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

FORM 8-K

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

Date of Report (Date of earliest event reported): May 17, 2021

DELUXE CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

MN	**1-7945**	**41-0216800**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

3680 Victoria St. N.
Shoreview, MN 55126-2966
(Address of principal executive offices and zip code)

(651) 483-7111
(Registrant's telephone number, including area code)

Former name or former address, if changed since last report: Not Applicable

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

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

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

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

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $1.00 per share	DLX	NYSE

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

Emerging growth company ¨

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

Item 7.01 Regulation FD Disclosure.

On May 17, 2021, Deluxe Corporation, a Minnesota corporation (the "Company"), announced that it intends to offer, subject to market conditions and other factors, $500 million aggregate principal amount of senior unsecured notes due 2029 (the "Notes") to persons reasonably believed to be qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and to certain non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act (the "Offering"). The Company intends to use the net proceeds from the Offering to fund a portion of the purchase price of its pending acquisition of FAPS Holdings, Inc. (together with its subsidiaries, "FAPS", and such acquisition, the "FAPS Acquisition"). The FAPS Acquisition is expected to close in the second quarter of 2021, subject to customary closing conditions.

A copy of the press release announcing the Offering is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

In the preliminary offering memorandum that is being disseminated in connection with the Offering, the Company is providing prospective investors the following information that has not been previously publicly reported:

(i) audited consolidated financial statements and related notes of FAPS, as of December 31, 2020 and 2019 and for the years ended December 31, 2020 and 2019, which are furnished as Exhibit 99.2 to this Current Report on Form 8-K and incorporated herein by reference;

(ii) unaudited consolidated financial statements and related notes of FAPS, as of and for the three months ended March 31, 2021, and for the three months ended March 31, 2020, which are furnished as Exhibit 99.3 to this Current Report on Form 8-K and incorporated herein by reference;

(iii) unaudited pro forma condensed combined balance sheet as of March 31, 2021, unaudited pro forma condensed combined statement of income for the year ended December 31, 2020 and the three months ended March 31, 2021, and unaudited condensed combined pro forma statement of income for the twelve months ended March 31, 2021, of the Company and its subsidiaries, which are furnished as Exhibit 99.4 to this Current Report on Form 8-K and incorporated herein by reference;

(iv) an update to the Company's risk factors from its Annual Report on Form 10-K for the year ended December 31, 2020 and risk factors relating to the Company's indebtedness and the FAPS Acquisition, which are furnished as Exhibit 99.5 to this Current Report on Form 8-K and incorporated herein by reference; and

(v) certain other information, which is furnished as Exhibit 99.6 to this Current Report on Form 8-K and incorporated herein by reference.

This Current Report on Form 8-K does not constitute an offer to sell or the solicitation of an offer to buy any security and shall not constitute an offer, solicitation or sale of any security in any jurisdiction in which such offering, solicitation or sale would be unlawful. The Notes will not be registered under the Securities Act, any state securities laws or the securities laws of any other jurisdiction, and may not be offered or sold in the United States absent registration or an applicable exemption from registration.

Cautionary Statement Regarding Forward-Looking Statements

Statements made in this Current Report on Form 8-K concerning the Company, the Company's or management's intentions, expectations, outlook or predictions about future results or events, including the assumptions underlying the unaudited pro forma condensed consolidated financial information, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management's current intentions or beliefs and are subject to risks and uncertainties that could cause actual results or events to vary from stated expectations, which variations could be material and adverse. Factors that could produce such a variation include, but are not limited to, the following: potential continuing negative impacts from pandemic health issues, such as the coronavirus / COVID-19, along with the impact of government restrictions or similar directives on our future results of operations, the Company's future financial condition and the Company's ability to continue business activities in affected regions; the impact that further deterioration or prolonged softness in the economy may have on demand for the Company's products and services; the Company's ability to execute its transformational strategy and to realize the intended benefits; the inherent unreliability of earnings, revenue and cash flow predictions due to numerous factors, many of which are beyond the Company's control; declining demand for the Company's checks, check-related products and services and business forms; risks that the Company's strategies intended to drive sustained revenue and earnings growth, despite the continuing decline in checks and forms, are delayed or unsuccessful; intense competition; continued consolidation of financial institutions and/or additional bank failures, thereby reducing the number of potential customers and referral sources and increasing downward pressure on the Company's revenue and gross profit; the risk that the proposed FAPS Acquisition and/or any other future acquisitions will not be consummated; risks that any such acquisitions do not produce the anticipated results or synergies; risks that the Company's cost reduction initiatives will be delayed or unsuccessful; performance shortfalls by one or more of the Company's major suppliers, licensors or service providers; unanticipated delays, costs and expenses in the development and marketing of products and services, including web services and financial technology and treasury management solutions; the failure of such products and services to deliver the expected revenues and other financial targets; risks related to security breaches, computer malware or other cyber-attacks; risks of interruptions to the Company's website operations or information technology systems; risks of unfavorable outcomes and the costs to defend litigation and other disputes; and the impact of governmental laws, regulations or investigations. The unaudited pro forma condensed consolidated financial information contained in this Current Report on Form 8-K is for illustrative purposes only and is based on various adjustments and assumptions, and is not necessarily an indication of the financial condition or the results of operations of the Company that would have been achieved had the FAPS Acquisition been completed as of the date indicated or that may be achieved in the future. The Company's forward-looking statements speak only as of the time made, and management assumes no obligation to publicly update any such statements. Additional information concerning these and other factors that could cause actual results and events to differ materially from the Company's current expectations are contained in the Company's Form 10-K for the year ended December 31, 2020 and in the Company's Form 10-Q for the quarter ended March 31, 2021. The Company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events, new information or future circumstances.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description of Exhibit
99.1	Press release, dated May 17, 2021, Deluxe Announces Senior Notes Offering
99.2	Audited consolidated financial statements and related notes of FAPS, as of December 31, 2020 and 2019 and for the years ended December 31, 2020 and 2019
99.3	Unaudited consolidated financial statements and related notes of FAPS as of and for the three months ended March 31, 2021 and for the three months ended March 31, 2020
99.4	Unaudited pro forma condensed combined financial information of the Company and its subsidiaries
99.5	Risk factors
99.6	Certain information being provided to potential investors in the Offering
104	Cover page interactive data file (embedded within the Inline XBRL document)

SIGNATURE

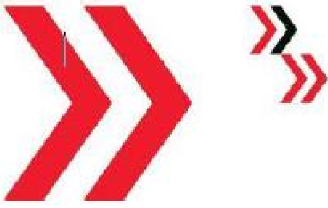
Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 17, 2021

DELUXE CORPORATION

By: /s/ Jeffrey L. Cotter
Name: Jeffrey L. Cotter
Title: Chief Administrative Officer,
Senior Vice President and
General Counsel

Exhibit 99.1



FOR IMMEDIATE RELEASE

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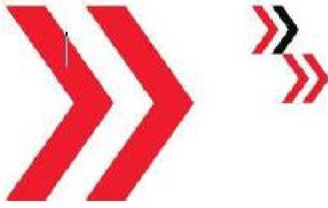
Deluxe Announces Senior Notes Offering

Shoreview, MN – May 17, 2021 – Deluxe (NYSE: DLX), a Trusted Business Technology™ company (the “Company”), announces that it intends to offer $500 million aggregate principal amount of senior unsecured notes due 2029 (the “Notes”) in a private placement to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and to persons outside the United States in accordance with Regulation S under the Securities Act.

As previously announced on April 22, 2021, Deluxe has entered into an agreement to acquire FAPS Holdings, Inc. (the “FAPS Acquisition”). The Company intends to use the net proceeds from the Notes offering, together with cash on hand and borrowings under the new senior secured credit facilities that it will enter into in connection with the consummation of the FAPS Acquisition, to fully repay and terminate the outstanding revolving credit commitments under its existing credit facility, to finance the purchase price of the FAPS Acquisition and to pay related fees and expenses. The closing of the Notes offering is not conditioned on the closing of the FAPS Acquisition, which, if completed, will occur at or subsequent to the closing of the Notes offering.

This press release does not and will not constitute an offer to sell or the solicitation of an offer to buy the Notes or any other securities, nor will there be any sale of the Notes or any other securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The Notes and related note guarantees have not been and will not be registered under the Securities Act or any state or other jurisdiction’s securities laws and may not be offered or sold in the United States to, or for the benefit of, U.S. persons absent registration or an applicable exemption from the registration requirements of the Securities Act and applicable securities laws of any state or other jurisdiction.



deluxe
trusted business technology

Cautionary Statement Regarding Forward-Looking Statements

Statements made in this press release concerning the Company, the Company’s or management’s intentions, expectations, outlook or predictions about future results or events are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management’s current intentions or beliefs and are subject to risks and uncertainties that could cause actual results or events to vary from stated expectations, which variations could be material and adverse. Factors that could produce such a variation include, but are not limited to, the following: potential continuing negative impacts from pandemic health issues, such as the coronavirus / COVID-19, along with the impact of government restrictions or similar directives on our future results of operations, the Company’s future financial condition and the Company’s ability to continue business activities in affected regions; the impact that further deterioration or prolonged softness in the economy may have on demand for the Company’s products and services; the Company’s ability to execute its transformational strategy and to realize the intended benefits; the inherent unreliability of earnings, revenue and cash flow predictions due to numerous factors, many of which are beyond the Company’s control; declining demand for the Company’s checks, check-related products and services and business forms; risks that the Company’s strategies intended to drive sustained revenue and earnings growth, despite the continuing decline in checks and forms, are delayed or unsuccessful; intense competition; continued consolidation of financial institutions and/or additional bank failures, thereby reducing the number of potential customers and referral sources and increasing downward pressure on the Company’s revenue and gross profit; the risk that the proposed FAPS Acquisition and/or any other future acquisitions will not be consummated; risks that any such acquisitions do not produce the anticipated results or synergies; risks that the Company’s cost reduction initiatives will be delayed or unsuccessful; performance shortfalls by one or more of the Company’s major suppliers, licensors or service providers; unanticipated delays, costs and expenses in the development and marketing of products and services, including web services and financial technology and treasury management solutions; the failure of such products and services to deliver the expected revenues and other financial targets; risks related to security breaches, computer malware or other cyber-attacks; risks of interruptions to the Company’s website operations or information technology systems; risks of unfavorable outcomes and the costs to defend litigation and other disputes; and the impact of governmental laws, regulations or investigations. The Company’s forward-looking statements speak only as of the time made, and management assumes no obligation to publicly update any such statements. Additional information concerning these and other factors that could cause actual results and events to differ materially from the Company’s current expectations are contained in the Company’s Form 10-K for the year ended December 31, 2020 and in the Company’s Form 10-Q for the quarter ended March 31, 2021. The Company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events, new information or future circumstances.

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Exhibit 99.2

FAPS Holdings, Inc.
Consolidated Financial Statements
December 31, 2020 and 2019

FAPS Holdings, Inc.
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Report of Independent Auditors

To the Board of Directors of FAPS Holdings, Inc.

We have audited the accompanying consolidated financial statements of FAPS Holdings, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, shareholders' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for revenue from contracts with customers in fiscal year 2020 due to the adoption of Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* Our opinion is not modified with respect to this matter.

/s/ PricewaterhouseCoopers LLP

Dallas, TX
April 20, 2021

FAPS Holdings, Inc.
Consolidated Balance Sheets
December 31, 2020 and 2019

	December 31,	
	2020	**2019**
Assets		
Cash and cash equivalents	$ 8,478,873	$ 6,783,371
Current portion of restricted cash	232,373	378,745
Funds held for merchants	94,295,263	75,291,711
Accounts receivable, net	22,605,817	22,881,642
Expected merchant funds	2,993,240	2,127,609
Current portion of lease payments receivable, net	743,140	981,301
Inventory, net	1,680,931	1,090,352
Current portion of notes receivable	-	125,000
Other current assets	3,679,044	4,402,240
Total current assets	134,708,681	114,061,971
Restricted cash	3,227,120	1,676,683
Lease payments receivable, net	1,135,151	1,503,639
Notes receivable	-	83,333
Property and equipment, net	31,697,138	32,329,782
Other assets	9,692,889	7,557,108
Intangible assets, net	58,368,956	74,897,278
Goodwill	343,945,227	343,945,227
Total assets	$ 582,775,162	$ 576,055,021
Liabilities, redeemable preferred stock and shareholders' equity		
Liabilities		
Funds owed to merchants	$ 97,520,876	$ 77,798,064
Accounts payable	2,760,103	2,681,874
Income taxes payable	620,060	997,175
Reserve for chargebacks and merchant loss	427,908	415,394
Accrued expenses and other liabilities	40,639,058	42,747,587
Deferred revenue	4,301,554	3,591,352
Total current liabilities	146,269,559	128,231,446
Other long-term liabilities	4,028,585	1,807,667
Deferred tax liability, net	26,237,110	23,499,136
Long-term debt obligations	245,900,234	265,167,351
Total liabilities	422,435,488	418,705,600
Commitments and contingencies (Note 7)		
Redeemable preferred stock, 12% series A, $.01 par value,100,000 shares authorized at December 31, 2020 and 2019; 10,039 outstanding at December 31, 2020 and 2019	18,129,498	16,107,824
Shareholders' equity		
Class C common stock, $.01 par value, 1 share authorized and outstanding at December 31, 2020 and 2019	.01	.01
Class B common stock, $.01 par value, 1 share authorized and outstanding at December 31, 2020 and 2019	.01	.01
Class A common stock, $.01 par value, 17,999,998 shares authorized; 9,939,291 outstanding at December 31, 2020 and 2019	99,393	99,393
Treasury stock, at cost, 48,084 and 34,591 shares at December 31, 2020 and 2019, respectively	(976,596)	(553,456)
Additional paid-in capital	152,105,671	154,430,309
Shareholder notes receivable	(3,222,753)	(3,337,939)
Accumulated deficit	(5,795,539)	(9,396,710)
Total shareholders' equity	142,210,176	141,241,597
Total liabilities, redeemable preferred stock and shareholders' equity	$ 582,775,162	$ 576,055,021

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

FAPS Holdings, Inc.
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2020 and 2019

	Years Ended December 31,	
	2020	**2019**
Revenue	$ 288,322,188	$ 300,046,586
Operating expenses		
Other costs of service	166,501,208	170,731,607
Selling, general and administrative expenses	70,109,486	75,120,041
Depreciation and amortization	24,393,067	26,756,248
	261,003,761	272,607,896
Income from operations	27,318,427	27,438,690
Interest expense	21,642,621	25,827,551
Other income	(16,440)	(19,030)
Income before income taxes	5,692,246	1,630,169
Provision for income taxes	2,091,075	902,590
Net income	3,601,171	727,579
Other comprehensive income	-	-
Comprehensive income	$ 3,601,171	$ 727,579

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

FAPS Holdings, Inc.
Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2020 and 2019

	Class C Common Stock		Class B Common Stock		Class A Common Stock		Treasury Stock		Additional	Shareholder Notes	Accumulated Earnings	Total Shareholders
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Paid-in Capital	Receivable	(Deficit)	Equity
Balances at December 31, 2018	1	$ 0.01	1	$ 0.01	9,931,339	$ 99,313	(34,591)	$ (553,456)	$ 155,607,708	$ (3,155,273)	$ (11,758,165)	$ 140,240,127
Issuance of common stock					7,952	80			127,152			127,232
Share-based compensation									500,848			500,848
Shareholder notes receivable, net										(182,666)		(182,666)
Common stock dividend - Class B									(9,168)			(9,168)
Preferred stock dividend - 12% Series A									(1,796,231)			(1,796,231)
Net income											727,579	727,579
Cumulative effect of adoption of ASC 606											1,633,876	1,633,876
Balances at December 31, 2019	1	0.01	1	0.01	9,939,291	99,393	(34,591)	(553,456)	154,430,309	(3,337,939)	(9,396,710)	141,241,597
Settlement of stock options									(543,391)			(543,391)
Share-based compensation									258,502			258,502
Repurchase of common stock							(13,493)	(423,140)				(423,140)
Shareholder notes receivable, net										115,186		115,186
Common stock dividend - Class B									(18,075)			(18,075)
Preferred stock dividend - 12% Series A									(2,021,674)			(2,021,674)
Net income											3,601,171	3,601,171
Balances at December 31, 2020	1	$ 0.01	1	$ 0.01	9,939,291	$ 99,393	(48,084)	$ (976,596)	$ 152,105,671	$ (3,222,753)	$ (5,795,539)	$ 142,210,176

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

FAPS Holdings, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	Years Ended December 31,	
	2020	**2019**
Cash flows from operating activities		
Net income	$ 3,601,171	$ 727,579
Adjustments to reconcile net income to net cash provided by operating activities		
Share-based compensation expense	258,502	500,848
Loss on extinguishment of debt	3,259,187	-
Unrealized foreign currency exchange gain	(20,889)	(26,874)
Provision for lease allowance, merchant loss, and accounts receivable	(303,406)	142,885
Depreciation and amortization of property and equipment	6,873,283	6,968,159
Impairment of property and equipment	-	36,000
Amortization of intangible assets	17,393,340	19,596,716
Amortization of initial direct costs	126,444	155,374
Amortization of loan costs, revolver	216,938	193,646
Amortization of debt issuance costs, term notes	993,936	997,987
Amortization of deferred contract acquisition costs	5,187,336	4,640,928
Loss on disposal of intangible assets	116,667	46,212
Deferred income taxes	2,737,974	(5,660,452)
Loss on disposal of property and equipment	-	24,450
Changes in assets and liabilities		
Accounts receivable	273,719	703,848
Lease payments receivable	527,946	123,231
Inventory	(590,578)	539,811
Other assets	(5,863,077)	(7,099,262)
Accounts payable	(183,184)	439,893
Reserve for chargebacks and merchant loss	440,308	134,023
Accrued expenses and other liabilities	95,605	7,884,094
Income taxes payable	(377,115)	(842,285)
Deferred revenue	710,202	(554,579)
Funds held/owed to merchants	(135,242)	(1,380,961)
Net cash provided by operating activities	35,339,067	28,291,271
Cash flows from investing activities		
Purchases of property and equipment	(5,860,986)	(11,967,814)
Purchase and conversion of agent residuals	(37,027)	(73,481)
Agent exclusivity agreements	(944,659)	(209,130)
Additions to notes receivable	-	(250,000)
Repayments of notes receivable	208,333	384,228
Net cash used in investing activities	(6,634,339)	(12,116,197)

FAPS Holdings, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	Years Ended December 31,	
	2020	**2019**
Cash flows from financing activities		
Proceeds under previous revolving credit facility	-	1,500,000
Payments on previous revolving credit facility	-	(1,500,000)
Proceeds under new revolving credit facility	12,000,000	-
Payments on new revolving credit facility	(12,000,000)	-
Proceeds from new term loan, net of original issue discount	272,250,000	-
Payments on previous term loan first lien	(189,000,000)	(15,500,000)
Payments on previous term loan second lien	(80,000,000)	-
Payments on new term loan	(23,937,500)	-
Debt issuance costs	(4,048,241)	-
Settlement of stock options	(543,391)	-
Repurchase of common stock	(423,140)	-
Proceeds from issuance of common stock, Class A	-	127,232
Common stock dividends paid, Class B	(18,075)	(9,168)
Additions to shareholder notes receivable	(54,365)	(182,666)
Repayments of shareholder notes receivable	169,551	-
Net cash used in financing activities	(25,605,161)	(15,564,602)
Net increase in cash, cash equivalents and restricted cash	3,099,567	610,472
Cash, cash equivalents and restricted cash		
Beginning of year	8,838,799	8,228,327
End of year	$ 11,938,366	$ 8,838,799
Supplemental cash flow information		
Cash paid for interest	$ 19,547,824	$ 21,023,419
Cash paid for income taxes, net	27,131	8,373,335
Noncash purchases of property and equipment	288,749	206,630
Noncash accrued dividend on redeemable preferred stock	2,021,674	1,796,231

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

1. Description of Business

FAPS Holdings, Inc. (the "Company") markets and services electronic credit card authorization and payment systems to merchants, including sale and leasing of related equipment. The Company provides a full range of payment processing services to small and medium-sized retail and service businesses throughout the United States including nonprofit organizations worldwide. These services include credit card, debit card and electronic benefit transaction processing; check guarantee and conversion; point-of-sale ("POS") equipment leasing; internet transaction processing and reporting; automated teller machines ("ATM") ownership and processing; and gift card processing and reporting.

Applepoint FAPS Holdings LP ("Parent") and JSUE Holdings LLC ("Sub") were formed by two private equity sponsors to acquire FAPS Holdings, Inc. and its subsidiaries (the "Acquisition"). The Acquisition was completed on August 18, 2014, through the merger of the Parent, the Sub and FAPS Holdings, Inc., with FAPS Holdings, Inc. continuing as the surviving entity following the Acquisition.

Liquidity and Credit Risk

The Company believes that its cash balances, cash flow generated from operations, and borrowing capacity under the revolving credit facility will be sufficient to provide for the Company's liquidity needs over the next several years and anticipates meeting the financial covenant requirements of its long-term debt.

The Company's long-term liquidity needs will consist of working capital and capital expenditure requirements, the funding of any future acquisitions, and the repayment of borrowings of outstanding indebtedness. The Company intends to fund these long-term liquidity needs from the cash generated from operations, available borrowings under the revolving credit facility and, if necessary, future debt or equity financing. However, the ability to generate cash or raise additional capital is subject to the Company's performance, general economic conditions, industry trends, and other factors. Many of these factors are beyond the Company's control or current ability to anticipate.

Global Pandemic

In March 2020, the World Health Organization declared the coronavirus ("COVID-19") a pandemic. As a result of the pandemic, shelter in place and temporary business restrictive measures were imposed by state and local governments to reduce the spread of COVID-19. The ongoing outbreak may adversely impact portions of the Company's merchant base due to various restrictions imposed limiting the extent to which merchants can operate their businesses. Such limitations on the Company's merchant base could have an adverse impact on processing volumes for which a significant portion of the Company's revenue is derived. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets, all of which are uncertain and cannot be predicted. The Company continues to monitor this situation on an ongoing basis.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of FAPS Holdings, Inc. and its wholly owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions that affect the amounts reported. These estimates are based on historical experience and information that is available to management about current events and actions the Company may take in the future. Actual results could materially differ from those estimates.

Recently Adopted Accounting Pronouncements
In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASC 606"). ASC 606 supersedes the revenue recognition requirements in Accounting Standard Codification ("ASC") 605, *Revenue Recognition* ("ASC 605"). The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized, based upon the core principle that revenue is recognized to show the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also requires additional disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company adopted ASC 606 as well as ASC Subtopic 340-40*, Other Assets and Deferred Costs* - *Contracts with Customers* ("ASC 340-40") on January 1, 2019. The Company elected the modified retrospective transition method, which resulted in a net increase to retained earnings of $1,633,876 for the cumulative effect of applying the standard. The components of the cumulative effect adjustment were changes in the accounting for certain costs to obtain customer contracts and the related income tax effects, which resulted in increases to noncurrent other assets and deferred tax liabilities of $2,010,116 and $376,240, respectively. Specifically, prior to the adoption of ASC 606 and ASC 340-40, the Company deferred certain contract acquisition costs that were both direct and incremental and treated all other costs as period expenses. Under ASC 606 and ASC 340-40, the Company now defers substantially all incremental costs incurred in obtaining a customer contract and amortizes these costs over the expected period of benefit that reflects the transfer of the goods or services to the customer.

Prior to the adoption of ASC 606, the Company presented interchange fees charged by card issuing financial institutions and assessment fees charged by credit card networks within interchange and as a component of other costs of service, respectively. Under ASC 606, the Company now presents revenues net of these fees.

The adoption of ASC 606 did not have any effects on the Company's consolidated statement of comprehensive income for the year ended December 31, 2019, or on any other line items in the consolidated balance sheet as of December 31, 2019, other than for the cumulative effect adjustment and presentation changes described above. Furthermore, the adoption of ASC 606 had no effect on the Company's cash flows from operating activities, investing activities or financing activities included in the consolidated statement of cash flows for the year ended December 31, 2019.

Fair Value of Financial Instruments
Assets and liabilities are carried at fair value and are categorized based on the level of judgment associated with the inputs used to measure their fair value. The standard establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into the following three levels:

Level 1 Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities at the measurement date.

Level 2 Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date for the duration of the instrument's anticipated life.

Level 3 Inputs are unobservable and therefore reflect management's best estimate of the assumptions that market participants would use in pricing the asset or liability.

Management believes the carrying amounts of financial instruments at December 31, 2020 and 2019, including cash and cash equivalents, funds held for merchants, accounts receivable, expected merchant funds, funds owed to merchants, accounts payable and accrued expenses approximate fair value due to their short maturities. As the revolving credit facility has a variable rate interest that approximates current market rates for similar financial instruments, management believes the carrying amount approximates fair value as of December 31, 2020 and December 31, 2019.

Revenue Recognition
The Company generates a majority of its revenue through payment processing services, but also generates additional revenue through equipment sales, leasing-related revenue and revenue from software contracts. On January 1, 2019, the Company adopted ASC 606. Pursuant to ASC 606, at contract inception, the Company performs an evaluation to determine the goods and services promised in its contracts with customers. The Company then reviews the contract to identify a performance obligation for each promise to transfer to the customer a distinct good or service. Revenue is recognized when the identified performance obligation pursuant to the contract is satisfied and is measured as the amount of consideration the Company expects to receive in exchange for transferring the goods or providing services.

The nature, timing, amount, and uncertainty of revenues and cash flows depend upon a number of factors, such as demand and price of services provided, the technological competitiveness of the Company's offerings, the Company's reputation for providing timely and reliable service, competition within the industry and general economic conditions.

Payment Processing

The Company's payment processing services offered to customers represents a promise to stand-ready to process transactions, as required by the customer, on a daily basis over the contractual term. As the timing and quantity of transactions to be processed by the Company is not determinable at contract inception, the obligation within this arrangement is to stand-ready to process customer transactions as they arise. Under a stand-ready obligation, the evaluation of the nature of the Company's performance obligation is focused on each time increment rather than the underlying activities. Therefore, the Company concluded that its payment processing services comprise a series of distinct days of service that are substantially the same and have the same pattern of transfer to the customer. Accordingly, the promise to stand-ready is accounted for as a single-series performance obligation, whereby the variability of the transaction value is satisfied daily as the performance obligation is completed.

The majority of the Company’s payment processing services are priced as either a percentage of transaction value, a specified fee per transaction, a fixed fee, or a combination. As the nature of the performance obligation is under a stand-ready arrangement, whereby the amount of daily processing activity is unknown until it transpires, total consideration is variable in nature. The variability is satisfied each day the services are provided to the customer, therefore the Company measures variable fees on a daily basis and ascribes these fees to the distinct day of service to which the fee relates.

For customer contracts with multiple promises that include payment processing services, the Company performs an evaluation to determine whether each promise represents a separate performance obligation. Once the Company determines the performance obligations and the transaction price, including an estimate of any variable consideration, then the transaction price is allocated to each performance obligation in the contract using a relative standalone selling price method. The Company determines standalone selling price based on the price at which the good or service is sold separately. If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price by considering all reasonably available information, including market conditions, trends or other company or customer-specific factors.

For the years ended December 31, 2020 and 2019, all revenue from payment processing services, which constitutes a majority of the Company’s revenue, is satisfied over time.

Interchange and Assessment Fees

Interchange and assessment fees are charged by the card issuing financial institutions and credit card networks and are directly related to payment processing services. With respect to interchange and assessment fees, the Company evaluated whether it is the principal or the agent in the arrangement. The Company determined that interchange and assessment fees are not provided in return or exchange for services that the Company controls or acts as the principal, and, therefore, are not part of the consideration paid for its services. Upon adoption of ASC 606, the Company concludes they are the agent and presents revenue net of interchange and assessment fees charged by card issuing financial institutions and credit card networks, respectively. In reaching this determination, the Company considered a number of factors including indicators of control such as the party primarily responsible and the party who has discretion in establishing prices.

Products and Other Services

The Company’s products and other services include equipment sales, leasing-related revenue, and revenue from software contracts such as software licensing, maintenance arrangements and setup fees. Revenue from products and other services is recognized at a point in time or over time depending on the nature of the performance obligation identified. Equipment sales are recognized at a point in time at its standalone selling price when the customer obtains control of the equipment. Leasing activities, depending on the nature of the performance obligation, is either recognized at a point in time or over time at its standalone selling price. Revenue from software contracts such as licensing, maintenance arrangements and setup fees are generally satisfied over time and recognized in a manner which reflects the transfer of the service to the customer, which the Company has determined to be on a straight-line basis over the contractual term.

Contract Acquisition Costs

Upon adoption of ASC 340-40, the Company defers substantially all incremental costs incurred in obtaining a contract with a customer if it expects to recover the costs, unless the expected period of benefit is one year or less and then the Company recognizes the cost as an expense when incurred. These deferred contract acquisition costs are amortized on a systematic basis consistent with the pattern of transfer to the customer of the services to which the contract acquisition cost relates over the expected period of benefit. Based on an evaluation of several factors, including customer attrition rates, estimated customer life and expected contract renewals, the Company determined the amortization periods for its contract acquisition costs, using the portfolio approach, range from 23 to 38 months. The costs are amortized over the amortization period using the straight-line method, as the Company concluded that the transfer of services over this period is materially consistent over time with limited predictable volatility. The Company evaluates contract costs for impairment by comparing, using the portfolio approach, the expected future net cash flows from underlying customer relationships to the carrying amount of the deferred contract acquisition costs. No impairment was recorded for the years ended December 31, 2020 and December 31, 2019. The Company had net deferred contract acquisition costs at December 31, 2020 and December 31, 2019 of $8,008,707 and $6,770,680, respectively, which are included in noncurrent other assets. Amortization of deferred contract acquisition costs at December 31, 2020 and December 31, 2019 was $5,187,336 and $4,640,928, respectively.

Contract Assets and Liabilities

The Company's contract assets represent its right to consideration in exchange for goods or services that it has already transferred to its customers. As the Company's right to the consideration is entirely unconditional for all of its goods or services transferred to the customer as of the end of the period, all contract assets are classified as receivables. These receivables are primarily comprised of amounts due from the Company's processing bank and third-party processors which represent the discount rate and fees earned on transactions processed during the month ending on the balance sheet date. Such balances are received from the processing bank in approximately six days and from third-party processors in approximately thirty days following the end of each month. Contract receivables, net of allowance for doubtful accounts, at December 31, 2020 and December 31, 2019 was $22,605,817 and $22,881,642, respectively.

The Company's contract liabilities represent its obligation to transfer goods or services to a customer for which the Company has received consideration. Contract liabilities at December 31, 2020 and December 31, 2019 was $4,301,554 and $3,591,352, respectively.

Other Costs of Service

Other costs of service include costs directly attributable to credit, debit and ATM payment processing services including third-party processing costs, and other related services such as residual payments to Independent Sales Organizations ("ISO"), residual commission payments to employees, fees payable to debit card networks, third-party management compliance fees, lease funding expenses, losses due to credit and leasing merchant defaults, contract acquisition costs and other miscellaneous supplies and services expense.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist primarily of cash, but may also include short-term, highly liquid cash investments having original maturity dates of three months or less. All excess cash not needed for normal operations is used to reduce debt or held to fund future investments. The Company maintains cash at financial institutions in excess of federally insured limits.

The current portion of restricted cash consists of certain merchant funds that are settled within three business days and restricted cash consists of merchant reserves.

	2020	2019
Cash and cash equivalents	$ 8,478,873	$ 6,783,371
Current portion of restricted cash	232,373	378,745
Restricted cash	3,227,120	1,676,683
Total cash, cash equivalents and restricted cash presented in the statements of cash flows	$ 11,938,366	$ 8,838,799

Funds Held for Merchants
Funds held for merchants represents cash received by the Company from credit card networks and internet transaction processing which the Company collects on behalf of certain merchants. Upon receiving the cash, the Company recognizes an offsetting liability reflected as funds owed to merchants until the funds are settled with the merchants. The cash is settled to merchants within three to five business days.

Expected Merchant Funds
The expected merchant funds represent amounts due to the Company from credit card networks which the Company collects on behalf of certain merchants. Upon recording the expected funds, the Company recognizes an offsetting liability reflected as funds owed to merchants until the funds are settled with the merchants.

Leases
The Company provides noncancelable sales-type leases to certain customers. Unearned income from these leases is the difference between the revenue recognized on each of the leases, which includes the present value of future minimum lease payments and an estimated residual value, and the total of the future lease payments.

Amortization of unearned income is recorded using the effective interest method. The Company’s investment in leases is reduced by the allowance for lease payments that are expected to be uncollectible. The Company establishes an allowance for doubtful accounts based on historical trends, specific customer identification, and other information.

The Company provides noncancelable operating leases to certain customers. Operating leases recognize rental income upon collection of monthly rental payments. When the lease is executed, an initial direct cost is incurred and recorded in other assets and amortized over the life of the lease. Additionally, the equipment is recorded and depreciated over the life of the lease. Accumulated depreciation related to the equipment was $211,568 and $252,730 at December 31, 2020 and 2019, respectively.

Future minimum rental receipts under these noncancelable operating leases are as follows:

2021	$	278,810
2022		224,068
2023		176,320
2024		108,231
2025		37,885
	$	825,314

Inventory
Inventory consists of credit card authorization equipment and is stated at the lower of cost or market, with cost being determined by the weighted average cost method. Inventory balances are net of reserve allowances of $214,979 and $125,857 at December 31, 2020 and 2019, respectively.

Notes Receivable
Notes receivable consist of loans made to certain ISOs. The majority of the loans bear interest at the prime rate plus an applicable margin of 5% to 6.75% with an interest rate of 10% at July 6, 2020, which is the date the last loan was paid in full, and an interest rate equal to 11.5% at December 31, 2019. The loans are collateralized primarily by the ISOs' assets, including the rights they have to receive residuals.

Property and Equipment
Property and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful life of the assets. Leasehold improvements are amortized over the shorter of the estimated useful life or the lease term. When property and equipment are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized in other income or expense.

Impairment of Long-Lived Assets
The Company evaluates its long-lived assets for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on management's estimate of undiscounted future cash flows over the remaining estimated useful life of the asset group as compared to the net carrying value of the asset group. In the event that long-lived asset groups are found to be carried at amounts which are in excess of estimated future cash flows, the asset group is adjusted for impairment to a level commensurate with the fair value of the underlying asset groups. No impairment was recorded for the year ended December 31, 2020 and impairment expense of $36,000 was recorded for the year ended December 31, 2019.

Capitalized Computer Software Costs
Capitalized computer software costs consist of costs to purchase, license and develop software. The Company capitalizes internally developed software based on a project-by-project analysis of each project's significance to the Company and its estimated useful life. Unamortized computer software cost included in property and equipment was $19,704,982 and $18,370,302 at December 31, 2020 and 2019, respectively. All capitalized software costs are amortized over the estimated useful lives of the assets. Amortization expense related to capitalized computer software costs was $4,487,661 and $4,223,425 for the years ended December 31, 2020 and 2019, respectively.

Other Assets

Other assets are comprised of deferred contract acquisition costs, initial direct costs for noncancelable operating leases and residual assets for noncancelable sales-type leases. Deferred contract acquisition costs are expensed over the expected period of benefit. Initial direct costs are capitalized and amortized over the term of the noncancelable operating lease. Residual assets are recorded at the inception of each noncancelable sales-type lease for the estimated future value of the equipment at the end of the lease term.

Intangible Assets

The Company's amortizable intangible assets are comprised of merchant relationships, partner relationships, technology, trade names, agent exclusivity agreements, and merchant portfolio agent residuals. Merchant relationships and partner relationships are being amortized over the future economic benefit ranging from approximately five to fourteen years. Amortization expense recognized during each period for these intangibles is calculated based on the expected cash flows realized during the period as a percentage of total expected cash flows, as used in determining the acquisition-date fair value of these intangibles, multiplied by the initial acquisition-date fair value of each respective intangible asset. Technology is amortized on a straight-line basis over twelve years. The trade names are being amortized on a straight-line basis over eleven years. The agent exclusivity agreements are amortized on a straight-line basis over the term of the agreement ranging from two to five years. Merchant portfolio agent residuals are obtained through lump sum payments to ISOs for the acquisition of the ISOs' residuals and are recorded at cost. The merchant portfolio agent residuals are being amortized based on a weighted average attrition method over their estimated useful lives of five years.

Goodwill

Purchase price in excess of the fair value of tangible and other intangible assets acquired and liabilities assumed in a business combination are recorded as goodwill. The Company performs its annual goodwill impairment test as of December 31, or whenever events or changes in circumstances occur, indicating the carrying value of its assets may not be fully recoverable. The Company has the option of performing a qualitative assessment of impairment on its reporting unit to determine whether any further quantitative assessment for impairment is necessary. The option whether to perform a qualitative assessment on its reporting unit is made annually. Factors considered in the qualitative assessment include general macroeconomic conditions, industry and market conditions, cost factors, overall financial performance of the reporting unit, events or changes affecting the composition or carrying amount of the net assets, sustained decrease in its share price, and other relevant entity-specific events. If the Company elects to bypass the qualitative assessment or if it is determined, on the basis of qualitative factors, that the fair value is more likely than not less than the carrying amount, a quantitative test would be required. The Company elected to perform a qualitative assessment of impairment on its single reporting unit. It was determined on the basis of qualitative factors that it is more likely than not that the fair value of the Company exceeds its carrying value. There were no impairment charges recorded for the years ended December 31, 2020 and 2019.

Funds Owed to Merchants

Funds owed to merchants represent amounts owed to certain merchants for cash received by the Company from credit card networks and internet transaction processing and are recorded in funds held for merchants. In addition, funds owed to merchants includes outstanding amounts due from credit card networks and are reflected in expected merchant funds.

Reserve for Chargebacks and Merchant Loss
Disputes between a cardholder and a merchant periodically arise as a result of cardholder dissatisfaction with the merchandise quality or merchant services and the disputes may not be resolved in the merchant's favor. In these cases, the transaction is "charged-back" to the merchant by the Company and the purchase price is refunded to the card issuer for the cardholder. If the merchant is unable to refund the chargeback, the Company or, under limited circumstances, the Company and the processing bank, must bear the credit risk for the full amount of the transaction. The Company evaluates its risks and estimates its potential for losses from chargebacks based on historical experience. A provision for estimated losses is provided in the same period as the related revenues. Such losses have not historically exceeded the Company's expectations.

The processing bank holds certain merchant funds pending supporting documentation. In the event the merchant does not provide the requested documentation in accordance with the terms of the merchant agreement, or the card issuer does not request funds by properly filing a chargeback in accordance with applicable card association rules, the Company records these funds as operating cash with a corresponding reduction to the provision for estimated losses from chargebacks. The Company recorded $2,085,213 and $1,903,746 for the years ended December 31, 2020 and 2019, respectively.

Health Self-Insurance Plan
The Company elected to establish an ERISA health and welfare benefit plan for the period from June 1, 2018 to May 31, 2019 and has continued to renew the plan each year. The plan is partially self-insured up to specified limits for medical and pharmacy benefits covered under the plan. The plan is protected with a specific stop loss policy per claimant and an aggregate stop loss policy. The Company's policy is to establish incurred, but not reported, claim reserves with the assistance of third-party experts using actuarial techniques based upon a number of factors. These factors include, but are not limited to, known claims, estimated incurred but not reported claims, past experience of claims, historical information and certain assumptions about future events. Any adjustments resulting from the reserve analysis are reflected in current operations. The Company recorded accrued liabilities for the partially self-funded plan on an undiscounted basis of $975,412 and $1,160,289 for the years ended December 31, 2020 and 2019, respectively, which is included in accrued expenses and other liabilities.

Income Taxes
Deferred tax assets and liabilities are recorded to reflect the future tax consequences attributable to the effects of differences between the carrying amounts of existing assets and liabilities for financial reporting and their respective amounts used for income tax purposes. These tax effects are measured based on provisions of enacted tax laws. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

If interest or penalties are paid related to income taxes, they are recorded as tax expense. There were nominal interest and penalties paid during the years ended December 31, 2020 and 2019. The years ended 2017, 2018 and 2019 remain subject to examination by major tax jurisdictions.

Share-Based Compensation
Share-based compensation expense is recognized as an operating expense for all stock option awards granted based on the grant date fair value. The resulting compensation expense is recognized on a straight line basis over the requisite service period. Compensation expense is recognized only for those options expected to vest, with forfeitures estimated based on historical experience and future expectations. See Note 9 "Employee Stock Option Plan" for further discussion.

Advertising Costs
Advertising costs included in selling, general and administrative expenses were $483,151 and $644,200 for the years ended December 31, 2020 and 2019, respectively.

Foreign Currency
The consolidated financial statements of the Company are prepared in United States dollars as this is the currency of the primary economic environment in which the Company operates, and the majority of the Company's revenue is received and expenses are disbursed in United States dollars. The functional currency of the Company's foreign operations is also the United States dollar. Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions for monetary items or historical rates for nonmonetary assets. The unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at year end. Foreign exchange gains and losses are recorded in the consolidated statements of comprehensive income and were $4,449 in realized losses and $20,889 in unrealized gains during 2020. During 2019, realized gains were $16,607 and unrealized gains were $26,874.

Recent Accounting Pronouncements
In February 2016, the FASB issued updated guidance regarding lease accounting. The update includes a lessee accounting model with two types of leases: finance leases and operating leases. The guidance also requires that a lessee recognize assets and liabilities for leases with lease terms greater than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. Lessor accounting will remain substantially the same as the current model. The updates to lessor accounting focus on conforming to certain changes made to the lessee model and the new revenue recognition standard. The guidance requires new disclosures with the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing key information about the leasing arrangements recorded in the financial statements. The new guidance will be effective for fiscal years beginning after December 15, 2020. The Company is currently assessing the impact of this guidance on its consolidated financial statements.

In August 2018, the FASB issued new guidance on a customer's accounting for implementation, set-up and other upfront costs incurred in a cloud computing arrangement hosted by a service contract with a vendor. Under the new guidance, a customer will apply the same criteria for capitalizing implementation costs of a cloud computing arrangement as it would for an on-premises software license. The new guidance will be effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company is currently assessing the impact of this guidance on its consolidated financial statements.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that the Company adopts as of the specified effective date. Unless otherwise discussed, the Company believes the impact of recently issued standards that are not yet effective are either not applicable to the Company at this time or will not have a material impact on the Company's consolidated financial statements upon adoption.

3. Lease Payments Receivable

The Company leases credit card processing equipment under noncancelable sales-type leases. The lease terms range from one to five years, and payments are collected monthly. The leases are collateralized by the underlying leased asset. The lessee is responsible for the payment of insurance, taxes and maintenance costs related to the leased equipment.

The components of the lease payments receivable are as follows at December 31:

	2020	2019
Lease payments receivable (current)		
Minimum lease payments receivable	$ 1,153,411	$ 1,526,340
Less:		
Unearned interest	(251,988)	(338,632)
Allowance for losses	(158,283)	(206,407)
Current lease payments receivable, net	743,140	981,301
Lease payments receivable (noncurrent)		
Minimum lease payments receivable	1,761,844	2,338,798
Less:		
Unearned interest	(384,914)	(518,883)
Allowance for losses	(241,779)	(316,276)
Noncurrent lease payments receivable, net	1,135,151	1,503,639
Total lease payments receivable, net	$ 1,878,291	$ 2,484,940

At December 31, 2020, minimum lease payments receivable are due as follows:

2021	$ 743,140
2022	537,849
2023	373,857
2024	179,034
2025	44,411
	$ 1,878,291

4. Property and Equipment

Property and equipment consists of the following at December 31:

	Useful life range (years)	2020	2019
Office furniture	12	$ 2,388,362	$ 2,345,636
Computers, equipment and software	4-15	45,673,850	39,515,288
Leasehold improvements	1-12	9,961,778	9,954,938
Construction-in-progress		3,308,646	3,367,039
		61,332,636	55,182,901
Less: Accumulated depreciation and amortization		(29,635,498)	(22,853,119)
Property and equipment, net		$ 31,697,138	$ 32,329,782

Depreciation and amortization expense for property and equipment for the years ended December 31, 2020 and 2019, was $6,873,283 and $6,968,159, respectively.

5. Intangible Assets

Intangible assets consist of the following at December 31:

	2020			2019		
	Gross Amount	**Accumulated Amortization**	**Net Amount**	**Gross Amount**	**Accumulated Amortization**	**Net Amount**
Merchant relationships	$ 107,500,000	$ (87,628,001)	$ 19,871,999	$ 107,500,000	$ (78,363,285)	$ 29,136,715
Partner relationships	46,000,000	(26,066,709)	19,933,291	46,000,000	(21,989,960)	24,010,040
Technology	24,000,000	(12,712,813)	11,287,187	24,000,000	(10,712,813)	13,287,187
Trade names	14,000,000	(8,105,001)	5,894,999	14,000,000	(6,832,000)	7,168,000
Agent exclusivity agreements	2,371,650	(1,047,685)	1,323,965	3,468,672	(2,230,456)	1,238,216
Merchant portfolio agent residuals	153,550	(96,035)	57,515	118,768	(61,648)	57,120
	$ 194,025,200	$ (135,656,244)	$ 58,368,956	$ 195,087,440	$ (120,190,162)	$ 74,897,278

Amortization expense for intangible assets for the years ended December 31, 2020 and 2019, was $17,393,340 and $19,596,716, respectively.

Estimated amortization expense for intangible assets as of December 31, 2020 for the next five years is as follows:

2021	$ 14,190,925
2022	12,175,064
2023	11,562,143
2024	10,863,330
2025	5,085,219
Thereafter	4,492,275
	$ 58,368,956

6. Long-Term Debt and Revolving Credit Facility

Long-term debt and revolving credit facility consist of the following at December 31:

	2020	**2019**
Previous term loan, first lien	$ -	$ 189,000,000
Previous term loan, second lien	-	80,000,000
Previous revolving credit facility	-	-
New term loan	251,062,500	-
New revolving credit facility	-	-
	251,062,500	269,000,000
Less: Unamortized debt issuance costs	5,162,266	3,832,649
	$ 245,900,234	$ 265,167,351

Maturity requirements on long-term debt as of December 31, 2020 are as follows:

2021	$ -
2022	-
2023	-
2024	-
2025	-
Thereafter	251,062,500
	$ 251,062,500

Previous Term Loan First Lien and Previous Term Loan Second Lien
On January 6, 2017, the Company entered into a first lien syndicated loan agreement (the "Previous First Lien") and a second lien syndicated loan agreement (the "Previous Second Lien") with various financial institutions.

Previous First Lien
The Previous First Lien consists of a $240,000,000 term loan, with an original issue discount of $2,400,000, and a $40,000,000 previous revolving credit facility. All borrowings under the Previous First Lien bear interest at a Base Rate plus an Applicable Rate of 4.75% or an Adjusted Eurodollar Rate plus an Applicable Rate of 5.75%. The Base Rate is equal to the greater of prime rate, the Federal Funds Effective Rate plus 0.5%, the Adjusted Eurodollar Rate as calculated in respect of a proposed Eurodollar loan with a one or more month interest period plus 1%, or 1% for the previous revolving credit facility and 2% with respect to the term loan, per annum. The Adjusted Eurodollar Rate is equal to the greater of LIBOR or 0.0% for the previous revolving credit facility and 1% with respect to the term loan. Quarterly payments of $600,000 are due on the term loan through December 31, 2023, with the remaining principal due on January 5, 2024. During 2017, the Company made all the contractually required quarterly payments due through December 31, 2023. Balances on the previous revolving credit facility are due on January 5, 2022. Additionally, the Company pays a commitment fee on the unused portion of its previous revolving credit facility of 0.5% or .375% based on the Previous First Lien net leverage ratio. The Previous First Lien may be prepaid at any time. The Previous First Lien also requires additional principal payments based upon annual calculation of excess cash flow as defined in the agreement. An additional principal payment was not required for the year ended December 31, 2019.

Borrowings under the Previous First Lien are collateralized on a first priority basis by a security interest in substantially all assets of the Company. Under the terms of the Previous First Lien, the Company is required to maintain certain financial ratios and comply with certain covenants. The Company was in compliance with all of its financial covenants during 2019 under the Previous First Lien.

Previous Second Lien
The Previous Second Lien consists of an $80,000,000 term loan, with an original issue discount of $2,400,000. All borrowings under the Previous Second Lien bear interest at a Base Rate plus an Applicable Rate of 9.5% or an Adjusted Eurodollar Rate plus an Applicable Rate of 10.5%. The Base Rate is equal to the greater of prime rate, the Federal Funds Effective Rate plus 0.5%, the Adjusted Eurodollar Rate as calculated in respect of a proposed Eurodollar loan with a one or more month interest period plus 1%, or 1% per annum. The Adjusted Eurodollar Rate is equal to the greater of LIBOR or 1.0%. As of December 31, 2019, the interest rate for the term loan was 12.56%. Unpaid principal is due July 5, 2024. The Previous Second Lien may be prepaid at any time. In the event the Previous Second Lien is prepaid between January 6, 2018, and January 5, 2019, a prepayment penalty of 4% would be incurred. In the event the Previous Second Lien is prepaid between January 6, 2019, and January 5, 2020, a prepayment penalty of 2% would be incurred. There are no prepayment penalties after January 6, 2020.

Borrowings under the Previous Second Lien are collateralized on a second priority basis by a security interest in substantially all assets of the Company subordinated to the Previous First Lien. Under the terms of the Previous Second Lien, the Company is required to maintain certain financial ratios and comply with certain covenants. The Company was in compliance with all of its financial covenants during 2019 under the Previous Second Lien.

Previous First Lien Amendment
In February 2018, the Company entered into an agreement (the “Previous First Amendment”) to amend the Previous First Lien effective February 22, 2018, which effectively repriced the interest rate on the term loan. As of February 22, 2018, the Previous First Lien included a term loan of $215,000,000 and the previous revolving credit facility. The previous revolving credit facility terms were not amended. The Previous First Lien under the Previous First Amendment bears interest at a Base Rate plus an Applicable Rate of 3.75%, or an Adjusted Eurodollar Rate plus an Applicable Rate of 4.75%. Other than these changes, the Previous First Amendment has substantially the same terms, including the maturity date, as the Previous First Lien. The Company was in compliance with all of its financial covenants under the Previous First Amendment for 2019.

Previous First Lien Second Amendment
In December 2018, the Company entered into an agreement (the “Previous Second Amendment”) to amend the Previous First Lien effective December 18, 2018, which effectively repriced the interest rate on the previous revolving credit facility. The previous revolving credit facility under the Previous Second Amendment bears interest at a Base Rate plus 3.75% or an Adjusted Eurodollar Rate plus an Applicable Rate of 4.75%. Other than this change, the Previous Second Amendment has substantially the same terms, including the maturity date, as the Previous First Lien. The Company was in compliance with all of its financial covenants under the Previous Second Amendment for 2019. As of December 31, 2019, the interest rate for the Previous First Lien term loan was 6.81% and the previous revolving credit facility was 8.50%.

On March 4, 2020, the Company entered into a syndicated loan agreement (the “New Term Loan”) with various financial institutions paying off the Previous First Lien and the Previous Second Lien.

New Term Loan
The New Term Loan consists of a $275,000,000 term loan, including an original issue discount of $2,750,000, and a $40,000,000 new revolving credit facility. All borrowings under the New Term Loan bear interest at a Base Rate plus an Applicable Rate of 4.0% or 3.75% or an Adjusted LIBO Rate plus an Applicable Rate of 5.0% or 4.75% for the term loan and new revolving credit facility, respectively. The Base Rate is equal to the greater of prime rate, the NYFRB Rate plus .5%, the Adjusted LIBO Rate as calculated in respect of a proposed Eurodollar loan based on the LIBO Screen Rate plus 1.0%, or 1%, per annum. After June 30, 2020, all new revolving credit facility borrowings under the New Term Loan bear interest at a Base Rate plus an Applicable Rate of 3.75% or 3.5% or an Adjusted LIBO Rate plus an Applicable Rate of 4.75% or 4.5% based on the New Term Loan leverage ratio. As of December 31, 2020, the interest rate for the term loan was 5.23% and the new revolving credit facility was 7.00%. Quarterly payments of $687,500 are due on the term loan through December 31, 2026, with the remaining principal due on March 4, 2027. During 2020, the Company made all the contractually required quarterly payments due through December 31, 2026. Balances on the new revolving credit facility are due on March 4, 2025. Additionally, the Company pays a commitment fee on the unused portion of its new revolving credit facility of 0.5% or .375% based on the New Term Loan net leverage ratio. The New Term Loan may be prepaid at any time. The New Term Loan also requires additional principal payments based upon annual calculation of excess cash flow as defined in the agreement. An additional principal payment was not required for the year ended December 31, 2020.

Borrowings under the New Term Loan are collateralized on a first priority basis by a security interest in substantially all assets of the Company. Under the terms of the New Term Loan, the Company is required to maintain certain financial ratios and comply with certain covenants. The Company was in compliance with all of its financial covenants during 2020 under the New Term Loan.

In connection with the New Term Loan, the Company incurred fees of $7,470,502 of which $6,798,241 was deferred and recognized as debt issuance costs and $672,260 was recorded to selling, general and administrative expenses. Deferred debt issuance costs at the time of the event was $4,021,250 of which $762,064 was recorded as deferred debt issuance costs and the remaining $3,259,187 was recognized as a loss on extinguishment and recorded to interest expense. The debt issuance costs for the term loan are amortized and netted against the outstanding debt balance and will be amortized over the life of the New Term Loan under the effective interest method. The debt issuance costs for the new revolving credit facility will be amortized over the life of the new revolving credit facility under the New Term Loan using the straight-line method. The charge to interest expense related to debt issuance costs was $1,210,874 and $1,191,633 for the years ended December 31, 2020 and 2019, respectively.

7. Commitments and Contingencies

Leases

The Company leases office space for its headquarters, operations and sales offices. These leases expire at various times and some of the leases have renewal, escalation and abatement period clauses. The total amount of the minimum rent is expensed on a straight-line basis over the term of the lease.

Future minimum rental payments under noncancelable operating leases at December 31, 2020 are summarized below:

	Operating Leases
2021	$ 4,682,978
2022	4,875,588
2023	4,484,371
2024	4,383,763
2025	4,232,190
Thereafter	11,916,445
	$ 34,575,335

Rent expense for all operating leases for the years ended December 31, 2020 and 2019, was $4,792,774 and $4,820,990, respectively.

Payment Processing Agreements

The Company has agreements with several third-party processors to provide payment processing, transmittal, transaction authorization and data capture services, and access to various reporting tools. These third-party processors include Worldpay, TSYS Acquiring Solutions, First Data Corporation, and Chase Paymentech Solutions. Agreements with certain third-party processors require the Company to submit a minimum monthly number of transactions or volume for processing. If the Company submits a number of transactions or volume that is lower than the minimum, the Company is required to pay the processor the fees that they would have received if the Company had submitted the required minimum transactions or volume. The agreement expiration dates with these third-party processors range from yearly renewal options to seven years.

The future minimum commitments required to be paid at December 31, 2020 are summarized below:

2021	$ 1,762,005
2022	1,562,005
2023	1,440,000
2024	1,440,000
2025	1,440,000
Thereafter	2,640,000
	$ 10,284,010

Bank Processing Agreement

In connection with the Company's credit card processing services, VISA and MasterCard require merchants accepting VISA and MasterCard credit cards to contract directly with a processing bank that is a member bank of the VISA and MasterCard associations. The Company is dependent upon the contractual arrangement with its processing bank to continue to service merchant portfolios. The Company has a contractual right to receive revenue derived from the discount rate and fees earned on its merchant portfolios, as long as the merchant continues to process transactions on the processing bank's systems and the Company remains in compliance under its agreement with the processing bank.

In accordance with the Company's contract with its processing bank, all of the funds collected and all disbursement functions are performed on behalf of the Company by the processing bank. Disbursements for the interchange fee paid to the card issuing financial institutions are made daily.

Shortly after each month-end, the processing bank disburses to the Company the remainder of the funds collected from the merchants less the processing bank's fees and credit card network fees.

Litigation

From time to time the Company is involved in certain legal proceedings and claims which arise in the ordinary course of business. It is the Company's policy to accrue for amounts related to these legal proceedings if it is probable that a liability has been incurred and the amount is reasonably estimable. In the opinion of the Company, based on consultations with counsel, the results of any of these legal proceedings individually and in the aggregate, are not expected to have a material effect on its results of operations, financial condition or cash flows.

Severance

Certain officers of the Company have entered into employee agreements under which they are entitled to severance pay equal to their base salary for 12 to 24 months in the event they are terminated by the Company other than for cause.

Data Breach

The Company collects and stores sensitive data about its merchant customers and bank cardholders. If the Company's network security is breached or sensitive merchant or cardholder data is misappropriated, the Company could be exposed to assessments, fines or litigation costs.

8. Income Taxes

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law making changes to the Internal Revenue Code. Changes include, but are not limited to, the ability to elect to increase the interest deduction limitation from 30% to 50% of adjusted taxable income for 2019 and 2020, and temporarily suspends the 80% taxable income limitation to allow net operating losses to fully offset taxable income for years before 2021. The CARES Act also made a retroactive technical correction that provides a 15-year recovery period for qualified improvement property ("QIP"). In April 2020, the Company qualified for a $3,213,672 refund of federal taxes due to the CARES Act. The refund was related to additional deductions of $5,158,079 for QIP and $8,206,750 in interest deductions. The CARES Act provides a payment extension of employer payroll taxes during 2020 after the date of enactment. The Company elected to defer $1,624,332 of employer payroll taxes otherwise due in 2020 which was extended with 50% due by December 31, 2021 and the remaining 50% by December 31, 2022. Accordingly, payroll tax deferral liabilities of $812,166 were recorded in accrued expenses and other liabilities and $812,166 were recorded to other long-term liabilities at December 31, 2020.

The provision for income taxes for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Current tax provision		
U.S. federal	$ (1,327,874)	$ 4,933,547
State and local	675,760	1,348,930
Foreign	5,215	287,000
Total current tax provision (benefit)	(646,899)	6,569,477
Deferred tax provision	2,325,003	(4,789,841)
U.S. federal		
State and local	403,949	(871,028)
Foreign	9,022	(6,018)
Total deferred tax provision (benefit)	2,737,974	(5,666,887)
Provision for income taxes	$ 2,091,075	$ 902,590

The difference between the Company's income tax provision and the amounts computed by applying the U.S. statutory income tax rate to income before taxes relates to state taxes, net of federal benefits, and nondeductible items.

The tax effects of temporary differences that gave rise to the total deferred tax liability, net were as follows at December 31:

	2020	2019
Deferred tax liability (asset)		
Reserve for chargebacks and merchant loss	$ (101,756)	$ (98,781)
Deferred revenue	(1,022,910)	(854,024)
Debt issuance costs	(57,974)	(702,836)
Vacation accrual	(1,636,304)	(1,342,820)
Accrued liabilities and allowances	(51,480)	(83,713)
Allowance for lease receivables	(144,633)	(183,177)
Deferred rent	(1,208,428)	(1,220,490)
Share-based compensation	(1,002,534)	(941,062)
Intangible assets	11,200,887	14,153,808
Goodwill	17,170,395	16,494,302
Deferred contract acquisition costs	1,110,501	989,627
Tax depreciation in excess of book depreciation	5,573,673	4,220,067
Interest deduction limitation	(3,448,394)	(6,740,419)
Other	(143,933)	(191,346)
Total deferred tax liability, net	$ 26,237,110	$ 23,499,136

The Company had no carryforward NOL for the years ended December 31, 2020 and December 31, 2019.

The Company utilizes a recognition threshold and a related measurement model for accounting for its uncertain tax positions. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by the taxing authorities. The Company's policy is to record any impact to income tax expense. At December 31, 2020 and 2019, there were no uncertain tax positions recorded in the consolidated financial statements.

9. Employee Stock Option Plan

In connection with the Acquisition on August 18, 2014, the Board of Directors approved the 2014 FAPS Holdings, Inc. Stock Option Plan (the "Plan"), which provides grants of stock options to certain Company employees. A total of 916,464 shares of Class A common stock have been reserved for issuance under the Plan. As of December 31, 2020 and 2019, 107,439 and 135,526 options, respectively, of Class A common stock remained available for stock option grants under the Plan.

Options issued pursuant to the Plan are granted at an exercise price not less than the fair value of the Company's Class A common stock at the date of grant. Options vest in increments of 20% per year over a five year period on the anniversary date of each grant. Options expire ten years from the date of grant. Options not yet vested terminate when the employee ceases to be employed by the Company. The Company recorded share-based compensation expense of $258,502 and $500,848 for the years ended December 31, 2020 and 2019, respectively.

During the years ended December 31, 2020 and 2019, the Company granted 64,925 options and 42,245 options to employees with a weighted-average grant date fair value of $9.60 and $6.40, respectively.

The grant date fair value is calculated using the Black-Scholes option valuation model. The fair value of options granted during the year ended December 31, 2020, was calculated using the following estimated weighted average assumptions:

	2020
Expected life (in years)	7
Interest rate	1.1%
Volatility	26.7%
Dividend yield	0.0%

Risk-free interest rate – The market yield on U.S. Treasury securities for the expected life of each option type is used as the risk-free interest rate.

Expected life – The expected term of the options represents the estimated period of time until exercise and is based on historical experience of similar options, giving consideration to the contractual terms, vesting schedules and expectations of future employee behavior. An election was made in 2018 to adopt the simplified method of estimating the expected term, which is the midpoint of the vesting period and the contractual term.

Expected volatility – The Company's stock is not publicly traded. Therefore, the calculation of volatility for the Company is based on the historical stock price volatility of a peer group of similar, publicly traded companies, using adjusted closing monthly stock prices for the expected life of each option type.

Expected dividend yield – The Company intends to retain any earnings to finance future growth, and therefore, does not anticipate paying any cash dividends on its Class A common stock in the foreseeable future.

Stock option activity for the years ended December 31, 2020 and 2019, is detailed as follows:

	Number of Shares	**Weighted Average Exercise Price**	**Remaining Contractual Life (Years)**
Options outstanding at December 31, 2018	755,591	16.00	5.92
Options Granted	42,245	20.52	
Options Forfeited	(16,898)	16.00	
Options Exercised	(7,952)	16.00	
Options outstanding at December 31, 2019	772,986	16.25	4.97
Options Granted	64,925	31.36	
Options Forfeited	(36,838)	21.18	
Options Settled	(35,377)	16.00	
Options outstanding at December 31, 2020	765,696	$ 17.30	4.09

For the year ended December 31, 2020, total unrecognized share-based compensation expense related to the nonvested stock options was $604,109, which will be recognized over a weighted average period of 3.69 years. The fair value of stock options vested in 2020 and 2019 was $95,012 and $787,567, respectively. The total number of vested stock options at December 31, 2020, is 654,847 with a weighted average remaining contractual life of 3.85 years. There were 35,377 options settled during the year ended December 31, 2020 and 7,952 options exercised during the year ended December 31, 2019.

10. Retirement Plans

The Company formed the First American Payment Systems, L.P. 401(k) Retirement Plan on January 1, 1998. Following the initial enrollment, employees become eligible for participation in the plan on the quarterly enrollment dates following the employee completing 90 days of employment. The Company contributes an amount equal to 50% of employee voluntary contributions, which vests to the employee over four years, up to a maximum of 6% of the employee's annual compensation. The Company contributed $921,588 and $812,531 for the years ended December 31, 2020 and 2019, respectively.

11. Redeemable Preferred Stock

In December 2015, to raise additional capital for subsequent acquisitions, the Board authorized the Company to issue 500,000 shares of preferred stock as one or more series. The Company designated 100,000 of those authorized shares as 12% Series A Preferred Stock ("Series A"). The Series A shares are not redeemable by their terms. However, per the stockholders' agreement, the Company has the right to repurchase any Series A shares held by an employee whose employment with the Company terminates. The Series A are classified on the balance sheet as mezzanine equity. Each share of Series A has an original issue price of $1,000, and shareholders of the Series A are not entitled to any voting rights. The Series A ranks senior with respect to dividend payments, redemption payments, and distribution of assets to the Class A, Class B, and Class C common stock shareholders. Cumulative dividends on the Series A accrue at a rate of 12% per year. The Series A is also convertible at any time at the option of the shareholder into shares of Class A common stock equal to the original issue price plus all accrued and accumulated dividends on the date of conversion divided by $16. The Company is required to keep sufficient shares of Class A common stock available for issuance to permit the conversion of the Series A. Dividends continue to accrue on the Series A until the liquidation, dissolution, or winding up of the Company, or the shareholder exercises the conversion feature. The Company also amended the Employee Stock Plan to permit 1,000 shares of Series A to be issued subject to the Plan terms and conditions as discussed in Note 12 "Shareholders' Equity". There were 10,039 shares of Series A outstanding with an aggregate value of $10,039,000 at December 31, 2020 and 2019. The Company accrued a dividend of $2,021,674 and $1,796,231 for the years ended December 31, 2020 and 2019, respectively.

12. Shareholders' Equity

In connection with the Acquisition, a new equity structure was formed comprised of Class A common stock, Class B common stock, and Class C common stock; each with a par value of $0.01. There were 17,999,998 shares of Class A common stock authorized with 9,939,291 shares outstanding at December 31, 2020 and 2019, 1 share of Class B common stock authorized with 1 share outstanding, and 1 share of Class C common stock authorized with 1 share outstanding, respectively. Each share of Class A common stock shall be entitled to one vote on each matter to be voted on with 30% of the voting power to elect members of the Board. Class B common stock shall be entitled to director voting only, with the number of votes being equal to the outstanding number of Class A common shares multiplied by 2.34, which is 70% of the voting power to elect members of the Board. Class C common stock shall not be entitled to vote on any matter except in the event of an amendment to the Company's charter that would adversely affect the rights and preferences of the Class C common shares. Upon this occurrence, approval by the majority of Class C common shares would be required. The Class B share requires the Company to pay annual aggregate dividends of 10,000 CAD. The Class C share requires that the Company declare and pay a dividend equal to the aggregate amount of any fee paid under the Management Services Agreement as discussed in Note 13 "Related Party Transactions", except if prohibited by the Company's debt agreements which require certain financial ratios and covenants to be met. If declaring the dividend is prohibited, then an amount equal to such undeclared dividend shall accumulate in arrears and accrue with interest at a rate of 8% per annum. For the years ended December 31, 2020 and 2019, the amount of the undeclared dividend including interest is $3,866,207 and $3,093,438, respectively.

In the event of a liquidation, dissolution, or winding up of the affairs of FAPS Holdings, Inc., after the preferred stock shareholders the next priority of distributions is to the Class C common stock shareholder, but only if and to the extent of any owed but unpaid dividends; then, to the Class B common stock shareholder in the amount of $0.02 per share; and last, to the Class A common stock shareholders pro rata.

In connection with the Acquisition, the Company also established the FAPS Holdings, Inc. Employee Stock Purchase Plan ("Employee Stock Plan") which permits certain employees, officers, and directors of the Company the opportunity to purchase up to 750,000 shares of the Company's Class A common stock. The Employee Stock Plan is intended to incentivize participants to promote the growth and success of the Company. The purchase price of the shares under the Employee Stock Plan is determined by the Board and must be paid in cash or other property approved by the Board. The Board also reserves the right to suspend, amend, or terminate the Employee Stock Plan at any time. If not terminated prior, the Employee Stock Plan will terminate on August 19, 2024.

13. Related Party Transactions

In connection with the Acquisition on August 18, 2014, the Company entered into a Management Services Agreement with an affiliate of an equity investor under which the affiliate provides to the Company transaction structuring and advisory services in connection with selected aspects of future transactions and such additional management, financial, strategic planning and financial advisory services reasonably requested by the Company from time to time. The Company paid $644,526 and $1,050,000 to this affiliate for the years ended December 31, 2020 and 2019, respectively.

The Company has an ISO who is a family member with a senior executive of the Company. The Company made residual payments to the ISO totaling $3,372,271 and $3,159,588 for the years ended December 31, 2020 and 2019, respectively.

The Company entered into promissory note agreements that are recourse in nature with certain shareholders for payments of personal income taxes related to the exercise of stock options. The notes bear interest at 2% per annum and are compounded annually on the unpaid balance. The principal plus accrued interest is due and payable on the earliest of the seventh anniversary of the notes, the date the majority shareholder ceases to own at least 51% of the common stock of the Company, or the first date on which the borrower is no longer an employee and ceases to own any shares of common stock. The promissory note balance for the years ended December 31, 2020 and 2019 was $3,222,753 and $3,337,939, respectively.

14. Subsequent Events

The Company has evaluated events and transactions for recognition or disclosure in the consolidated financial statements through April 20, 2021, the date the consolidated financial statements were available to be issued. Other than the events and transactions discussed below there were no other events or transactions that required recognition or disclosure in the consolidated financial statements.

Exhibit 99.3

FAPS Holdings, Inc.
Condensed Consolidated Financial Statements (Unaudited) as of March 31, 2021 and December 31, 2020 and for the three months ended March 31, 2021 and 2020

FAPS Holdings, Inc.
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FAPS Holdings, Inc.
Condensed Consolidated Balance Sheets (Unaudited)

	March 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 13,287,322	$ 8,478,873
Current portion of restricted cash	316,889	232,373
Funds held for merchants	9,882,827	94,295,263
Accounts receivable, net	26,033,615	22,605,817
Expected merchant funds	456,307	2,993,240
Current portion of lease payments receivable, net	559,928	743,140
Inventory, net	1,343,392	1,680,931
Other current assets	3,360,594	3,679,044
Total current assets	55,240,874	134,708,681
Restricted cash	3,730,285	3,227,120
Lease payments receivable, net	1,296,490	1,135,151
Property and equipment, net	32,537,255	31,697,138
Other assets	9,770,632	9,692,889
Intangible assets, net	55,283,892	58,368,956
Goodwill	343,945,227	343,945,227
Total assets	$ 501,804,655	$ 582,775,162
Liabilities, redeemable preferred stock and shareholders' equity		
Liabilities		
Funds owed to merchants	$ 10,656,022	$ 97,520,876
Accounts payable	2,839,803	2,760,103
Income taxes payable	1,785,558	620,060
Reserve for chargebacks and merchant loss	426,933	427,908
Accrued expenses and other liabilities	40,492,883	40,639,058
Deferred revenue	4,424,609	4,301,554
Total current liabilities	60,625,808	146,269,559
Other long-term liabilities	4,493,276	4,028,585
Deferred tax liability, net	26,505,444	26,237,110
Long-term debt obligations	246,106,724	245,900,234
Total liabilities	337,731,252	422,435,488
Commitments and contingencies (Note 5)		
Redeemable preferred stock, 12% series A, $.01 par value, 100,000 shares authorized at March 31, 2021 and December 31, 2020; 10,003 and 10,039 outstanding at March 31, 2021 and December 31, 2020, respectively	18,608,364	18,129,498
Shareholders' equity		
Class C common stock, $.01 par value, 1 share authorized and outstanding at March 31, 2021 and December 31, 2020	.01	.01
Class B common stock, $.01 par value, 1 share authorized and outstanding at March 31, 2021 and December 31, 2020	.01	.01
Class A common stock, $.01 par value, 17,999,998 shares authorized; 9,951,208 and 9,939,291 outstanding at March 31, 2021 and December 31, 2020, respectively	99,512	99,393
Treasury stock, at cost, 80,435 and 48,084 shares at March 31, 2021 and December 31, 2020, respectively	(1,991,123)	(976,596)
Additional paid-in capital	151,520,522	152,105,671
Shareholder notes receivable	(3,177,353)	(3,222,753)
Accumulated deficit	(986,519)	(5,795,539)
Total shareholders' equity	145,465,039	142,210,176
Total liabilities, redeemable preferred stock and shareholders' equity	$ 501,804,655	$ 582,775,162

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

FAPS Holdings, Inc.
Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended	
	March 31, 2021	March 31, 2020
Revenue	$ 76,840,540	$ 73,375,564
Operating expenses		
Other costs of service	44,612,118	42,249,065
Selling, general and administrative expenses	16,834,392	19,701,053
Depreciation and amortization	5,279,885	6,079,256
	66,726,395	68,029,374
Income from operations	10,114,145	5,346,190
Interest expense	3,708,402	8,817,730
Other (income) expense	(10,140)	58,273
Income (loss) before income taxes	6,415,883	(3,529,813)
Provision for income taxes	1,606,863	127,511
Net income (loss)	4,809,020	(3,657,324)
Other comprehensive income	-	-
Comprehensive income (loss)	$ 4,809,020	$ (3,657,324)

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

FAPS Holdings, Inc.
Condensed Consolidated Statements of Shareholders' Equity (Unaudited)

	Class C Common Stock		Class B Common Stock		Class A Common Stock		Treasury Stock		Additional Paid-in Capital	Shareholder Notes Receivable	Accumulated Earnings (Deficit)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balances at December 31, 2019	1	$ 0.01	1	$ 0.01	9,939,291	$ 99,393	(34,591)	$ (553,456)	$ 154,430,309	$ (3,337,939)	$ (9,396,710)	$ 141,241,597
Share-based compensation									40,500			40,500
Repurchase of common stock							(7,952)	(249,375)				(249,375)
Settlement of stock options									(268,569)			(268,569)
Shareholder notes receivable, net										114,761		114,761
Common stock dividend - Class B									(9,127)			(9,127)
Preferred stock dividend - 12% Series A									(483,235)			(483,235)
Net income											(3,657,324)	(3,657,324)
Balances at March 31, 2020	1	$ 0.01	1	$ 0.01	9,939,291	$ 99,393	(42,543)	$ (802,831)	$ 153,709,878	$ (3,223,178)	$ (13,054,034)	$ 136,729,228
Balances at December 31, 2020	1	0.01	1	0.01	9,939,291	99,393	(48,084)	(976,596)	152,105,671	(3,222,753)	(5,795,539)	142,210,176
Issuance of common stock					11,917	119			313,009			313,128
Share-based compensation									60,000			60,000
Repurchase of common stock							(32,351)	(1,014,527)				(1,014,527)
Settlement of stock options									(396,964)			(396,964)
Shareholder notes receivable, net										45,400		45,400
Common stock dividend - Class B									(19,203)			(19,203)
Preferred stock dividend - 12% Series A									(541,991)			(541,991)
Net income											4,809,020	4,809,020
Balances at March 31, 2021	1	$ 0.01	1	$ 0.01	9,951,208	$ 99,512	(80,435)	(1,991,123)	$ 151,520,522	$ (3,177,353)	$ (986,519)	$ 145,465,039

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

FAPS Holdings, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended	
	March 31, 2021	**March 31, 2020**
Cash flows from operating activities		
Net income (loss)	$ 4,809,020	$ (3,657,324)
Adjustments to reconcile net income to net cash provided by operating activities		
Share-based compensation expense	60,000	40,500
Loss on extinguishment of debt	-	3,259,187
Unrealized foreign currency exchange (gain) loss	(13,589)	65,278
Provision for lease allowance, merchant loss,and accounts receivable	(352,408)	(168,207)
Depreciation and amortization of property and equipment	1,680,093	1,615,629
Amortization of intangible assets	3,569,130	4,429,025
Amortization of initial direct costs	30,662	34,601
Amortization of loan costs, revolver	152,472	54,983
Amortization of debt issuance costs, term notes	206,491	249,572
Amortization of deferred contract acquisition costs	1,447,443	1,281,499
Deferred income taxes	268,334	4,285,819
Changes in assets and liabilities		
Accounts receivable	(3,427,666)	1,307,204
Lease payments receivable	68,182	80,525
Inventory	337,539	(367,371)
Other assets	(1,378,373)	(1,147,160)
Accounts payable	(1,141,303)	(75,249)
Reserve for chargebacks and merchant loss	271,025	278,391
Accrued expenses and other liabilities	314,810	(6,250,478)
Income taxes payable	1,165,498	(4,270,057)
Deferred revenue	123,055	121,831
Funds held/owed to merchants	101,665	636,121
Net cash provided by operating activities	8,292,080	1,804,319
Cash flows from investing activities		
Purchases of property and equipment	(1,276,592)	(1,289,026)
Purchase and conversion of agent residuals	(243,000)	(35,398)
Agent exclusivity agreements	(241,066)	85,342
Repayments of notes receivable	-	31,250
Net cash used in investing activities	(1,760,658)	(1,207,832)

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

FAPS Holdings, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended	
	March 31, 2021	March 31, 2020
Cash flows from financing activities		
Proceeds from new term loan, net of original issue discount	-	272,250,000
Payments on previous term loan first lien	-	(189,000,000)
Payments on previous term loan second lien	-	(80,000,000)
Debt issuance costs	-	(4,048,241)
Proceeds from issuance of common stock, Class A	313,128	-
Repurchase of common stock	(1,014,527)	(249,375)
Settlement of stock options	(396,964)	(268,569)
Repurchase of preferred stock	(63,126)	-
Common stock dividends paid, Class B	(19,203)	(9,127)
Additions to shareholder notes receivable	(13,021)	(13,913)
Repayments of shareholder notes receivable	58,421	128,675
Net cash used in financing activities	(1,135,292)	(1,210,550)
Net increase (decrease) in cash, cash equivalents and restricted cash	5,396,130	(614,063)
Cash, cash equivalents and restricted cash		
Beginning of year	11,938,366	8,838,799
End of year	$ 17,334,496	$ 8,224,736
Supplemental cash flow information		
Cash paid for interest	$ 3,394,418	$ 9,570,973
Cash paid for income taxes, net	184,238	282,343
Noncash purchases of property and equipment	1,221,003	130,016
Noncash accrued dividend on redeemable preferred stock	541,991	483,235

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

1. Description of Business

FAPS Holdings, Inc. (the "Company") markets and services electronic credit card authorization and payment systems to merchants, including sale and leasing of related equipment. The Company provides a full range of payment processing services to small and medium-sized retail and service businesses throughout the United States including nonprofit organizations worldwide. These services include credit card, debit card and electronic benefit transaction processing; check guarantee and conversion; point-of-sale ("POS") equipment leasing; internet transaction processing and reporting; automated teller machines ("ATM") ownership and processing; and gift card processing and reporting.

Global Pandemic

In March 2020, the World Health Organization declared the coronavirus ("COVID-19") a pandemic. As a result of the pandemic, during 2020 and continuing into 2021, the ongoing outbreak has and may continue to adversely impact portions of the Company's merchant base due to various restrictions imposed by state and local governments limiting the extent to which merchants can operate their businesses. Such limitations on the Company's merchant base could have an adverse impact on processing volumes for which a significant portion of the Company's revenue is derived. While the widespread distribution of vaccines and lifting of restrictions by certain state and local governments has resulted in signs of economic recovery, the extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, potential virus resurgences in certain areas, regulatory decisions, and the impact on the financial markets, all of which are uncertain and cannot be predicted. These factors could ultimately affect the recoverability of assets, long-lived assets and goodwill, however, these unaudited condensed consolidated financial statements reflect the effects of COVID-19 based on management's estimates and assumptions utilizing the most currently available information.

2. Summary of Significant Accounting Policies

Accounting Principles

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and on the same basis as the Company's audited consolidated financial statements for the year ended December 31, 2020. Certain information and disclosures included in the annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, estimates, and management judgments necessary for a fair statement of the Company's interim financial information for the periods presented. The results reported in the unaudited condensed consolidated financial statements are not necessarily indicative of the results expected for any future interim or annual period. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of FAPS Holdings, Inc. and its wholly owned subsidiaries. All intercompany transactions and balances are eliminated in consolidation.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions that affect the amounts reported. These estimates are based on historical experience and information that is available to management about current events and actions the Company may take in the future. Significant items subject to estimates and assumptions include the carrying value and useful lives of long- lived assets, deferred income taxes, and stock options**.** Actual results could materially differ from those estimates.

Cash, Cash Equivalents and Restricted Cash
Cash and cash equivalents consist primarily of cash, but may also include short-term, highly liquid cash investments having original maturity dates of three months or less. All excess cash not needed for normal operations is used to reduce debt or held to fund future investments. The Company maintains cash at financial institutions in excess of federally insured limits.

The current portion of restricted cash consists of certain merchant funds that are settled within three business days and restricted cash consists of merchant reserves.

	March 31, 2021	December 31, 2020
Cash and cash equivalents	$ 13,287,322	$ 8,478,873
Current portion of restricted cash	316,889	232,373
Restricted cash	3,730,285	3,227,120
Total cash, cash equivalents and restricted cash presented in the statements of cash flows	$ 17,334,496	$ 11,938,366

Funds Held for Merchants
Funds held for merchants represents cash received by the Company from credit card networks and internet transaction processing which the Company collects on behalf of certain merchants. Upon receiving the cash, the Company recognizes an offsetting liability reflected as funds owed to merchants until the funds are settled with the merchants. The cash is settled to merchants within three to five business days.

Expected Merchant Funds
The expected merchant funds represent amounts due to the Company from credit card networks which the Company collects on behalf of certain merchants. Upon recording the expected funds, the Company recognizes an offsetting liability reflected as funds owed to merchants until the funds are settled with the merchants.

Income Taxes
Deferred tax assets and liabilities are recorded to reflect the future tax consequences attributable to the effects of differences between the carrying amounts of existing assets and liabilities for financial reporting and their respective amounts used for income tax purposes. These tax effects are measured based on provisions of enacted tax laws. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

If interest or penalties are paid related to income taxes, they are recorded as tax expense. Interest and penalties paid during the three months ended March 31, 2021 and 2020 were immaterial. The years ended 2017, 2018 and 2019 remain subject to examination by the Internal Revenue Service.

Recent Accounting Pronouncements

In February 2016, the FASB issued updated guidance regarding lease accounting. The update includes a lessee accounting model with two types of leases: finance leases and operating leases. The guidance requires that most leases be recognized on the balance sheet as a right of use asset with an associated lease liability at the lease commencement date. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. Lessor accounting will remain substantially the same as the current model. The updates to lessor accounting focus on conforming to certain changes made to the lessee model and the new revenue recognition standard. The guidance requires new disclosures with the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing key information about the leasing arrangements recorded in the financial statements. The new guidance will be effective for fiscal years beginning after December 15, 2021. The Company is currently assessing the impact of this guidance on its consolidated financial statements.

In August 2018, the FASB issued new guidance on a customer's accounting for implementation, set-up and other upfront costs incurred in a cloud computing arrangement hosted by a service contract with a vendor. Under the new guidance, a customer will apply the same criteria for capitalizing implementation costs of a cloud computing arrangement as it would for an on-premises software license. The new guidance will be effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company is currently assessing the impact of this guidance on its consolidated financial statements.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that the Company adopts as of the specified effective date. Unless otherwise discussed, the Company believes the impact of recently issued standards that are not yet effective are either not applicable to the Company at this time or will not have a material impact on the Company's consolidated financial statements upon adoption.

3. Revenues

Disaggregation of revenue

The following table presents disaggregated revenue for the three months ended March 31, 2021 and 2020:

	Three Months Ended	
	March 31, 2021	**March 31, 2020**
Payment processing services	74,447,903	71,231,435
Equipment sales	1,029,209	647,237
Leasing-related revenue	814,462	960,116
Software contracts	548,966	534,776
Total Revenues	$ 76,840,540	$ 73,373,564

Contract Acquisition Costs

The Company had net deferred contract acquisition costs at March 31, 2021 and December 31, 2020 of $8,148,046 and $8,008,707, respectively, which are included in noncurrent other assets. Amortization of deferred contract acquisition costs at March 31, 2021 and 2020 was $1,447,443 and $1,281,499, respectively.

Contract Assets and Liabilities

The Company's contract assets represent its right to consideration in exchange for goods or services that it has already transferred to its customers. As the Company's right to the consideration is entirely unconditional for all of its goods or services transferred to the customer as of the end of the period, all contract assets are classified as receivables. Contract receivables, net of allowance for doubtful accounts, at March 31, 2021 and December 31, 2020 was $26,033,615 and $22,605,817, respectively.

The Company's contract liabilities represent its obligation to transfer goods or services to a customer for which the Company has received consideration. Contract liabilities at March 31, 2021 and December 31, 2020 was $4,424,609 and $4,301,554, respectively. Revenue recognized for the three months ended March 31, 2021 and 2020 from contract liability balances at the beginning of each period was $2,500,284 and $2,709,460 respectively.

4. Long-Term Debt and Revolving Credit Facility

Long-term debt and revolving credit facility consist of the following:

	March 31, 2021	December 31, 2020
New term loan	251,062,500	251,062,500
New revolving credit facility	-	-
	251,062,500	251,062,500
Less: Unamortized debt issuance costs	4,955,776	5,162,266
	$ 246,106,724	$ 245,900,234

Maturity requirements on long-term debt as of March 31, 2021 are as follows:

2021 (April - December)	$ -
2022	-
2023	-
2024	-
2025	-
Thereafter	251,062,500
	$ 251,062,500

New Term Loan
On March 4, 2020, the Company entered into a syndicated loan agreement (the "New Term Loan") with various financial institutions paying off the Previous First Lien and the Previous Second Lien. The New Term Loan consists of a $275,000,000 term loan, including an original issue discount of $2,750,000, and a $40,000,000 new revolving credit facility. All borrowings under the New Term Loan bear interest at a Base Rate plus an Applicable Rate of 4.0% or 3.75% or an Adjusted LIBO

Rate plus an Applicable Rate of 5.0% or 4.75% for the term loan and new revolving credit facility, respectively. The Base Rate is equal to the greater of prime rate, the NYFRB Rate plus .5%, the Adjusted LIBO Rate as calculated in respect of a proposed Eurodollar loan based on the LIBO Screen Rate plus 1.0%, or 1%, per annum. After June 30, 2020, all new revolving credit facility borrowings under the New Term Loan bear interest at a Base Rate plus an Applicable Rate of 3.75% or 3.5% or an Adjusted LIBO Rate plus an Applicable Rate of 4.75% or 4.5% based on the New Term Loan leverage ratio. As of December 31, 2020, the interest rate for the term loan was 5.23% and the new revolving credit facility was 7.00%. Quarterly payments of $687,500 are due on the term loan through December 31, 2026, with the remaining principal due on March 4, 2027. During 2020, the Company made all the contractually required quarterly payments due through December 31, 2026. Balances on the new revolving credit facility are due on March 4, 2025. Additionally, the Company pays a commitment fee on the unused portion of its new revolving credit facility of 0.5% or .375% based on the New Term Loan net leverage ratio. The New Term Loan may be prepaid at any time. The New Term Loan also requires additional principal payments based upon annual calculation of excess cash flow as defined in the agreement. An additional principal payment was not required for the year ended December 31, 2020.

Borrowings under the New Term Loan are collateralized on a first priority basis by a security interest in substantially all assets of the Company. Under the terms of the New Term Loan, the Company is required to maintain certain financial ratios and comply with certain covenants. The Company was in compliance with all of its financial covenants during 2020 under the New Term Loan. In connection with the New Term Loan, the Company incurred fees of $7,470,502 of which $6,798,241 was deferred and recognized as debt issuance costs and $672,260 was recorded to selling, general and administrative expenses. Deferred debt issuance costs at the time of the event was $4,021,250 of which $762,064 was recorded as deferred debt issuance costs and the remaining $3,259,187 was recognized as a loss on extinguishment and recorded to interest expense. The debt issuance costs for the term loan are amortized and netted against the outstanding debt balance and will be amortized over the life of the New Term Loan under the effective interest method. The debt issuance costs for the new revolving credit facility will be amortized over the life of the new revolving credit facility under the New Term Loan using the straight-line method. The charge to interest expense related to debt issuance costs was $358,963 and $304,555 for the three months ended March 31, 2021 and 2020, respectively.

5. Commitments and Contingencies

Leases

The Company leases office space for its headquarters, operations and sales offices. These leases expire at various times and some of the leases have renewal, escalation and abatement period clauses. The total amount of the minimum rent is expensed on a straight-line basis over the term of the lease.

Future minimum rental payments under noncancelable operating leases at March 31, 2021 are summarized below:

	Operating Leases
2021 (April - December)	$ 3,463,529
2022	4,875,588
2023	4,484,371
2024	4,383,763
2025	4,232,191
Thereafter	11,916,445
	$ 33,355,887

Rent expense for all operating leases for the three months ended March 31, 2021 and 2020 was $1,201,687 and $1,187,186, respectively.

Payment Processing Agreements
The Company has agreements with several third-party processors to provide payment processing, transmittal, transaction authorization and data capture services, and access to various reporting tools. These third-party processors include Worldpay, TSYS Acquiring Solutions, First Data Corporation, and Chase Paymentech Solutions. Agreements with certain third-party processors require the Company to submit a minimum monthly number of transactions or volume for processing. If the Company submits a number of transactions or volume that is lower than the minimum, the Company is required to pay the processor the fees that they would have received if the Company had submitted the required minimum transactions or volume. The agreement expiration dates with these third-party processors range from yearly renewal options to seven years.

The future minimum commitments required to be paid are summarized below:

2021 (April - December)	$ 1,321,504
2022	1,562,005
2023	1,440,000
2024	1,440,000
2025	1,440,000
Thereafter	2,640,000
	$ 9,843,509

Bank Processing Agreement
In connection with the Company's credit card processing services, VISA and MasterCard require merchants accepting VISA and MasterCard credit cards to contract directly with a processing bank that is a member bank of the VISA and MasterCard associations. The Company is dependent upon the contractual arrangement with its processing bank to continue to service merchant portfolios. The Company has a contractual right to receive revenue derived from the discount rate and fees earned on its merchant portfolios, as long as the merchant continues to process transactions on the processing bank's systems and the Company remains in compliance under its agreement with the processing bank.

In accordance with the Company's contract with its processing bank, all of the funds collected and all disbursement functions are performed on behalf of the Company by the processing bank. Disbursements for the interchange fee paid to the card issuing financial institutions are made daily.

Shortly after each month-end, the processing bank disburses to the Company the remainder of the funds collected from the merchants less the processing bank's fees and credit card network fees.

Litigation

From time to time the Company is involved in certain legal proceedings and claims which arise in the ordinary course of business. It is the Company's policy to accrue for amounts related to these legal proceedings if it is probable that a liability has been incurred and the amount is reasonably estimable. In the opinion of the Company, based on consultations with counsel, the results of any of these legal proceedings individually and in the aggregate, are not expected to have a material effect on its results of operations, financial condition or cash flows.

Severance

Certain officers of the Company have entered into employee agreements under which they are entitled to severance pay equal to their base salary for 12 to 24 months in the event they are terminated by the Company other than for cause.

Data Breach

The Company collects and stores sensitive data about its merchant customers and bank cardholders. If the Company's network security is breached or sensitive merchant or cardholder data is misappropriated, the Company could be exposed to assessments, fines or litigation costs.

6. Income Taxes

The effective tax rate for the three months ended March 31, 2021 and 2020 was 25.1% and 3.6%, respectively. The differences in each period between the effective tax rate and the federal statutory rate is due to the impacts of state and local taxes, nondeductible items and the results of the enactment of the CARES Act specifically related to additional deductions related to the qualified improvement property and interest expense.

7. Redeemable Preferred Stock

The following table presents redeemable preferred stock activity for the three months ended March 31, 2021 and 2020:

	Series A Redeemable Preferred Stock		Additional Paid-in Capital	Accrued Dividends	Total Redeemable Preferred Stock
	Shares	Amount			
Balances at December 31, 2019	10,039	$ 100.39	$ 10,038,900	$ 6,068,825	$ 16,107,825
Accrued Dividends	-	-		483,235	483,235
Balances at March 31, 2020	10,039	100.39	10,038,900	6,552,060	16,591,060
Balances at December 31, 2020	10,039	100.39	10,038,900	8,090,499	18,129,499
Conversion of Preferred Stock	(36)	(0.36)	(36,000)	(27,126)	(63,126)
Accrued Dividends	-	-		541,991	541,991
Balances at March 31, 2021	10,003	$ 100.03	$ 10,002,900	$ 8,605,364	$ 18,608,364

8. Related Party Transactions

In connection with the Acquisition on August 18, 2014, the Company entered into a Management Services Agreement with an affiliate of an equity investor under which the affiliate provides to the Company transaction structuring and advisory services in connection with selected aspects of future transactions and such additional management, financial, strategic planning and financial advisory services reasonably requested by the Company from time to time. The Company paid $125,000 and $269,526 to this affiliate for the three months ended March 31, 2021 and 2020, respectively.

The Company has an Independent Sales Organization ("ISO") who is a family member with a senior executive of the Company. The Company made residual payments to the ISO totaling $813,072 and $810,296 for the three months ended March 31, 2021 and 2020, respectively.

The Company entered into promissory note agreements that are recourse in nature with certain shareholders for payments of personal income taxes related to the exercise of stock options. The notes bear interest at 2% per annum and are compounded annually on the unpaid balance. The principal plus accrued interest is due and payable on the earliest of the seventh anniversary of the notes, the date the majority shareholder ceases to own at least 51% of the common stock of the Company, or the first date on which the borrower is no longer an employee and ceases to own any shares of common stock. The promissory note balance as of March 31, 2021 and December 31, 2020 was $3,177,353 and $3,222,753, respectively.

9. Subsequent Events

The Company has evaluated events and transactions for recognition or disclosure in the unaudited condensed consolidated financial statements through May 10, 2021, the date the unaudited condensed consolidated financial statements were available to be issued. Other than the event discussed below, there were no other events or transactions that required recognition or disclosure in the unaudited condensed consolidated financial statements.

On April 21, 2021, the Company entered into an Agreement and Plan of Merger to be acquired for total purchase consideration of $960,000,000, subject to customary closing conditions. The closing date of the transaction is expected to be June 1, 2021 and all components of the transaction have been approved by the shareholders of the Company.

Exhibit 99.4

Unaudited pro forma condensed combined financial information

The following unaudited pro forma condensed combined balance sheet as of March 31, 2021 and the unaudited pro forma condensed combined statements of income for the three months ended March 31, 2021, the year ended December 31, 2020 and the twelve months ended March 31, 2021, are based on the individual historical consolidated financial statements of Deluxe and First American, respectively, included elsewhere or incorporated by reference in this offering memorandum. The unaudited pro forma condensed combined statements of income give effect to the Transactions described under the section entitled “The transactions” as if they had occurred on January 1, 2020, and for purposes of the pro forma condensed combined balance sheet, as if they had occurred on March 31, 2021.

The consummation of the Transactions is subject to the satisfaction of customary closing conditions, including the absence of a material adverse change in the First American business as set forth in the Merger Agreement. See the section entitled “The transactions”.

The pro forma condensed combined financial statements do not necessarily reflect what the combined company’s financial condition or results of operations would have been had the FAPS Acquisition and the related financing occurred on the dates indicated. They also may not be useful in predicting the future financial condition and results of operations of the combined company. The combined company’s actual financial condition and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

Upon completion of the FAPS Acquisition, an updated determination of the fair value of First American’s assets acquired, and liabilities assumed, will be performed. The final purchase consideration allocation may be materially different than the preliminary purchase consideration allocation presented in the unaudited pro forma condensed combined financial statements. Any changes in the fair values of the net assets or total purchase consideration as compared with the information shown in the unaudited pro forma condensed combined financial statements may change the amount of the total purchase consideration allocated to goodwill and other assets and liabilities and may impact the combined company’s statement of income. As a result of the foregoing, the pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial information. Differences between these preliminary estimates and the final acquisition accounting may arise, and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and the combined company’s future results of operations and financial position.

The following unaudited condensed combined pro forma financial statements and related notes are based on and should be read in conjunction with the audited and unaudited historical financial statements and related notes of each of Deluxe and First American included elsewhere or incorporated by reference in this offering memorandum. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined financial information. See also the sections entitled “Risk factors,” “The transactions,” “Use of proceeds,” “Summary historical consolidated financial information of Deluxe,” “Summary historical consolidated financial information of First American,” “Management’s discussion and analysis of financial condition and results of operations of Deluxe,” and “Management’s discussion and analysis of financial condition and results of operations of First American.”

Unaudited pro forma condensed combined balance sheet
as of March 31, 2021
(Dollars in thousands)

Description	Deluxe Historical	FAPS Historical - After Reclassification Adjustments (Note 2)	Transaction Accounting Adjustments: Financing Adjustments	Note 4	Transaction Accounting Adjustments: Acquisition Adjustments	Note 4	Pro Forma Combined
(in thousands)							
ASSETS							
Current Assets:							
Cash and cash equivalents	$ 125,440	$ 13,287	$ 985,090	[a]	$ (972,236)	[b]	$ 151,581
Trade accounts receivable, net	139,547	26,034	-		-		165,581
Inventories and supplies, net	37,119	1,343	-		-		38,462
Funds held for customers	122,466	14,386	-		-		136,852
Revenue in excess of billings	27,655	-	-		-		27,655
Other current assets	52,269	3,921	-		3,177	[d]	59,367
Total current assets	504,496	58,971	985,090		(969,059)		579,498
Deferred income taxes	4,636	-	-		-		4,636
Long-term investments	46,147	-	-		-		46,147
Property, plant and equipment, net	87,836	13,689	-		-		101,525
Operating lease assets	41,288	-	-		28,826	[e]	70,114
Intangibles, net	254,152	55,284	-		217,716	[f]	527,152
Goodwill	736,862	343,945	-		406,389	[g]	1,487,196
Other non-current assets	217,835	29,915	5,380	[m]	(27,201)	[c][h] [i]	225,929
Total assets	$ 1,893,252	$ 501,804	$ 990,470		$ (343,329)		$ 3,042,197
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current liabilities:							
Accounts payable	$ 109,064	$ 2,840	$ -		$ -		$ 111,904
Funds held for customers	120,581	10,656	-		-		131,237
Accrued liabilities	174,923	47,130	-		9,864	[e][k][l]	231,917
Total current liabilities	404,568	60,626	-		9,864		475,058
Long-term debt	840,000	246,107	990,470	[o]	(246,107)	[j]	1,830,470
Operating lease liabilities	34,288	-	-		24,110	[e]	58,398
Deferred income taxes	15,265	26,505	-		42,877	[l]	84,647
Other non-current liabilities	40,312	4,493	-		-		44,805
Commitments and contingencies	-	-	-		-		-
Shareholders' equity:							
Common shares	42,104	-	-		-		42,104
Class A common stock	-	100	-		(100)	[n]	-
Class B common stock	-	-	-		-	[n]	-
Class C common stock	-	-	-		-	[n]	-
Redeemable preferred stock	-	18,608	-		(18,608)	[n]	-
Treasury stock, at cost	-	(1,991)	-		1,991	[n]	-
Shareholder notes receivable	-	(3,177)	-		3,177	[d]	-
Additional paid-in capital	22,306	151,521	-		(151,521)	[n]	22,306
Retained earnings	534,059	(988)	-		(9,012)	[n]	524,059
Accumulated other comprehensive loss	(39,824)	-	-		-	[n]	(39,824)
Non-controlling interest	174	-	-		-		174
Total shareholders' equity	558,819	164,073	-		(174,073)		548,819
Total liabilities and shareholders' equity	$ 1,893,252	$ 501,804	$ 990,470		$ (343,329)		$ 3,042,197

Refer to the accompanying notes to the unaudited pro forma condensed combined financial information.

Unaudited pro forma condensed combined statement of income
for the three months ended March 31, 2021
(Dollars in thousands)

Description	Deluxe Historical	FAPS Historical - After Reclassification Adjustments (Note 2)	Transaction Accounting Adjustments: Financing Adjustments	Note 5	Transaction Accounting Adjustments: Acquisition Adjustments	Note 5	Pro Forma Combined
(in thousands)							
Product revenue	$ 299,053	$ 4,888	$ -		$ -		$ 303,941
Service revenue	142,211	71,953	-		-		214,164
Total revenue	441,264	76,841	-		-		518,105
Cost of products	(107,325)	(2,838)	-		-		(110,163)
Cost of services	(71,184)	(41,774)	-		-		(112,958)
Total cost of revenue	(178,509)	(44,612)	-		-		(223,121)
Gross profit	262,755	32,229	-		-		294,984
Selling, general and administrative expense	(212,436)	(22,114)	-		(925)	[a] [d]	(235,475)
Restructuring and integration expense	(14,313)	-	-		-		(14,313)
Asset impairment charges	-	-	-		-		-
Operating income (loss)	36,006	10,115	-		(925)		45,196
Interest expense	(4,524)	(3,708)	(13,716)	[c]	3,708	[b]	(18,240)
Other income	2,033	10	-		-		2,043
Income (loss) before income taxes	33,515	6,417	(13,716)		2,783		28,999
Income tax provision	(9,190)	(1,607)	3,566	[e]	(846)	[e]	(8,077)
Net income (loss)	24,325	4,810	(10,150)		1,937		20,922
Net income attributable to non-controlling interest	(33)	-	-		-		(33)
Net income (loss) attributable to controlling interest	$ 24,292	$ 4,810	$ (10,150)		$ 1,937		$ 20,889

Refer to the accompanying notes to the unaudited pro forma condensed combined financial information.

Unaudited pro forma condensed combined statement of income
for the year ended December 31, 2020
(Dollars in thousands)

Description	Deluxe Historical	FAPS Historical - After Reclassification Adjustments (Note 2)	Transaction Accounting Adjustments: Financing Adjustments	Note 5	Acquisition Adjustments	Note 5	Pro Forma Combined
(in thousands)							
Product revenue	$ 1,230,638	$ 18,460	$ -		$ -		$ 1,249,098
Service revenue	560,143	269,862	-		-		830,005
Total revenue	1,790,781	288,322	-		-		2,079,103
Cost of products	(458,637)	(10,661)	-		-		(469,298)
Cost of services	(272,134)	(155,840)	-		-		(427,974)
Total cost of revenue	(730,771)	(166,501)	-		-		(897,272)
Gross profit	1,060,010	121,821	-		-		1,181,831
Selling, general and administrative expense	(841,658)	(94,502)	-		(16,028)	[a][d] [f][g]	(952,188)
Restructuring and integration expense	(75,874)	-	-		-		(75,874)
Asset impairment charges	(97,973)	-	-		-		(97,973)
Operating income (loss)	44,505	27,319	-		(16,028)		55,796
Interest expense	(23,140)	(21,643)	(51,262)	[c]	21,643	[b]	(74,402)
Other income	9,214	16	-		-		9,230
Income (loss) before income taxes	30,579	5,692	(51,262)		5,615		(9,376)
Income tax provision	(21,680)	(2,091)	13,328	[e]	8,227	[e]	(2,216)
Net income (loss)	8,899	3,601	(37,934)		13,842		(11,592)
Net income attributable to non-controlling interest	(91)	-	-		-		(91)
Net income (loss) attributable to controlling interest	$ 8,808	$ 3,601	$ (37,934)		$ 13,842		$ (11,683)

Refer to the accompanying notes to the unaudited pro forma condensed combined financial information.

Unaudited pro forma condensed combined statement of income
for the last twelve months ended March 31, 2021
(Dollars in thousands)

Description	Deluxe For the Twelve Months Ended March 31, 2021 (Note 6)	FAPS For the Twelve Months Ended March 31, 2021 (Note 6)	Transaction Accounting Adjustments				Pro Forma Combined
			Financing Adjustments	Note 5	Acquisition Adjustments	Note 5	
(in thousands)							
Product revenue	$ 1,199,004	$ 18,953	$ -		$ -		$ 1,217,957
Service revenue	546,618	272,834	-		-		819,452
Total revenue	1,745,622	291,787	-		-		2,037,409
Cost of products	(444,375)	(10,968)	-		-		(455,343)
Cost of services	(262,856)	(157,896)	-		-		(420,752)
Total cost of revenue	(707,231)	(168,864)	-		-		(876,095)
Gross profit	1,038,391	122,923	-		-		1,161,314
Selling, general and administrative expense	(816,890)	(90,837)	-		(4,968)	[a] [d]	(912,695)
Restructuring and integration expense	(72,533)	-	-		-		(72,533)
Asset impairment charges	(7,643)	-	-		-		(7,643)
Operating income (loss)	141,325	32,086	-		(4,968)		168,443
Interest expense	(20,665)	(16,533)	(53,377)	[c]	16,533	[b]	(74,042)
Other income, net	6,775	85	-		-		6,860
Income (loss) before income taxes	127,435	15,638	(53,377)		11,565		101,261
Income tax provision	(34,080)	(3,570)	13,878	[e]	(2,757)	[e]	(26,529)
Net income (loss)	93,355	12,068	(39,499)		8,808		74,732
Net income attributable to non-controlling interest	(124)	-	-		-		(124)
Net income (loss) attributable to controlling interest	$ 93,231	$ 12,068	$ (39,499)		$ 8,808		$ 74,608

Refer to the accompanying notes to the unaudited pro forma condensed combined financial information.

Notes to unaudited pro forma condensed combined financial statements

Note 1 – Basis of presentation

The accompanying unaudited pro forma condensed combined financial statements and related notes were prepared pursuant with Article 11 of SEC Regulation S-X as amended by the final rule, Release No. 33-10786 "Amendments to Financial Disclosures about Acquired and Disposed Businesses." The unaudited pro forma condensed combined statements of income for the three months ended March 31, 2021 and the year ended December 31, 2020 combine the historical consolidated statements of income of Deluxe and First American included in the applicable 2021 first quarter financial statements and 2020 year-end financial statements, giving effect to the merger as if it had been completed on January 1, 2020. The accompanying unaudited pro forma condensed and combined balance sheet as of March 31, 2021 combines the historical consolidated balance sheets of Deluxe and First American included in the applicable 2021 first quarter financial statements, giving effect to the FAPS Acquisition as if it had been completed on March 31, 2021.

Deluxe and First American's historical financial statements were prepared in accordance with U.S. GAAP and presented in U.S. dollars. As discussed in Note 2, certain information of First American, as presented in its historical financial statements, has been reclassified to conform to the historical presentation of Deluxe's financial statements for purposes of preparing the unaudited pro forma condensed combined financial statements. Deluxe has conducted a preliminary review of adjustments necessary to conform First American's accounting policies to Deluxe accounting policies. Upon completion of the FAPS Acquisition, or as more information becomes available, Deluxe will perform a more detailed review of First American's accounting policies. As a result of that review, differences could be identified between the accounting policies of the two companies that, when conformed, could have a material impact on the combined company's financial information. Further, there were no material transactions and balances between Deluxe and First American as of and for the three months ended March 31, 2021 and the year ended December 31, 2020.

The accompanying unaudited pro forma financial statements and related notes were prepared using the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") Topic 805, *Business Combinations,* with Deluxe considered the acquirer of First American. ASC 805 requires, among other things, that the assets acquired, and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date. For purposes of the unaudited pro forma condensed combined balance sheet, the purchase consideration has been allocated to the assets acquired and liabilities assumed of First American based upon management's preliminary estimate of their fair values as of March 31, 2021. Deluxe has not completed the valuation analysis and calculations in sufficient detail necessary to arrive at the required estimates of the fair market value of the First American assets to be acquired or liabilities assumed, other than a preliminary estimate for intangible assets. Accordingly, apart from intangible assets, First American's assets and liabilities are presented at their respective carrying values including property, plant, and equipment. The excess of the acquisition consideration over the fair value of assets acquired and liabilities assumed is allocated to goodwill. Accordingly, the purchase price allocation and related adjustments reflected in these unaudited pro forma condensed combined financial statements are preliminary and subject to revision based on a final determination of fair value. Upon consummation of the FAPS Acquisition and the completion of a valuation, the acquisition consideration as well as the estimated fair values of the assets and liabilities will be updated and finalized as soon as practicable, but not later than one year from the Closing Date. The final purchase price allocation could differ materially from the preliminary allocation used in the transaction accounting adjustments as the final allocation may include changes in allocations to intangible assets as well as goodwill. The Company believes that its assumptions and methodologies provide a reasonable basis for presenting all of the significant effects of the FAPS Acquisition and the debt financing based on information available to management at this time and that the pro forma transaction accounting adjustments give effect to those assumptions and are properly applied in the unaudited pro forma condensed combined financial information.

Note 2 – Reclassification adjustments

As part of preparing the pro forma condensed combined financial statements, management performed a preliminary analysis of First American's financial information to identify differences in accounting policies as compared to those of Deluxe and differences in financial statement presentation as compared to the presentation of Deluxe.

Refer to the table below for a summary of identified reclassification adjustments made to present First American's consolidated balance sheet as of March 31, 2021 to conform presentation to that of Deluxe:

FAPS Consolidated Balance Sheet Line Items	Deluxe Consolidated Balance Sheet Line Items	FAPS Historical Consolidated Balance Sheet	Reclassification	Note 2	FAPS Historical - After Reclassification (rounded)
					(In thousands)
Cash & cash equivalents	Cash and cash equivalents	$ 13,287,322	$ -		$ 13,287
Current portion of restricted cash		316,889	(316,889)	(a)	-
Funds held for merchants	Funds held for customers	9,882,827	4,503,481	(a)	14,386
Accounts receivable, net	Trade accounts receivable, net	26,033,615			26,034
Expected merchant funds		456,307	(456,307)	(a)	-
Current portion of lease payments receivable, net		559,928	(559,928)	(b)	-
Inventory, net	Inventories and supplies, net	1,343,392	-		1,343
Current portion of notes receivable		-	-		-
Other current assets	Other current assets	3,360,594	559,928	(b)	3,921
Restricted cash		3,730,285	(3,730,285)	(a)	-
Lease payments receivable, net		1,296,490	(1,296,490)	(c)	-
Other assets	Other non-current assets	9,770,632	20,144,401	(c)	29,915
Property and equipment, net	Property, plant and equipment, net	32,537,255	(18,847,911)	(c)	13,689
Intangible assets, net	Intangibles, net	55,283,892	-		55,284
Goodwill	Goodwill	343,945,227	-		343,945
Funds owed to merchants	Funds held for customers	10,656,022	-		10,656
Accounts payable	Accounts payable	2,839,803			2,840
Income taxes payable		1,785,558	(1,785,558)	(d)	-
Reserve for chargebacks and merchant loss		426,933	(426,933)	(d)	-
Accrued expenses and other liabilities	Accrued liabilities	40,492,883	6,637,100	(d)	47,130
Deferred revenue		4,424,609	(4,424,609)	(d)	-
Other long-term liabilities	Other non-current liabilities	4,493,276	-		4,493
Deferred tax liability, net	Deferred income taxes	26,505,444	-		26,505
Long-term debt obligations	Long-term debt	246,106,724	-		246,107
Redeemable preferred stock		18,608,364	-		18,608
	Common shares	-	-		-
Common stock-Class C		-	-		-
Common stock-Class B		-	-		-
Common stock-Class A		99,512	-		100
Treasury stock		(1,991,123)	-		(1,991)
Additional paid-in capital	Additional paid-in capital	151,520,522			151,521
Shareholder notes receivable		(3,177,353)	-		(3,177)
Retained earnings	Accumulated deficit	(986,519)	-		(988)

(a) Represents a reclassification of current portion of restricted cash, expected merchant funds, and restricted cash to funds held for customers to conform to Deluxe presentation.
(b) Represents a reclassification of current portion of lease payments receivable, net and current portion of notes receivable to other current assets to conform to Deluxe presentation.
(c) Represents a reclassification of lease payments receivable and notes receivable to other non-current assets. In addition, reclassification of capitalized computer software costs (included in First American's property & equipment financial statement line item) to other non-current assets to conform to Deluxe presentation.
(d) Represents a reclassification of income taxes payable, reserve for chargebacks and merchant loss, and deferred revenue to accrued liabilities to conform to Deluxe presentation.

**Amounts may not sum due to rounding.*

Refer to the table below for a summary of reclassification adjustments made to First American's consolidated statement of income for the three months ended March 31, 2021 to conform presentation:

FAPS Consolidated Income Statement Line Items	Deluxe Consolidated Income Statement Line Items	FAPS Consolidated Statement of Income	Reclassification		FAPS Historical - After Reclassification (rounded)
					(In thousands)
Revenue		$ 76,840,540	$ (76,840,540)	(e)	$ -
	Product revenue	-	4,888,034	(e)	4,888
	Service revenue	-	71,952,506	(e)	71,953
Other costs of service		44,612,118	(44,612,118)	(f)	-
	Cost of products	-	2,837,897	(f)	2,838
	Cost of services	-	41,774,221	(f)	41,774
Selling, general and administrative expenses	Selling, general and administrative expense	16,834,392	5,279,885	(g)	22,114
Depreciation and amortization		5,279,885	(5,279,885)	(g)	-
Interest expense	Interest expense	3,708,402			3,708
Other (income) expense	Other income, net	(10,140)			(10)
Provision (benefit) for income taxes	Income tax provision	1,606,863			1,607

(e) Represents a reclassification of revenue to product revenue and service revenue to conform to Deluxe presentation.
(f) Represents a reclassification of cost of sales to cost of products and cost of services to conform to Deluxe presentation.
(g) Represents a reclassification of depreciation and amortization to selling, general and administrative expenses to conform to Deluxe presentation.

Refer to the table below for a summary of reclassification adjustments made to First American's consolidated statement of income for the year ended December 31, 2020 to conform presentation:

FAPS Consolidated Income Statement Line Items	Deluxe Consolidated Income Statement Line Items	FAPS Consolidated Statement of Income	Reclassification	Note 2	FAPS Historical - After Reclassification (rounded)
					(In thousands)
Revenue		$ 288,322,188	$ (288,322,188)	(e)	$ -
	Product revenue	-	18,460,488	(e)	18,460
	Service revenue	-	269,861,700	(e)	269,862
Other costs of service		166,501,208	(166,501,208)	(f)	-
	Cost of products	-	10,660,621	(f)	10,661
	Cost of services	-	155,840,587	(f)	155,840
Selling, general and administrative expenses	Selling, general and administrative expense	70,109,486	24,393,067	(g)	94,502
Depreciation and amortization		24,393,067	(24,393,067)	(g)	-
Interest expense	Interest expense	21,642,621			21,643
Other (income) expense	Other income, net	(16,440)			(16)
Provision (benefit) for income taxes	Income tax provision	2,091,075			2,091

(e) Represents a reclassification of revenue to product revenue and service revenue to conform to Deluxe presentation.
(f) Represents a reclassification of cost of sales to cost of products and cost of services to conform to Deluxe presentation.
(g) Represents a reclassification of depreciation and amortization to selling, general and administrative expenses to conform to Deluxe presentation.

Note 3 - Preliminary purchase price allocation

The preliminary estimated merger consideration of $972 million is allocated to the tangible and intangible assets acquired and liabilities assumed of First American based on their preliminary estimated fair values. The fair value assessments are preliminary and are based upon available information and certain assumptions, which Deluxe believes are reasonable under the circumstances. Actual results may differ materially from the assumptions within the unaudited pro forma condensed combined financial statements.

The final determination of the acquisition consideration and related allocation is anticipated to be completed as soon as practicable after the completion of the FAPS Acquisition, but not later than one year from the Closing Date.

The following table sets forth a preliminary allocation of the estimated merger consideration:

Description	Note		Amount
(in thousands)			
Preliminary fair value of estimated merger consideration	(1)	$	972,236
Assets:			
Cash and cash equivalents			13,287
Trade accounts receivable, net			26,034
Inventories and supplies, net			1,343
Funds held for customers			14,386
Other current assets			6,892
Property, plant and equipment, net			13,689
Operating lease assets			28,826
Intangibles, net			273,000
Other non-current assets			2,919
Total Assets		$	380,376
Liabilities			
Accounts payable			2,840
Funds held for customers			10,656
Accrued liabilities			46,993
Long-term debt	(2)		-
Operating lease liabilities			24,110
Deferred income taxes			69,382
Other non-current liabilities			4,493
Total Liabilities		$	158,474
Net Assets		$	221,902
Goodwill		$	750,334

(1) The total consideration includes a $12.2 million payment related to a tax benefit upon closing of the FAPS Acquisition.
(2) The outstanding debt of approximately $246 million of First American will be required to be repaid in connection with the FAPS Acquisition and therefore, is not assumed by Deluxe. Such amounts used to repay the debt are considered part of the merger consideration.

The amounts above are considered preliminary. The allocation of the purchase price is based upon certain external valuations and other analyses that have not been completed as of the date of this offering memorandum, including, but not limited to, working capital, certain tax matters, and intangible assets.

Note 4 – Adjustments to the unaudited pro forma condensed combined balance sheet

Refer to the items below for a reconciliation of the pro forma adjustments reflected in the unaudited pro forma condensed combined balance sheet:

(a) Represents cash received from issuance of a new Term A Loan Facility due in 2026 (interest rate of LIBOR plus 2.25%), a new Revolving Credit Facility due in 2026 (interest rate of LIBOR plus 2.25%), and the notes offered hereby. Deluxe has assumed the new financing will consist of drawing down $198 million of total available $500 million of the Revolving Credit Facility. Additionally, represents the repayment of the amount drawn on Deluxe's existing credit facility of approximately $840 million.

Description		Amount
(in thousands)		
Proceeds from the Term A Loan Facility due in 2026	$	1,155,000
Proceeds from the Revolving Credit Facility due in 2026		198,000
Proceeds from the notes offered hereby		500,000
Total sources of funding		1,853,000
Debt issuance costs (i)		(27,910)
Total sources of funding, net of debt issuance costs		1,825,090
Repayment of existing credit facility		(840,000)
Cash (pro forma financing adjustment)	$	985,090

(i) In relation to the Term A Loan Facility, the Revolving Credit Facility, and the notes offered hereby, estimated debt issuance costs amount to $14.1 million, $5.4 million and $8.4 million, respectively. The deferred debt issuance costs related to the Term A Loan Facility and the notes offered hereby are presented as a direct deduction from the face amount of the debt, while the deferred debt issuance costs related to the Revolving Credit Facility are classified as other assets.

(b) Represents the cash consideration paid to FAPS shareholders (a portion of which First American will use to repay the existing outstanding debt and associated accrued interest). The total $972 million cash payment includes $12 million payment related to a tax benefit upon closing of the FAPS Acquisition.

(c) Represents the elimination of previously capitalized indirect leasing costs on First American's balance sheet as under the acquisition method of accounting, capitalization of initial direct costs does not qualify for recognition as an asset ($206 thousand as of March 31, 2021).

Description		**Amount**
(in thousands)		
Elimination of FAPS historical capitalized initial leasing direct costs - Note 4(c)	$	(206)
Elimination of FAPS historical capitalized software costs – see Note 4(h)		(18,847)
Elimination of deferred contract acquisition costs – see Note 4(i)		(8,148)
Other non-current assets (pro forma acquisition adjustment)	$	(27,201)

(d) Represents the reclassification of the existing First American shareholder notes receivable from equity to other current assets as such amounts will represent a receivable from the selling shareholders which is expected to be repaid following the FAPS Acquisition ($3.2 million as of March 31, 2021).

(e) Represents an adjustment for the estimated impact of the new leasing standard (ASC 842), assuming First American had adopted this standard as of March 31, 2021. For the purpose of the pro forma financial statements, right of use assets is presented as an estimate that equals to the operating lease liability. Upon consummation of the FAPS Acquisition and further information is obtained, a more comprehensive ASC 842 adoption analysis will be performed. The below adjustments represent Deluxe's best estimates based upon the information currently available to Deluxe and could be subject to change once more detailed information is available.

Description		**Amount**
(in thousands)		
Right-of use assets, net (pro forma acquisition adjustment)	$	28,826
Operating lease liabilities		
Current (pro forma acquisition adjustment)		4,716
Long-term (pro forma acquisition adjustment)		24,110
Total	$	28,826

(f) Represents the pro forma adjustment to intangible assets, net based on a preliminary fair value assessment:

Description		**Amount**
(in thousands)		
To record the fair value of intangible assets acquired	$	273,000
Elimination of FAPS' historical intangible assets, net		(55,284)
Intangibles, net (pro forma acquisition adjustment)	$	217,716

The fair values of the intangible assets were determined using income approaches based on specific data provided by Deluxe and First American. Market participant assumptions were also used in valuation analysis where appropriate.

The fair values of the customer-related intangible assets were determined by using an income approach, specifically a multi-period excess earnings method (MPEEM), which is a commonly accepted valuation approach. The MPEEM is a specific application of the discounted cash flow (DCF) method. The principle behind the MPEEM is that the value of an intangible asset is equal to the present value of the incremental after-tax cash flows attributable only to the subject intangible asset after deducting contributory asset charges (CAC). The principle behind a CAC is that an intangible asset 'rents' or 'leases' from a hypothetical third party all the assets it requires to produce the cash flows resulting from its development, that each project rents only those assets it needs (including elements of goodwill) and not the ones that it does not need, and that each project pays the owner of the assets a fair return on (and of, when appropriate) the value of the rented assets.

The fair values of the trademarks/trade names and internally developed technology were also determined by using an income approach, specifically the Relief-from-Royalty Method, which is a commonly accepted valuation approach. The basic tenet of the Relief-from-Royalty Method is that without ownership of the subject intangible asset, the user of that intangible asset would have to make a stream of payments to the owner of the asset in return for the rights to use that asset. By acquiring the intangible asset, the user avoids these payments.

The estimated fair value of the intangible assets may change between the presented unaudited pro forma condensed combined balance sheet date of March 31, 2021 and the actual closing date of the acquisition.

(g) Represents the recognition of the goodwill based on the preliminary purchase price allocation. The preliminary purchase price allocation represents the excess of the estimated merger consideration over the preliminary fair value of the underlying assets acquired and liabilities assumed. Refer to Note 3 for further details related to the preliminary estimated merger consideration allocation. This adjustment also includes the elimination of First American's historical goodwill of $343.9 million as of March 31, 2021.

Description		**Amount**
(in thousands)		
Elimination of FAPS historical goodwill	$	(343,945)
Recognition of goodwill based on preliminary purchase price allocation – see Note 3		750,334
Goodwill (pro forma acquisition adjustment)	$	406,389

(h) Represents the elimination of First American's historical capitalized software costs of approximately $18.8 million as of March 31, 2021 classified in "other non-current assets".

(i) Represents the elimination of First American's historical deferred contract acquisition costs of approximately $8.1 million as of March 31, 2021 classified in "other non-current assets", as under the acquisition method of accounting, deferred contract costs do not qualify for recognition as an asset.

(j) Represents the repayment of First American's term loan (long-term debt pro forma acquisition adjustments).

Description		Amount
(in thousands)		
Repayment of existing debt (FAPS)	$	(251,063)
Elimination of unamortized debt issuance costs (FAPS)		4,956
Long-term debt (pro forma acquisition adjustment)	$	(246,107)

(k) Represents the accrual of additional $10 million transaction costs incurred by Deluxe and First American subsequent to March 31, 2021. The remaining transaction costs are included in the historical income statement of the Company for the three months ended March 31, 2021. These costs will not affect the income statement beyond 12 months after the acquisition date. Also represents the elimination of the accrued interest on First American's existing debt which is repaid (see Note 4(j)).

Description		Amount
(in thousands)		
Current portion of operating lease liabilities – Note 4(e)	$	4,716
Accrual of estimated transaction cost – Note 4(k)		10,000
Elimination of FAPS' accrued interest– Note 4(k)		(3,067)
Elimination of FAPS' income taxes payable – Note 4(l)		(1,785)
Accrued liabilities (pro forma acquisition adjustment)	$	9,864

(l) Represents a deferred income tax liability resulting from the preliminary fair value adjustment to intangible assets and other deferrals. The estimate of the deferred tax liability was determined based on the book and tax basis difference using an estimated blended statutory income tax rate of 26%. This estimate of the deferred income tax liability is preliminary and is subject to change based upon the final determination of the fair values of identifiable intangible assets acquired by jurisdiction.

First American's historical income taxes payable have also been removed.

(m) Represents deferred debt issuance costs related to the Revolving Credit Facility are classified as other assets.

(n) Represents the elimination of First American's equity and other equity adjustments in connection with the FAPS Acquisition:

Description		Amount
(in thousands)		
Common Stock - Class A	$	(100)
Common Stock - Class B		-
Common Stock - Class C		-
Preferred Stock		(18,608)
Treasury Stock		1,991
Additional paid in capital		(151,521)
	$	(168,238)
Elimination of FAPS' retained earnings		988
Acquisition related transaction cost – See Note 4(k)		(10,000)
Retained earnings (pro forma acquisition adjustment)	$	(9,012)

(o) Represents issuance of a Term A Loan Facility due in 2026 (interest rate of LIBOR plus 2.25%), a Revolving Credit Facility due in 2026 (interest rate of LIBOR plus 2.25%), and the notes offered hereby. Deluxe has assumed the new financing will consist of drawing down $198 million of total available $500 million of the Revolving Credit Facility. Additionally, represents the repayment of the amount drawn on Deluxe's existing credit facility of approximately $840 million.

Description		Amount
(in thousands)		
Issuance of the Term A Loan Facility due in 2026	$	1,155,000
Assumed draw on the Revolving Credit Facility due in 2026		198,000
Issuance of the notes offered hereby		500,000
Total debt prior to debt issuance costs		1,853,000
Debt issuance costs (i)		(22,530)
Total sources of funding, net of debt issuance costs		1,830,470
Repayment of existing credit facility		(840,000)
Long-term debt (pro forma financing adjustment)	$	990,470

(i) The deferred debt issuance costs related to the term loan and senior unsecured note of $14.1 million and $8.4 million, respectively are presented as a direct deduction from the face amount of the debt, while the deferred debt issuance costs related to the Revolving Credit Facility are classified as other assets.

Note 5 – Adjustments to the unaudited pro forma condensed combined statement of income

Refer to the items below for a reconciliation of the adjustments reflected in the unaudited pro forma condensed combined statements of income:

(a) Represents the pro forma acquisition adjustment to record the amortization expense based on the fair value of identified intangible assets including internally developed software discussed in Note 4(f). In addition, represents the removal of amortization expense associated with First American's historical intangible assets discussed in Note 4(f), internally developed software discussed in Note 4(h), deferred contract acquisition costs in Note 4(i) and capitalized indirect leasing costs in Note 4(c).

Description	Note		Three Months Ended March 31, 2021		Twelve Months Ended March 31, 2021		Year Ended December 31, 2020
(in thousands)							
Amortization expense for acquired intangible assets	(i)	$	(6,875)	$	(30,620)	$	(31,660)
Less: Historical FAPS intangible asset amortization			3,569		16,533		17,393
Less: Historical FAPS internally developed software amortization			1,148		4,625		4,488
Less: Historical FAPS deferred contract acquisition cost amortization			1,447		5,353		5,187
Less: Historical FAPS capitalized indirect lease cost amortization			31		123		126
Intangible asset amortization (pro forma acquisition adjustment)		$	(680)	$	(3,986)	$	(4,466)

(i) In accordance with the acquisition method of accounting provisions under ASC 805, assets acquired, and liabilities assumed in a business combination are to be recognized at their fair values as of the acquisition date. As part of the pro forma adjustments, First American's historical intangible assets and associated amortization are removed from the presented pro forma condensed combined financial statements. Accordingly, the acquired intangible assets including technology, trademarks & trade name, and merchant relationships are recorded at their fair value and are amortized giving effect to the FAPS Acquisition as if it has been completed on January 1, 2020. The newly acquired intangible assets have been amortized under straight-line method based on estimated useful lives ranging from 5 to 15 years. A 10% change in the valuation of intangible assets would cause a corresponding increase or decrease in the balance of goodwill and annual amortization expense of approximately $3.1 million, assuming an overall weighted average useful life of 9.8 years.

Intangible Type	Fair Value	Estimated useful life (in years)	Amortization Expense Three Months Ended March 31, 2021	Amortization Expense for the Twelve Months Ended March 31, 2021	Amortization Expense Year Ended December 31, 2020
(in thousands)					
Trademarks / trade names	$ 22,000	10	$ (495)	$ (2,145)	$ (2,200)
Partner segment merchant	22,000	7	(673)	(3,031)	(3,143)
Merchant relationships	96,000	5 to 10	(2,860)	(13,060)	(13,600)
Channel distribution	67,000	15	(1,042)	(4,392)	(4,467)
Developed technology	66,000	8	(1,805)	(7,992)	(8,250)
Acquired intangible assets	$ 273,000		$ (6,875)	$ (30,620)	$ (31,660)

Description	Three Months Ended March 31, 2021	Twelve Months Ended March 31, 2021	Year Ended December 31, 2020
(in thousands)			
Intangible asset amortization pro forma acquisition adjustment – Note 5(a)	$ (680)	$ (3,986)	$ (4,466)
Loan commitment fee – see Note 5(d)	(245)	(982)	(982)
Accrual of estimated transaction cost – see Note 5(f)	-	-	(10,000)
Acceleration of share-based compensation expense – see Note 5(g)	-	-	(580)
Selling, general and administrative expense (pro forma acquisition adjustment)	$ (925)	$ (4,968)	$ (16,028)

(b) Based on the terms subject in the Merger Agreement, First American's existing term loan will be repaid as part of the FAPS Acquisition. The adjustment represents the elimination of interest expense and debt issuance cost amortization associated with First American's existing debt for the year ended December 31, 2020, the twelve months ended March 31, 2021, and the three months ended March 31, 2021.

Description	Three Months Ended March 31, 2021	Twelve Months Ended March 31, 2021	Year Ended December 31, 2020
(in thousands)			
Elimination of interest expense (FAPS)	$ 3,349	$ 15,268	$ 20,432
Elimination of unamortized debt issuance cost (FAPS)	359	1,265	1,211
Interest expense (pro forma acquisition adjustment)	$ 3,708	$ 16,533	$ 21,643

(c) Represents the recognition of interest expense including the amortization of debt issuance cost related to the new debt financing to fund the acquisition less the elimination of Deluxe's historical interest expense and debt issuance amortization costs related to the revolving credit facility ($840 million as of March 31, 2021). Deluxe new debt consisting of a variable rate $1.155 billion Term A Loan Facility that matures in 2026 (interest rate of LIBOR plus 2.25%), a variable rate Revolving Credit Facility of $500 million that matures in 2026 (interest rate of LIBOR plus 2.25%), and the notes offered hereby that mature in 2029. For the purposes of these unaudited pro forma condensed combined financial statements, Deluxe has assumed the new financing will consist of drawing down $198 million of total available $500 million of the Revolving Credit Facility. In relation to the Term A Loan Facility, the Revolving Credit Facility, and the notes offered hereby, estimated debt issuance costs amount to $14.1 million, $5.4 million and $8.4 million, respectively for total debt issuance costs of $28 million. For purposes of calculating the pro forma interest expense, the Company used interest rates of 2.5% related to the $1.115 billion Term A Loan Facility and 2.5% related to the $198 million draw on the Revolving Credit Facility for the three months ended March 31, 2021, the twelve months ended March 31, 2021 and the year ended December 31, 2020.

Description	Three Months Ended March 31, 2021	Twelve Months Ended March 31, 2021	Year Ended December 31, 2020
Interest expense for Term A Loan Facility, Revolving Credit Facility and senior unsecured note	$ (17,002)	$ (69,090)	$ (69,450)
Amortization of debt issuance costs for Term A Loan Facility, Revolving Credit Facility and senior unsecured notes	(1,238)	(4,952)	(4,952)
Less:			
Elimination of existing interest expense associated with existing debt	4,314	19,824	22,299
Elimination of existing debt issuance amortization	210	841	841
Interest Expense (pro forma financing adjustment)	$ (13,716)	$ (53,377)	$ (51,262)

The table below sets forth the impact that a 0.125% increase or decrease in the hypothetical assumed interest rate would have on interest expense for the relevant periods for only the variable rate debt (the Term A Loan Facility and the Revolving Credit Facility). For the purposes of these unaudited pro forma condensed combined financial statements, Deluxe has assumed drawing down $198 million of total available $500 million of the Revolving Credit Facility.

Description	Three Months Ended March 31, 2021	Twelve Months Ended March 31, 2021	Year Ended December 31, 2020
1/8% increase	$ (405)	$ (1,673)	$ (1,691)
1/8% decrease	$ 405	$ 1,673	$ 1,691

(d) Represents the recognition of loan commitment fee expense for the $500 million Revolving Credit Facility. For the purposes of these unaudited pro forma condensed combined financial statements, Deluxe has assumed the new financing will consist of drawing down $198 million of total available $500 million of the Revolving Credit Facility. The remaining available line of credit will incur fees of approximately 32.5 basis points.

(e) Represents the pro forma adjustment to record the income tax impact of the pro forma adjustments utilizing estimated consolidated effective taxes rates for the years ended December 31, 2020, March 31, 2021 and the interim period of March 31, 2021.

(f) Represents the accrual of additional $10 million transaction costs incurred by Deluxe and First American subsequent to March 31, 2021. The remaining transaction costs are included in the historical income statement of the Company for the three months ended March 31, 2021. These costs will not affect the income statement beyond 12 months after the acquisition date.

(g) Represents acceleration all First American's unvested stock option awards immediately upon consummation of the acquisition. As the compensation expenses are not yet recognized in the periods presented in the pro forma financial statements, a transaction accounting adjustment of $580 thousand was recorded to reflect the acceleration.

Note 6 – Twelve Months Ended March 31, 2021

The Deluxe financial information for the twelve months ended March 31, 2021 has been calculated by subtracting the historical unaudited consolidated statement of income (loss) for the three months ended March 31, 2020 from historical audited consolidated statement of income (loss) for the year ended December 31, 2020 and then adding historical unaudited consolidated statement of income (loss) for the three months ended March 31, 2021.

Description	Historical Deluxe For the Year Ended December 31, 2020	Deluxe For the Three Months Ended March 31, 2020	Deluxe For the Three Months Ended March 31, 2021	Deluxe For the Twelve Months Ended March 31, 2021
(in thousands)				
Product revenue	$ 1,230,638	$ 330,687	$ 299,053	$ 1,199,004
Service revenue	560,143	155,736	142,211	546,618
Total revenue	1,790,781	486,423	441,264	1,745,622
Cost of products	(458,637)	(121,587)	(107,325)	(444,375)
Cost of services	(272,134)	(80,462)	(71,184)	(262,856)
Total cost of revenue	(730,771)	(202,049)	(178,509)	(707,231)
Gross profit	1,060,010	284,374	262,755	1,038,391
Selling, general and administrative expense	(841,658)	(237,204)	(212,436)	(816,890)
Restructuring and integration expense	(75,874)	(17,654)	(14,313)	(72,533)
Asset impairment charges	(97,973)	(90,330)	-	(7,643)
Operating income (loss)	44,505	(60,814)	36,006	141,325
Interest expense	(23,140)	(6,999)	(4,524)	(20,665)
Other income	9,214	4,472	2,033	6,775
Income (loss) before income taxes	30,579	(63,341)	33,515	127,435
Income tax provision	(21,680)	3,210	(9,190)	(34,080)
Net income (loss)	8,899	(60,131)	24,325	93,355
Net income attributable to non-controlling interest	(91)	-	(33)	(124)
Net income (loss) attributable to controlling interest	$ 8,808	$ (60,131)	$ 24,292	$ 93,231

The First American financial information for the twelve months ended March 31, 2021 has been calculated by subtracting the historical unaudited condensed consolidated statement of income for the three months ended March 31, 2020 from historical audited consolidated statement of income for the year ended December 31, 2020 and then adding historical unaudited condensed consolidated statement of income for the three months ended March 31, 2021.

As part of preparing the pro forma condensed combined financial statements, management performed a preliminary analysis of First American's financial information to identify differences in accounting policies as compared to those of Deluxe and differences in financial statement presentation as compared to the presentation of Deluxe. Refer to the table below for a summary of reclassification adjustments made to First American's consolidated statement of income for the twelve months ended March 31, 2021 to conform presentation.

FAPS Consolidated Income Statement Line Items	Deluxe Consolidated Income Statement Line Items	Historical FAPS For the Year Ended December 31, 2020	FAPS For the Three Months Ended March 31, 2020	FAPS For the Three Months Ended March 31, 2021	Reclassification		FAPS For the Twelve Months Ended March 31, 2021 (rounded)
							(in thousands)
Revenue		$ 288,322,188	$ 73,375,564	$ 76,840,540	$ (291,787,164)	(i)	$ -
	Product revenue	-	-	-	18,952,714	(i)	18,953
	Service revenue	-	-	-	272,834,450	(i)	272,834
Other costs of service		166,501,208	42,249,065	44,612,118	(168,864,261)	(ii)	-
	Cost of products	-	-	-	10,968,392	(ii)	10,968
	Cost of services	-	-	-	157,895,869	(ii)	157,896
Selling, general and administrative expenses	Selling, general and administrative expense	70,109,486	19,701,053	16,834,392	23,593,696	(iii)	90,837
Depreciation and amortization		24,393,067	6,079,256	5,279,885	(23,593,696)	(iii)	-
Interest expense	Interest expense	21,642,621	8,817,730	3,708,402	-		16,533
Other (income) expense	Other income	(16,440)	58,273	(10,140)	-		(85)
Provision (benefit) for income taxes	Income tax provision	2,091,075	127,511	1,606,863	-		3,570

(i) Represents a reclassification of revenue to product revenue and service revenue to conform to Deluxe presentation.

(ii) Represents a reclassification of cost of sales to cost of products and cost of services to conform to Deluxe presentation.

(iii) Represents a reclassification of depreciation and amortization to selling, general and administrative expenses to conform to Deluxe presentation.

Exhibit 99.5

Risk factors

Risks related to our business

The impact of the COVID-19 pandemic has adversely affected, and is expected to continue to adversely affect, our business, financial condition and results of operations.

The COVID-19 pandemic began to impact our operations late in the first quarter of 2020. The impact of lost revenue primarily affected our Promotional Solutions, Checks and Cloud Solutions segments, and late in the year, our Payments segment experienced delays in new client implementations because of the impacts of the pandemic. The sweeping nature of the pandemic makes it extremely difficult to predict how our business and operations will be affected in the longer term. Consistent with various state and federal orders, we were able to designate portions of our business as “essential.” As such, many of our facilities remained open during government-mandated shut-downs. We successfully activated our business continuity plan to ensure uninterrupted operations and services, while keeping our facilities safe for our employees, customers and communities. Under this plan, employees who have the ability to work from home continue to do so, which poses additional cybersecurity and data security risk. Certain of our facilities remain closed. We may close additional facilities, as necessary, to protect the health of our employees, as a result of disruptions in the operation of our supply chain or in response to a prolonged decrease in demand for our products and services. If it becomes necessary to close additional facilities to protect the health of our employees, we have the ability to move work between our various facilities.

As the current economic environment is significantly impacting small businesses, we are closely monitoring the breadth and depth of small business closures and bankruptcies, changes in the level of small business optimism, lending to small and mid-sized businesses and the general functioning of the credit markets, adoption of government stimulus and other economic programs, consumer unemployment levels and changes in consumer spending patterns. We cannot predict the pace at which these factors will improve or the impact a prolonged downturn in the economy will have on our business, financial condition and/or results of operations.

We also incurred, and may continue to incur, additional costs as we respond to the pandemic, including, but not limited to, costs incurred to implement operational changes allowing social distancing, costs related to employees who are not working during the pandemic, a Hero Pay premium provided to employees working on-site, overtime pay as required and costs associated with additional cleaning and disinfecting of our facilities. In addition, in response to the pandemic, local, state, national and international governments and health authorities have established myriad new laws, rules, regulations and orders. These emergency enactments evolve rapidly, and sometimes become effective within a 24-hour period. The complexity of complying with COVID-19 specific regulations is significant.

All of these circumstances negatively impact our liquidity. To bolster our liquidity at the beginning of the pandemic, we drew an additional $238.0 million on our $1.15 billion existing credit facility in March 2020. We subsequently repaid $300.0 million of the amount drawn on the existing credit facility. In addition, we suspended our share repurchase program and we took additional steps to reduce discretionary spending and other expenditures in line with revenue declines. These steps included temporary salary reductions for all salaried employees, including our leadership team and board of directors, project delays, furloughs and other actions. We also delayed U.S. federal payroll tax payments as permitted by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. We continue to monitor the situation closely, including impacts on our operations, suppliers, customers, industry and workforce. If conditions deteriorate, we may implement further measures to provide additional financial flexibility and to improve our cash position and liquidity, including additional borrowings under our existing credit facility.

If demand for our products and services further deteriorates or does not return to normal levels in the longer term, we may be required to take further actions to improve our cash position, including but not limited to, implementing further employee furloughs and/or workforce reductions, or foregoing capital expenditures and other discretionary expenses. In addition, dividends are approved by our board of directors each quarter and thus, are subject to change.

The situation surrounding COVID-19 remains fluid and the potential for a material impact on our results of operations, financial condition and/or liquidity increases the longer the virus impacts activity levels in the U.S. and the other countries in which we operate. For this reason, we cannot reasonably estimate with any degree of certainty the future impact the pandemic may have on our results of operations, financial position and/or liquidity. The extent to which the COVID-19 pandemic impacts our business depends on future developments, many of which are beyond our control, such as: the severity and duration of the pandemic, governmental, business and individuals' actions in response to the pandemic; the timing and effectiveness of vaccines; and the resulting impact on economic activity and the financial markets. We may not have yet experienced the full impact of the pandemic or its resulting impact on our customers. Our revenue may not immediately recover with an improvement in macroeconomic conditions and may require new business formations and/or the expansion of sales to our existing customers.

In completing asset impairment analyses during 2020, we were required to make assumptions using the best information available at the time, including the performance of our reporting units before and subsequent to the declaration of a pandemic and available economic forecasts. To the extent our assumptions differ materially and negatively from actual events, we may be required to record additional asset impairment charges.

Other cascading effects of the COVID-19 pandemic that are not currently foreseeable could materially increase our costs, negatively impact our revenue and adversely impact our results of operations and liquidity, possibly to a significant degree. We cannot predict the severity or duration of any such impacts. The COVID-19 pandemic could have the effect of heightening many of the other risks described below, including, without limitation, those related to the success of our strategy, our ability to attract and retain customers, competition, the rate of decline for checks and business forms, our ability to reduce costs, risks of cybersecurity breaches, interruptions to our website operations or information technology systems, the ability of third-party providers to perform, and potential litigation.

If our long-term growth strategy is not successful, our business and financial results would be adversely impacted.

Our vision is to be a Trusted Business Technology leader in payments and data. We may not achieve our long-term objectives, and investments in our business may fail to impact our financial results as anticipated. Our strategic plan could fall short of our expectations for many reasons, including, among others:

- our failure to transform to a sales-driven organization;
- our failure to generate profitable revenue growth;
- our inability to acquire new customers, retain our current customers and sell more products and services to current and new customers;
- our failure to fully implement sales technology that enables a single view of our customers;
- our inability to implement improvements to our technology infrastructure, our digital services offerings and other key assets to increase efficiency, enhance our competitive advantage and scale our operations;
- our failure to develop new products and services;

- our failure to effectively manage the growth, expanding complexity and pace of change of our business and operations;
- our inability to effectively operate, integrate or leverage businesses we acquire;
- the failure of our digital services and products to achieve widespread customer acceptance;
- our inability to promote, strengthen and protect our brand;
- our failure to attract and retain skilled talent to execute our strategy and sustain our growth;
- unanticipated changes in our business, markets, industry or the competitive landscape; and
- general economic conditions.

We can provide no assurance that our strategy will be successful, either in the short term or in the long term, that it will generate a positive return on our investment or that it will not materially reduce our earnings before interest, taxes, depreciation and amortization (EBITDA) margins. If our strategy is not successful, or if there is market perception that our strategy is not successful, our reputation and brand may be damaged.

If we are unable to attract and retain customers in a cost-effective manner or effectively operate a multichannel customer experience, our business and results of operations would be adversely affected.

Our success depends on our ability to attract new and returning customers in a cost-effective manner. We use a variety of methods to promote our products and services, including a direct sales force, partner referrals, email marketing, purchased search results from online search engines, direct mail advertising, broadcast media, advertising banners, social media and other online links. Certain of these methods may become less effective or more expensive. For example, our response rates for direct mail advertising have been decreasing for some time, internet search engines could modify their algorithms or increase prices for purchased search results or certain partner referrals could decline. We continually evaluate and modify our marketing and sales efforts to achieve the most effective mix of promotional methods. Competitive pressure may inhibit our ability to reflect increased costs in the prices of our products and services and/or new marketing strategies may not be successful. Either of these occurrences would have an adverse impact on our ability to compete and our results of operations would be adversely affected. In addition, when our check supply contracts expire, customers have the ability to renegotiate their contracts with us or to consider changing suppliers. Failure to achieve favorable contract renewals and/or to obtain new check supply customers would result in decreased revenue.

Additionally, we believe we must maintain a relevant, multichannel experience in order to attract and retain customers. Customers expect to have the ability to choose their method of ordering, whether via the mail, computer, phone or mobile device. Although we are constantly making investments to update our technology, we cannot predict the success of these investments. Multichannel marketing is rapidly evolving and we must keep pace with the changing expectations of our customers and new developments by our competitors. If we are unable to implement improvements to our customer-facing technology in a timely manner, or if our customer-facing technology does not function as designed, we could find it increasingly difficult to attract new and returning visitors, which would result in decreased revenue.

We face intense competition from other business enterprises, and we expect that competition will continue to increase.

Competition in the payments industry is intense. We are competing against numerous financial technology (Fintech) companies, as well as financial institution in-house capabilities. Volume is the key to staying cost-competitive, and breadth of services is critical to stay relevant to customers. In addition, although we are a leading check printer in the U.S., we face considerable competition in the check printing portion of the payments industry. In addition to competition from the digitization of payments, we also face intense competition from another large check printer in our traditional financial institution sales channel, from direct mail and internet-based sellers of personal and business checks, from check printing software vendors and from certain significant retailers. Pricing continues to be competitive in our financial institution sales channel, as financial institutions seek to maintain their previous levels of profitability, even as check usage declines.

Within our Cloud Solutions segment, the market for web hosting services is highly competitive and commoditized. As such, significant spending on product development and customer acquisition is required to compete in this space, and value-added services differentiate the competition. The markets for our hosted software-as-a-service (SaaS) solutions, including search, social and email marketing and logo design and business incorporation services, are also large, dynamic and highly competitive, with dominant integrated players, as well as niche providers. Competition for our data-driven marketing services is also intense, with a wide variety of companies in the data solutions space, including advertising agencies, marketing technology firms, data aggregators and brokers, and source data providers. Adapting to new technology is a key challenge in this business, along with hiring and retaining the right people.

Within our Promotional Solutions segment, the markets for business forms and promotional products are intensely competitive and highly fragmented. Current and potential competitors include traditional storefront printing companies, office superstores, wholesale printers, online printing companies, small business product resellers and providers of custom apparel and gifts. The competitive landscape for online suppliers continues to be challenging as new internet businesses are introduced.

We can provide no assurance that we will be able to compete effectively against current and future competitors. Our competitors may develop better products or technologies and may be able to adapt more quickly to new or emerging technologies and changes in customer requirements. Continued competition could result in price reductions, reduced profit margins and/or loss of customers, all of which would have an adverse effect on our results of operations and cash flows.

If we do not adapt to changes in technology in a timely and cost-effective manner, our ability to sustain and grow our business could be adversely affected.

The markets for many of the products and services we provide are characterized by constant change and innovation. The introduction of competing products and services using new technologies, the evolution of industry standards or the introduction of more attractive products or services, including the digitization of payments, could make some or all of our products and services less desirable, or even obsolete. These potential changes are magnified by the intense competition we face. To be successful, our technology-based products and services must keep pace with technological developments and evolving industry standards, address the ever-changing and increasingly sophisticated needs of our customers, and achieve market acceptance. Additionally, we must differentiate our service offerings from those of our competitors and from the in-house capabilities of our customers. We could lose current and potential customers if we are unable to develop products and services that meet changing demands in a timely manner. Additionally, we must continue to develop our skills, tools and capabilities to capitalize on existing and emerging technologies, and this requires us to incur substantial costs. Any of the foregoing risks could result in harm to our business and results of operations.

We face uncertainty regarding the success and integration of past and future acquisitions, which could have an adverse impact on our operating results.

We completed many acquisitions during the past several years. These acquisitions extended our range of products and services, including treasury management and web services. In addition, we purchased the operations of several small business distributors with the intention of growing revenue in our enterprise accounts and dealer channels. The integration of any acquisition involves numerous risks, including, among others:

- difficulties and/or delays in assimilating operations, products and services, including effectively scaling revenue and ensuring that a strong system of information security and controls is in place;
- failure to realize expected synergies and savings or to achieve projected profitability levels on a sustained basis;
- diversion of management's attention from other business concerns and risks of managing an increasingly diverse set of products and services across expanded and new industries;
- unanticipated integration costs;
- difficulty in maintaining controls, procedures and policies, especially when the acquired business was a non-public company and may not have employed the same rigor in these areas as required for a publicly traded company;
- decisions by our customers or the customers of the acquired business to temporarily or permanently seek alternate suppliers;
- difficulty in assimilating the acquired business into our corporate culture;
- increased compliance and other complexity;
- unidentified issues not discovered during our due diligence process, including product or service quality issues, intellectual property issues and tax or legal contingencies;
- failure to address legacy distributor account protection rights; and
- loss of key employees.

One or more of these factors could impact our ability to successfully operate, integrate or leverage an acquisition and could negatively affect our results of operations.

We have indicated that we plan to supplement sales-driven revenue growth with strategically targeted acquisitions over time. The time and expense associated with finding suitable businesses, technologies or services to acquire can be disruptive to our ongoing business and may divert management’s attention. We cannot predict whether suitable acquisition candidates can be identified or acquired on acceptable terms or whether any acquired products, technologies or businesses will contribute to our revenue or earnings to any material extent. We may need to seek financing for larger acquisitions, which would increase our debt obligations and may not be available on terms that are favorable to us. Additionally, acquisitions may result in additional contingent liabilities, additional amortization expense and/or future non-cash asset impairment charges related to acquired intangible assets and goodwill, and thus, could adversely affect our business, results of operations and financial condition.

The use of checks and forms is declining and we may be unable to offset the decline with profitable revenue growth.

Checks continue to be a significant portion of our business, accounting for 39.4% of our consolidated revenue in 2020. We sell checks for personal and business use and believe that there will continue to be demand for personal and business checks for the foreseeable future, although the total number of checks written in the U.S. has been in decline since the mid-1990s. According to the most recent information released by the Federal Reserve in October 2020, the total number of checks written declined an average of 8.4% each year between 2015 and 2018, compared to an average decline of 3.4% each year between 2012 and 2015. We expect that the number of checks written will continue to decline due to the digitization of payments, including debit cards, credit cards, direct deposit, wire transfers, and other payment solutions, such as PayPal®, Apple Pay®, Square®, Zelle® and Venmo®. In addition, the RTP® system run by The Clearing House Payments Company, LLC is a real-time payments system that currently reaches over 50% of U.S. bank accounts. In August 2019, the U.S. Federal Reserve announced that it plans to develop its own real-time payments system, FedNowSM, with an expected launch in 2023 or 2024.

The rate and the extent to which digital payments will replace checks, whether as a result of legislative developments, changing payment systems, personal preference or otherwise, cannot be predicted with certainty. Increased use of alternative payment methods, or our inability to successfully offset the secular decline in check usage with other sources of revenue, would have an adverse effect on our business, cash flows and results of operations.

The use of business forms has also been declining. Continual technological improvements, including the lower price and higher performance capabilities of personal computers, printers and mobile devices, have provided small business customers with alternative means to execute and record business transactions. Additionally, electronic transaction systems, off-the-shelf business software applications, web-based solutions and mobile applications have been designed to replace preprinted business forms. Greater acceptance of electronic signatures also has contributed to the overall secular decline in printed products. It is difficult to predict the pace at which these alternative products and services will replace standardized business forms. If small business preferences change rapidly and we are unable to develop new products and services with comparable operating margins, our results of operations would be adversely affected.

We may not succeed in promoting and strengthening our brand, which could prevent us from acquiring customers and increasing revenue.

The success of our businesses depends on our ability to attract new and returning customers. For this reason, the promotion and strengthening of the Deluxe brand plays a key role in the execution of our strategy. We believe that the importance of brand recognition is particularly essential for the success of our various service offerings because of the level of competition for these services. Customer awareness of our brand, as well as the perceived value of our brand, depends largely on the success of our marketing efforts and our ability to provide a consistent, high-quality customer experience. In the past, we had many brands associated with our products and services as a result of previous acquisitions. Unifying our brands to operate as one Deluxe is an essential part of our One Deluxe strategy. In February 2020, we unveiled our new Deluxe brand. We can provide no assurance that our branding strategy will be successful or will result in a positive return on our investment.

To promote our brand, we have incurred, and will continue to incur, expense related to advertising and other marketing efforts. We can provide no assurance that these efforts will be successful or that our revenue will increase at a level commensurate with our marketing expenditures. There is also the risk that adverse publicity, whether or not justified, could adversely affect our business. We currently have an agreement with retired NBA superstar and entrepreneur Baron Davis, who is currently scheduled to appear in Season 6 of our online series, *Small Business Revolution*, in July 2021. If Mr. Davis, other business partners or key employees are the subject of adverse news reports or negative publicity, our reputation may be tarnished and our results of operations could be adversely affected.

A component of our brand promotion strategy is building on our relationship of trust with our customers, which we believe can be achieved by providing a high-quality customer experience. We have invested, and will continue to invest, resources in website development, design and technology, and customer service and production operations. Our ability to provide a high-quality customer experience is also dependent on external factors, including the reliability and performance of our suppliers, telecommunications providers and third-party carriers. Our brand value also depends on our ability to protect and use our customers' data in a manner that meets expectations. A security incident that results in unauthorized disclosure of our customers' sensitive data could materially harm our reputation. The failure of our brand promotion activities to meet our expectations or our failure to provide a high-quality customer experience for any reason could adversely affect our ability to attract new customers and maintain customer relationships, which would adversely harm our business and results of operations.

Our cost reduction initiatives may not be successful.

Intense competition, secular declines in the use of checks and business forms and the commoditization of web services compel us to continually improve our operating efficiency in order to maintain or improve profitability. Cost reduction initiatives have required, and will continue to require, up-front expenditures related to items such as redesigning and streamlining processes, consolidating information technology platforms, standardizing technology applications, further enhancing our strategic supplier sourcing arrangements, improving real estate utilization and funding employee severance benefits. We can provide no assurance that we will achieve future cost reductions or that we will do so without incurring unexpected or greater than anticipated expenditures. Moreover, we may find that we are unable to achieve business simplification and/or cost reduction goals without disrupting our business, negatively impacting efforts to grow our business or reducing the effectiveness of our sustainability practices. As a result, we may choose to delay or forgo certain cost reductions as business conditions require. Failure to continue to improve our operating efficiency and to generate adequate savings to fund necessary investments could adversely affect our business if we are unable to remain competitive.

Security breaches, computer malware or other cyber attacks involving the confidential information of our customers, employees or business partners could substantially damage our reputation, subject us to litigation and enforcement actions, and substantially harm our business and results of operations.

Information security risks have increased in recent years, in part because of the proliferation of new technologies and increased use of the internet and cloud-based activities, as well as the increased sophistication and activities of hackers, terrorists and activists. In addition, our own information security risks have increased due to the acquisition of companies with their own internally-developed technologies. We use internet-based channels that collect customers’ financial account and payment information, as well as other sensitive information, including proprietary business information and personally identifiable information of our customers, employees, contractors, suppliers and business partners. Each year, we process hundreds of millions of records containing data related to individuals and businesses. We also provide services that are instrumental in supporting our customers and their businesses, such as website and email hosting. Cybersecurity is one of the top risks identified by our Enterprise Risk Management Steering Committee, as technology-based organizations such as ours are vulnerable to targeted attacks aimed at exploiting network and system application weaknesses.

The secure and uninterrupted operation of our networks and systems, as well as the processing, maintenance and confidentiality of the sensitive information that resides on our systems, is critical to our business operations and strategy. We have a risk-based information/cybersecurity program dedicated to protecting our data and solutions. We employ a defensive in-depth strategy, utilizing the concept of security layers and the CIA (confidential, integrity and availability) triad model. Computer networks and the internet are, by nature, vulnerable to unauthorized access. An accidental or willful security breach could result in unauthorized access and/or use of customer information, including consumers' personally identifiable information or, in some cases, the protected health information of certain individuals. Our security measures could be breached by third-party action, computer viruses, accidents, employee or contractor error, or malfeasance by rogue employees. In addition, we depend on a number of third parties, including vendors, developers and partners, that are critical to our business and to which we may grant access to our customer or employee data. While we conduct due diligence on these third parties with respect to their security and business controls, we rely on them to effectively monitor and oversee these control measures. Individuals or third parties may be able to circumvent controls and/or exploit vulnerabilities that may exist, resulting in the disclosure or misuse of sensitive business and personal customer or employee information and data.

Because techniques used to obtain unauthorized access, disable or degrade service, or sabotage computer systems change frequently, may be difficult to detect immediately, and generally are not recognized until they are launched against a target, we may be unable to implement adequate preventive measures. Unauthorized parties may also attempt to gain access to our systems or facilities through various means, including hacking into our systems or facilities, fraud, trickery or other means of deceiving employees and contractors. We have experienced external internet-based attacks by threat actors aimed at disrupting internet traffic and/or attempting to place illegal or abusive content on our or our customers’ websites. Additionally, our customers and employees have been and will continue to be targeted by threat actors using social engineering techniques to obtain confidential information or using fraudulent "phishing" emails to introduce malware into the environment. To-date, these various threats have not materially impacted our customers, our business or our financial results. However, our technologies, systems and networks are likely to be the target of future attacks due to the increasing threat landscape for all technology businesses, and we can provide no assurance that future incidents will not be material.

Despite our significant cybersecurity efforts, a party that is able to circumvent our security measures could misappropriate our or our customers' personal and proprietary information, cause interruption in our operations, damage our computers or those of our users, or otherwise damage our reputation, all of which could deter clients and consumers from ordering our products and services and result in the termination of client contracts. Additionally, it is possible that there could be vulnerabilities that impact large segments of mobile, computer or server architecture. Any of these events would adversely affect our business, financial condition and results of operations.

In addition, if we were to experience a material information security breach, we may be required to expend significant amounts of management time and financial resources to remedy, protect against or mitigate the effects of the breach, and we may not be able to remedy the situation in a timely manner, or at all. Furthermore, under payment card association rules and our contracts with debit and credit card processors, if there is a breach of payment card information that we store or that is stored by third parties with which we do business, we could be liable to the payment card issuing banks for their cost of issuing new cards and other related expenses. We could also lose our ability to accept credit and debit card payments from our customers, which would likely result in the loss of customers and the inability to attract new customers. We could also be exposed to time-consuming and expensive litigation, government inquiries and/or enforcement actions. If we are unsuccessful in defending a claim regarding information security breaches, we may be forced to pay damages, penalties and fines, and our insurance coverage may not be adequate to compensate us fully for any losses that may occur. Contractual provisions with third parties, including cloud service providers, may limit our ability to recover losses resulting from the security breach of a business partner.

There are international, federal and state laws and regulations requiring companies to notify individuals of information security breaches involving their personal data, the cost of which would negatively affect our financial results. These mandatory disclosures regarding an information security breach often lead to widespread negative publicity. If we were required to make such a disclosure, it may cause our clients and customers to lose confidence in the effectiveness of our information security measures. Likewise, general publicity regarding information security breaches at other companies could lead to the perception among the general public that e-commerce is not secure. This could decrease traffic to our websites, negatively affect our financial results and limit future business opportunities.

Interruptions to our website operations or information technology systems, or failure to maintain our information technology platforms, could damage our reputation and harm our business.

The satisfactory performance, reliability and availability of our information technology systems is critical to our reputation and our ability to attract and retain customers. We could experience temporary interruptions in our websites, transaction processing systems, network infrastructure, service technologies, printing production facilities or customer service operations for a variety of reasons, including, among others, human error, software errors or design faults, security breaches, power loss, telecommunications failures, equipment failures, electrical disruptions, labor issues, vandalism, fire, flood, extreme weather, terrorism and other events beyond our control.

One of the cornerstones of our growth strategy is investment in our information technology infrastructure. We are investing significant resources to build out our technology platforms. We implemented a human capital management system in January 2020. We also completed the first implementation phase of sales technology that enables a single view of our customers, and we are investing in our financial tools, including an enterprise resource planning system. System implementations are complex. Any disruptions, delays or deficiencies in the design, implementation or operation of these systems, particularly any disruptions, delays or deficiencies that impact our operations, could adversely affect our ability to effectively run and manage our business. In addition, our continued development and implementation of new generation software solutions and information technology infrastructure may take longer than originally expected and may require the acquisition of additional personnel and other resources, which may adversely affect our business, results of operations and financial condition. Any inability to deploy new generation information technology throughout our organization would result in operating multiple platforms, which would increase costs.

In recent years, we shifted a substantial portion of our applications to a cloud-based environment. While we maintain redundant systems and backup databases and applications software to ensure continuous access to cloud services, it is possible that access to our software capabilities could be interrupted and our disaster recovery planning may not account for all eventualities. The failure of our systems could interfere with the delivery of products and services to our customers, impede our customers' ability to do business and result in the loss or corruption of critical data. In addition to the potential loss of customers, we may be required to incur additional development costs and divert technical and other resources, and we may be the subject of negative publicity and/or liability claims.

If any of our significant information technology systems suffer severe damage, disruption or shutdown, and our disaster recovery and business continuity plans do not effectively resolve the issues in a timely manner, our results of operations would be adversely affected, and our business interruption insurance coverage may not be adequate to compensate us fully for any losses that may occur.

If third-party providers of certain significant information technology needs are unable to provide services, our business could be disrupted and the cost of such services could increase.

We have entered into agreements with third-party providers for information technology services, including telecommunications, network server, cloud computing and transaction processing services. In addition, we have agreements with companies to provide services such as online payment solutions. A service provider's ability to provide services could be disrupted for a variety of reasons, including, among others, human error, software errors or design faults, security breaches, power loss, telecommunications failures, equipment failures, electrical disruptions, labor issues, vandalism, fire, flood, extreme weather, terrorism and other events beyond their control. In the event that one or more of our service providers is unable to provide adequate or timely information technology services, our ability to deliver products and services to our customers could be adversely affected. Although we believe we have taken reasonable steps to protect our business through contractual arrangements with our service providers, we cannot completely eliminate the risk of disruption in service. Any significant disruption could harm our business, including damage to our brand and loss of customers. Additionally, although we believe that information technology services are available from numerous sources, a failure to perform by one or more of our service providers could cause a material disruption in our business while we obtain an alternative service provider. The use of substitute third-party providers could also result in increased expense.

If we are unable to attract and retain key personnel and other qualified employees, our business and results of operations could be adversely impacted.

For us to successfully grow and compete, we must recruit, retain and develop the key personnel necessary to execute our growth strategy. Our success depends on the contributions and abilities of key employees, especially in our digital services businesses and specifically in sales, marketing, product management and development, data analytics and information technology. If we are unable to retain our existing employees and/or attract qualified personnel, we may not be able to grow and manage our business effectively. Although we have implemented various "Great Place to Work" initiatives, including employee wellness initiatives, the introduction of employee resource groups and a revised performance management process, we can provide no assurance that we will be successful in attracting and retaining key personnel.

The cost and availability of materials, delivery and other third-party services could adversely affect our operating results.

We are subject to risks associated with the cost and availability of paper, plastics, ink, retail packaging supplies, promotional materials and other raw materials. Paper costs represent a significant portion of our materials expense. Paper is a commodity and its price has been subject to volatility due to supply and demand in the marketplace, as well as volatility in the raw material and other costs incurred by paper suppliers. There are also relatively few paper suppliers and these suppliers are under financial pressure as paper use declines. As such, when our suppliers increase paper prices, we may not be able to obtain better pricing from alternative suppliers. Historically, we have not been negatively impacted by paper shortages because of our relationships with paper suppliers. However, we can provide no assurance that we will be able to purchase sufficient quantities of paper if such a shortage were to occur.

We depend upon third-party providers for delivery services and for other outsourced products and services. Events resulting in the inability of these service providers to perform their obligations, such as work slowdowns or extended labor strikes, could adversely impact our results of operations by requiring us to secure alternate providers at higher costs. Postal rates are dependent on the operating efficiency of the U.S. Postal Service (USPS) and on legislative mandates imposed upon the USPS. Postal rates have increased in recent years and the USPS has incurred significant financial losses. This may result in continued changes to the breadth and/or frequency of USPS mail delivery services. In addition, fuel costs have fluctuated over the past several years. Increased fuel costs increase the costs we incur to deliver products to our customers, as well as the price we pay for outsourced products. We also rely on third-party providers for certain technology, processing and support functions. If we are unable to renew our existing contracts with our most significant providers, we may be forced to obtain alternative suppliers at higher costs. Competitive pressures and/or contractual arrangements may inhibit our ability to reflect increased costs in the price of our products and services. Any of the foregoing risks could result in harm to our business and results of operations.

We are subject to customer payment-related risks, which could adversely affect our business and financial results.

We may be liable for fraudulent transactions conducted on our websites, such as the use of stolen credit card numbers. While we do have safeguards in place, we cannot prevent all fraudulent transactions. To date, we have not incurred significant losses from payment-related fraud. However, such transactions negatively impact our results of operations and could subject us to penalties from payment card associations for inadequate fraud protection.

Governmental regulation is continuously evolving and could limit or harm our business.

We are subject to numerous international, federal, state and local laws and regulations that affect our business activities in several areas, including, but not limited to, labor, advertising, taxation, data privacy and security, digital content, consumer reports, consumer protection, online payment services, real estate, e-commerce, intellectual property, health care, environmental matters, and workplace health and safety. In response to the COVID-19 pandemic, local, state, national and international governments and health authorities have established myriad new laws, rules, regulations and orders. These emergency enactments evolve rapidly and sometimes become effective within a 24-hour period. The complexity of complying with existing and new laws and regulations is significant, and regulators may adopt new laws or regulations at any time.

The various regulatory requirements to which we are subject could impose significant limitations on our business activities, require changes to our business, restrict our use or storage of personal information, or cause changes in our customers' purchasing behavior, which may make our business more costly and/or less efficient and may require us to modify our current or future products, services, systems or processes. We cannot quantify or predict with any certainty the likely impact of such changes on our business, prospects, financial condition or results of operations.

Portions of our business operate within highly regulated industries and our business results could be significantly affected by the laws and regulations to which we are subject. For example, international, federal and state laws and regulations regarding the protection of certain consumer information require us to develop, implement and maintain policies and procedures to protect the security and confidentiality of consumers' nonpublic personal information. Portions of our business are subject to regulations affecting payment processing, including ACH, remote deposit capture and lockbox services. These laws and regulations require us to develop, implement, and maintain certain policies and procedures related to payment processing. We are also subject to additional requirements in certain of our contracts with financial institution clients and communications service providers, which are often more restrictive than the regulations, as well as confidentiality clauses in certain of our contracts related to small businesses' customer information. These regulations and agreements typically limit our ability to use or disclose nonpublic personal information for other than the purposes originally intended, which could limit business opportunities. Proposed privacy and cybersecurity regulations may also increase the cost of compliance for the protection of collected data. The complexity of compliance with these various regulations may increase our cost of doing business and may affect our clients, reducing their discretionary spending and thus, reducing their capacity to purchase our products and services.

Due to our increasing use of the internet for sales and marketing, laws specifically governing digital commerce, the internet, mobile applications, search engine optimization, behavioral advertising, privacy and email marketing may have an impact on our business. Existing and future laws governing issues such as digital and social marketing, privacy, consumer protection or commercial email may limit our ability to market and provide our products and services. Changing data protection regulations may increase the cost of compliance in servicing domestic and international markets for our wholesale and retail business services channels. More restrictive legislation, such as new privacy laws, search engine marketing restrictions, "anti-spam" regulations or email privacy rules, could decrease marketing opportunities, decrease traffic to our websites and/or increase the cost of obtaining new customers.

Because of additional regulatory costs, financial institutions may continue to put significant pricing pressure on their suppliers, including their check and service providers. The increase in cost and profit pressure may also lead to further consolidation of financial institutions. Additionally, some financial institutions do not permit offers of add-on services, such as bundled products, fraud/identity protection or expedited check delivery, to their customers. It would have an adverse impact on our results of operations if we were unable to market such services to consumers or small businesses through the majority of our financial institution clients. Additionally, as our product and service offerings become more technologically focused, and with expanded regulatory expectations for supervision of third-party service providers, additional portions of our business could become subject to direct federal regulation and/or examination. This would increase our cost of doing business and could slow our ability to introduce new products and services and otherwise adapt to a rapidly changing business environment.

Third-party claims could result in costly and distracting litigation and, in the event of an unfavorable outcome, could have an adverse effect on our business, financial condition and results of operations.

From time to time, we are involved in claims, litigation and other proceedings relating to the conduct of our business, including purported class action litigation. Such legal proceedings may include claims related to our employment practices; claims alleging breach of contractual obligations; claims asserting deceptive, unfair or illegal business practices; claims alleging violations of consumer protection-oriented laws; claims related to legacy distributor account protection rights; or claims related to environmental matters. In addition, third parties may assert patent and other intellectual property infringement claims against us and/or our clients, which could include aggressive and opportunistic enforcement of patents by non-practicing entities. Any such claims could result in litigation against us and could also result in proceedings being brought against us by various federal and state agencies that regulate our businesses. The number and significance of these claims and proceedings has increased as our businesses have evolved and expanded in scope. These claims, whether successful or not, could divert management's attention, result in costly and time-consuming litigation, or both. Accruals for identified claims or lawsuits are established based on our best estimates of the probable liability. However, we cannot accurately predict the ultimate outcome of any such proceedings due to the inherent uncertainties of litigation and other dispute resolution mechanisms. Any unfavorable outcome of a material claim or material litigation could require the payment of monetary damages or fines, attorneys' fees or costly and undesirable changes to our products, features or business practices, which would result in a material adverse effect on our business, financial condition and results of operations.

We may be unable to protect our rights in intellectual property, which could harm our business and ability to compete.

We rely on a combination of trademark and copyright laws, trade secret and patent protection, and confidentiality and license agreements to protect our trademarks, software and other intellectual property. These protective measures afford only limited protection. Despite our efforts to protect our intellectual property, third parties may infringe or misappropriate our intellectual property or otherwise independently develop substantially equivalent products or services that do not infringe on our intellectual property rights. Policing unauthorized use of our intellectual property is difficult. We may be required to spend significant resources to protect our trade secrets and to monitor and police our intellectual property rights. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection could harm our business and ability to compete.

Activities of our customers or the content of their websites could damage our reputation and/or adversely affect our financial results.

As a provider of domain name registration, web hosting services and customized business products, we may be subject to potential liability for the activities of our customers on or in connection with their domain names or websites, for the data they store on our servers, including information accessible through the "dark web," or for images or content that we produce on their behalf. Customers may also launch distributed denial of service attacks or malicious executables, such as viruses, worms or trojan horses, from our servers. Although our agreements with our customers prohibit illegal use of our products and services and permit us to take appropriate action for such use, customers may nonetheless engage in prohibited activities or upload or store content with us in violation of applicable law. Our reputation may be negatively impacted by the actions of customers that are deemed to be hostile, offensive or inappropriate, or that infringe the copyright or trademark of another party. The safeguards we have established may not be sufficient to avoid harm to our reputation, especially if the inappropriate activities are high profile.

Laws relating to the liability of online services companies for information, such as online content disseminated through their services, are subject to frequent challenges. In spite of settled law in the U.S., claims are made against online services companies by parties who disagree with the content. Where the online content is accessed on the internet outside of the U.S., challenges may be brought under foreign laws that do not provide the same protections for online services companies as in the U.S. These challenges in either U.S. or foreign jurisdictions may give rise to legal claims alleging defamation, libel, invasion of privacy, negligence or copyright or trademark infringement, based on the nature and content of the materials disseminated through our services. Certain of our products and services include content generated by users of our online services. Although this content is not generated by us, claims of defamation or other injury may be made against us for that content. If such claims are successful, our financial results would be adversely affected. Even if the claims do not result in litigation or are resolved in our favor, the time and resources necessary to resolve them could divert management’s attention and adversely affect our business and financial results.

Asset impairment charges would have a negative impact on our results of operations.

Goodwill represented 39% of our total assets as of December 31, 2020. On at least an annual basis, we assess whether the carrying value of goodwill is impaired. This analysis considers several factors, including economic, market and industry conditions. Circumstances that could indicate a decline in the fair value of one or more of our reporting units include, but are not limited to, the following:

- a downturn in economic conditions that negatively affects our actual and forecasted operating results;
- changes in our business strategy, structure and/or the allocation of resources;
- the failure of our growth strategy;

- the inability of our acquisitions to achieve expected operating results;
- changes in market conditions, including increased competition;
- the loss of significant customers;
- a decline in our stock price for a sustained period; or
- a material acceleration of order volume declines for checks and business forms.

Such situations may require us to record an impairment charge for a portion of goodwill. We are also required to assess the carrying value of other long-lived assets, including intangible assets and assets held for sale. We have, in the past, and may again in the future, be required to write-down the value of some of our assets, and these write-downs have been, and could in the future be, material to our results of operations. If we are required to record additional asset impairment charges for any reason, our consolidated results of operations would be adversely affected.

Economic conditions, including impacts of the COVID-19 pandemic, may adversely affect trends in business and consumer spending, which may adversely impact demand for our products and services.

Economic conditions have affected, and will continue to affect, our results of operations and financial position. Current and future economic conditions that affect business and consumer spending, including levels of business and consumer confidence, unemployment levels, consumer spending and the availability of credit, as well as uncertainty or volatility in our customers' businesses, may adversely affect our business and results of operations. A challenging economic environment could cause existing and potential customers to not purchase or to delay purchasing our products and services, thereby negatively impacting our revenue and results of operations.

A significant portion of our business relies on small business spending. We believe that small businesses are more likely to be significantly affected by economic conditions than larger, more established companies. During a sluggish economy, it may be more difficult for small businesses to obtain credit and they may choose to spend their limited funds on items other than our products and services. As such, the level of small business confidence, the rate of small business formations and closures, and the availability of credit to small businesses all impact our business.

A significant portion of our business also relies upon the health of the financial services industry. As a result of global economic conditions in past years, a number of financial institutions sought additional capital, merged with other financial institutions and, in some cases, failed. The failure of one or more of our larger financial institution clients, or large portions of our customer base, could adversely affect our operating results. In addition to the possibility of losing a significant client, the inability to recover prepaid product discount payments made to one or more of our larger financial institution clients, or the inability to collect accounts receivable or contractually required contract termination payments, could have a significant negative impact on our results of operations.

There may also be an increase in financial institution mergers and acquisitions during periods of economic uncertainty or as a result of other factors affecting the financial services industry. Such an increase could adversely affect our operating results. Often the newly combined entity seeks to reduce costs by leveraging economies of scale in purchasing, including its check supply and business services contracts. This results in providers competing intensely on price in order to retain not only their previous business with one of the financial institutions, but also to gain the business of the other party in the combined entity. Although we devote considerable effort toward the development of a competitively-priced, high-quality selection of products and services for the financial services industry, there can be no assurance that significant financial institution clients will be retained or that the impact of the loss of a significant client can be offset through the addition of new clients or by expanded sales to our remaining clients.

The COVID-19 pandemic and the actions taken in response to it have significantly increased economic uncertainty. The pandemic has caused a global recession and increased unemployment and we cannot predict the extent to which our customers will be able to survive such a downturn. Given the ongoing and dynamic nature of the COVID-19 pandemic, we cannot predict the impact on our business, financial position or results of operations, and there is no guarantee that our efforts to address the ongoing adverse impact of the pandemic will be successful.

Our variable-rate indebtedness exposes us to interest rate risk.

The majority of the borrowings under our existing credit facility are subject to variable rates of interest and expose us to interest rate risk. If interest rates were to increase, our interest expense would increase, negatively affecting earnings and reducing cash flows available for working capital, capital expenditures and other investments.

Risks relating to the FAPS Acquisition

The pendency of the FAPS Acquisition could materially and adversely affect the business, financial condition, results of operations or cash flows of Deluxe and First American.

In connection with the pending FAPS Acquisition, some customers or vendors of Deluxe or First American may delay or defer decisions on continuing or expanding such business dealings, which could materially and adversely affect the revenues, earnings, cash flows and expenses of Deluxe or First American, regardless of whether the FAPS Acquisition is consummated. Similarly, current and prospective employees of Deluxe or First American may experience uncertainty about their future roles with Deluxe following the consummation of the FAPS Acquisition, which may materially and adversely affect the ability of each of Deluxe and First American to attract, retain and motivate key personnel during the pendency of the FAPS Acquisition and which may materially and adversely divert attention from the daily activities of Deluxe's and First American's existing employees. In addition, due to operating covenants in the Merger Agreement, First American may be unable, during the pendency of the FAPS Acquisition, to pursue certain types of strategic transactions, undertake significant capital projects, undertake certain significant financing transactions and otherwise pursue other actions that are not in the ordinary course of business, even if such actions would prove beneficial. Further, the FAPS Acquisition may give rise to potential liabilities, including those that may result from future shareholder lawsuits relating to the FAPS Acquisition. Any of these matters could materially and adversely affect the businesses, financial condition, results of operations and cash flows of Deluxe or First American.

The consummation of the FAPS Acquisition is subject to a number of conditions and if these conditions are not satisfied or waived, the FAPS Acquisition will not be consummated.

The proposed FAPS Acquisition is subject to a number of conditions that must be satisfied or waived by either or both of Deluxe and First American prior to the consummation of the FAPS Acquisition, and there can be no guarantee that such conditions will be so satisfied or waived. Should the FAPS Acquisition fail to close for any reason, Deluxe's business, financial condition, results of operations and cash flows may be materially and adversely affected. The closing conditions under the Merger Agreement include, among others:

- the expiration or termination of the applicable waiting period under the HSR Act;

- the absence of any order, injunction or other legal restraint or prohibition (whether permanent, preliminary or temporary) issued by any governmental entity of competent jurisdiction restraining, enjoining or otherwise preventing the consummation of the FAPS Acquisition;

- the correctness of all representations and warranties made by the parties in the Merger Agreement and performance by the parties of their obligations under the Merger Agreement (subject in each case to certain materiality standards);
- the approval of the FAPS shareholders not having been rescinded; and
- the absence of any change, event, circumstance, occurrence or development since the date of the Merger Agreement that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect (as defined in the Merger Agreement) on First American.

Further, prior to the consummation of the FAPS Acquisition, the parties to the Merger Agreement may agree to modify or waive the terms or conditions of such document without the consent of the holders of the notes. Transaction parties will not be precluded from making certain changes to the terms of the Transactions or from waiving certain conditions to the Transactions.

Deluxe does not currently control First American and its subsidiaries.

Although the Merger Agreement contains covenants on the part of First American regarding the operation of its business prior to the closing of the FAPS Acquisition, Deluxe does not and will not control First American and its subsidiaries until completion of the FAPS Acquisition. As a result, the business and results of operations of First American may be materially and adversely affected by events that are outside of Deluxe's control during the intervening period. The historic and current performance of First American's business and operations may not be indicative of success in future periods. The future performance of First American may be influenced by, among other factors, economic downturns, turmoil in financial markets, unfavorable regulatory decisions, litigation, the occurrence or discovery of new liabilities, rising interest rates and other factors beyond the control of Deluxe and possibly First American. As a result of any one or more of these factors, among others, the operations and financial performance of First American may be negatively affected, which may materially and adversely affect the combined company's future financial results.

Risks relating to the combined company upon consummation of the FAPS Acquisition

A pending investigation by the Federal Trade Commission into certain business practices of First American could materially and adversely affect First American's business or, following consummation of the FAPS Acquisition, the combined business.

Three operating subsidiaries of FAPS received separate Civil Investigative Demands dated December 27, 2019 (the "CIDs") from the Federal Trade Commission (the "FTC") requesting information and documents to determine whether the subsidiaries may have engaged in conduct prohibited by the Federal Trade Commission Act, the Fair Credit Reporting Act or the Duties of Furnishers of Information. The FTC has not yet made any determination against the subsidiaries, and we are currently unable to predict the eventual scope, ultimate timing or outcome of its investigation. The consummation of the offering of the notes offered hereby, the FAPS Acquisition and the other related transactions are not conditioned on a resolution of the FTC investigation, and we do not expect that the FTC investigation will be resolved prior to the consummation of the offering of the notes offered hereby or the FAPS Acquisition and the other related transactions.

Deluxe is entitled to limited indemnification under the Merger Agreement for certain expenses and losses, if any, that may be incurred after the consummation of the FAPS Acquisition with respect to certain matters, including the FTC investigation. The right to indemnification under the Merger Agreement for any such expenses and losses is limited to the amount of an indemnity holdback and, except in the case of fraud, will be Deluxe's sole recourse for such losses. There can be no assurance that such indemnification will be sufficient to address all losses that may arise from such matters, or that the FTC's pending investigation will not result in findings or alleged violations of laws that could lead to enforcement actions, proceedings or litigation, whether by the FTC, other state or federal agencies, or other parties. The imposition of damages, fines, restitution, other equitable monetary relief or changes to First American's or the combined company's business practices or operations could materially and adversely affect First American's or the combined company's business, financial condition, results of operations or reputation.

Future results of Deluxe may differ, possibly materially, from the unaudited pro forma condensed combined financial information presented in this offering memorandum.

The future results of Deluxe following the consummation of the FAPS Acquisition may be different, possibly materially, from those shown in the "Unaudited pro forma condensed combined financial information" section of this offering memorandum, which show only a combination of Deluxe's and First American's historical results after giving effect to the FAPS Acquisition for several reasons. The unaudited pro forma condensed combined financial information presented in this offering memorandum is for illustrative purposes only and is not intended to, and does not purport to, represent what Deluxe's actual results or financial condition would have been if the FAPS Acquisition had been consummated. In addition, the unaudited pro forma condensed combined financial information presented in this offering memorandum is based, in part, on certain assumptions regarding the FAPS Acquisition that Deluxe believes are reasonable. These assumptions, however, are only preliminary and will be updated only after the consummation of the FAPS Acquisition. The unaudited pro forma condensed combined financial information presented in this offering memorandum reflects the impact of the FAPS Acquisition on Deluxe's and First American's historical financial information using the acquisition method of accounting, as required under GAAP. Pursuant to the acquisition method, Deluxe has been determined to be the acquirer for accounting purposes. As required under GAAP, Deluxe will record First American's tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values at the acquisition date. The excess of consideration transferred (i.e., purchase price) over the fair value of net assets acquired will be recorded as goodwill. Goodwill is not amortized, but is tested for impairment at least annually or more frequently if circumstances indicate potential impairment. The operating results of First American will be reported as part of the combined company on the acquisition date. The final valuation of the tangible and identifiable intangible assets acquired and liabilities assumed have not yet been completed. The completion of the valuation upon consummation of the FAPS Acquisition could result in significantly different amortization expenses and balance sheet classifications than those presented in the unaudited pro forma condensed consolidated financial information included in this offering memorandum. If the FAPS Acquisition occurs, Deluxe anticipates incurring integration costs, as well as the cost of cost savings initiatives, which have not been reflected in the unaudited pro forma condensed combined financial information presented in this offering memorandum. The FAPS Acquisition and post-merger integration process may also give rise to unexpected liabilities and costs. Unexpected delays in consummating the FAPS Acquisition or in connection with the post-merger integration process may significantly increase the related costs and expenses incurred by Deluxe. If any of these circumstances were to occur, operating expenses for the combined business may be higher than expected, reducing operating income and the expected benefits of the FAPS Acquisition. In addition, actual financing costs for the combined company may be higher and revenue lower than the expected costs reflected in the unaudited pro forma condensed combined financial information. Higher financing costs would reduce the combined company's profitability and may reduce cost reduction and other initiatives.

Deluxe may be unable to realize the anticipated benefits of the FAPS Acquisition, including synergies, and expects to incur substantial expenses related to the FAPS Acquisition, which could have a material adverse effect on Deluxe's business, financial condition and results of operations.

Following the consummation of the FAPS Acquisition, Deluxe expects to realize potential revenue synergies. In addition to the purchase price for the transaction, Deluxe expects to incur one-time costs to achieve these synergies, although those costs have not yet been quantified.

In addition, while Deluxe believes these synergies are achievable, Deluxe's ability to achieve such estimated synergies and the timing of achieving any such synergies is subject to various assumptions by Deluxe's management, which may or may not be realized, as well as the incurrence of other costs in Deluxe's operations that offset all or a portion of such synergies. As a consequence, Deluxe may not be able to realize all of these synergies within the timeframe expected or at all. In addition, Deluxe may incur additional and/or unexpected costs in order to realize these synergies. Failure to achieve the expected synergies could significantly reduce the expected benefits associated with the FAPS Acquisition and materially and adversely affect Deluxe.

In addition, Deluxe has incurred and expects to incur substantial expenses in connection with the negotiation and consummation of the transactions contemplated by the Merger Agreement.

Deluxe expects to continue to incur non-recurring costs associated with consummating the FAPS Acquisition, combining the operations of the two companies and achieving the desired synergies. These fees and costs have been, and will continue to be, substantial. The substantial majority of non-recurring expenses will consist of transaction costs related to the FAPS Acquisition and include, among others, fees paid to financial, legal and accounting advisors, employee benefit costs and filing fees.

These costs described above, as well as other unanticipated costs and expenses, could have a material adverse effect on the financial condition and operating results of Deluxe following the consummation of the FAPS Acquisition and many of these costs will be borne by Deluxe even if the FAPS Acquisition is not consummated.

Following the consummation of the FAPS Acquisition, Deluxe may be unable to successfully integrate First American's business and realize the anticipated benefits of the FAPS Acquisition.

Deluxe and First American currently operate as independent companies. After the consummation of the FAPS Acquisition, Deluxe will be required to devote significant management attention and resources to integrating the business practices and operations of First American. Potential difficulties Deluxe may encounter in the integration process include the following:

- the inability to successfully combine the businesses of Deluxe and First American in a manner that permits Deluxe to achieve the cost savings or revenue enhancements anticipated to result from the FAPS Acquisition, which would result in the anticipated benefits of the FAPS Acquisition not being realized in the time frame currently anticipated or at all;
- lost sales and customers as a result of certain customers, retail partners, financial institutions or other third parties of either of the two companies deciding not to do business with Deluxe after the FAPS Acquisition;
- the complexities associated with managing Deluxe out of several different locations and integrating personnel from First American, resulting in a significantly larger combined company, while at the same time attempting to provide consistent, high quality products and services;
- the additional complexities of integrating a company with different products, services, markets and customers;
- coordinating corporate and administrative infrastructures and harmonizing insurance coverage;
- coordinating accounting, information technology, communications, administration and other systems;
- complexities associated with implementing necessary controls for First American's business activities to address Deluxe's requirements as a public company;
- identifying and eliminating redundant and underperforming functions and assets;
- difficulty addressing possible differences in corporate culture and management philosophies;
- the failure to retain key employees of either First American or Deluxe;
- potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the FAPS Acquisition;
- performance shortfalls at one or both of the two companies as a result of the diversion of management's attention to efforts to consummate the FAPS Acquisition and integrate First American's operations; and
- a deterioration of credit ratings.

For all these reasons, you should be aware that it is possible that the integration process following the consummation of the FAPS Acquisition could result in the distraction of Deluxe's management, the disruption of Deluxe's ongoing business or inconsistencies in its products, services, standards, controls, procedures and policies, any of which could materially and adversely affect the ability of Deluxe to maintain relationships with customers, retail partners, financial institutions, vendors and employees or to achieve the anticipated benefits of the FAPS Acquisition, or could otherwise materially and adversely affect the business and financial results of Deluxe.

An inability to realize the full extent of the anticipated benefits of the FAPS Acquisition, as well as any delays encountered in the integration process, could have a material adverse effect on the revenues, level of expenses and operating results of the combined company, which may materially and adversely affect the value of Deluxe's securities following the consummation of the FAPS Acquisition and/or cause the liquidity or market value of the notes to decline significantly.

In addition, the actual integration may result in additional and unforeseen expenses, and the anticipated benefit of Deluxe's plan for integration may not be realized. Actual synergies, if achieved at all, may be lower than what Deluxe expects and may take longer to achieve than anticipated. For example, the elimination of duplicative costs may not be possible or may take longer than anticipated, or the benefits from the FAPS Acquisition may be offset by costs incurred or delays in integrating the companies. If Deluxe is not able to adequately address these challenges, Deluxe may be unable to successfully integrate First American's operations into its own or, even if Deluxe is able to combine the two business operations successfully, to realize the anticipated benefits of the integration of the two companies.

Deluxe may be unable to retain key employees as a result of the FAPS Acquisition or otherwise.

The success of Deluxe depends in part upon its ability to retain its executive leadership, management team and other key employees (including, following the FAPS Acquisition, former First American employees). Key personnel may depart because of a variety of reasons, relating to the FAPS Acquisition or otherwise. The loss of these individuals without adequate replacement could materially and adversely affect our ability to sustain and grow our business. The inability to attract and retain qualified individuals, or a significant increase in the costs to do so, would materially and adversely affect our operations. Furthermore, if we are unable to retain key personnel who are critical to the successful integration and future operations of the combined company following the FAPS Acquisition, we could face disruptions in its operations, loss of existing customers, loss of key information, expertise or know-how, and unanticipated additional recruitment and training costs, all of which could diminish the anticipated benefits of the FAPS Acquisition.

Risks relating to the notes and our other indebtedness

If the FAPS Acquisition is not consummated by September 21, 2021 (or such later date if the end date is extended pursuant to the Merger Agreement), we will redeem the notes pursuant to a special mandatory redemption and you may not obtain your expected return on the notes.

If the FAPS Acquisition is not consummated on or prior to September 21, 2021 (or such later date if the end date is extended pursuant to the Merger Agreement) or, if prior to such date, the Merger Agreement is terminated without the FAPS Acquisition being consummated, then in either case, we will be required to redeem the notes at 100% of the issue price of the notes, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. The Merger Agreement contains customary conditions for closing, many of which are beyond our control, and we may not be able to complete the FAPS Acquisition prior to September 21, 2021 (or such later date if the end date is extended pursuant to the Merger Agreement). If your notes are redeemed, you may not obtain your expected return on the notes and may not be able to reinvest the proceeds from a special redemption in an investment that results in a comparable return. In addition, if you purchase notes at a price greater than the principal amount of the notes, you may suffer a loss on your investment. In addition, as a result of the special mandatory redemption provisions of the notes, the trading prices of the notes may not reflect the financial results of our business or macroeconomic factors.

You will have no rights under the special mandatory redemption provisions as long as the FAPS Acquisition is consummated on or prior to September 21, 2021 (or such later date if the end date is extended pursuant to the Merger Agreement). You will not have any right to require us to repurchase your notes if, between the closing of the notes offering and the consummation of the FAPS Acquisition, we experience any changes (including any material changes) in our business or financial condition, or if the terms of the FAPS Acquisition change, including in material respects.

We will not deposit the net proceeds of this offering into an escrow account benefiting holders of the notes, and we may not be able to pay the redemption price of the notes upon a special mandatory redemption.

If the FAPS Acquisition is not consummated on or prior to September 21, 2021 (or such later date if the end date is extended pursuant to the Merger Agreement) or, if prior to such date, the Merger Agreement is terminated without the FAPS Acquisition being consummated, then in either case, we will be required to redeem the notes at 100% of the issue price of the notes, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. We intend to use the net proceeds from this offering to fund a portion of the cash consideration of the FAPS Acquisition. We will not deposit the net proceeds of this offering into an escrow account benefiting holders of the notes pending the consummation of the FAPS Acquisition for the purpose of redeeming the notes offered hereby if the FAPS Acquisition is not consummated. The source of funds for any such redemption of notes upon the occurrence of the foregoing conditions would be the proceeds that we have voluntarily retained or other sources of liquidity, including available cash, borrowings, sales of assets or sales of equity. Consequently, we may not be able to satisfy our obligations to redeem the notes because we may not have sufficient financial resources to pay the aggregate redemption price for all the notes. Our failure to redeem all the notes as required under the indenture governing the notes would result in a default under the indenture, which could result in defaults under our other debt agreements and have material adverse consequences for us and the holders of the notes.

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the notes.

We have, and after the offering will continue to have, a significant amount of indebtedness. As of March 31, 2021, on a pro forma basis after giving effect to the Transactions, our total debt would have been approximately $1,853 million, and we would have had unused commitments of $295 million under the revolving portion of our senior secured revolving credit facilities (after giving effect to $7 million of outstanding letters of credit), which could be increased by $400 million, subject to certain conditions.

Subject to the limits contained in the credit agreement that will govern our senior secured credit facilities and the indenture that will govern the notes and our other debt instruments, we may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our high level of debt could intensify. Specifically, our high level of debt could have important consequences to the holders of the notes, including the following:

- making it more difficult for us to satisfy our obligations with respect to the notes and our other debt;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;

- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our senior secured credit facilities, are at variable rates of interest;

- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;

- placing us at a disadvantage compared to other, less leveraged competitors; and

- increasing our cost of borrowing.

In addition, the indenture that will govern the notes and the credit agreement that will govern our senior secured credit facilities will contain restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all our debt.

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

Our ability to make scheduled payments on or refinance our debt obligations, including the notes, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness, including the notes. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The credit agreement that will govern our senior secured credit facilities and the indenture that will govern the notes will restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due. See “Description of other indebtedness” and “Description of notes.”

In addition, we conduct a substantial portion of our operations through our subsidiaries, certain of which will not be guarantors of the notes or our other indebtedness. Accordingly, repayment of our indebtedness, including the notes, is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of the notes or our other indebtedness, our subsidiaries do not have any obligation to pay amounts due on the notes or our other indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the notes. Each subsidiary is a distinct legal entity, and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries.

While the indenture that will govern the notes and the credit agreement that will govern our senior secured credit facilities will limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the notes.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations under the notes.

If we cannot make scheduled payments on our debt, we will be in default and holders of the notes could declare all outstanding principal and interest to be due and payable, the lenders under our senior secured credit facilities could terminate their commitments to loan money, the lenders could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation. All of these events could result in your losing your investment in the notes.

Despite our current level of indebtedness, we and our subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks to our financial condition described above.

We and our subsidiaries may be able to incur significant additional indebtedness in the future. Although the indenture that will govern the notes and the credit agreement that will govern our senior secured credit facilities will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. If we incur any additional indebtedness that ranks equally with the notes, subject to collateral arrangements, the holders of that debt will be entitled to share ratably with you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of our company. This may have the effect of reducing the amount of proceeds paid to you. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness. In addition, as of March 31, 2021, on a pro forma basis after giving effect to the Transactions, the revolving portion of our senior secured revolving credit facilities would have provided for unused commitments of $295 million (after giving effect to $7 million of outstanding letters of credit), which could be increased by $400 million, subject to certain conditions. All of those borrowings would be secured indebtedness. If new debt is added to our current debt levels, the related risks that we and the subsidiary guarantors now face could intensify. See “Description of other indebtedness” and “Description of notes.”

The terms of the credit agreement that will govern our senior secured credit facilities and the indenture that will govern the notes will restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The credit agreement that will govern our senior secured credit facilities and the indenture that will govern the notes offered hereby will contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to:

- incur additional indebtedness and guarantee indebtedness;
- pay dividends or make other distributions or repurchase or redeem capital stock;
- prepay, redeem or repurchase certain debt;
- issue certain preferred stock or similar equity securities;
- make loans and investments;

- sell assets;
- incur liens;
- enter into transactions with affiliates;
- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- consolidate, merge or sell all or substantially all of our assets.

You should read the discussion under the heading "Description of notes—Certain covenants" for further information about these covenants.

In addition, the restrictive covenants in the credit agreement that will govern our senior secured credit facilities will require us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we may be unable to meet them. You should read the discussion under the heading "Description of other indebtedness" for further information about these covenants.

A breach of the covenants or restrictions under the indenture that will govern the notes or under the credit agreement that will govern our senior secured credit facilities could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the credit agreement that will govern our senior secured credit facilities would permit the lenders under our senior secured credit facilities to terminate all commitments to extend further credit under that facility. Furthermore, if we were unable to repay the amounts due and payable under the notes or our senior secured credit facilities, those noteholders and lenders could proceed against the collateral granted to them to secure that indebtedness. In the event our lenders or noteholders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. As a result of these restrictions, we may be:

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

These restrictions may affect our ability to grow in accordance with our strategy. In addition, our financial results, our substantial indebtedness and our credit ratings could adversely affect the availability and terms of our financing.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our senior secured credit facilities are at variable rates of interest and expose us to interest rate risk. If interest rates were to increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. Assuming all loans under the revolving portion of our senior secured credit facilities are fully drawn, each quarter point change in interest rates would result in a $1.25 million change in annual interest expense on our indebtedness under our senior secured credit facilities. As of March 31, 2021, we had an outstanding interest rate swap related to amounts drawn under the revolving portion of our existing credit facility, involving the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

Additionally, our use of interest rate swaps to manage risk associated with interest rate volatility may expose us to additional risks, including the risk that a counterparty to a swap may fail to honor its obligations. Developing an effective interest rate risk strategy is complex and no strategy can completely insulate us from risks associated with interest rate fluctuations. There can be no assurance that our hedging activities will have the desired beneficial impact on our results of operations or financial condition. Termination of interest rate swaps typically involves costs, such as transaction fees or breakage costs.

The notes will be effectively subordinated to our and our subsidiary guarantors' indebtedness under our senior secured credit facilities and any other secured indebtedness of our company to the extent of the value of the property securing that indebtedness.

The notes will not be secured by any of our or our subsidiary guarantors' assets. As a result, the notes and the guarantees will be effectively subordinated to our and our subsidiary guarantors' indebtedness under our senior secured credit facilities with respect to the assets that secure that indebtedness. As of March 31, 2021, on a pro forma basis giving effect to the Transactions, we would have had $7 million in letters of credit outstanding under the revolving portion of our senior secured credit facilities, resulting in total unused availability of approximately $295 million, which could be increased by $400 million, subject to certain conditions. In addition, we may incur additional secured debt in the future. The effect of this subordination is that upon a default in payment on, or the acceleration of, any of our secured indebtedness, or in the event of bankruptcy, insolvency, liquidation, dissolution or reorganization of our company or the subsidiary guarantors, the proceeds from the sale of assets securing our secured indebtedness will be available to pay obligations on the notes only after all indebtedness under our senior secured credit facilities and that other secured debt has been paid in full. As a result, the holders of the notes may receive less, ratably, than the holders of secured debt in the event of our or our subsidiary guarantors' bankruptcy, insolvency, liquidation, dissolution or reorganization.

The notes will be structurally subordinated to all obligations of our existing and future subsidiaries that are not and do not become guarantors of the notes.

The notes will be guaranteed by each of our existing and future domestic subsidiaries that is a borrower under or that guarantees obligations under our senior secured credit facilities or that guarantees certain of our other indebtedness or indebtedness of any subsidiary guarantor. Except for such subsidiary guarantors of the notes, our subsidiaries, including all of our non-domestic subsidiaries, will have no obligation, contingent or otherwise, to pay amounts due under the notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payment. The notes and note guarantees will be structurally subordinated to all indebtedness and other obligations of any non-guarantor subsidiary such that in the event of insolvency, liquidation, reorganization, dissolution or other winding up of any subsidiary that is not a guarantor, all of the holders of that subsidiary's debt and other creditors (including trade creditors) would be entitled to payment in full out of that subsidiary's assets before we would be entitled to any payment.

In addition, the indenture that will govern the notes will, subject to some limitations, permit these subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables and lease obligations, that may be incurred by these subsidiaries.

For the 12 months ended March 31, 2021, on a pro forma basis after giving effect to the Transactions, our non-guarantor subsidiaries represented approximately 6% of our revenue, approximately 10% of our operating income and approximately 8% of our Adjusted EBITDA, respectively. As of March 31, 2021, on a pro forma basis after giving effect to the Transactions, our non-guarantor subsidiaries represented approximately 7% of our total assets and had $120 million of total liabilities, including debt and trade payables but excluding intercompany liabilities.

In addition, our subsidiaries that provide, or will provide, note guarantees will be automatically released from those note guarantees upon the occurrence of certain events, including the following:

- the designation of that subsidiary guarantor as an unrestricted subsidiary;
- the release or discharge of any guarantee or indebtedness that resulted in the creation of the note guarantee of the notes by such subsidiary guarantor; or
- the sale or other disposition, including the sale of substantially all the assets, of that subsidiary guarantor.

If any note guarantee is released, no holder of the notes will have a claim as a creditor against that subsidiary, and the indebtedness and other liabilities, including trade payables and preferred stock, if any, whether secured or unsecured, of that subsidiary will be effectively senior to the claim of any holders of the notes. See "Description of notes—Note guarantees."

Many of the covenants contained in the indenture will be suspended if the notes are rated investment grade by two of Moody's, S&P or Fitch and no default or event of default has occurred and is continuing.

Many of the covenants in the indenture that will govern the notes will be suspended if the notes are rated investment grade by two of Moody's, S&P or Fitch; provided at such time no default or event of default has occurred and is continuing under the indenture. These covenants include restrictions on our ability to pay dividends, incur indebtedness and enter into certain other transactions. There can be no assurance that the notes will ever be rated investment grade. However, suspension of these covenants would allow us to engage in certain transactions that would not have been permitted while these covenants were in force and any actions taken while such covenants are suspended will not result in an Event of Default if such covenants are subsequently reinstated. See "Description of notes—Certain covenants."

We may not be able to repurchase the notes upon a change of control.

Upon the occurrence of specific kinds of change of control events, we will be required to offer to repurchase all outstanding notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the purchase date. Additionally, under our senior secured credit facilities, a change of control (as defined therein) constitutes an event of default that permits the lenders to accelerate the maturity of borrowings under the credit agreement that will govern our senior secured credit facilities and the commitments to lend would terminate. The source of funds for any purchase of the notes and repayment of borrowings under our senior secured credit facilities would be our available cash or cash generated from our subsidiaries' operations or other sources, including borrowings, sales of assets or sales of equity. We may not be able to purchase the notes upon a change of control because we may not have sufficient financial resources to purchase all of the debt securities that are tendered upon a change of control and repay our other indebtedness that will become due. If we fail to repurchase the notes in that circumstance, we will be in default under the indenture that will govern the notes. We may require additional financing from third parties to fund any such purchases, and we may be unable to obtain financing on satisfactory terms or at all. Further, our ability to repurchase the notes may be limited by law. In order to avoid the obligations to repurchase the notes and events of default and potential breaches of the credit agreement that will govern our senior secured credit facilities, we may have to avoid certain change of control transactions that would otherwise be beneficial to us.

In addition, certain important corporate events, such as leveraged recapitalizations, may not, under the indenture that will govern the notes, constitute a "change of control" that would require us to repurchase the notes, even though those corporate events could increase the level of our indebtedness or otherwise adversely affect our capital structure, credit ratings or the value of the notes. See "Description of notes—Repurchase at the option of holders—Change of control."

The exercise by the holders of notes of their right to require us to purchase the notes pursuant to a change of control offer could cause a default under the agreements governing our other indebtedness, including future agreements, even if the change of control itself does not, due to the financial effect of such repurchases on us. In the event a change of control offer is required to be made at a time when we are prohibited from purchasing notes, we could attempt to refinance the borrowings that contain such prohibitions. If we do not obtain a consent or repay those borrowings, we will remain prohibited from purchasing notes. In that case, our failure to purchase tendered notes would constitute an event of default under the indenture which could, in turn, constitute a default under our other indebtedness. Finally, our ability to pay cash to the holders of notes upon a repurchase may be limited by our then existing financial resources.

Holders of the notes may not be able to determine when a change of control giving rise to their right to have the notes repurchased has occurred following a sale of "substantially all" of our assets.

One of the circumstances under which a change of control may occur is upon the sale or disposition of "all or substantially all" of our assets. There is no precise established definition of the phrase "substantially all" under applicable law and the interpretation of that phrase will likely depend upon particular facts and circumstances. Accordingly, the ability of a holder of notes to require us to repurchase its notes as a result of a sale of less than all our assets to another person may be uncertain.

Federal and state fraudulent transfer laws may permit a court to void the notes and/or the note guarantees, and if that occurs, you may not receive any payments on the notes.

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the notes and the incurrence of the note guarantees of the notes. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the notes or the note guarantees thereof could be voided as a fraudulent transfer or conveyance if we or any of the subsidiary guarantors, as applicable, (a) issued the notes or incurred the note guarantees with the intent of hindering, delaying or defrauding creditors or (b) received less than reasonably equivalent value or fair consideration in return for either issuing the notes or incurring the note guarantees and, in the case of (b) only, one of the following is also true at the time thereof:

- we or any of the subsidiary guarantors, as applicable, were insolvent or rendered insolvent by reason of the issuance of the notes or the incurrence of the note guarantees;
- the issuance of the notes or the incurrence of the note guarantees left us or any of the subsidiary guarantors, as applicable, with an unreasonably small amount of capital or assets to carry on the business;
- we or any of the subsidiary guarantors intended to, or believed that we or such subsidiary guarantor would, incur debts beyond our or such subsidiary guarantor's ability to pay as they mature; or
- we or any of the subsidiary guarantors were a defendant in an action for money damages, or had a judgment for money damages docketed against us or the subsidiary guarantor if, in either case, the judgment is unsatisfied after final judgment.

As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or a valid antecedent debt is secured or satisfied. A court would likely find that a subsidiary guarantor did not receive reasonably equivalent value or fair consideration for its note guarantee to the extent the subsidiary guarantor did not obtain a reasonably equivalent benefit directly or indirectly from the issuance of the notes.

We cannot be certain as to the standards a court would use to determine whether or not we or the subsidiary guarantors were insolvent at the relevant time or, regardless of the standard that a court uses, whether the notes or the note guarantees would be subordinated to our or any of our subsidiary guarantors' other debt. In general, however, a court would deem an entity insolvent if:

- the sum of its debts, including contingent and unliquidated liabilities, was greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they became due.

If a court were to find that the issuance of the notes or the incurrence of a note guarantee was a fraudulent transfer or conveyance, the court could void the payment obligations under the notes or that note guarantee, subordinate the notes or that note guarantee to presently existing and future indebtedness of ours or of the related subsidiary guarantor or require the holders of the notes to repay any amounts received with respect to that note guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any repayment on the notes. Further, the avoidance of the notes could result in an event of default with respect to our and our subsidiaries' other debt that could result in acceleration of that debt.

Finally, as a court of equity, the bankruptcy court may subordinate the claims in respect of the notes to other claims against us under the principle of equitable subordination if the court determines that (1) the holder of notes engaged in some type of inequitable conduct, (2) the inequitable conduct resulted in injury to our other creditors or conferred an unfair advantage upon the holders of notes and (3) equitable subordination is not inconsistent with the provisions of the bankruptcy code.

Holders of the notes will not be entitled to registration rights, and we do not currently intend to register the notes under applicable securities laws. There are restrictions on your ability to transfer or resell the notes.

The notes are being offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws, and we do not currently intend to register the notes. The holders of the notes will not be entitled to require us to register the notes for resale or otherwise. Therefore, you may transfer or resell the notes in the United States only in a transaction registered under or exempt from the registration requirements of the Securities Act and applicable state securities laws, and you may be required to bear the risk of your investment for an indefinite period of time. See "Transfer restrictions."

Your ability to transfer the notes may be limited by the absence of an active trading market and an active trading market may not develop for the notes.

The notes will be a new issuance of securities for which there is no established trading market. We expect the notes to be eligible for trading by "qualified institutional buyers," as defined under Rule 144A, but we do not intend to list the notes on any national securities exchange or include the notes in any automated quotation system. The initial purchasers of the notes have advised us that they intend to make a market in the notes, as permitted by applicable laws and regulations. However, the initial purchasers are not obligated to make a market in the notes and, if commenced, may discontinue their market-making activities at any time without notice.

Therefore, an active market for the notes may not develop or be maintained, which would adversely affect the market price and liquidity of the notes. In such case, the holders of the notes may not be able to sell their notes at a particular time or at a favorable price. If a trading market were to develop, future trading prices of the notes may be volatile and will depend on many factors, including:

- the number of holders of notes;
- prevailing interest rates;
- our operating performance and financial condition;
- the interest of securities dealers in making a market for them; and
- the market for similar securities.

Even if an active trading market for the notes does develop, there is no guarantee that it will continue. Historically, the market for non-investment grade debt has been subject to severe disruptions that have caused substantial volatility in the prices of securities similar to the notes. The market, if any, for the notes may experience similar disruptions and any such disruptions may adversely affect the liquidity in that market or the prices at which you may sell your notes. In addition, subsequent to their initial issuance, the notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our performance and other factors.

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

When issued, our debt will have a non-investment grade rating, and any rating assigned could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the notes. Credit ratings are not recommendations to purchase, hold or sell the notes. Additionally, credit ratings may not reflect the potential effect of risks relating to the structure or marketing of the notes.

Any future lowering of our ratings likely would make it more difficult or more expensive for us to obtain additional debt financing. If any credit rating initially assigned to the notes is subsequently lowered or withdrawn for any reason, you may not be able to resell your notes without a substantial discount.

Exhibit 99.6

Summary historical consolidated financial information of First American

The following table presents summary historical consolidated financial data for First American. The summary historical financial information as of and for the years ended December 31, 2020 and 2019 has been derived from First American's audited consolidated financial statements included elsewhere in this offering memorandum. The summary historical financial information as of and for the three-month period ended March 31, 2021, and for the three-month period ended March 31, 2020, has been derived from First American's unaudited condensed consolidated financial statements included elsewhere in this offering memorandum. The financial statements included in this offering memorandum for First American are not presented in accordance with Regulation S-X, 17 CFR Part 210, *Form and Content of and Requirements for Financial Statements*. First American's unaudited condensed consolidated financial statements have been prepared on the same basis as First American's audited consolidated financial statements and, in our opinion, reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair statement of such financial statements in all material respects. The results for any interim period are not necessarily indicative of the results that may be expected for a full year or any future period.

This information is only a summary and should be read in conjunction with the section entitled "Management's discussion and analysis of financial condition and results of operations of First American" and the historical financial statements and related notes thereto for First American included elsewhere in this offering memorandum, including the discussion of the adoption of new accounting pronouncements therein, as well as the other financial information included elsewhere in this offering memorandum.

	Year Ended December 31,		Three Months Ended March 31,	
(dollars in thousands, except per share amounts)	**2020**	**2019**	**2021**	**2020**
Statement of Income Data:				
Revenue	$ 288,322	$ 300,047	$ 76,841	$ 73,376
Other costs of service	166,501	170,732	44,612	42,429
Selling, general and administrative expenses	70,109	75,120	16,8343	19,701
Depreciation and amortization	24,393	26,756	5,280	6,079
Income from operations	$ 27,318	$ 27,439	$ 10,114	$ 5,346
Net income	3,601	728	4,809	(3,657)
Balance Sheet Data (at period end):				
Cash and cash equivalents	$ 8,479	$ 6,783	$ 13,287	
Total assets	$ 582,775	$ 576,055	$ 501,805	
Long-term debt obligations	245,900	265,167	246,107	
Statement of Cash Flows Data:				
Net cash provided by operating activities	$ 35,339	$ 28,291	$ 8,292	$ 1,804
Net cash used in investing activities	(6,634)	(12,116)	(1,761)	(1,208)
Net cash used in financing activities	(25,605)	(15,565)	(1,135)	(1,211)
Other Data:				
FAPS Adjusted EBITDA[(1)(2)]	$ 58,545	$ 56,577	$ 16,414	$ 13,389

(1) FAPS Adjusted EBITDA is a non-GAAP financial measure. FAPS Adjusted EBITDA is calculated as net income (loss) before interest expense, tax expense, and depreciation and amortization expense plus other income, deal costs & consulting, legal expense, debt restructuring, non-cash stock option expense, severance & facility closure and private equity fees & expenses. For more information, see "Non-GAAP financial measures."

[2] The following table provides a reconciliation of net income to FAPS Adjusted EBITDA:

(in thousands)	Years Ended Dec 31, 2020	Years Ended Dec 31, 2019	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Net Income	**$ 3,601**	**$ 728**	**$ 4,809**	**$ (3,657)**
Interest expense	21,643	25,828	3,708	8,818
Tax expense	2,091	903	1,607	128
Depreciation & amortization expense	24,393	26,756	5,280	6,079
Other (income) expense [a]	(16)	(19)	(10)	58
Deal costs & consulting [b]	77	527	3	25
Legal expense [c]	3,196	-	702	394
Debt modification [d]	711	11	-	680
Non-cash stock option expense [e]	259	501	60	41
Severance [f]	1,906	319	40	658
Private equity fees & expenses [g]	685	1,024	215	165
FAPS Adjusted EBITDA	**$ 58,545**	**$ 56,577**	**$ 16,414**	**$ 13,389**

[a] Includes gain or (loss) on sale of assets and realized/unrealized gain or (loss) on foreign currency.

[b] Represents costs associated with assessing potential acquisitions.

[c] Represents non-recurring legal expense.

[d] Represents costs associated with new credit facility or modifications to existing facilities.

[e] Represents non-cash shared-based compensation expense.

[f] Represents severance paid to terminated employees and expenses related to closure of a facility.

[g] Represents management fees paid to private equity partners and expenses.

Management's discussion and analysis of financial condition and results of operations of First American

The following management's discussion and analysis of financial condition and results of operations for First American should be read in conjunction with the financial statements and related notes of First American appearing elsewhere in this offering memorandum. The discussion and analysis covers periods prior to the consummation of the Transactions. Accordingly, the discussion and analysis of historical periods included in this section of this offering memorandum does not reflect the significant impact that the Transactions will have on First American, which will become a consolidated subsidiary of Deluxe following consummation of the Transactions.

The following discussion should be read in conjunction with "Unaudited pro forma condensed combined financial information" and the consolidated financial statements of First American and the notes thereto included elsewhere in this offering memorandum. This discussion and analysis contains forward-looking statements and involves numerous risks and uncertainties, including those described in the "Risk factors" section of this offering memorandum. Actual results may differ materially from those contained in any forward-looking statements.

Business of First American

First American, headquartered in Fort Worth, Texas, is a full suite, omni-channel global payments technology company with a proprietary back-end platform that powers payments for SMB and large-enterprise merchants. First American's services enable its customers to take advantage of the convenience, security and cost-effectiveness of card-based payments. Since its inception in 1990, First American has aimed to serve as a one-stop shop for the payment processing needs of its clients.

Over the last 28 years, First American has developed a comprehensive line of products and value-added services to serve its diverse set of partners and merchants, including credit and debit card processing, equipment leasing, e-Commerce solutions, ACH processing services, online merchant reporting services, gift cards, ATMs, EBT card processing and check services. In 2020, First American served approximately 139,000 active merchants and processed over $27 billion of credit payments. Its highly diversified merchant base operates across the United States and represents a variety of industries, including restaurants, retail, salons, eCommerce, healthcare, government, software companies and non-profits, among many others. Its solutions are sold through a diversified network of sales channels. Its go-to-market strategy is based on three distinct primary sales channels: the ISV channel, which targets non-profit organizations, governments, and integrated software partners with verticals in death care, call centers, self storage, veterinary clinics, and more; the Partner-Centric channel, which is comprised of ISO partners and financial institutions; and the Direct channel, which includes company-owned sales offices and telemarketing-led sales. Its multi-channel sales strategy complements the breadth of its product portfolio, driving deeply entrenched partnerships and creating a platform that is difficult to replicate.

COVID-19 impact on results

The COVID-19 pandemic had an adverse effect on nearly all revenue-driving facets of First American's business, although the effect on Q1 2020 was seen only at the end of the period. This was evidenced by a steep decline in processing revenue in the second half of March 2020. The rapid spread of the virus, coupled with an overarching uncertainty surrounding the remainder of 2020, prompted First American to take immediate action in order to protect its business and employees. By the end of March 2020, all employees were working from home full-time, so as to protect their health and to maintain compliance with government shutdown measures. First American took quick action to preserve cash by managing all infrastructure costs, reducing capital expenditures to essential purchases only, and taking advantage of the CARES Act. The CARES Act enabled First American to delay the payment of federal payroll taxes and take advantage of additional tax deductions on federal income taxes. The most significant impacts of COVID-19 on First American were seen in the second quarter of 2020 in the majority of its key performance indicators and related revenues. First American began to see a recovery in the third and fourth quarters of 2020 and experienced a very strong first quarter in 2021. While there are still some lines of business that did not fully recover from the effects of COVID-19 in the first quarter of 2021, any negative impact on the performance as a result of these was more than made up by the segments that saw strong recovery during such period.

Key factors affecting performance

A number of factors impact First American's business, results of operations and financial condition. In general, its revenues are principally impacted by the following:

- the number and growth of merchants currently receiving services from First American;
- the amount and mix of volume and transactions being processed;
- the demand for First American's products and services;
- First American's ability to attract and retain distribution partners, internal sales team members and merchants on reasonable terms;
- the competitive landscape and impact of regulatory changes;
- general economic conditions and consumer spending trends; and
- the emergence of new technologies and payment types.

Results of operations

Comparison of the three months ended March 31, 2021 and 2020

The following table sets forth First American's results of operations for the periods presented below:

	Three Months Ended	
(*in thousands*)	**March 31, 2021**	**March 31, 2020**
Revenue	$ 76,841	$ 73,376
Operating expenses		
Other costs of service	44,612	42,249
Selling, general and administrative expenses	16,834	19,701
Depreciation and amortization	5,280	6,079
	66,727	68,029
Income from operations	10,114	5,346
Interest expense	3,708	8,818
Other income	(10)	58
Income before income taxes	6,416	(3,530)
Provision for income taxes	1,607	128
Net income	4,809	(3,657)
Other comprehensive income		
Comprehensive income	$ 4,809	$ (3,657)

Revenue: Total revenue was $76.8 million for the three months ended March 31, 2021 as compared to $73.4 million for the three months ended March 31, 2020. This represents an increase of $3.5 million or 4.7%, which is attributable primarily to an increase in processing volume. First American saw processing volumes of $7.89 billion in Q1 2021, compared to $6.85 billion for the same period in 2020. This was a 15.1% increase year over year, driven primarily by a strong recovery in March 2021 processing volumes. While January and February 2020 were quite strong, First American began to see the effects of COVID-19 on its processing volume in the last two weeks of March 2020. Various shelter in place and restrictive business measures were put in place in March 2020, which limited how merchants could operate their businesses, leading to adverse effects on their processing volumes. March 2021 showed a $908 million (42.7%) increase over prior year, which contributed heavily to the increase seen in revenue for the quarter.

Operating Expenses: First American's operating expenses were $66.7 million for the three months ended March 31, 2021 as compared to $68.0 million for the three months ended March 31, 2020. This represents a decrease of $1.3 million or 1.9%, which is attributable to reduced SG&A expenses and lower depreciation and amortization, offset by an increase in processing costs and residual expense associated with higher processing volume. Operating costs as a percentage of total revenue were 86.8% for the three months ended March 31, 2021 as compared to 92.7% for the three months ended March 31, 2020.

First American's other costs of service were $44.6 million for the three months ended March 31, 2021 as compared to $42.2 million for the three months ended March 31, 2020. This represented an increase of $2.4 million or 5.6%, which is attributable to an increase in residual expense and debit processing costs, offset by lower transaction costs. Approximately $2 million of the total increase was attributable to increased residuals as a result of the strong processing volume and revenue increases. First American saw debit processing volume expand during the pandemic, leading to increased costs associated with that higher volume. Transactions costs were down period on period as a result of a decrease in transaction counts. First American saw significant growth in average ticket throughout the pandemic, which drove down transaction counts and their related costs. Q1 2021 average ticket grew 17.7% over Q1 2020.

First American's selling, general and administrative expenses were $16.8 million for the three months ended March 31, 2021 as compared to $19.7 million for the three months ended March 31, 2020. This represented a decrease of $2.9 million or 14.6%, which is primarily attributable to reduced headcount and limited travel and meeting expenses. In April 2020, First American reduced its headcount in a move to accelerate the elimination of positions due to process improvement initiatives that were planned for later in the year. Additionally, First American suspended its travel and meeting related expenses in Q2 2020, and those did not yet return through Q1 2021.

First American's depreciation and amortization expenses were $5.3 million for the three months ended March 31, 2021 as compared to $6.1 million for the three months ended March 31, 2020. This represented a decrease of $0.8 million or 13.1%, which is attributable to decreased amortization expense relating to intangible assets.

Interest Expense: Interest expense was $3.7 million for the three months ended March 31, 2021 as compared to $8.8 million for the three months ended March 31, 2020. This represented a decrease of $5.1 million or 57.9%, of which $3.3 million was attributable to loss on extinguishment of debt in 2020 related to the new credit facility completed in March. Additionally, there was significant interest savings associated with a lower base rate in the new facility, coupled with the decline in LIBOR rates.

Provision (Benefit) for Income Tax Expense: Provision for income taxes was $1.6 million for the three months ended March 31, 2021, an increase of $1.5 million, as compared to $0.1 million for the three months ended March 31, 2020. The increase in provision for income tax expense is primarily related to the taxable income increase seen in 2021. As discussed, Q1 2021 was a very strong quarter in terms of volumes and revenues, compared to Q1 2020, which suffered from the impacts of COVID-19, coupled with added expense related to the new credit facility.

Net Income (Loss): As a result of net changes in the foregoing items, First American had a net income of $4.8 million for the three months ended March 31, 2021, an increase of $8.5 million as compared to net loss of $3.7 million for the three months ended March 31, 2020. First American did not have any comprehensive income (loss) in either period.

Cash Flows

The following table summarizes First American's cash flows for the three-month periods ended March 31, 2021 and 2020.

	Three Months Ended	
(in thousands)	**March 31, 2021**	**March 31, 2020**
Net cash provided (used in) by operating activities	8,292	1,804
Net cash used in investing activities	(1,761)	(1,208)
Net cash provided by (used in) financing activities	(1,135)	(1,211)
Net increase (decrease) in cash and cash equivalents	5,396	(615)

Net cash provided by operating activities was $8.3 million and $1.8 million in the three months ended March 31, 2021 and 2020, respectively. Q1 2020 had lower net income primarily due to the impact of COVID-19 seen in the business in March, combined with a large quarterly interest payment related to Q4 2019. Q1 2021 had increased net income due to strong processing volumes, partially offset by an increase in assets due to accrued and other receivables.

Net cash used in investing activities was $1.8 million and $1.2 million for the three months ended March 31, 2021 and 2020, respectively. The increase in net cash used in investing activities was primarily related to an increase in agent exclusivity agreements and residual buyouts.

Net cash used in financing activities was $1.1 million and $1.2 million for the three months ended March 31, 2021 and 2020, respectively. The slight decrease in net cash used in financing activities was primarily due to costs associated with the 2020 new credit facility, offset partially by higher repurchase of common stock in 2021.

Comparison of the years ended December 31, 2020 and 2019

The following table sets forth First American's results of operations for the periods presented below:

	Years Ended December 31,	
(*in thousands*)	**2020**	**2019**
Revenue	$ 288,322	$ 300,047
Operating expenses		
Other costs of service	166,501	170,732
Selling, general and administrative expenses	70,109	75,120
Depreciation and amortization	24,393	26,756
	261,003	272,608
Income from operations	27,318	27,439
Interest expense	21,643	25,828
Other income	(16)	(19)
Income before income taxes	5,692	1,630
Provision for income taxes	2,091	903
Net income	3,601	728
Other comprehensive income	-	-
Comprehensive income	$ 3,601	$ 728

Revenue: Total revenue was $288.3 million for the year ended December 31, 2020 as compared to $300.0 million for the year ended December 31, 2019. This represents a decline of $11.7 million or 3.9%, which is attributable primarily to the effects of COVID-19 on the business in processing volumes, transactions, and merchant revenues. First American saw processing volumes of $27.3 billion in 2020, compared to $28.0 billion for the same period in 2019, a 2.6% decrease year over year. Additionally, transaction counts were down 16.6%.

First American took action in April 2020 to provide relief to its merchant base as they began to see the effects of COVID-19 on their business. It allowed merchants to move to seasonal status, if requested, to avoid paying month end fees when their businesses were forced to close. Additionally, First American waived any early termination fees resulting from a closure due to COVID-19 for those merchants. This had an impact on merchant related fees First American collected, but First American elected to help protect the merchant's business from financial hardships as a result of COVID-19.

First American saw significant impacts from COVID-19 on the majority of its business segments beginning in late March 2020. Most of these segments started the recovery process in the third and fourth quarters of 2020. However, its segments comprised of "micro-merchants" as well as those in the hospitality, non-profit, and retail sectors experienced effects that lasted through the entirety of 2020. Lost volume from these segments was especially impactful because they are First American's higher margin segments, which contributes to its total revenue decreasing at a higher rate than processing volume.

Operating Expenses: First American's operating expenses were $261.0 million for the year ended December 31, 2020 as compared to $272.6 million for the year ended December 31, 2019. This represents a decrease of $11.6 million or 4.3%, which is attributable to a decrease in processing costs and residual expense associated with lower processing volume and transactions, coupled with reduced SG&A expenses and lower depreciation and amortization. Operating costs as a percentage of total revenue were 90.5% for the year ended December 31, 2020 as compared to 90.9% for the year ended December 31, 2019.

First American's other costs of service were $166.5 million for the year ended December 31, 2020 as compared to $170.7 million for the year ended December 31, 2019. This represented a decrease of $4.2 million or 2.5%, which is attributable to a decrease in residual expense and processing costs. Approximately $1.3 million of the total decrease was attributable to lower residuals as a result of the decline seen in volumes, transactions, and revenues. Despite the expiration of $1.2 million in processing credits related to the 2016 Paymentech portfolio acquisition and increased fees related to higher debit volumes, transactions costs were down $1.5 million year over year as a result of a decrease in transaction counts. First American saw significant growth in average ticket throughout the pandemic, which further drove down transaction counts and their related costs. The average ticket in 2020 grew 16.8% over that in 2019. Additional savings were seen in 2020 compared to 2019 in sponsor bank fees, lease funding fees, and ATM location expenses.

First American's selling, general and administrative expenses were $70.1 million for the year ended December 31, 2020 as compared to $75.1 million for the year ended December 31, 2019. This represented a decrease of $5.0 million or 6.7%, which is primarily attributable to reduced headcount and limited travel and meeting expenses. In April 2020, First American reduced its headcount in a move to accelerate the elimination of positions due to process improvement initiatives that were planned for later in the year. Additionally, First American suspended its travel and meeting related expenses in the second quarter of 2020 for the remainder of the year.

First American's depreciation and amortization expenses were $24.4 million for the year ended December 31, 2020 as compared to $26.8 million for the year ended December 31, 2019. This represented a decrease of $2.4 million or 8.8%, which is attributable to decreased amortization expense relating to intangible assets.

Interest Expense: Interest expense was $21.6 million for the year ended December 31, 2020 as compared to $25.8 million for the year ended December 31, 2019. This represented a decrease of $4.2 million or 16.2%. This was attributable to significant interest savings associated with a lower base rate in the new facility completed in the first quarter of 2020 and lower debt balances, coupled with the decline in LIBOR rates seen throughout 2020. This decrease was partially offset by an expense of $3.3 million in 2020 related to the loss on extinguishment of debt for the new credit facility.

Provision (Benefit) for Income Tax Expense: Provision for income taxes was $2.1 million for the year ended December 31, 2020, an increase of $1.2 million, as compared to $0.9 million for the year ended December 31, 2019. The increase in provision for income tax expense is related to the increase in taxable income.

Net Income (Loss): As a result of net changes in the foregoing items, First American had a net income of $3.6 million for the year ended December 31, 2020, an increase of $2.9 million as compared to net income of $0.7 million for the year ended December 31, 2019. First American did not have any comprehensive income (loss) in either period.

Cash Flows

The following table summarizes First American's cash flows for the years ended December 31, 2020 and 2019.

	Years Ended	
(in thousands)	**December 31, 2020**	**December 31, 2019**
Net cash provided (used in) by operating activities	35,339	28,291
Net cash used in investing activities	(6,634)	(12,116)
Net cash provided by (used in) financing activities	(25,605)	(15,565)
Net increase (decrease) in cash and cash equivalents	3,100	610

Net cash provided by operating activities was $35.3 million and $28.3 million in the years ended December 31, 2020 and 2019, respectively. 2020 had higher net cash provided by operating activities due to reduced taxes as a result of the enactment of the CARES Act in March 2020. Specifically, 2020 income taxes were reduced due to the increased limit on interest deductions, as well as a large deduction related to the retroactive correction providing a 15-year recovery period on qualified improvement properties in 2019. As such, First American received a $3.2 million tax refund in 2020, related to 2019 taxes. Outside of the CARES Act, 2020 included debt issuance costs related to the new credit facility, further reducing taxable income in 2020.

Net cash used in investing activities was $6.6 million and $12.1 million for the years ended December 31, 2020 and 2019, respectively. The decrease in net cash used in investing activities was primarily related to a decrease in capital expenditures. As part of First American's cash conservation efforts during COVID-19, capital expenditures were limited to essential purchases only in 2020. 2019 capital expenditures were higher than normal due to leasehold improvement costs associated with moving office locations for one of First American's subsidiaries, as well as its call center.

Net cash used in financing activities was $25.6 million and $15.6 million for the years ended December 31, 2020 and 2019, respectively. The increase in net cash used in financing activities was primarily due to additional debt payments in 2020 as compared to 2019, as well as debt issuance cost associated with the new credit facility in 2020.

Critical accounting policies

See Note 2 to First American's audited consolidated financial statements included elsewhere in this offering memorandum for information regarding First American's critical accounting policies.