaid portion of incentive compensation, if any, earned by Executive with respect to the calendar year preceding the calendar year in which the date of termination occurs, subject to the terms and conditions of any plan governing such incentive compensation; (iii) expenses reimbursable under Section 5 incurred but not yet reimbursed to Executive prior to the termination date; and (iv) any vested benefits or amounts through the date of termination due and owing to Executive under the terms of any plan, program, or arrangement of the Company, less any amounts then owed by Executive to the Company. For the avoidance of doubt, if Executive's employment shall terminate as a result of Executive's death or Disability pursuant to Section 2(b)(i), pursuant to Section 2(b)(ii) for Cause, or pursuant to Section 2(b)(iv) for Executive's resignation from the Company without Good Reason or for no reason, then Executive shall not be entitled to any payments or benefits, except for those payments and benefits provided in clauses (i), (ii), (iii) and (iv) of this Section 2(b)(v).

(vi) Executive may terminate Executive's employment for Good Reason. "Good Reason" means, unless otherwise consented to by Executive, any action taken by the Company that causes (i) a material breach of this Agreement, (ii) the material diminution of Executive's duties, (iii) a material decrease in Base Salary or (iv) any relocation of Executive's principal office to a location more than fifty (50) miles from Executive's then current office. Before resigning for Good Reason, Executive shall provide written notice to the Company of the ground giving rise to Good Reason. The notice shall be provided within sixty (60) days of the occurrence of the event giving rise to Good Reason. The Company shall then have thirty (30) days within which to cure such event. If the Company fails to cure, Executive shall have the right to resign for Good Reason, provided the resignation occurs no later than one hundred and twenty (120) days from the date of the occurrence of the event giving rise to Good Reason.

(c) Amounts payable under this Agreement that are subject to Executive's execution of the Release shall commence on the sixtieth day after Executive's separation from service. Executive shall not be entitled to any such payments unless Executive executes the Release within forty-five days of the later of the date Executive receives the Release or Executive's separation from service, and does not revoke the Release; provided, however, that in no event shall the Company provide such Release to Executive later than five (5) business days after Executive's separation from service. Any amounts payable under this Agreement as an uninterrupted continuation of Executive's Base Salary or health insurance coverage that are delayed pending Executive's execution of a Release shall be paid in an aggregate lump sum upon such sixtieth day; provided, however, that Executive shall be responsible for paying any premiums that are due and necessary for the continuation of Executive's health insurance coverage prior to such sixtieth day, subject to reimbursement of such amounts to Executive by the Company upon the lapse of such sixty-day period. In the event Executive commits a material breach of Section 6 or Section 7 that, in the sole discretion of the CEO or his or her designee, is not capable of cure, or is not cured by Executive within thirty (30) days after notice thereof to Executive, then, without limiting the availability to the Company of any other relief or remedy, Executive shall no longer be entitled to any severance compensation or benefits provided for above in subparagraph 2(b)(iii) that have not yet been paid, and shall be required to repay to the Company any amounts theretofore paid under such subsection.

(d) Prior to and following any termination of employment, (i) Executive shall not disparage the professional or personal reputation of the Company, its Subsidiaries and affiliates or any of their officers, shareholders, directors, management, or employees or any products or services of the Company, its Subsidiaries and affiliates (other than good faith statements made in the performance of his duties during his employment); and (ii) the Board shall not disparage the professional or personal reputation of Executive (other than good faith statements made during his employment). Nothing in this paragraph shall preclude any party from making truthful statements that are reasonably necessary to comply with applicable law, regulation or legal process, or to defend or enforce a party's rights under this Agreement.

(e) In event of termination of Executive's employment for any reason, Executive shall be deemed to have resigned from each position he holds as an officer or director of the Company and any Subsidiary or affiliate of the Company effective as of no later than the termination date.

3. Compensation.

(a) Salary. Beginning on the Effective Date, Executive's annual base salary ("Base Salary") shall be two hundred sixty-five thousand three hundred thirteen dollars (\$265,313), payable in accordance with the Company's generally applicable payroll practices and subject to any payroll or other deductions required by law, government or court order, or by agreement with, or consent of, Executive. The Base Salary may be increased from time to time in the discretion of the Board or the CEO or his or her designee.

(b) Incentive Compensation. Executive shall continue to be eligible to participate in the incentive compensation plans the Company may implement from time to time. The target bonus amounts and performance targets for Executive shall be established at the same time such amounts and targets are established for other executive officers of the Company, shall be as determined by the Board, and shall be payable only upon the Company's achievement of established targets as determined by the Board. Notwithstanding the foregoing, the Company and Executive agree that Executive's target annual bonus will equal forty percent (40%) of Executive's Base Salary.

4. Vacation and Executive Benefits.

(a) Executive shall be entitled to paid time off ("PTO") in accordance with the Company's standard PTO policy, as well as five (5) days PTO in addition to what is provided under the Company's standard PTO policy; provided, that Executive will use his reasonable discretion, taking into account the Company's needs, when determining the time to take vacation.

(b) Executive shall be entitled to participate in the same manner and under the same terms and conditions as similarly-situated executives of the Company, in the Company's medical insurance, retirement plans, and other fringe benefit programs, including, for the avoidance of doubt, any group life and/or long-term disability insurance plans or programs adopted by the Company after the Effective Date, with Executive's rights and responsibilities under these programs governed by the terms of those plans and programs as they may be in effect and modified from time-to-time.

5. Expenses. The Company shall reimburse Executive for all reasonable and substantiated ordinary and necessary business expenses incurred in performing Executive's duties under this Agreement, provided that Executive shall comply with all Company requirements relating to the submission and documentation of such expenses.

6. Loyalty, Best Efforts, Non-Competition, Non-Solicitation.

(a) Executive will, while employed by the Company, devote all of Executive's full time and best efforts and, during work hours, all of Executive's attention, to the business of the Company, its Subsidiaries and affiliates and to the performance of Executive's duties. Further, Executive will not, without the advance, written permission of the CEO or his or her designee, engage in any activity that would in any way or to any extent, interfere with the performance of Executive's duties, including, without limitation, engaging to any extent in any other employment or occupation, whether or not for compensation, or undertaking any financial or other investment.

(b) Executive hereby agrees that during Executive's employment with the Company and for the period of twelve (12) months after termination of employment for any reason (the "Restricted Period"), Executive will not, without the advance, written permission of the CEO or his or her designee, engage in Competition (as defined below) with the Company. Executive shall be deemed to be engaging in "Competition" if Executive (A) engages anywhere within the United States of America or any other place where the Company, its Subsidiaries or affiliates are engaged during Executive's employment or actively preparing to be engaged in business (the "Restricted Territory"), in any business in which the Company, any of its Subsidiaries or affiliates is engaged or has invested material funds in development at the time of such termination of employment, and/or (B) owns, in whole or in part, is employed by, provides financing to, consults with or otherwise renders services to any person or entity who is engaged in any business (or proposes to engage in any business) in which the Company, any of its Subsidiaries or affiliates is engaged or has invested material funds in development at the time of such termination of employment anywhere within the Restricted Territory (for avoidance of doubt, such persons or entities include, but are not limited to, any of the following entities or their successors: Thomson Reuters, CCH/Wolters Kluwer, Avalara, Longview Solutions, MLM CorpTax, Taxware). Notwithstanding anything herein to the contrary, Executive may make passive investments in any enterprise the shares of which are publicly traded if such investment constitutes less than two percent (2%) of the equity of such enterprise.

(c) During the Restricted Period, Executive will not, directly or indirectly, (i) hire or assist any other person or entity to hire any current or former employee of the Company, its Subsidiaries or its affiliates, or (ii) recruit, solicit or induce, or assist any other person or entity to recruit, solicit or induce, any current or former employee to leave the employment of the Company, its Subsidiaries or its affiliates. For purposes of this subparagraph (c), "former employee" shall mean an individual who was employed by the Company, any of its Subsidiaries or any of its affiliates at any time within the twelve months prior to this prohibited activity.

(d) During the Restricted Period, Executive will not, directly or indirectly, solicit, induce, or attempt to induce any customer, client, or prospect of the Company, its Subsidiaries or its affiliates, to stop doing business in whole or in part with or through the Company, its Subsidiaries or affiliates, or to do business with any person or entity that competes with the Company. For the purposes of this subparagraph (d), "prospect" means any person or entity which the Company, its Subsidiaries or its affiliates had solicited for business within one year prior to the termination of Executive's employment.

(e) During the Restricted Period, Executive will promptly disclose to the Company any and all direct contacts, solicitations, inquiries or other actual or potential business opportunities of which Executive may become aware and which relate to the business of the Company or any of its Subsidiaries or affiliates; *provided, however*, that the disclosure obligation under this paragraph shall apply only to such contacts, solicitations, inquiries, and opportunities of which Executive became aware during his employment with the Company.

(f) Executive acknowledges and agrees that the restrictions imposed by this Paragraph 6 are a condition of Executive's employment with the Company; are fair and reasonably required for the protection of the Company; and will not preclude Executive from becoming gainfully employed following the termination of employment with the Company, regardless of reason. Executive further acknowledges and agrees that Executive provides and/or will provide unique services to the Company and that this Agreement has unique, substantial, and immeasurable value to the Company. If the Company seeks enforcement based on a breach of the provisions of this Section 6, the Company shall be entitled to reimbursement for the reasonable attorney's fees and expenses incurred by the Company in that effort if the Company prevails in whole or in substantial part in its action. In the event of any breach of subparagraphs (b) through (e) above, the time periods set forth in those paragraphs shall be extended by the length of time Executive is in breach. In the event that the provisions of this Paragraph 6 should ever be deemed to exceed the limitations permitted by applicable laws, Executive and the Company agree that such provisions shall be reformed to the maximum limitations permitted by the applicable laws.

7. Confidentiality and Ownership of Documents, Methods and Information.

(a) Executive agrees that, both during employment with the Company and thereafter, Executive will treat the business affairs of the Company, its Subsidiaries and its affiliates as confidential and will not discuss or disclose any Confidential Information (as hereafter defined) of the Company, its Subsidiaries or its affiliates with or to any third party, except (i) as required in connection with the performance of duties on behalf of the Company or (ii) as authorized in advance by the CEO or his or her designee, and in each such case only after ensuring that the recipient has agreed in writing to appropriate confidentiality obligations, unless Executive has been otherwise instructed by the CEO or his or her designee. Further, Executive shall take reasonable steps and security precautions to prevent the unauthorized disclosure of Confidential Information and all components thereof, and to maintain the confidentiality of the Company's intellectual property. Notwithstanding the foregoing, Executive may disclose Confidential Information to the extent required by law or regulation; provided that Executive promptly notifies the Company of the disclosure request and, at the Company's request, provides reasonable assistance in any effort to prevent or limit such disclosure.

(b) Executive agrees that all Confidential Information, Documents, materials, business methods and other information created by, disclosed to or otherwise acquired by Executive in the course of employment with the Company (collectively, "Works") are and remain the exclusive property of the Company and are "works made for hire" for the Company under the copyright laws; that Executive will not retain, copy or otherwise appropriate any Work for Executive's own use or purposes or the use or purposes of any third party and that, upon the termination of employment, Executive will return all Works, including all copies or multiple versions thereof, to the Company and, in the case of Confidential Information, will destroy all electronic versions Executive may have on any device in his possession or under his control and in any format or media, and all excerpts and references that may be in any items Executive may have created, and, to the extent that Executive is not able to destroy all such copies, excerpts and references shall continue to hold them as the confidential and proprietary property of the Company and not disclose them or use them for any purpose. Further, in return for good and valuable consideration including Executive's employment relationship with the Company, Executive hereby assigns to the Company Executive's entire right, title and interest in and to all Works. Executive also agrees, at the Company's request and expense, to execute specific assignments to the Works, and execute, acknowledge and deliver such other documents and take such further action as the Company may require, at any time during or subsequent to the period of Executive's employment with the Company, to vest title in such Works in the Company and to obtain and defend copyright registrations in any and all countries. In addition, all inventions conceived and/or reduced to practice during Executive's employment with the Company and which relate to the business of the Company are hereby assigned to the Company, in return for good and valuable consideration including Executive's employment relationship with the Company. Executive agrees, at the Company's request and expense, to execute specific assignments to any inventions and to execute, acknowledge and deliver such other documents and take such further action as the Company may require, at any time during or subsequent to the period of Executive's employment with the Company, to vest title in all such inventions in the Company in any and all countries; to obtain patents covering such inventions in any and all countries; and to vest title in such patents in the Company. Executive also agrees that an invention disclosed by Executive to a third person or described in a patent application filed by or on Executive's behalf within twelve months following termination of Executive's employment with the Company for any reason shall be presumed to have been conceived or made by Executive during the period of employment, unless proved to have been conceived or made by Executive following the termination of Executive's employment with the Company. Executive hereby assigns Executive's entire right, title and interest in and to such inventions to the Company, and agrees to execute and deliver any documents or take any such actions as requested by the Company to vest title in such inventions exclusively in the Company.

(c) Executive is hereby notified that the requirements of paragraph (b) above do not apply to an invention for which no equipment, supplies, facility or Confidential Information of the Company was used and which was developed entirely on Executive's own time, unless (i) the invention relates to (A) the business of the Company, its Subsidiaries or its affiliates, or (B) the Company's actual or demonstrably anticipated research or development, or (ii) the invention results from any work performed by Executive for the Company.

(d) For purposes of this Agreement the term "Document" shall include correspondence, email, other written communications, data processing and storage units, computer software, tapes, contracts, agreements, notes, memoranda, telephone messages, analyses, projections, indices, work papers, studies, surveys, diaries, calendars, films, photographs, minutes of meetings, management or sales proposals, operations manuals or any other writing, including copies of any of the foregoing, in any format or media, past, current or future, including, without limitation, written, printed, typed, recorded or graphic matter or electronic media, however produced or reproduced. For the purposes of this Agreement the term "Confidential Information" means information (i) developed by, disclosed to or known by Executive as a consequence of Executive's employment with the Company, (ii) not generally known to others outside the Company, and (iii) which relates to the business of the Company, its Subsidiaries and its affiliates. Confidential Information includes but is not limited to the trade secrets, equipment, equipment configuration, research, development efforts, methodologies, testing, engineering, manufacturing, marketing, sales, finances, operations, processes, formulas, methods, techniques, devices, software programs, projections, strategies and plans, personnel information, and customer information, including customer needs, contacts, particular projects, lists, and pricing of the Company, its Subsidiaries and its affiliates. Confidential Information shall not include any information which has been published in a form generally available to the public prior to the date upon which Executive either wrongfully discloses or proposes to disclose such information.

(e) Notwithstanding anything to the contrary herein, nothing in this Agreement is intended to or will be used by the Company in any way to prohibit Executive from reporting possible violations of federal law or regulation to any United States governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies). Furthermore, in accordance with 18 U.S.C. § 1833, notwithstanding anything to the contrary in this Agreement: (A) Executive shall not be in breach of this Agreement and shall not be held criminally or civilly liable under any federal or state trade secret law (x) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (y) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (B) if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney, and may use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

8. Conflict of Interest; Avoiding the Appearance of Impropriety. Executive agrees that Executive's duty of loyalty to the Company requires both complete fidelity to the interests of the Company in fact and the avoidance of any appearance of impropriety, favoritism, personal benefit or aggrandizement or confusion between Executive's personal and business activities. Executive further agrees that Executive's conduct must be consistent with the Company's Code of Conduct. To that end, while an executive officer of the Company, Executive shall not, without the advance, written approval of the CEO or his or her designee:

(a) accept gifts, gratuities or favors of more than nominal value from any person or organization doing business or seeking to do business with the Company, its Subsidiaries or its affiliates, or from any employee of the Company with whom Executive has a direct or indirect reporting relationship;

(b) offer or provide any gift, gratuity or favor of more than nominal value to any person or organization with whom or which the Company, any of its Subsidiaries or any of its affiliates is doing business or seeking to do business or take any other action in respect of such person or organization, specifically including but not limited to, any public entity, officer thereof or federal, state or local government employee or officeholder, suggestive of any intent or effort to influence such individual or organization in the performance of their or its duties; or

(c) make use of Executive's job title or affiliation with the Company in connection with participation in outside organizations (with the exception of professional and industry organizations relating to Executive's job duties) or support of political, legal or other causes or organizations.

9. Injunctive Relief. Subject to the provisions of Paragraph 10, the Company will, in addition to other remedies provided by law, have the right to injunctive relief in court to the extent such relief may be available at law or in equity. Executive acknowledges that any breach or threatened breach of the provisions of this Agreement, including but not limited to the provisions of Paragraphs 6 and 7, will cause irreparable damage to the Company for which monetary damages will not provide an adequate remedy. Nothing contained herein will be construed as prohibiting the parties from pursuing any other remedies available to them for such breach or threatened breach, including any recovery of damages.

10. Dispute Resolution. With the specific exception only of the Company's right at any time to seek equitable relief to enforce the provisions of Paragraphs 6 and 7 of this Agreement in the courts, in the event of any dispute between the Company and Executive, whether arising out of or relating to this Agreement, the breach of this Agreement, or Executive's employment with the Company, Executive and the Company hereby agree that, after making a good-faith effort to resolve any dispute, such dispute shall be resolved by final and binding arbitration in Chester County, Pennsylvania, administered by the American Arbitration Association ("AAA") in accordance with its Commercial Arbitration Rules then in effect, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof, subject to the provisions of subparagraph 16(b). Any arbitration shall be held before a single arbitrator who shall be selected by mutual agreement of the Company and Executive, unless the parties are unable to agree to an arbitrator, in which case the arbitrator will be selected under the procedures of the AAA. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction, and the parties hereby agree to the emergency procedures of the AAA. Issues of arbitrability are to be decided by the arbitrator. A demand for arbitration under this paragraph must be made in writing to the other party within the time limit set by law for bringing that claim in court, or that claim shall be forever barred. The prevailing party shall be entitled to an award which shall include all costs of arbitration, including reasonable attorneys' fees, unless the arbitrator determines that to do so would be inconsistent with applicable law.

11. Notice. Any notice, demand, or other communication required to be given pursuant to the provisions of this Agreement shall be in writing and shall be personally delivered to the other party in person or at their place of business or to Executive at Executive's residence, delivered by a nationally recognized overnight delivery service, or sent by certified mail, email or other electronic means, return receipt requested, postage prepaid (as applicable), addressed to the respective addresses last given by each party to the other, and such notice shall be deemed to have been given upon personal delivery, if personally delivered, as of the close of the third business day following the date of mailing if mailed (except that notice of change of address shall be effective only upon receipt), or on the next business day in the case of overnight delivery service, email or other electronic means. Any notice to the Company shall be addressed to the attention of the General Counsel.

12. Entire Agreement; Modification. This Agreement represents the entire agreement between the parties with respect to its subject matter and supersedes all prior agreements and understandings, oral or written, between them, with respect to its subject matter, including the Prior Agreement. This Agreement may not be modified or amended except by a writing signed by both parties; provided, however, that this paragraph shall not limit the right of the Company to promulgate nor excuse Executive from compliance with, such workplace rules, policies and procedures as it may, from time-to-time, deem appropriate or to alter, amend, modify or terminate any employee benefit plan (whether or not referenced in this Agreement) in accordance with the terms of such plan.

13. Successors and Assigns. This Agreement shall inure to the benefit of the Company's successors and permitted assigns. Executive's rights and obligations under this Agreement are personal and not assignable or delegable by Executive in any manner or to any extent. Executive agrees that the Company can assign this Agreement to an entity that is a successor to the Company by statutory merger or otherwise, or that has purchased substantially all of the assets of the Company, without the consent or approval of Executive. As used in this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which assumes and agrees to perform this Agreement by operation of law or otherwise.

14. Termination and Survivability. This Agreement shall terminate upon the termination of Executive's employment with the Company; provided, however, that the provisions of Paragraphs 2 and 6 through 20 shall survive the termination and any expiration of the Agreement.

15. Waiver. The waiver by any party of a breach of any provision of this Agreement by any other party shall not operate or be construed as a waiver of any subsequent breach.

16. Governing Law; Choice of Forum.

(a) This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania (and United States federal law, to the extent applicable), without giving effect to otherwise applicable principles of conflicts of law.

(b) Without limiting in any way the Company's right to enforce the provisions of Paragraphs 6, 7 & 8 of this Agreement, any action to enforce the decision or award of the arbitrator under Paragraph 10 hereof may be brought and maintained only in the Court of Common Pleas of Chester County, Pennsylvania or the United States District Court for the Eastern District of Pennsylvania (to the extent that the latter court may have jurisdiction over the subject matter).

17. Headings. The headings used herein are for convenience of reference only and shall not affect the interpretation of any term or provision hereof.

18. Severability. If any provision of this Agreement shall be found invalid or unenforceable for any reason, in whole or in part, then such provision shall be deemed modified, restricted, or reformulated to the extent and in the manner necessary to render the same valid and enforceable, or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law, as if such provision had been originally incorporated herein as so modified, restricted, or reformulated or as if such provision had not been originally incorporated herein, as the case may be.

19. Withholding. All Base Salary, incentive compensation, expense reimbursements, severance pay, and other payments made by the Company to Executive under this Agreement shall be subject to customary withholding for applicable federal, state and local taxes, FICA and other amounts required by applicable law.

20. Internal Revenue Code Section 409A.

(a) This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the corresponding regulations, and the payments and benefits provided hereunder are intended to qualify for any applicable exemptions from the definition of deferred compensation under Code Section 409A. To the maximum extent permitted, the parties agree that (i) this Agreement shall be interpreted as being in compliance with Code Section 409A, and (ii) the payments and benefits will be reported to the Internal Revenue Service as being in compliance with Code Section 409A. For purposes of Code Section 409A, each payment made under this Agreement shall be treated as a separate payment. Severance benefits under this Agreement are intended to be exempt from Code Section 409A under the "short term deferral" exemption, to the extent applicable. A portion, the amount of which to be determined in accordance with Treas. Reg. § 1.409A-1(b)(9)(iii), of any additional monthly severance compensation under this Agreement shall be considered payments under a "separation pay plan" under Code Section 409A. In no event may Executive designate, directly or indirectly, the calendar year of payment.

(b) Notwithstanding anything in this Agreement to the contrary, to the extent required by Code Section 409A if Executive is considered a "specified employee" for purposes of Code Section 409A, and if the payment of any amounts under this Agreement is required to be delayed for a period of six months after "separation from service" pursuant to Code Section 409A, payment of such amounts shall be delayed as required by Code Section 409A and the accumulated amounts shall be paid in a single lump sum within five days after the end of the six-month period. If Executive dies during the postponement period prior to the payment of benefits, amounts withheld on account of Code Section 409A shall be paid to the personal representative of Executive's estate within sixty days after the date of Executive's death.

(c) For purposes of this Agreement, "separation from service" shall mean Executive's separation from service with the Company and its affiliates within the meaning of Treas. Reg. Section 1.409A-1(h).

(d) In the case of any in-kind benefits or any expenses eligible for reimbursement provided hereunder that are subject to Code Section 409A, (i) the benefits provided or the amount of expenses eligible for reimbursement during any calendar year shall not affect the benefits provided or expenses eligible for reimbursement in any other calendar year, except as provided in Treas. Reg. § 1.409A-3(i)(1)(iv)(B), and (ii) the reimbursement of an eligible expense shall be made as soon as possible after Executive requests such reimbursement, but not later than December 31 following the calendar year in which the expense was incurred.

(e) Executive's right to receive any installment payments of deferred compensation shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Code Section 409A. Except as otherwise permitted under Code Section 409A, no payment to you shall be accelerated or deferred unless such acceleration or deferral would not result in additional tax or interest pursuant to Code Section 409A.

21. Counterparts. This Agreement may be executed in counterparts with the same effect as if the parties executing the counterparts all had executed one counterpart as of the date hereof. All such counterparts taken together shall be deemed the original Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day, month and year first above written.

EXECUTIVE:

VERTEX, INC.

/s/ BRYAN ROWLAND

By: /s/ DAVID DEStEFANO

Bryan T.R. Rowland

July 14, 2020

July 14, 2020

Date

Date

APPENDIX A

EXECUTIVE EMPLOYMENT AGREEMENT

SEPARATION AGREEMENT AND RELEASE

This confidential Separation Agreement and Release ("Agreement") is entered into by and between Vertex, Inc., a Delaware corporation (the "Company") and _____ (hereinafter referred to as "you," or "your") to resolve any and all disputes concerning your employment with the Company and your separation from employment on _____. The actual date of separation is referred to herein as the "Separation Date."

WHEREAS, you are employed by the Company as _____, pursuant to an Employment Agreement dated _____ ("Employment Agreement");

WHEREAS, the Company has decided to terminate your employment without Cause or you have decided to resign for Good Reason under the Employment Agreement, entitling you to certain payments and benefits pursuant to paragraph 2(b)(iii) thereunder ("Severance Benefits"), provided you first sign (and do not revoke) this Agreement and are otherwise in compliance with the Employment Agreement;

NOW THEREFORE, in consideration of the mutual covenants, agreements, and promises hereinafter set forth, and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

- 1) Consideration. On the eighth day after you execute this Agreement ("Effective Date"), provided that you do not revoke this Agreement under paragraph 6(e), the Company agrees to begin to provide you the Severance Benefits as set forth in the Employment Agreement.
 - 2) Termination of Employment. You understand and agree that your employment with the Company and any affiliates, including any positions on any Company boards and committees, will terminate effective the Separation Date, and such termination shall be deemed a resignation effective the Separation Date from each position you hold as an officer or director of the Company and any subsidiary or affiliate of the Company.
 - 3) No Additional Payments. You acknowledge and agree that you will receive no additional payments or benefits other than as set forth herein or as required by law.
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4) Release. In exchange for the promises herein which you acknowledge as good and valuable consideration, and except as provided in paragraph 5, you release and discharge the Company and its past, present and future parents, divisions, subsidiaries, and affiliates, predecessors, successors and assigns, and their past, present, and future officers, directors, members, partners, attorneys, employees, independent contractors, agents, clients, and representatives ("Released Parties") from any and all actions, causes of action, debts, dues, claims and demands of every name and nature, without limitation, at law, in equity, or administrative, against the Released Parties which you may have had, now have, or may have, by reason of any matter or thing arising up to the date you execute this Agreement, including the ending of your employment. Those claims and causes of action from which you release the Released Parties include, but are not limited to, any known or unknown claim or action sounding in tort, contract, or discrimination of any kind, any claim arising under the Employment Agreement, and/or any cause of action arising under federal, state or local constitution, statute or ordinance, including, but not limited to, Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act (including the Older Worker Benefit Protection Act), as amended, the Americans With Disabilities Act, as amended, the Employee Retirement Income Security Act, as amended, the Family and Medical Leave Act, as amended, the Equal Pay Act, as amended, Section 1981 of the Civil Rights Act of 1866, as amended, the Worker Adjustment and Retraining Notification Act, as amended, the Sarbanes Oxley Act of 2002, as amended, the Pennsylvania Human Relations Act, as amended, the Pennsylvania Equal Pay Law, as amended, the Pennsylvania Wage Payment and Collection Law, as amended, the Pennsylvania Minimum Wage Act, as amended, and any other employee-protective law of any jurisdiction that may apply, and/or any claim for attorneys' fees or costs, whether presently accrued, accruing to, or to accrue to you on account of, arising out of, or in any way connected with any acts or activities by you or the Released Parties arising up to the date you execute this Agreement. You expressly acknowledge that no claim or cause of action against the Released Parties from the beginning of time to the date you execute this Agreement (other than as provided in paragraph 5) shall be deemed to be outside the scope of this Agreement whether mentioned herein or not. You agree that this release should be interpreted as broadly as possible to achieve your intention to waive, to the maximum extent permitted by law, any and all claims against the Released Parties. Excluded from the release set forth in this paragraph is any claim which cannot be waived as a matter of law and your right to indemnification by the Company or any of its affiliates pursuant to contract or applicable law.

5) Rights and Claims Preserved. Nothing in this Agreement limits your right, where applicable, to file or participate in an investigative proceeding of any federal, state, or local governmental agency, including filing a charge with the United States Equal Employment Opportunity Commission ("EEOC"). To the extent permitted by law, you agree that if such an administrative claim is made, you shall not be entitled to recover, accept, or retain any individual monetary relief or other individual remedies with respect to any matter covered by this Agreement. Nothing in this Agreement prevents you from filing a lawsuit limited to challenging the validity of your waiver of federal age discrimination claims under the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act.

6) OWBPA. The release in paragraph 4 of this Agreement includes a waiver of claims against the Released Parties under the Age Discrimination in Employment Act ("ADEA") and the Older Workers Benefit Protection Act ("OWBPA"). Therefore, pursuant to the requirements of the ADEA and the OWBPA, you specifically acknowledge that:

- (a) you are and have been advised to consult with an attorney of your choosing concerning the legal significance of this Agreement;
- (b) this Agreement is written in a manner you understand;
- (c) the consideration set forth in paragraph 1 of the Agreement is adequate and sufficient for your entering into this Agreement and consists of benefits to which you are not otherwise entitled;
- (d) you have been afforded twenty-one (21) days to consider this Agreement before signing it, although you may sign it at any time within those 21 days, and that any changes to this Agreement subsequently agreed upon by the parties, whether material or immaterial, do not restart this period for consideration; and
- (e) you have been advised that during the seven (7) day period after you sign the Agreement, you may revoke your acceptance of this Agreement by delivering written notice to _____, and that this Agreement shall not become effective or enforceable until after the revocation period has expired.

7) No Admission of Wrongdoing. The Company denies any wrongdoing whatsoever in connection with its dealings with you, including but not limited to your employment and termination. It is expressly understood and agreed that nothing contained in this Agreement shall constitute or be treated as an admission of any wrongdoing or liability on the part of the Company.

8) Non-Disclosure. The parties understand and agree that this Agreement, and the matters discussed in negotiating its terms, are entirely confidential. It is therefore expressly understood and agreed that neither party will reveal, discuss, publish or in any way communicate any of the terms, amount or fact of this Agreement to any person, organization or other entity, with the exception of your immediate family members and professional representatives, or, with respect to the Company, with the exception of its professional representatives or as otherwise consistent with business need or necessity, or with respect to both parties, in an action to enforce the Agreement's terms, unless required by subpoena or court order.

9) Non-Disparagement. You agree that you will not disparage any of the Released Parties or make or publish any communication that reflects adversely upon any of them, consistent with paragraph 2(d) of the Employment Agreement.

10) No Filing of Claims. You represent that you have not filed, and to the maximum extent permitted by law and except as provided in paragraph 5, you agree that you will not file, any charge, complaint, lawsuit or claim (collectively, "Claim") with any administrative agency, federal, state or local court (collectively, "Agency") related in any way to your employment or the separation of your employment with the Company. You further agree that you will not accept, and will not be entitled to retain, any judgment, award, settlement or other payment or other relief resulting from, or related to, any Claim filed with any Agency related in any way to your employment with the Company or the termination of your employment. Nothing in this Agreement prevents you from filing for a state claim of unemployment compensation should you choose to do so.

11) No Voluntary Cooperation. Except as provided in paragraph 5, and/or unless required to do so by court order or subpoena, you agree that you will not (i) voluntarily make statements, take action, or give testimony adverse or detrimental to the interests of the Company; or (ii) aid or assist in any manner the efforts of any third party to sue or prosecute a claim against the Company. Should you ever be required to give testimony concerning any matter related to your employment with the Company, you agree to provide notice of such compulsory process to _____, within two (2) business days of its receipt so that the Company may take appropriate measures to quash or otherwise defend its interests.

12) Cooperation with the Company. Upon request of the Company, you agree to fully cooperate with the Company and to provide information and/or testimony regarding any current or future litigation arising from actions or events occurring during your employment with the Company.

13) Reemployment. You agree that you will not seek reemployment with the Company or any current or future parent, subsidiary, or affiliate, except at the request of the Company.

14) Return of Company Property. You agree that, as a condition precedent to receiving any payment under this Agreement, you will by the Separation Date return all property belonging to the Company, including, but not limited to, corporate credit cards; keys and access cards; documents; tapes; cell phones; computers, laptops, iPhone and other computer equipment and software; and any and all confidential and proprietary information.

15) Continuing Obligations. You acknowledge that you remain bound by and affirm that you will comply with all continuing obligations under the Employment Agreement, including, but not limited to, those set forth in paragraphs 6 and 7 thereof (pertaining to non-competition, non-solicitation, and confidentiality), and that such compliance is a condition of receipt of the Severance Benefits. You affirm that you have not violated the terms of the Employment Agreement during your employment with the Company.

16) Return of Consideration in Event of Breach. You agree that receipt of any consideration and all payments under this Agreement is contingent on your full compliance with its terms and conditions. Should you breach any provision of this Agreement (including but not limited to filing a lawsuit based upon any claim covered by this Agreement (but excluding a lawsuit covered by paragraph 5 of this Agreement)) or any continuing obligation under the Employment Agreement, the Company shall have the right to recover from you any Severance Benefits already paid, and the Company shall no longer be obligated to provide you any Severance Benefits otherwise due.

17) Attorneys' Fees and Jury Waiver. The prevailing party in an action for breach of this Agreement (except for a lawsuit covered by paragraph 5) will have its reasonable costs and attorneys' fees paid for by the party found to have breached. You and the Company hereby waive trial by jury as to any and all litigation arising out of and/or relating to this Agreement.

18) Arbitration. Any dispute, controversy, or difference arising out of, or related to, this Agreement or your employment with the Company shall be resolved by binding arbitration pursuant to paragraph 10 of the Employment Agreement.

19) Certification of Understanding and Competence. You acknowledge and agree that (a) you have read this Agreement in its entirety; (b) you are competent to understand, and do understand, the content and effect of this Agreement; (c) by entering into this Agreement, you are releasing forever the Released Parties from any claim or liability (including claims for attorney's fees and costs) arising from your employment with the Company; (d) you are entering this Agreement of your own free will in exchange for the consideration herein, which you agree is adequate and satisfactory; and (e) neither the Company nor the Released Parties have made any representations to you concerning the terms or effect of this Agreement, other than those contained in the Agreement.

20) Acknowledgments. You acknowledge and agree that (a) except for amounts due under Section 2(b)(v) of the Employment Agreement, you are not owed any wages by the Company for work performed, whether as wages or salary, overtime, bonuses or commissions, or for accrued but unused paid time off, and that you have been fully compensated for all hours worked; (b) you are not aware of any factual basis for a claim that the Company has defrauded the government of the United States or any state; (c) you have incurred no work related injuries; (d) you have received all family or medical leave to which you were entitled under the law; and (e) you have been and hereby are advised to consult with legal counsel of your choice prior to execution and delivery of this Agreement, and that you have done so or voluntarily elected not to do so.

21) Ownership of Claims. You represent and warrant that you are the sole and lawful owner of all rights, title and interest in and to all released matters, claims and demands referred to herein. You further represent and warrant that there has been no assignment or other transfer of any interest in any such matters, claims or demands which you may have against the Released Parties.

22) Counterparts. This Agreement may be executed in separate counterparts and by facsimile, and each such counterpart shall be deemed an original with the same effect as if all parties had signed the same document.

23) No Other Understandings. This Agreement, consisting of six (6) pages, together with the Employment Agreement, constitutes the entire Agreement between the parties with respect to its subject matter, and is binding upon and shall inure to the benefit of the parties and their respective heirs, executors, administrators, personal or legal representatives, successors and/or assigns. This Agreement may be amended only by a written agreement signed by you and the Company.

24) Headings. The headings in this Agreement are for convenience only and are not to be considered a construction of the provisions hereof.

25) Severability and Governing Law. If any provision of this Agreement is found to be invalid, unenforceable or void for any reason, such provision shall be severed from the Agreement and shall not affect the validity or enforceability of the remaining provisions. This Agreement shall be interpreted, enforced and governed by the laws of the Commonwealth of Pennsylvania, without regard to the conflicts of law provisions thereof.

26) Acceptance of Agreement. As provided in paragraph 6(d), the Company is providing you 21 days to consider whether to accept this Agreement (although you may accept it at any time within those 21 days), after which time the offer expires and is withdrawn if you have not yet accepted it. To accept the Agreement, you must sign below and send it to _____.

Dated: _____ [NAME]

Dated: _____ [NAME]
[TITLE]
Vertex, Inc.

EXECUTIVE EMPLOYMENT AGREEMENT
(as amended and restated)

THIS EXECUTIVE EMPLOYMENT AGREEMENT (“Agreement”) is made as of July 18, 2020 by and between VERTEX, INC., a Delaware corporation (“Company”), with offices at 2301 Renaissance Boulevard, King of Prussia, PA 19406, and John R. Schwab (“Executive”).

Recital

WHEREAS, Executive is currently employed by the Company as Chief Financial Officer, pursuant to an Employment Agreement dated December 30, 2019, as amended from time to time (the “Prior Agreement”);

WHEREAS, in the course of its business, the Company has invested and will continue to invest substantial time, effort, money and other resources in the creation, development, maintenance and protection of confidential and proprietary business methods, Documents (as defined herein) and information, as well as substantial and ongoing customer and industry relationships, all of which gain for the Company a substantial advantage in the marketplace and represent assets of great value to the Company and all of which will continue to be disclosed to Executive in the course of Executive’s employment with the Company;

WHEREAS, the Company and Executive recognize the Company’s legitimate business interest in protecting its confidential and proprietary business methods, Documents and information, as well as its substantial and ongoing customer and industry relationships; and

WHEREAS, Executive and the Company desire to enter into this Agreement to set out the terms and conditions for the continued employment relationship of Executive with the Company effective as of the date of consummation of the initial public offering of the Company’s Class A common stock pursuant to an effective registration statement filed under the Securities Act of 1933, as amended, (the “Effective Date”).

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and, specifically, in consideration of the Company’s continued employment of Executive and Executive’s resulting access to the Company’s confidential and proprietary business methods, Documents and information as well as to its substantial and ongoing customer and industry relationships, the Company and Executive agree as follows:

1. Employment and Duties. The Company shall continue to employ Executive in the position of Chief Financial Officer of the Company reporting to the Chief Executive Officer of the Company (the “CEO”), and Executive hereby accepts such continued employment. Executive shall perform duties incident to this position, as well as any other duties that may be assigned to Executive from time to time by the CEO or his or her designee, and/or the Company’s Board of Directors (the “Board”), that are not inconsistent with service as an officer of the Company, including duties for any Company subsidiary or affiliate. Executive shall abide by the Company’s Code of Ethics and Business Conduct (“Code of Conduct”), policies, practices, procedures, and rules.

2. Term; Termination.

(a) Subject to the provisions of Section 14, Executive’s employment under this Agreement shall remain in effect until terminated in accordance with the provisions of this paragraph.

(b) Executive's employment may be terminated hereunder as follows:

(i) Executive's employment shall terminate automatically upon Executive's death and may be terminated at any time, in the Company's sole discretion, upon Executive's "Disability." For purposes of this Agreement, "Disability" shall mean that because of physical or mental illness or incapacity Executive is unable to substantially perform all of the essential functions of Executive's position on a full-time basis with or without reasonable accommodation, for a period of 90 consecutive days or in excess of 180 days in any one-year period. This provision does not limit Executive's access to and use of benefits made available to Executive by the Company pursuant to this Agreement. Further, this provision is not intended to replace or supersede any applicable laws.

(ii) The Company may terminate Executive's employment for "Cause," without advance notice and with no other continuing obligations of the Company to Executive under this Agreement. For purposes of this Agreement, "Cause" shall mean (A) the commitment by Executive of a material breach of this Agreement (including but not limited to Sections 6, 7, or 8 hereof); (B) Executive's knowing, willful and continuing failure to perform Executive's duties or obligations to the Company or any corporation or other legal entity of which the Company has at least 51% equity ownership (a "Subsidiary"), including, but not limited to, those duties that may arise from time to time out of the Company's business or strategic goals; (C) Executive's willful misconduct or gross negligence with regard to the Company or any Subsidiary or their business, assets or employees; (D) material dishonesty, unethical, fraudulent or similar misconduct on the part of Executive in connection with Executive's employment by, or performance of services for, the Company or any Subsidiary; (E) Executive's use of non-prescription controlled substances, misuse of prescription drugs, or habitual intoxication during work hours due to alcohol or any non-prescription drugs or other substances; (F) Executive's indictment for any felony, if in the reasonable determination of the CEO or his or her designee, such indictment has caused or is reasonably likely to cause material adverse consequences to the Company, its businesses or prospects, or Executive's conviction (which includes a guilty plea or plea of nolo contendere) of a felony or any other crime involving fraud, dishonesty or moral turpitude; (G) Executive's material violation of any policy of the Company or of any Subsidiary for which Executive performs services, including, but not limited to, sexual harassment; or (H) Executive's breach of a fiduciary duty owed to the Company in good faith or repeated, willful refusal to follow any directions of the CEO or the Board that are reasonable, lawful and consistent with the Company's Code of Conduct, policies, practices, procedures, and rules. Notwithstanding the foregoing, the parties agree that "Cause" does not include any act of Executive covered by (A), (B), (G) or (H) of the foregoing sentence, that in the sole discretion of the CEO or his or her designee, is capable of cure and is cured by Executive within thirty (30) days after written notice thereof has been provided to Executive. Cause shall not include any act or omission by Executive consistent with the direction of any superior officers of the Company or the Board or the failure to achieve any performance targets.

(iii) The Company may terminate Executive's employment without Cause upon thirty (30) days' written notice to Executive (or, at the Company's option, the Company may provide Executive a maximum of thirty (30) days' pay in lieu of such notice). In the event of (x) any termination by the Company without Cause pursuant to this subparagraph 2(b)(iii), or (y) any termination by Executive for Good Reason (as defined below) pursuant to subparagraph 2(b)(vi), provided, in any case, Executive first signs a general separation agreement and release of claims against the Company, its Subsidiaries and affiliates, in form to be provided by the Company that is substantially similar to the sample form attached hereto as Appendix A ("Release"), and further provided that Executive remains in compliance with his continuing obligations under paragraphs 6 and 7 of this Agreement, Executive will be entitled to the following: (a) payment of Executive's Base Salary (as defined below) under Section 3(a) at the rate in effect on the date of termination of employment for a period of twelve (12) months (the "Severance Period"); and (b) if Executive timely elects continuation coverage under COBRA, payment of insurance premiums in order to continue Executive's then-existing health insurance coverage for a period of eighteen (18) months, or, at the Company's option, payment to Executive as additional severance pay in an amount equal to the premium payments for such continuation coverage. The health insurance continuation (or equivalent payment as additional severance) shall be at the Company's expense, but shall in all events terminate on the date Executive becomes eligible for health insurance coverage under the medical plan of a new employer.

(iv) Executive may terminate Executive's employment for any reason or no reason upon at least thirty (30) days' written notice to the Company; *provided, however*, that following such notice of termination, the Company may, at its option, select a shorter notice period and earlier termination date than Executive provided, without incurring liability hereunder or changing the nature of Executive's termination.

(v) Except as provided in subparagraph 2(b)(iii), in the event of termination of employment for any reason, Executive (or Executive's estate, as applicable) shall be entitled to no payments or benefits following the date of termination other than payment of (i) accrued but unpaid Base Salary earned through the termination date; (ii) the unpaid portion of incentive compensation, if any, earned by Executive with respect to the calendar year preceding the calendar year in which the date of termination occurs, subject to the terms and conditions of any plan governing such incentive compensation; (iii) expenses reimbursable under Section 5 incurred but not yet reimbursed to Executive prior to the termination date; and (iv) any vested benefits or amounts through the date of termination due and owing to Executive under the terms of any plan, program, or arrangement of the Company, less any amounts then owed by Executive to the Company. For the avoidance of doubt, if Executive's employment shall terminate as a result of Executive's death or Disability pursuant to Section 2(b)(i), pursuant to Section 2(b)(ii) for Cause, or pursuant to Section 2(b)(iv) for Executive's resignation from the Company without Good Reason or for no reason, then Executive shall not be entitled to any payments or benefits, except for those payments and benefits provided in clauses (i), (ii), (iii) and (iv) of this Section 2(b)(v).

(vi) Executive may terminate Executive's employment for Good Reason. "Good Reason" means, unless otherwise consented to by Executive, any action taken by the Company that causes (i) a material breach of this Agreement, (ii) the material diminution of Executive's duties, (iii) a material decrease in Base Salary or (iv) any relocation of Executive's principal office to a location more than fifty (50) miles from Executive's then current office. Before resigning for Good Reason, Executive shall provide written notice to the Company of the ground giving rise to Good Reason. The notice shall be provided within sixty (60) days of the occurrence of the event giving rise to Good Reason. The Company shall then have thirty (30) days within which to cure such event. If the Company fails to cure, Executive shall have the right to resign for Good Reason, provided the resignation occurs no later than one hundred and twenty (120) days from the date of the occurrence of the event giving rise to Good Reason.

(c) Amounts payable under this Agreement that are subject to Executive's execution of the Release shall commence on the sixtieth day after Executive's separation from service. Executive shall not be entitled to any such payments unless Executive executes the Release within forty-five days of the later of the date Executive receives the Release or Executive's separation from service, and does not revoke the Release; provided, however, that in no event shall the Company provide such Release to Executive later than five (5) business days after Executive's separation from service. Any amounts payable under this Agreement as an uninterrupted continuation of Executive's Base Salary or health insurance coverage that are delayed pending Executive's execution of a Release shall be paid in an aggregate lump sum upon such sixtieth day; provided, however, that Executive shall be responsible for paying any premiums that are due and necessary for the continuation of Executive's health insurance coverage prior to such sixtieth day, subject to reimbursement of such amounts to Executive by the Company upon the lapse of such sixty-day period. In the event Executive commits a material breach of Section 6 or Section 7 that, in the sole discretion of the CEO or his or her designee, is not capable of cure, or is not cured by Executive within thirty (30) days after notice thereof to Executive, then, without limiting the availability to the Company of any other relief or remedy, Executive shall no longer be entitled to any severance compensation or benefits provided for above in subparagraph 2(b)(iii) that have not yet been paid, and shall be required to repay to the Company any amounts theretofore paid under such subsection.

(d) Prior to and following any termination of employment, (i) Executive shall not disparage the professional or personal reputation of the Company, its Subsidiaries and affiliates or any of their officers, shareholders, directors, management, or employees or any products or services of the Company, its Subsidiaries and affiliates (other than good faith statements made in the performance of his duties during his employment); and (ii) the Board shall not disparage the professional or personal reputation of Executive (other than good faith statements made during his employment). Nothing in this paragraph shall preclude any party from making truthful statements that are reasonably necessary to comply with applicable law, regulation or legal process, or to defend or enforce a party's rights under this Agreement. The Company agrees that, in the event it receives inquiries from prospective employers concerning Executive, the Company will refer such inquiries to its Human Resources department, which will respond by providing only the following information: Executive's dates of employment and job title while employed with the Company.

(e) In event of termination of Executive's employment for any reason, Executive shall be deemed to have resigned from each position he holds as an officer or director of the Company and any Subsidiary or affiliate of the Company effective as of no later than the termination date.

3. Compensation.

(a) Salary. Beginning on the Effective Date, Executive's annual base salary ("Base Salary") shall be four hundred twenty-one thousand six hundred twenty-five dollars (\$421,625), payable in accordance with the Company's generally applicable payroll practices and subject to any payroll or other deductions required by law, government or court order, or by agreement with, or consent of, Executive. The Base Salary may be increased from time to time in the discretion of the Board or the CEO or his or her designee.

(b) Incentive Compensation.

(i) Executive shall continue to be eligible to participate in the incentive compensation plans the Company may implement from time to time. The target bonus amounts and performance targets for Executive shall be established at the same time such amounts and targets are established for other executive officers of the Company, shall be as determined by the Board, and shall be payable only upon the Company's achievement of established targets as determined by the Board. Notwithstanding the foregoing, the Company and Executive agree that Executive's target annual bonus will equal sixty percent (60%) of Executive's Base Salary.

(ii) Executive acknowledges and agrees that Executive received a signing bonus in the amount of \$240,000 (the "Signing Bonus") in connection with his commencement of employment with the Company on January 1, 2020 (the "Commencement Date"). If, prior to the eighteen (18) month anniversary of the Commencement Date, Executive terminates his employment with the Company for any reason other than for Good Reason, or if Executive is terminated by the Company for Cause pursuant to paragraph 2(b)(ii) of this Agreement, Executive shall repay the Company the Signing Bonus as follows: (1) if such termination occurs after the six (6) month anniversary of the Commencement Date and prior to the twelve (12) month anniversary of the Commencement Date, Executive shall repay the Company 75% of the Signing Bonus; or (2) if such termination occurs on or after the twelve (12) month anniversary of the Commencement Date and prior to the eighteen (18) month anniversary of the Commencement Date, Executive shall repay the Company 50% of the Signing Bonus.

4. Vacation and Executive Benefits.

(a) Executive shall be entitled to twenty-three (23) days of paid time off (“PTO”) during calendar year 2020. Following calendar year 2020, Executive shall be entitled to PTO in accordance with the Company’s standard PTO policy, as well as five (5) days PTO in addition to what is provided under the Company’s standard PTO policy. Executive will use his reasonable discretion, taking into account the Company’s needs, when determining the time to take vacation.

(b) Executive shall be entitled to participate in the same manner and under the same terms and conditions as similarly-situated executives of the Company, in the Company’s medical insurance, retirement plans, and other fringe benefit programs, including, for the avoidance of doubt, any group life and/or long-term disability insurance plans or programs adopted by the Company after the Effective Date, with Executive’s rights and responsibilities under these programs governed by the terms of those plans and programs as they may be in effect and modified from time-to-time.

5. Expenses. The Company shall reimburse Executive for all reasonable and substantiated ordinary and necessary business expenses incurred in performing Executive’s duties under this Agreement, provided that Executive shall comply with all Company requirements relating to the submission and documentation of such expenses.

6. Loyalty, Best Efforts, Non-Competition, Non-Solicitation.

(a) Executive will, while employed by the Company, devote all of Executive’s full time and best efforts and, during work hours, all of Executive’s attention, to the business of the Company, its Subsidiaries and affiliates and to the performance of Executive’s duties. Further, Executive will not, without the advance, written permission of the CEO or his or her designee, engage in any activity that would in any way or to any extent, interfere with the performance of Executive’s duties, including, without limitation, engaging to any extent in any other employment or occupation, whether or not for compensation, or undertaking any financial or other investment, provided that Executive may serve on the board of directors of not-for-profit organizations, subject to compliance with this Agreement and provided that such service does not materially interfere with Executive’s performance of Executive’s duties and responsibilities under this Agreement. Executive is expressly permitted to continue serving on the Board of Directors of Penn Capital mutual fund(s) through the end of calendar year 2020. Executive shall obtain written approval from the CEO for any continued service beyond calendar year 2020 on the Board of Directors of Penn Capital mutual fund(s).

(b) Executive hereby agrees that during Executive’s employment with the Company and for the period of twelve (12) months after termination of employment for any reason (the “Restricted Period”), Executive will not, without the advance, written permission of the CEO or his or her designee, engage in Competition (as defined below) with the Company. Executive shall be deemed to be engaging in “Competition” if Executive (A) engages anywhere within the United States of America or any other place where the Company, its Subsidiaries or affiliates are engaged during Executive’s employment or actively preparing to be engaged in business (the “Restricted Territory”), in any business in which the Company, any of its Subsidiaries or affiliates is engaged or has invested material funds in development at the time of such termination of employment, and/or (B) owns, in whole or in part, is employed by, provides financing to, consults with or otherwise renders services to any person or entity who is engaged in any business (or proposes to engage in any business) in which the Company, any of its Subsidiaries or affiliates is engaged or has invested material funds in development at the time of such termination of employment anywhere within the Restricted Territory (for avoidance of doubt, such persons or entities include, but are not limited to, any of the following entities or their successors: Thomson Reuters, CCH/Wolters Kluwer, Avalara, Longview Solutions, MLM CorpTax, Taxware, TaxJar). Notwithstanding anything herein to the contrary, Executive may make passive investments in any enterprise the shares of which are publicly traded if such investment constitutes less than two percent (2%) of the equity of such enterprise.

(c) During the Restricted Period, Executive will not, directly or indirectly, (i) hire or assist any other person or entity to hire any current or former employee of the Company, its Subsidiaries or its affiliates, or (ii) recruit, solicit or induce, or assist any other person or entity to recruit, solicit or induce, any current or former employee to leave the employment of the Company, its Subsidiaries or its affiliates. For purposes of this subparagraph (c), "former employee" shall mean an individual who was employed by the Company, any of its Subsidiaries or any of its affiliates at any time within the twelve months prior to this prohibited activity. A general advertisement to which an employee or former employee of the Company responds shall in no event be deemed to result in a breach of this Section 6(c).

(d) During the Restricted Period, Executive will not, directly or indirectly, solicit, induce, or attempt to induce any customer, client, or prospect of the Company, its Subsidiaries or its affiliates, to stop doing business in whole or in part with or through the Company, its Subsidiaries or affiliates, or to do business with any person or entity that competes with the Company. For the purposes of this subparagraph (d), "prospect" means any person or entity which the Company, its Subsidiaries or its affiliates had solicited for business within one year prior to the termination of Executive's employment.

(e) During the Restricted Period, Executive will promptly disclose to the Company any and all direct contacts, solicitations, inquiries or other actual or potential business opportunities of which Executive may become aware and which relate to the business of the Company or any of its Subsidiaries or affiliates; *provided, however*, that the disclosure obligation under this paragraph shall apply only to such contacts, solicitations, inquiries, and opportunities of which Executive became aware during his employment with the Company.

(f) Executive acknowledges and agrees that the restrictions imposed by this Paragraph 6 are a condition of Executive's employment with the Company; are fair and reasonably required for the protection of the Company; and will not preclude Executive from becoming gainfully employed following the termination of employment with the Company, regardless of reason. Executive further acknowledges and agrees that Executive provides and/or will provide unique services to the Company and that this Agreement has unique, substantial, and immeasurable value to the Company. If the Company seeks enforcement based on a breach of the provisions of this Section 6, the Company shall be entitled to reimbursement for the reasonable attorney's fees and expenses incurred by the Company in that effort if the Company prevails in whole or in substantial part in its action. In the event of any breach of subparagraphs (b) through (e) above, the time periods set forth in those paragraphs shall be extended by the length of time Executive is in breach. In the event that the provisions of this Paragraph 6 should ever be deemed to exceed the limitations permitted by applicable laws, Executive and the Company agree that such provisions shall be reformed to the maximum limitations permitted by the applicable laws.

7. Confidentiality and Ownership of Documents, Methods and Information.

(a) Executive agrees that, both during employment with the Company and thereafter, Executive will treat the business affairs of the Company, its Subsidiaries and its affiliates as confidential and will not discuss or disclose any Confidential Information (as hereafter defined) of the Company, its Subsidiaries or its affiliates with or to any third party, except (i) as required in connection with the performance of duties on behalf of the Company or (ii) as authorized in advance by the CEO or his or her designee, and in each such case only after ensuring that the recipient has agreed in writing to appropriate confidentiality obligations, unless Executive has been otherwise instructed by the CEO or his or her designee or advised by the Company's General Counsel. Further, Executive shall take reasonable steps and security precautions to prevent the unauthorized disclosure of Confidential Information and all components thereof, and to maintain the confidentiality of the Company's intellectual property. Notwithstanding the foregoing, Executive may disclose Confidential Information to the extent required by law or regulation; provided that Executive promptly notifies the Company of the disclosure request and, at the Company's request, provides reasonable assistance in any effort to prevent or limit such disclosure.

(b) Executive agrees that all Confidential Information, Documents, materials, business methods and other information created by, disclosed to or otherwise acquired by Executive in the course of employment with the Company (collectively, "Works") are and remain the exclusive property of the Company and are "works made for hire" for the Company under the copyright laws; that Executive will not retain, copy or otherwise appropriate any Work for Executive's own use or purposes or the use or purposes of any third party and that, upon the termination of employment, Executive will return all Works, including all copies or multiple versions thereof, to the Company and, in the case of Confidential Information, will destroy all electronic versions Executive may have on any device in his possession or under his control and in any format or media, and all excerpts and references that may be in any items Executive may have created, and, to the extent that Executive is not able to destroy all such copies, excerpts and references shall continue to hold them as the confidential and proprietary property of the Company and not disclose them or use them for any purpose. Further, in return for good and valuable consideration including Executive's employment relationship with the Company, Executive hereby assigns to the Company Executive's entire right, title and interest in and to all Works. Executive also agrees, at the Company's request and expense, to execute specific assignments to the Works, and execute, acknowledge and deliver such other documents and take such further action as the Company may require, at any time during or subsequent to the period of Executive's employment with the Company, to vest title in such Works in the Company and to obtain and defend copyright registrations in any and all countries. In addition, all inventions conceived and/or reduced to practice during Executive's employment with the Company and which relate to the business of the Company are hereby assigned to the Company, in return for good and valuable consideration including Executive's employment relationship with the Company. Executive agrees, at the Company's request and expense, to execute specific assignments to any inventions and to execute, acknowledge and deliver such other documents and take such further action as the Company may require, at any time during or subsequent to the period of Executive's employment with the Company, to vest title in all such inventions in the Company in any and all countries; to obtain patents covering such inventions in any and all countries; and to vest title in such patents in the Company. Executive also agrees that an invention disclosed by Executive to a third person or described in a patent application filed by or on Executive's behalf within twelve months following termination of Executive's employment with the Company for any reason shall be presumed to have been conceived or made by Executive during the period of employment, unless proved to have been conceived or made by Executive following the termination of Executive's employment with the Company. Executive hereby assigns Executive's entire right, title and interest in and to such inventions to the Company, and agrees to execute and deliver any documents or take any such actions as requested by the Company to vest title in such inventions exclusively in the Company.

(c) Executive is hereby notified that the requirements of paragraph (b) above do not apply to an invention for which no equipment, supplies, facility or Confidential Information of the Company was used and which was developed entirely on Executive's own time, unless (i) the invention relates to (A) the business of the Company, its Subsidiaries or its affiliates, or (B) the Company's actual or demonstrably anticipated research or development, or (ii) the invention results from any work performed by Executive for the Company.

(d) For purposes of this Agreement the term “Document” shall include correspondence, email, other written communications, data processing and storage units, computer software, tapes, contracts, agreements, notes, memoranda, telephone messages, analyses, projections, indices, work papers, studies, surveys, diaries, calendars, films, photographs, minutes of meetings, management or sales proposals, operations manuals or any other writing, including copies of any of the foregoing, in any format or media, past, current or future, including, without limitation, written, printed, typed, recorded or graphic matter or electronic media, however produced or reproduced. For the purposes of this Agreement the term “Confidential Information” means information (i) developed by, disclosed to or known by Executive as a consequence of Executive’s employment with the Company, (ii) not generally known to others outside the Company, and (iii) which relates to the business of the Company, its Subsidiaries and its affiliates. Confidential Information includes but is not limited to the trade secrets, equipment, equipment configuration, research, development efforts, methodologies, testing, engineering, manufacturing, marketing, sales, finances, operations, processes, formulas, methods, techniques, devices, software programs, projections, strategies and plans, personnel information, and customer information, including customer needs, contacts, particular projects, lists, and pricing of the Company, its Subsidiaries and its affiliates. Confidential Information shall not include any information which has been published in a form generally available to the public prior to the date upon which Executive either wrongfully discloses or proposes to disclose such information.

(e) Notwithstanding anything to the contrary herein, nothing in this Agreement is intended to or will be used by the Company in any way to prohibit Executive from reporting possible violations of federal law or regulation to any United States governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies). Furthermore, in accordance with 18 U.S.C. § 1833, notwithstanding anything to the contrary in this Agreement: (A) Executive shall not be in breach of this Agreement and shall not be held criminally or civilly liable under any federal or state trade secret law (x) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (y) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (B) if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive’s attorney, and may use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

8. Conflict of Interest; Avoiding the Appearance of Impropriety. Executive agrees that Executive’s duty of loyalty to the Company requires both complete fidelity to the interests of the Company in fact and the avoidance of any appearance of impropriety, favoritism, personal benefit or aggrandizement or confusion between Executive’s personal and business activities. Executive further agrees that Executive’s conduct must be consistent with the Company’s Code of Conduct. To that end, while an executive officer of the Company, Executive shall not, without the advance, written approval of the CEO or his or her designee:

(a) accept gifts, gratuities or favors of more than nominal value from any person or organization doing business or seeking to do business with the Company, its Subsidiaries or its affiliates, or from any employee of the Company with whom Executive has a direct or indirect reporting relationship;

(b) offer or provide any gift, gratuity or favor of more than nominal value to any person or organization with whom or which the Company, any of its Subsidiaries or any of its affiliates is doing business or seeking to do business or take any other action in respect of such person or organization, specifically including but not limited to, any public entity, officer thereof or federal, state or local government employee or officeholder, suggestive of any intent or effort to influence such individual or organization in the performance of their or its duties; or

(c) make use of Executive's job title or affiliation with the Company in connection with participation in outside organizations (with the exception of professional and industry organizations relating to Executive's job duties) or support of political, legal or other causes or organizations.

9. Injunctive Relief. Subject to the provisions of Paragraph 10, the Company will, in addition to other remedies provided by law, have the right to injunctive relief in court to the extent such relief may be available at law or in equity. Executive acknowledges that any breach or threatened breach of the provisions of this Agreement, including but not limited to the provisions of Paragraphs 6 and 7, will cause irreparable damage to the Company for which monetary damages will not provide an adequate remedy. Nothing contained herein will be construed as prohibiting the parties from pursuing any other remedies available to them for such breach or threatened breach, including any recovery of damages.

10. Dispute Resolution. With the specific exception only of the Company's right at any time to seek equitable relief to enforce the provisions of Paragraphs 6 and 7 of this Agreement in the courts, in the event of any dispute between the Company and Executive, whether arising out of or relating to this Agreement, the breach of this Agreement, or Executive's employment with the Company, Executive and the Company hereby agree that, after making a good-faith effort to resolve any dispute, such dispute shall be resolved by final and binding arbitration in Chester County, Pennsylvania, administered by the American Arbitration Association ("AAA") in accordance with its Commercial Arbitration Rules then in effect, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof, subject to the provisions of subparagraph 16(b). Any arbitration shall be held before a single arbitrator who shall be selected by mutual agreement of the Company and Executive, unless the parties are unable to agree to an arbitrator, in which case the arbitrator will be selected under the procedures of the AAA. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction, and the parties hereby agree to the emergency procedures of the AAA. Issues of arbitrability are to be decided by the arbitrator. A demand for arbitration under this paragraph must be made in writing to the other party within the time limit set by law for bringing that claim in court, or that claim shall be forever barred. The prevailing party shall be entitled to an award which shall include all costs of arbitration, including reasonable attorneys' fees, unless the arbitrator determines that to do so would be inconsistent with applicable law.

11. Notice. Any notice, demand, or other communication required to be given pursuant to the provisions of this Agreement shall be in writing and shall be personally delivered to the other party in person or at their place of business or to Executive at Executive's residence, delivered by a nationally recognized overnight delivery service, or sent by certified mail, email or other electronic means, return receipt requested, postage prepaid (as applicable), addressed to the respective addresses last given by each party to the other, and such notice shall be deemed to have been given upon personal delivery, if personally delivered, as of the close of the third business day following the date of mailing if mailed (except that notice of change of address shall be effective only upon receipt), or on the next business day in the case of overnight delivery service, email or other electronic means. Any notice to the Company shall be addressed to the attention of the General Counsel.

12. Entire Agreement; Modification. This Agreement represents the entire agreement between the parties with respect to its subject matter and supersedes all prior agreements and understandings, oral or written, between them, with respect to its subject matter, including the Prior Agreement. This Agreement may not be modified or amended except by a writing signed by both parties; provided, however, that this paragraph shall not limit the right of the Company to promulgate nor excuse Executive from compliance with, such workplace rules, policies and procedures as it may, from time-to-time, deem appropriate or to alter, amend, modify or terminate any employee benefit plan (whether or not referenced in this Agreement) in accordance with the terms of such plan.

13. Successors and Assigns. This Agreement shall inure to the benefit of the Company's successors and permitted assigns. Executive's rights and obligations under this Agreement are personal and not assignable or delegable by Executive in any manner or to any extent. Executive agrees that the Company can assign this Agreement to an entity that is a successor to the Company by statutory merger or otherwise, or that has purchased substantially all of the assets of the Company, without the consent or approval of Executive. As used in this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which assumes and agrees to perform this Agreement by operation of law or otherwise.

14. Termination and Survivability. This Agreement shall terminate upon the termination of Executive's employment with the Company; provided, however, that the provisions of Paragraphs 2 and 6 through 20 shall survive the termination and any expiration of the Agreement.

15. Waiver. The waiver by any party of a breach of any provision of this Agreement by any other party shall not operate or be construed as a waiver of any subsequent breach.

16. Governing Law; Choice of Forum.

(a) This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania (and United States federal law, to the extent applicable), without giving effect to otherwise applicable principles of conflicts of law.

(b) Without limiting in any way the Company's right to enforce the provisions of Paragraphs 6, 7 & 8 of this Agreement, any action to enforce the decision or award of the arbitrator under Paragraph 10 hereof may be brought and maintained only in the Court of Common Pleas of Montgomery County, Pennsylvania or the United States District Court for the Eastern District of Pennsylvania (to the extent that the latter court may have jurisdiction over the subject matter).

17. Headings. The headings used herein are for convenience of reference only and shall not affect the interpretation of any term or provision hereof.

18. Severability. If any provision of this Agreement shall be found invalid or unenforceable for any reason, in whole or in part, then such provision shall be deemed modified, restricted, or reformulated to the extent and in the manner necessary to render the same valid and enforceable, or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law, as if such provision had been originally incorporated herein as so modified, restricted, or reformulated or as if such provision had not been originally incorporated herein, as the case may be.

19. Withholding. All Base Salary, incentive compensation, expense reimbursements, severance pay, and other payments made by the Company to Executive under this Agreement shall be subject to customary withholding for applicable federal, state and local taxes, FICA and other amounts required by applicable law.

20. Internal Revenue Code Section 409A.

(a) This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the corresponding regulations, and the payments and benefits provided hereunder are intended to qualify for any applicable exemptions from the definition of deferred compensation under Code Section 409A. To the maximum extent permitted, the parties agree that (i) this Agreement shall be interpreted as being in compliance with Code Section 409A, and (ii) the payments and benefits will be reported to the Internal Revenue Service as being in compliance with Code Section 409A. For purposes of Code Section 409A, each payment made under this Agreement shall be treated as a separate payment. Severance benefits under this Agreement are intended to be exempt from Code Section 409A under the "short term deferral" exemption, to the extent applicable. A portion, the amount of which to be determined in accordance with Treas. Reg. § 1.409A-1(b)(9)(iii), of any additional monthly severance compensation under this Agreement shall be considered payments under a "separation pay plan" under Code Section 409A. In no event may Executive designate, directly or indirectly, the calendar year of payment.

(b) Notwithstanding anything in this Agreement to the contrary, to the extent required by Code Section 409A if Executive is considered a "specified employee" for purposes of Code Section 409A, and if the payment of any amounts under this Agreement is required to be delayed for a period of six months after "separation from service" pursuant to Code Section 409A, payment of such amounts shall be delayed as required by Code Section 409A and the accumulated amounts shall be paid in a single lump sum within five days after the end of the six-month period. If Executive dies during the postponement period prior to the payment of benefits, amounts withheld on account of Code Section 409A shall be paid to the personal representative of Executive's estate within sixty days after the date of Executive's death.

(c) For purposes of this Agreement, "separation from service" shall mean Executive's separation from service with the Company and its affiliates within the meaning of Treas. Reg. Section 1.409A-1(h).

(d) In the case of any in-kind benefits or any expenses eligible for reimbursement provided hereunder that are subject to Code Section 409A, (i) the benefits provided or the amount of expenses eligible for reimbursement during any calendar year shall not affect the benefits provided or expenses eligible for reimbursement in any other calendar year, except as provided in Treas. Reg. § 1.409A-3(i)(1)(iv)(B), and (ii) the reimbursement of an eligible expense shall be made as soon as possible after Executive requests such reimbursement, but not later than December 31 following the calendar year in which the expense was incurred.

(e) Executive's right to receive any installment payments of deferred compensation shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Code Section 409A. Except as otherwise permitted under Code Section 409A, no payment to you shall be accelerated or deferred unless such acceleration or deferral would not result in additional tax or interest pursuant to Code Section 409A.

21. Counterparts. This Agreement may be executed in counterparts with the same effect as if the parties executing the counterparts all had executed one counterpart as of the date hereof. All such counterparts taken together shall be deemed the original Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day, month and year first above written.

EXECUTIVE:

VERTEX, INC.

/s/ JOHN R. SCHWAB
John R. Schwab

By: /s/ DAVID DEStEFANO

July 18, 2020
Date

July 18, 2020
Date

APPENDIX A

EXECUTIVE EMPLOYMENT AGREEMENT

SEPARATION AGREEMENT AND RELEASE

This confidential Separation Agreement and Release ("Agreement") is entered into by and between Vertex, Inc., a Delaware corporation (the "Company") and _____ (hereinafter referred to as "you," or "your") to resolve any and all disputes concerning your employment with the Company and your separation from employment on _____. The actual date of separation is referred to herein as the "Separation Date."

WHEREAS, you are employed by the Company as _____, pursuant to an Employment Agreement dated _____ ("Employment Agreement");

WHEREAS, the Company has decided to terminate your employment without Cause or you have decided to resign for Good Reason under the Employment Agreement, entitling you to certain payments and benefits pursuant to paragraph 2(b)(iii) thereunder ("Severance Benefits"), provided you first sign (and do not revoke) this Agreement and are otherwise in compliance with the Employment Agreement;

NOW THEREFORE, in consideration of the mutual covenants, agreements, and promises hereinafter set forth, and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

- 1) Consideration. On the eighth day after you execute this Agreement ("Effective Date"), provided that you do not revoke this Agreement under paragraph 6(e), the Company agrees to begin to provide you the Severance Benefits as set forth in the Employment Agreement.
 - 2) Termination of Employment. You understand and agree that your employment with the Company and any affiliates, including any positions on any Company boards and committees, will terminate effective the Separation Date, and such termination shall be deemed a resignation effective the Separation Date from each position you hold as an officer or director of the Company and any subsidiary or affiliate of the Company.
 - 3) No Additional Payments. You acknowledge and agree that you will receive no additional payments or benefits other than as set forth herein or as required by law.
-

4) Release. In exchange for the promises herein which you acknowledge as good and valuable consideration, and except as provided in paragraph 5, you release and discharge the Company and its past, present and future parents, divisions, subsidiaries, and affiliates, predecessors, successors and assigns, and their past, present, and future officers, directors, members, partners, attorneys, employees, independent contractors, agents, clients, and representatives ("Released Parties") from any and all actions, causes of action, debts, dues, claims and demands of every name and nature, without limitation, at law, in equity, or administrative, against the Released Parties which you may have had, now have, or may have, by reason of any matter or thing arising up to the date you execute this Agreement, including the ending of your employment. Those claims and causes of action from which you release the Released Parties include, but are not limited to, any known or unknown claim or action sounding in tort, contract, or discrimination of any kind, any claim arising under the Employment Agreement, and/or any cause of action arising under federal, state or local constitution, statute or ordinance, including, but not limited to, Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act (including the Older Worker Benefit Protection Act), as amended, the Americans With Disabilities Act, as amended, the Employee Retirement Income Security Act, as amended, the Family and Medical Leave Act, as amended, the Equal Pay Act, as amended, Section 1981 of the Civil Rights Act of 1866, as amended, the Worker Adjustment and Retraining Notification Act, as amended, the Sarbanes Oxley Act of 2002, as amended, the Pennsylvania Human Relations Act, as amended, the Pennsylvania Equal Pay Law, as amended, the Pennsylvania Wage Payment and Collection Law, as amended, the Pennsylvania Minimum Wage Act, as amended, and any other employee-protective law of any jurisdiction that may apply, and/or any claim for attorneys' fees or costs, whether presently accrued, accruing to, or to accrue to you on account of, arising out of, or in any way connected with any acts or activities by you or the Released Parties arising up to the date you execute this Agreement. You expressly acknowledge that no claim or cause of action against the Released Parties from the beginning of time to the date you execute this Agreement (other than as provided in paragraph 5) shall be deemed to be outside the scope of this Agreement whether mentioned herein or not. You agree that this release should be interpreted as broadly as possible to achieve your intention to waive, to the maximum extent permitted by law, any and all claims against the Released Parties. Excluded from the release set forth in this paragraph is any claim which cannot be waived as a matter of law and your right to indemnification by the Company or any of its affiliates pursuant to contract or applicable law.

5) Rights and Claims Preserved. Nothing in this Agreement limits your right, where applicable, to file or participate in an investigative proceeding of any federal, state, or local governmental agency, including filing a charge with the United States Equal Employment Opportunity Commission ("EEOC"). To the extent permitted by law, you agree that if such an administrative claim is made, you shall not be entitled to recover, accept, or retain any individual monetary relief or other individual remedies with respect to any matter covered by this Agreement. Nothing in this Agreement prevents you from filing a lawsuit limited to challenging the validity of your waiver of federal age discrimination claims under the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act.

6) OWBPA. The release in paragraph 4 of this Agreement includes a waiver of claims against the Released Parties under the Age Discrimination in Employment Act ("ADEA") and the Older Workers Benefit Protection Act ("OWBPA"). Therefore, pursuant to the requirements of the ADEA and the OWBPA, you specifically acknowledge that:

- (a) you are and have been advised to consult with an attorney of your choosing concerning the legal significance of this Agreement;
- (b) this Agreement is written in a manner you understand;
- (c) the consideration set forth in paragraph 1 of the Agreement is adequate and sufficient for your entering into this Agreement and consists of benefits to which you are not otherwise entitled;
- (d) you have been afforded twenty-one (21) days to consider this Agreement before signing it, although you may sign it at any time within those 21 days, and that any changes to this Agreement subsequently agreed upon by the parties, whether material or immaterial, do not restart this period for consideration; and
- (e) you have been advised that during the seven (7) day period after you sign the Agreement, you may revoke your acceptance of this Agreement by delivering written notice to _____, and that this Agreement shall not become effective or enforceable until after the revocation period has expired.

7) No Admission of Wrongdoing. The Company denies any wrongdoing whatsoever in connection with its dealings with you, including but not limited to your employment and termination. It is expressly understood and agreed that nothing contained in this Agreement shall constitute or be treated as an admission of any wrongdoing or liability on the part of the Company.

8) Non-Disclosure. The parties understand and agree that this Agreement, and the matters discussed in negotiating its terms, are entirely confidential. It is therefore expressly understood and agreed that neither party will reveal, discuss, publish or in any way communicate any of the terms, amount or fact of this Agreement to any person, organization or other entity, with the exception of your immediate family members and professional representatives, or, with respect to the Company, with the exception of its professional representatives or as otherwise consistent with business need or necessity, or with respect to both parties, in an action to enforce the Agreement's terms, unless required by subpoena or court order.

9) Non-Disparagement. You agree that you will not disparage any of the Released Parties or make or publish any communication that reflects adversely upon any of them, consistent with paragraph 2(d) of the Employment Agreement.

10) No Filing of Claims. You represent that you have not filed, and to the maximum extent permitted by law and except as provided in paragraph 5, you agree that you will not file, any charge, complaint, lawsuit or claim (collectively, "Claim") with any administrative agency, federal, state or local court (collectively, "Agency") related in any way to your employment or the separation of your employment with the Company. You further agree that you will not accept, and will not be entitled to retain, any judgment, award, settlement or other payment or other relief resulting from, or related to, any Claim filed with any Agency related in any way to your employment with the Company or the termination of your employment. Nothing in this Agreement prevents you from filing for a state claim of unemployment compensation should you choose to do so.

11) No Voluntary Cooperation. Except as provided in paragraph 5, and/or unless required to do so by court order or subpoena, you agree that you will not (i) voluntarily make statements, take action, or give testimony adverse or detrimental to the interests of the Company; or (ii) aid or assist in any manner the efforts of any third party to sue or prosecute a claim against the Company. Should you ever be required to give testimony concerning any matter related to your employment with the Company, you agree to provide notice of such compulsory process to _____, within two (2) business days of its receipt so that the Company may take appropriate measures to quash or otherwise defend its interests.

12) Cooperation with the Company. Upon request of the Company, you agree to fully cooperate with the Company and to provide information and/or testimony regarding any current or future litigation arising from actions or events occurring during your employment with the Company.

13) Reemployment. You agree that you will not seek reemployment with the Company or any current or future parent, subsidiary, or affiliate, except at the request of the Company.

14) Return of Company Property. You agree that, as a condition precedent to receiving any payment under this Agreement, you will by the Separation Date return all property belonging to the Company, including, but not limited to, corporate credit cards; keys and access cards; documents; tapes; cell phones; computers, laptops, iPhone and other computer equipment and software; and any and all confidential and proprietary information.

15) Continuing Obligations. You acknowledge that you remain bound by and affirm that you will comply with all continuing obligations under the Employment Agreement, including, but not limited to, those set forth in paragraphs 6 and 7 thereof (pertaining to non-competition, non-solicitation, and confidentiality), and that such compliance is a condition of receipt of the Severance Benefits. You affirm that you have not violated the terms of the Employment Agreement during your employment with the Company.

16) Return of Consideration in Event of Breach. You agree that receipt of any consideration and all payments under this Agreement is contingent on your full compliance with its terms and conditions. Should you breach any provision of this Agreement (including but not limited to filing a lawsuit based upon any claim covered by this Agreement (but excluding a lawsuit covered by paragraph 5 of this Agreement)) or any continuing obligation under the Employment Agreement, the Company shall have the right to recover from you any Severance Benefits already paid, and the Company shall no longer be obligated to provide you any Severance Benefits otherwise due.

17) Attorneys' Fees and Jury Waiver. The prevailing party in an action for breach of this Agreement (except for a lawsuit covered by paragraph 5) will have its reasonable costs and attorneys' fees paid for by the party found to have breached. You and the Company hereby waive trial by jury as to any and all litigation arising out of and/or relating to this Agreement.

18) Arbitration. Any dispute, controversy, or difference arising out of, or related to, this Agreement or your employment with the Company shall be resolved by binding arbitration pursuant to paragraph 10 of the Employment Agreement.

19) Certification of Understanding and Competence. You acknowledge and agree that (a) you have read this Agreement in its entirety; (b) you are competent to understand, and do understand, the content and effect of this Agreement; (c) by entering into this Agreement, you are releasing forever the Released Parties from any claim or liability (including claims for attorney's fees and costs) arising from your employment with the Company; (d) you are entering this Agreement of your own free will in exchange for the consideration herein, which you agree is adequate and satisfactory; and (e) neither the Company nor the Released Parties have made any representations to you concerning the terms or effect of this Agreement, other than those contained in the Agreement.

20) Acknowledgments. You acknowledge and agree that (a) except for amounts due under Section 2(b)(v) of the Employment Agreement, you are not owed any wages by the Company for work performed, whether as wages or salary, overtime, bonuses or commissions, or for accrued but unused paid time off, and that you have been fully compensated for all hours worked; (b) you are not aware of any factual basis for a claim that the Company has defrauded the government of the United States or any state; (c) you have incurred no work related injuries; (d) you have received all family or medical leave to which you were entitled under the law; and (e) you have been and hereby are advised to consult with legal counsel of your choice prior to execution and delivery of this Agreement, and that you have done so or voluntarily elected not to do so.

21) Ownership of Claims. You represent and warrant that you are the sole and lawful owner of all rights, title and interest in and to all released matters, claims and demands referred to herein. You further represent and warrant that there has been no assignment or other transfer of any interest in any such matters, claims or demands which you may have against the Released Parties.

22) Counterparts. This Agreement may be executed in separate counterparts and by facsimile, and each such counterpart shall be deemed an original with the same effect as if all parties had signed the same document.

23) No Other Understandings. This Agreement, consisting of six (6) pages, together with the Employment Agreement, constitutes the entire Agreement between the parties with respect to its subject matter, and is binding upon and shall inure to the benefit of the parties and their respective heirs, executors, administrators, personal or legal representatives, successors and/or assigns. This Agreement may be amended only by a written agreement signed by you and the Company.

24) Headings. The headings in this Agreement are for convenience only and are not to be considered a construction of the provisions hereof.

25) Severability and Governing Law. If any provision of this Agreement is found to be invalid, unenforceable or void for any reason, such provision shall be severed from the Agreement and shall not affect the validity or enforceability of the remaining provisions. This Agreement shall be interpreted, enforced and governed by the laws of the Commonwealth of Pennsylvania, without regard to the conflicts of law provisions thereof.

26) Acceptance of Agreement. As provided in paragraph 6(d), the Company is providing you 21 days to consider whether to accept this Agreement (although you may accept it at any time within those 21 days), after which time the offer expires and is withdrawn if you have not yet accepted it. To accept the Agreement, you must sign below and send it to _____.

Dated: _____
[NAME]

Dated: _____
[NAME]
[TITLE]
Vertex, Inc.

S CORPORATION TERMINATION AND TAX SHARING AGREEMENT

This S Corporation Termination and Tax Sharing Agreement, dated as of July 27, 2020 (the “*Agreement*”), is made by and between Vertex, Inc., a Delaware corporation (the “*Company*”), and the trusts and individuals identified on the signature page hereto (each a “*Shareholder*” and collectively the “*Shareholders*”).

RECITALS:

- A. The Company has elected to be an S corporation (the “*S Election*”) under Section 1362 of the Internal Revenue Code of 1986, as amended (the “*Code*”).
- B. The Company intends to conduct an initial public offering registered under the Securities Act of 1933, as amended (the “*Public Offering*”).
- C. On the Termination Date (as defined in Section 2.01) the Company’s status as an S corporation will terminate.
- D. The Shareholders are currently the only shareholders of the Company and will continue to be so until immediately before the consummation of the Public Offering.
- E. In connection with the Public Offering, and in order to induce the investment by the public in the Company, the Company and the Shareholders desire to provide for the termination of the Company’s status as an S Corporation and a tax allocation and indemnification agreement in connection with the tax periods prior to and following the Termination Date, as well as the other agreements set forth herein.

AGREEMENT:

NOW, THEREFORE, for mutual consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Shareholders do hereby covenant and agree as follows:

**ARTICLE 1
DEFINITIONS**

“*AAA*” shall mean “accumulated adjustments account” as set forth in Section 1368(e)(1) of the Code.

“*Assumed Tax Rate*” shall mean, with respect to any tax period, the maximum combined federal income tax rate and applicable state blended income tax rates (as determined in accordance with the Company’s past practices) for taxpayers who are married and filing jointly, applicable for such period, taking into account the deductibility of state income tax for federal income tax purposes.

“*C Short Year*” shall have the meaning set forth in Section 1362(e)(1)(B) of the Code.

“**Code**” shall have the meaning set forth in Recital A.

“**Post-Termination Distribution**” shall mean a cash distribution during the Post-Termination Transition Period as set forth in Section 1371(e) of the Code to the extent it does not exceed the AAA.

“**Post-Termination Transition Period**” shall have the meaning set forth in Section 1377(b)(1) of the Code and shall begin on the day after the last day of the Company’s S Short Year.

“**Public Offering**” shall have the meaning set forth in Recital B.

“**S Corporation**” shall have the meaning set forth in Section 1361 of the Code.

“**S Corporation Taxable Income**” shall mean, for periods beginning on or after the date the Company became an S Corporation and ending with the close of the last day of the Company’s S Short Year, the sum of (i) the Company’s items of separately stated income and gain (within the meaning of Section 1366(a)(1)(A) of the Code) reduced, to the extent applicable, by the Company’s separately stated items of deduction and loss (within the meaning of Section 1366(a)(1)(A) of the Code) and (ii) the Company’s non-separately computed net income (within the meaning of Section 1366(a)(1)(B) of the Code).

“**S Corporation Tax Year**” shall mean any taxable period during which the Company had an S Election in effect, including the S Short Year.

“**S Election**” shall have the meaning set forth in Recital A.

“**S Short Year**” shall have the meaning set forth in Section 1362(e)(1)(A) of the Code.

“**S Termination Year**” shall have the meaning set forth in Section 1362(e)(4) of the Code.

“**Tax Proceeding**” shall have the meaning set forth in Section 2.02.

“**Termination Date**” shall have the meaning set forth in Section 2.01.

“**Treasury Regulations**” shall mean the regulations promulgated by the United States Treasury Department under the Code.

ARTICLE 2
S CORPORATION TERMINATION AND TAX SHARING

2.01 Termination of S Election. Pursuant to Section 1362(d) of the Code, the Company's status as an S Corporation shall terminate on the earlier of (i) the effective date of the Company's revocation of the S Election as agreed by the Shareholders holding more than one-half of the shares of the Company stock and set forth on the statement filed in accordance with and in the manner provided by Treasury Regulations Section 1.1362-6(a)(3) or (ii) the day on which the Company issues shares of the Company's common stock in the Public Offering to one or more shareholders which causes the Company to no longer qualify as an S Corporation (the "**Termination Date**").

2.02 Payments Related to Future Adjustments. In the event that any final determination of an adjustment (by reason of an amended return, claim for refund, audit, judicial decision or otherwise, which determination occurs after the Termination Date (each, a "**Tax Proceeding**")) results in an increase in S Corporation Taxable Income, the Company shall distribute to each Shareholder within 30 days of such final determination, cash in an amount equal to (i) the product of (A) the amount of increase in taxable income to such Shareholder resulting from the adjustment and (B) the Assumed Tax Rate plus (ii) any interest and penalties imposed thereon.

2.03 Liability for Taxes Incurred During the S Short Year and for Tax Periods Ending Prior to the Termination Date. Each Shareholder severally, and not jointly, covenants and agrees that: (i) such Shareholder has duly included (to the best of such Shareholder's knowledge), or will duly include, in such Shareholder's federal, state and local income tax returns, such Shareholder's respective allocable shares of all items of income, gain, loss, deduction, or credit attributable to the S Short Year of the Company, (ii) its federal, state and local income tax returns shall, to the extent required by applicable law, include such Shareholder's allocable share of S Corporation Taxable Income of the Company from all sources through and including the close of business on the last day of the S Short Year of the Company, and (iii) such Shareholder shall, to the extent required by applicable law, pay any and all taxes such Shareholder is required to pay, as a result of being a shareholder of the Company, for all taxable periods (or that portion of any period) during which the Company was an S Corporation.

2.04 Shareholder Indemnification for Tax Liabilities. The Shareholders severally (according to the relative percentage of the outstanding shares of the Company's common stock owned by each Shareholder on the last day of any applicable period to which a liability described below relates) and not jointly, each hereby agree to indemnify and hold the Company harmless from, against and in respect of any unpaid income tax liabilities of the Company (including interest and penalties imposed thereon) (i) which are attributable to the Company's S Corporation Taxable Income for the S Short Year or (ii) which are incurred by the Company as a result of a final determination of an adjustment (by reason of a Tax Proceeding) to the taxable income of the Shareholders for any period, including the S Short Year or thereafter, and which (in the case of this clause (ii)) are attributable to a decrease for any period in the Shareholders' taxable income and a corresponding increase for any period in the taxable income of the Company.

2.05 Company Indemnification for Tax Liabilities. The Company hereby indemnifies and agrees to hold the Shareholders harmless from, against and in respect of income tax liabilities (including interest and penalties imposed thereon), if any, incurred by the Shareholders as a result of a final determination of an adjustment (by reason of a Tax Proceeding) to the taxable income of the Company for any period ending after the Termination Date (including, without limitation, the C Short Year) which results in an increase for any period in the taxable income of the Shareholders. The Company shall distribute to each Shareholder cash in an amount equal to (i) the product of (A) the amount of such increase in the taxable income of such Shareholder resulting from such final determination and (B) the Assumed Tax Rate, plus (ii) any interest and penalties imposed thereon.

2.06 Payments. The Shareholders or the Company, as the case may be, shall make any payment required under Sections 2.04 or 2.05 within 30 days after receipt of notice from the other party that a final determination of an adjustment (by reason of a Tax Proceeding) has occurred and a payment is due by such party to the appropriate taxing authority.

2.07 Termination Payments to Shareholders. Immediately prior to the Termination Date, the Company shall distribute to the Shareholders their pro rata share (the ownership of the shares of the Company's common stock owned by each Shareholder) of an amount equal to the estimated federal and state tax liabilities of the Shareholders attributable to the operations of the Company during the S Short Year, and in respect of which no prior tax distribution shall have been made (the "*Estimated Distribution*"). No later than June 30, 2021, the Company shall make any necessary adjustments to finalize the Company's taxable income for the S Short Year allocable to the Shareholders, and (x) if the amount of the Estimated Distribution to the Shareholders is less than the adjusted income tax liability of the Shareholders taking into account such finalized taxable income of the Company for the S Short Year, each Shareholder's state income tax liabilities attributable to the operations of the Company for the S Short Year, and the Assumed Tax Rate (the "*Final Distribution*"), then the Company shall, within 30 days thereafter, distribute to the Shareholders their pro rata share of an amount equal to the excess of the Final Distribution over the Estimated Distribution; and (y) if the amount of the Final Distribution is less than the Estimated Distribution, then each Shareholder shall, within 30 days thereafter, deliver to the Company such Shareholder's pro rata share of an amount equal to the excess of the Estimated Distribution over the Final Distribution. Promptly upon request, each Shareholder shall provide the Company with information related to such Shareholder reasonably necessary to allow the Company to determine the Final Distribution.

ARTICLE 3 ALLOCATION OF INCOME

3.01 Short Taxable Years. The parties acknowledge that the taxable year in which the Company's status as an S Corporation is terminated pursuant to Section 2.01 will be an S Termination Year with respect to the Company. Pursuant to Section 1362(e)(1) of the Code, the S Termination Year of the Company shall be divided into two short taxable years: an "S Short Year" and a "C Short Year." The S Short Year shall be that portion of the Company's S Termination Year ending on the day immediately preceding the Termination Date. Pursuant to Section 1362(e)(1)(B) of the Code, that portion of the S Termination Year beginning on the Termination Date and ending on the last day of the taxable year shall be the C Short Year of the Company.

3.02 Closing of the Books. The Company and each Shareholder agree that for income tax purposes (including for purposes of determining the Company's S Corporation Taxable Income for its S Short Year), the Company shall allocate its items of income, gain, loss, deduction and credit for its calendar year between the S Short Year and the C Short Year in accordance with normal tax accounting rules (the "closing of the books" method). The Company shall timely make the election under Section 1362(e)(3) of the Code. Each Shareholder and the Company agree to provide such information and documentation (including any statement or consent required under Treasury Regulations Section 1.1362-6(b)) necessary to permit the Company to make such election validly.

ARTICLE 4 TAX MATTERS

4.01. Refunds. If the Company receives a refund of any income tax (including penalties and interest) for any period prior to the Termination Date, or as to which it has previously been indemnified by any Shareholder pursuant to this Agreement, the Company shall pay an amount equal to such refund, within 30 days after receipt thereof, to such Shareholder in accordance with such Shareholder's proportionate ownership of the shares of the Company's common stock on the last day of any applicable period to which the refund relates. If a Shareholder receives a refund of any income tax (including penalties and interest) as to which such Shareholder has previously been indemnified by the Company pursuant to this Agreement, such Shareholder shall, within 30 days after receipt thereon, remit an amount equal to such refund to the Company.

4.02. Notice and Tax Proceedings.

- (a) Each of the Company and the Shareholders agree that upon receipt of written notice of any Tax Proceeding or related matters that may affect the income tax liability of a party under this Agreement, such person shall use reasonable efforts to promptly (and in any event, not later than 10 days after receipt of such notice) notify each other party hereto.
 - (b) The Company will have the option to represent itself in any Tax Proceeding involving the Company at its own expense and using advisors of the Company's choice. Each Shareholder shall have the right, but not the obligation, to participate in such Tax Proceeding at such Shareholder's own expense.
 - (c) The Company and the Shareholders shall reasonably cooperate with each other in any applicable Tax Proceeding, including executing all instruments reasonably required to effectuate the provisions of this Section 4.02. The parties shall make available to each other, as reasonably requested, and to any taxing authority as required by applicable law, all information, records or documents relating to the liability for taxes covered by this Agreement and will preserve any such information, records or documents until the expiration of the applicable statute of limitations (taking into account extensions thereof). The party requesting such information shall reimburse the other party for all reasonable out-of-pocket expenses incurred in providing such requested information.
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- (d) Notwithstanding anything to the contrary herein, no party shall take any action in any Tax Proceeding without the prior written consent of each affected party, which consent shall not be unreasonably withheld, conditioned or delayed.
- (e) Breach by a Shareholder of any of the provisions of this Section 4.02 will terminate the Company's obligation to make payments to such Shareholder under Article 2 to the extent any such breach materially prejudices the result of any Tax Proceeding.

4.03. Inconsistent Reporting. If a Shareholder hereafter reports an item on such Shareholder's income tax return in a manner materially inconsistent with the tax treatment reflected in the Schedule K-1 or other tax information provided to the Shareholders by the Company for a taxable period during which the Company's S Election was in effect, the Shareholder shall notify the Company of such treatment before filing the Shareholder's income tax return. If such Shareholder fails to notify the Company of such inconsistent reporting, such Shareholder shall be liable to the Company for any losses, costs or expenses (including reasonable attorneys' fees) arising from such inconsistent reporting, including an audit.

ARTICLE 5 MISCELLANEOUS

5.01 Post-Termination Distributions. To the extent practicable and to the extent consistent with applicable law, payments or other distributions made to the Shareholders pursuant to Article 2 will be treated as Post-Termination Distributions for U.S. federal income tax purposes and any correspondingly applicable state and/or local tax purposes.

5.02 Other Distributions. To the extent that the Company's tax return preparers determine that such payments or distributions cannot be properly treated as Post-Termination Distributions, then the amount of any distribution made to the Shareholders pursuant to Article 2 shall be increased by the amount of the Shareholders' additional tax liability, if any, resulting from such payments or distributions, as reasonably determined by the Company's tax return preparers, assuming that the Shareholders pay tax at the Assumed Tax Rate.

5.03 Confidentiality. Each of the parties agrees that any information furnished pursuant to this Agreement is confidential and, except as and to the extent required by law, or otherwise during the course of an audit or contest or other administrative or legal proceeding, shall not be disclosed to any person or entity.

5.04 Successors and Access to Information. This Agreement shall be binding upon and inure to the benefit of any successor, heirs or personal representatives to any of the parties, by merger, acquisition of assets or stock in the Company or otherwise, to the same extent as if the successor, heir or personal representative had been an original party to this Agreement or the applicable Shareholder for the taxable period in question, and in such event, all references herein to a party shall refer instead to the successor, heir or personal representative of such party; *provided, however*, that for purposes of calculating the tax liability to which any payments under this Agreement would relate, an original Shareholder's tax liability shall be taken into account, but any payments in connection therewith shall be made to the successor, heir or personal representative of such original Shareholder.

5.05 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware excluding (to the greatest extent permissible by law) any rule of law that would cause the application of the laws of any jurisdiction other than the State of Delaware.

5.06 Headings. The headings in this Agreement are for convenience only and shall not be deemed for any purpose to constitute a part or to affect the interpretation of this Agreement.

5.07 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which will be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one counterpart.

5.08 Electronic Transmission. Any facsimile or electronically transmitted copies hereof or signature hereon shall, for all purposes, be deemed originals.

5.09 Notices. Any notice or communication required or permitted to be given under this Agreement shall be in writing (including telecopy communication) and mailed, telecopied or delivered to the parties at the addresses specified in the Company's books and records relating to ownership of Company stock or at such other address as one party may specify by notice to the other party. All such notices and communications shall be effective when received. Any payment required to be made under this Agreement shall be mailed or delivered to the parties at the addresses specified in the Company's books and records relating to ownership of Company stock or at such other address or account as one party may specify by notice to the other party.

5.10 Severability. If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the maximum extent practicable. In any event, all other provisions of this Agreement shall be deemed valid, binding, and enforceable to their full extent.

5.12 Successor Provisions. Any reference herein to any provisions of the Code or Treasury Regulations shall be deemed to include any amendments or successor provisions thereto as appropriate.

5.13 Integration; Amendments. Except as explicitly stated herein, this Agreement embodies the entire understanding between the parties relating to its subject matter and supersedes and terminates all prior agreements and understandings among the parties with respect to such matters. No promises, covenants or representations of any kind, other than those expressly stated herein, have been made to induce any party to enter into this Agreement. This Agreement shall not be modified or terminated except by a writing duly signed by each of the parties hereto, and no waiver of any provisions of this Agreement shall be effective unless in a writing duly signed by the party sought to be bound.

5.14 Waiver of Jury Trial. EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY DISPUTE ARISING OUT OF THIS AGREEMENT. EACH PARTY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 5.14.

[Signature Page Follows]

VERTEX, INC.

By: /s/ DAVID DeStefano

Name: David DeStefano

Title: President, Chief Executive Officer and Chairperson

/s/ JEFFREY R. WESTPHAL

Jeffrey R. Westphal

/s/ STEFANIE W. THOMPSON

Stefanie W. Thompson

/s/ AMANDA W. RADCLIFFE

Amanda W. Radcliffe

/s/ CONRAD J.J. RADCLIFFE

Conrad J. J. Radcliffe

/s/ CHRISTOPHER J. THOMPSON

Christopher J. Thompson

/s/ BENJAMIN SCHMERIN

Benjamin Schmerin

/s/ JOHN M. FERRAIOLI

John M. Ferraioli

/s/ JOHN G. HURLEY

John G. Hurley

**ITEM SECOND IRREVOCABLE TRUST FBO KAILEY RADCLIFFE
u/a of AMANDA W RADCLIFFE dated 10/05/2001**

By: /s/ CONRAD J.J. RADCLIFFE
Name: Conrad J. J. Radcliffe
Title: Trustee

By: /s/ KAILEY A. RADCLIFFE
Name: Kailey A. Radcliffe
Title: Trustee

**ITEM SECOND IRREVOCABLE TRUST FBO ANTOINETTE R.
RADCLIFFE u/a of AMANDA W RADCLIFFE dated 10/05/2001**

By: /s/ CONRAD J.J. RADCLIFFE
Name: Conrad J. J. Radcliffe
Title: Trustee

By: /s/ ANTOINETTE R. RADCLIFFE
Name: Antoinette R. Radcliffe
Title: Trustee

**THIRD PARTY FUNDED SPECIAL NEEDS TRUST FOR CALLUM W.
RADCLIFFE u/a of AMANDA W RADCLIFFE dated May 15, 2015**

By: /s/ CONRAD J. J. RACLIFFE
Name: Conrad J. J. Radcliffe
Title: Trustee

**ITEM SECOND IRR. TRUST FBO ANNE MARIE WESTPHAL u/a of
JEFFREY R. WESTPHAL dated October 5, 2001**

By: /s/ ANNE MARIE WESTPHAL

Name: Anne Marie Westphal

Title: Trustee

By: /s/ JOSHUA R. LEVINE

Name: Joshua R. Levine

Title: Trustee

By: /s/ STEVE TREAT

Name: Steve Treat

Title: Trustee

**ITEM SECOND IRR. TRUST FBO KYLE R. WESTPHAL u/a of
JEFFREY R. WESTPHAL dated October 5, 2001**

By: /s/ KYLE R. WESTPHAL

Name: Kyle R. Westphal

Title: Trustee

By: /s/ JOSHUA R. LEVINE

Name: Joshua R. Levine

Title: Trustee

By: /s/ STEVE TREAT

Name: Steve Treat

Title: Trustee

**ITEM SECOND IRR. TRUST FBO JACOB J. WESTPHAL u/a of
JEFFREY R. WESTPHAL dated October 5, 2001**

By: /s/ JACOB J. WESTPHAL

Name: Jacob J. Westphal

Title: Trustee

By: /s/ JOSHUA R. LEVINE

Name: Joshua R. Levine

Title: Trustee

By: /s/ STEVE TREAT

Name: Steve Treat

Title: Trustee

**ITEM SECOND IRR. TRUST FBO MELANIE H. LUCAS u/a of
STEFANIE W. LUCAS dated October 5, 2001**

By: /s/ MELANIE H. LUCAS

Name: Melanie H. Lucas

Title: Trustee

**ITEM SECOND IRR. TRUST FBO SAMANTHA W. LUCAS u/a of
STEFANIE W. LUCAS dated October 5, 2001**

By: /s/ SAMANTHA W. LUCAS

Name: Samantha W. Lucas

Title: Trustee

**ITEM SECOND IRR. TRUST FBO MACKENZIE S. LUCAS u/a of
STEFANIE W. LUCAS dated October 5, 2001**

By: /s/ MACKENZIE S. LUCAS

Name: Mackenzie S. Lucas

Title: Trustee

**ITEM SECOND IRR. TRUST FBO ANDREA P. LUCAS u/a of
STEFANIE W. LUCAS dated October 5, 2001**

By: /s/ ANDREA SCHMERIN

Name: Andrea P. Schmerin (f/k/a Andrea P. Lucas)

Title: Trustee

The 2009 Jeffrey R. Westphal Generation Skipping Trust

By: /s/ JEFFREY R. WESTPHAL

Name: Jeffrey R. Westphal

Title: Trustee

The 2009 Stefanie Lucas Generation Skipping Trust

By: /s/ STEFANIE W. THOMPSON

Name: Stefanie W. Thompson (f/k/a Stefanie W. Lucas)

Title: Trustee

The 2009 Amanda W. Radcliffe Generation Skipping Trust

By: /s/ AMANDA W. RADCLIFFE

Name: Amanda W. Radcliffe

Title: Trustee

The Irrevocable Deed of Trust of Antoinette M. Westphal, dated March 31, 1987, Stefanie W. Thompson and Sterling Trustees LLC, Trustees

By: /s/ STEFANIE W. THOMPSON
Name: Stefanie W. Thompson
Title: Trustee

By: STERLING TRUSTEES LLC
Title: Trustee

By: /s/ ANTHONY JOFFE
Name: Anthony Joffe
Title: President

Irrevocable Trust of Rainer J. Westphal, Settlor, dated July 19, 2007 – Separate Trust for Benefit of Stefanie W. Lucas

By: /s/ STEFANIE W. THOMPSON
Name: Stefanie W. Thompson (f/k/a Stefanie W. Lucas)
Title: Trustee

Irrevocable Trust of Rainer J. Westphal, Settlor, dated July 19, 2007 – Separate Trust for Benefit of Amanda W. Radcliffe

By: /s/ AMANDA W. RADCLIFFE
Name: Amanda W. Radcliffe
Title: Trustee

Irrevocable Trust of Rainer J. Westphal, Settlor, dated July 19, 2007 – Separate Trust for Benefit of Jeffrey Westphal

By: /s/ JEFFREY R. WESTPHAL
Name: Jeffrey R. Westphal
Title: Trustee

2020 IRREVOCABLE TRUST FOR BENEFIT OF CONSTANCE A. THOMPSON

By: /s/ CONSTANCE A. THOMPSON

Name: Constance A. Thompson

Title: Trustee

By: /s/ CHRISTOPHER J. THOMPSON

Name: Christopher J. Thompson

Title: Trustee

2020 IRREVOCABLE TRUST FOR BENEFIT OF NICHOLAS A. SHUHAN

By: /s/ NICHOLAS A. SHUHAN

Name: Nicholas A. Shuhan

Title: Trustee

By: /s/ JOSHUA R. LEVINE

Name: Joshua R. Levine

Title: Trustee

By: /s/ STEPHEN R. TREAT

Name: Stephen R. Treat

Title: Trustee

CERTIFICATION

I, David DeStefano, certify that:

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

Date: September 11, 2020

By: /s/ David DeStefano
David DeStefano
Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, John Schwab, certify that:

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

Date: September 11, 2020

By: /s/ John Schwab
John Schwab
Chief Financial Officer
(principal financial officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Vertex, Inc. (the "Company") for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: September 11, 2020

By: /s/ David DeStefano
David DeStefano
Chief Executive Officer
(principal executive officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Vertex, Inc. (the "Company") for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: September 11, 2020

By: /s/ John Schwab
John Schwab
Chief Financial Officer
(principal financial officer)
