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

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2023

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to
Commission file number 001-36348

PAYLOCITY HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

46-4066644

(IRS Employer Identification No.)

**1400 American Lane
Schaumburg, Illinois**

(Address of principal executive offices)

60173

(Zip Code)

(847) 463-3200

(Registrant's telephone number, including area code)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|--------------------------|--|
| Common Stock, par value \$0.001 per share | PCTY | The NASDAQ Global Select Market LLC |

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

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

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

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large Accelerated Filer | <input checked="" type="checkbox"/> | Accelerated Filer | <input type="checkbox"/> |
| Non-Accelerated Filer | <input type="checkbox"/> | Smaller Reporting Company | <input type="checkbox"/> |
| | | Emerging Growth Company | <input type="checkbox"/> |

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 56,331,387 shares of Common Stock, \$0.001 par value per share, as of February 2, 2024.

**Paylocity Holding Corporation
Form 10-Q
For the Quarterly Period Ended December 31, 2023**

TABLE OF CONTENTS

| | Page |
|---|------|
| <u>PART I. FINANCIAL INFORMATION</u> | |
| <u>ITEM 1. FINANCIAL STATEMENTS</u> | |
| <u>Unaudited Consolidated Balance Sheets</u> | 2 |
| <u>Unaudited Consolidated Statements of Operations and Comprehensive Income</u> | 3 |
| <u>Unaudited Consolidated Statement of Changes in Stockholders' Equity</u> | 4 |
| <u>Unaudited Consolidated Statements of Cash Flows</u> | 5 |
| <u>Notes to the Unaudited Consolidated Financial Statements</u> | 6 |
| <u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u> | 20 |
| <u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u> | 32 |
| <u>ITEM 4. CONTROLS AND PROCEDURES</u> | 33 |
| <u>PART II. OTHER INFORMATION</u> | |
| <u>ITEM 1. LEGAL PROCEEDINGS</u> | 34 |
| <u>ITEM 1A. RISK FACTORS</u> | 34 |
| <u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u> | 34 |
| <u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u> | 34 |
| <u>ITEM 4. MINE SAFETY DISCLOSURES</u> | 34 |
| <u>ITEM 5. OTHER INFORMATION</u> | 35 |
| <u>ITEM 6. EXHIBITS</u> | 36 |
| <u>SIGNATURES</u> | 37 |

[Table of Contents](#)

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

PAYLOCITY HOLDING CORPORATION
Unaudited Consolidated Balance Sheets
(in thousands, except per share data)

| | June 30, 2023 | December 31, 2023 |
|--|------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 288,767 | \$ 366,904 |
| Accounts receivable, net | 25,085 | 32,476 |
| Deferred contract costs | 78,109 | 87,065 |
| Prepaid expenses and other | 35,061 | 48,517 |
| Total current assets before funds held for clients | 427,022 | 534,962 |
| Funds held for clients | 2,621,415 | 3,271,736 |
| Total current assets | 3,048,437 | 3,806,698 |
| Capitalized internal-use software, net | 86,127 | 103,281 |
| Property and equipment, net | 64,069 | 63,150 |
| Operating lease right-of-use assets | 44,067 | 37,441 |
| Intangible assets, net | 34,527 | 32,466 |
| Goodwill | 102,054 | 109,558 |
| Long-term deferred contract costs | 294,222 | 317,915 |
| Long-term prepaid expenses and other | 6,331 | 5,567 |
| Deferred income tax assets | 15,846 | 16,644 |
| Total assets | \$ 3,695,680 | \$ 4,492,720 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 6,153 | \$ 7,973 |
| Accrued expenses | 143,287 | 147,121 |
| Total current liabilities before client fund obligations | 149,440 | 155,094 |
| Client fund obligations | 2,625,355 | 3,267,771 |
| Total current liabilities | 2,774,795 | 3,422,865 |
| Long-term operating lease liabilities | 62,471 | 50,963 |
| Other long-term liabilities | 3,731 | 4,177 |
| Deferred income tax liabilities | 11,820 | 27,942 |
| Total liabilities | \$ 2,852,817 | \$ 3,505,947 |
| Stockholders' equity: | | |
| Preferred stock, \$0.001 par value, 5,000 authorized, no shares issued and outstanding at June 30, 2023 and December 31, 2023 | \$ — | \$ — |
| Common stock, \$0.001 par value, 155,000 shares authorized at June 30, 2023 and December 31, 2023; 55,912 shares issued and outstanding at June 30, 2023 and 56,313 shares issued and outstanding at December 31, 2023 | 56 | 56 |
| Additional paid-in capital | 380,632 | 446,860 |
| Retained earnings | 466,690 | 539,323 |
| Accumulated other comprehensive income (loss) | (4,515) | 534 |
| Total stockholders' equity | \$ 842,863 | \$ 986,773 |
| Total liabilities and stockholders' equity | \$ 3,695,680 | \$ 4,492,720 |

See accompanying notes to unaudited consolidated financial statements.

PAYLOCITY HOLDING CORPORATION
Unaudited Consolidated Statements of Operations and Comprehensive Income
(in thousands, except per share data)

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|------------------------------------|------------------|----------------------------------|------------------|
| | 2022 | 2023 | 2022 | 2023 |
| Revenues: | | | | |
| Recurring and other revenue | \$ 256,434 | \$ 298,416 | \$ 501,840 | \$ 590,101 |
| Interest income on funds held for clients | 16,574 | 27,945 | 24,448 | 53,846 |
| Total revenues | <u>273,008</u> | <u>326,361</u> | <u>526,288</u> | <u>643,947</u> |
| Cost of revenues | <u>90,076</u> | <u>107,399</u> | <u>174,619</u> | <u>208,866</u> |
| Gross profit | <u>182,932</u> | <u>218,962</u> | <u>351,669</u> | <u>435,081</u> |
| Operating expenses: | | | | |
| Sales and marketing | 75,694 | 79,777 | 146,757 | 160,180 |
| Research and development | 41,029 | 46,139 | 81,122 | 90,744 |
| General and administrative | 48,001 | 43,340 | 98,493 | 93,262 |
| Total operating expenses | <u>164,724</u> | <u>169,256</u> | <u>326,372</u> | <u>344,186</u> |
| Operating income | 18,208 | 49,706 | 25,297 | 90,895 |
| Other income (expense) | (5) | 3,800 | (168) | 7,025 |
| Income before income taxes | 18,203 | 53,506 | 25,129 | 97,920 |
| Income tax expense (benefit) | <u>2,603</u> | <u>15,390</u> | <u>(20,823)</u> | <u>25,287</u> |
| Net income | <u>\$ 15,600</u> | <u>\$ 38,116</u> | <u>\$ 45,952</u> | <u>\$ 72,633</u> |
| Other comprehensive income (loss), net of tax | 516 | 4,929 | (1,856) | 5,049 |
| Comprehensive income | <u>\$ 16,116</u> | <u>\$ 43,045</u> | <u>\$ 44,096</u> | <u>\$ 77,682</u> |
| Net income per share: | | | | |
| Basic | <u>\$ 0.28</u> | <u>\$ 0.68</u> | <u>\$ 0.83</u> | <u>\$ 1.29</u> |
| Diluted | <u>\$ 0.28</u> | <u>\$ 0.67</u> | <u>\$ 0.81</u> | <u>\$ 1.28</u> |
| Weighted-average shares used in computing net income per share: | | | | |
| Basic | <u>55,721</u> | <u>56,244</u> | <u>55,587</u> | <u>56,140</u> |
| Diluted | <u>56,474</u> | <u>56,855</u> | <u>56,559</u> | <u>56,906</u> |

See accompanying notes to unaudited consolidated financial statements.

PAYLOCITY HOLDING CORPORATION
Unaudited Consolidated Statement of Changes in Stockholders' Equity
(in thousands)

| Three Months Ended December 31, 2022 | | | | | | |
|---|---------------|--------------|----------------------------|-------------------|---|----------------------------|
| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
| | Shares | Amount | | | | |
| Balances at September 30, 2022 | 55,664 | \$ 56 | 259,245 | 356,220 | (4,675) | \$ 610,846 |
| Stock-based compensation | — | — | 47,653 | — | — | 47,653 |
| Stock options exercised | 7 | — | 109 | — | — | 109 |
| Issuance of common stock upon vesting of restricted stock units | 60 | — | — | — | — | — |
| Issuance of common stock under employee stock purchase plan | 61 | — | 8,450 | — | — | 8,450 |
| Net settlement for taxes and/or exercise price related to equity awards | (24) | — | (5,407) | — | — | (5,407) |
| Unrealized gains on securities, net of tax | — | — | — | — | 516 | 516 |
| Net income | — | — | — | 15,600 | — | 15,600 |
| Balances at December 31, 2022 | 55,768 | \$ 56 | 310,050 | \$ 371,820 | \$ (4,159) | \$ 677,767 |
| Three Months Ended December 31, 2023 | | | | | | |
| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
| | Shares | Amount | | | | |
| Balances at September 30, 2023 | 56,167 | \$ 56 | 395,771 | 501,207 | (4,395) | \$ 892,639 |
| Stock-based compensation | — | — | 48,120 | — | — | 48,120 |
| Stock options exercised | 14 | — | 261 | — | — | 261 |
| Issuance of common stock upon vesting of restricted stock units | 102 | — | — | — | — | — |
| Issuance of common stock under employee stock purchase plan | 73 | — | 9,534 | — | — | 9,534 |
| Net settlement for taxes and/or exercise price related to equity awards | (43) | — | (6,826) | — | — | (6,826) |
| Unrealized gains on securities, net of tax | — | — | — | — | 4,929 | 4,929 |
| Net income | — | — | — | 38,116 | — | 38,116 |
| Balances at December 31, 2023 | 56,313 | \$ 56 | 446,860 | \$ 539,323 | \$ 534 | \$ 986,773 |
| Six Months Ended December 31, 2022 | | | | | | |
| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
| | Shares | Amount | | | | |
| Balances at June 30, 2022 | 55,190 | \$ 55 | 289,843 | \$ 325,868 | \$ (2,303) | \$ 613,463 |
| Stock-based compensation | — | — | 91,124 | — | — | 91,124 |
| Stock options exercised | 242 | — | 2,941 | — | — | 2,941 |
| Issuance of common stock upon vesting of restricted stock units | 609 | 1 | (1) | — | — | — |
| Issuance of common stock under employee stock purchase plan | 61 | — | 8,450 | — | — | 8,450 |
| Net settlement for taxes and/or exercise price related to equity awards | (334) | — | (82,307) | — | — | (82,307) |
| Unrealized losses on securities, net of tax | — | — | — | — | (1,856) | (1,856) |
| Net income | — | — | — | 45,952 | — | 45,952 |
| Balances at December 31, 2022 | 55,768 | \$ 56 | 310,050 | \$ 371,820 | \$ (4,159) | \$ 677,767 |
| Six Months Ended December 31, 2023 | | | | | | |
| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
| | Shares | Amount | | | | |
| Balances at June 30, 2023 | 55,912 | \$ 56 | 380,632 | \$ 466,690 | \$ (4,515) | \$ 842,863 |
| Stock-based compensation | — | — | 92,084 | — | — | 92,084 |
| Stock options exercised | 28 | — | 484 | — | — | 484 |
| Issuance of common stock upon vesting of equity awards | 489 | — | — | — | — | — |
| Issuance of common stock upon employee stock purchase plan | 73 | — | 9,534 | — | — | 9,534 |
| Net settlement for taxes and/or exercise price related to equity awards | (189) | — | (35,874) | — | — | (35,874) |
| Unrealized gains on securities, net of tax | — | — | — | — | 5,049 | 5,049 |
| Net income | — | — | — | 72,633 | — | 72,633 |
| Balances at December 31, 2023 | 56,313 | \$ 56 | 446,860 | \$ 539,323 | \$ 534 | \$ 986,773 |

See accompanying notes to the unaudited consolidated financial statements.

[Table of Contents](#)

PAYLOCITY HOLDING CORPORATION
Unaudited Consolidated Statements of Cash Flows

(in thousands)

| | Six Months Ended December 31, | |
|---|----------------------------------|--------------|
| | 2022 | 2023 |
| Cash flows from operating activities: | | |
| Net income | \$ 45,952 | \$ 72,633 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Stock-based compensation expense | 83,364 | 82,213 |
| Depreciation and amortization expense | 29,094 | 35,501 |
| Deferred income tax expense (benefit) | (20,856) | 15,225 |
| Provision for credit losses | 602 | 463 |
| Net accretion of discounts on available-for-sale securities | (2,039) | (2,683) |
| Other | 1,410 | (3,870) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (9,377) | (7,052) |
| Deferred contract costs | (40,638) | (30,743) |
| Prepaid expenses and other | 616 | (11,328) |
| Accounts payable | (392) | 1,131 |
| Accrued expenses and other | (8,979) | (14,278) |
| Net cash provided by operating activities | 78,757 | 137,212 |
| Cash flows from investing activities: | | |
| Purchases of available-for-sale securities | (296,060) | (164,815) |
| Proceeds from sales and maturities of available-for-sale securities | 190,253 | 150,851 |
| Capitalized internal-use software costs | (19,740) | (29,483) |
| Purchases of property and equipment | (6,663) | (6,142) |
| Acquisitions of businesses, net of cash acquired | — | (12,015) |
| Other investing activities | 29 | (583) |
| Net cash used in investing activities | (132,181) | (62,187) |
| Cash flows from financing activities: | | |
| Net change in client fund obligations | (922,079) | 642,416 |
| Proceeds from employee stock purchase plan | 8,450 | 9,534 |
| Taxes paid related to net share settlement of equity awards | (79,369) | (35,390) |
| Other financing activities | (864) | 13,356 |
| Net cash provided by (used in) financing activities | (993,862) | 629,916 |
| Net change in cash, cash equivalents and funds held for clients' cash and cash equivalents | (1,047,286) | 704,941 |
| Cash, cash equivalents and funds held for clients' cash and cash equivalents—beginning of period | 3,793,453 | 2,421,312 |
| Cash, cash equivalents and funds held for clients' cash and cash equivalents—end of period | \$ 2,746,167 | \$ 3,126,253 |
| Supplemental Disclosure of Non-Cash Investing and Financing Activities | | |
| Purchases of property and equipment, accrued but not paid | \$ — | \$ 3,422 |
| Liabilities assumed for acquisitions | \$ 117 | \$ 382 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid for interest | \$ 157 | \$ 247 |
| Cash paid (refunds received) for income taxes | \$ (158) | \$ 25,561 |
| Reconciliation of cash, cash equivalents and funds held for clients' cash and cash equivalents to the Consolidated Balance Sheets | | |
| Cash and cash equivalents | \$ 120,053 | \$ 366,904 |
| Funds held for clients' cash and cash equivalents | 2,626,114 | 2,759,349 |
| Total cash, cash equivalents and funds held for clients' cash and cash equivalents | \$ 2,746,167 | \$ 3,126,253 |

See accompanying notes to unaudited consolidated financial statements.

PAYLOCITY HOLDING CORPORATION
Notes to the Unaudited Consolidated Financial Statements
(all amounts in thousands, except per share data)

(1) Organization and Description of Business

Paylocity Holding Corporation (the “Company”) is a cloud-based provider of human capital management and payroll software solutions that deliver a comprehensive platform for the modern workforce. Services are provided in a Software-as-a-Service (“SaaS”) delivery model. The Company’s comprehensive product suite delivers a unified platform that helps businesses attract and retain talent, build culture and connection with their employees, and streamline and automate HR and payroll processes.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation, Consolidation and Use of Estimates

These unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Future events and their effects cannot be predicted with certainty; accordingly, accounting estimates require the exercise of judgment. Accounting estimates used in the preparation of these consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes.

(b) Interim Unaudited Consolidated Financial Information

The accompanying unaudited consolidated financial statements and notes have been prepared in accordance with GAAP and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, the interim financial information includes all adjustments of a normal recurring nature necessary for a fair presentation of the Company’s financial position, results of operations, changes in stockholders’ equity and cash flows. The results of operations for the three and six months ended December 31, 2023 are not necessarily indicative of the results for the full year or the results for any future periods. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the year ended June 30, 2023 included in the Company’s Annual Report on Form 10-K.

(c) Income Taxes

Income taxes are accounted for in accordance with ASC 740, Income Taxes, using the asset and liability method. The Company’s provision for income taxes is based on the annual effective rate method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes deferred tax assets to the extent that it believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Company determines that it would be able to realize its deferred tax assets in the future in excess of their net-recorded amount, it would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

(d) Recently Issued Accounting Standards

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 primarily requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker along with other incremental segment information. The ASU is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted, and will be applied retrospectively to all prior periods presented in the financial statements. The Company is currently assessing the impact of this ASU to its consolidated financial statements and related disclosures and is evaluating the timing of adoption.

In December 2023, the FASB issued Accounting Standards Update 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosure ("ASU 2023-09"). ASU 2023-09 mostly requires, on an annual basis, disclosure of specific categories in an entity's effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. The incremental disclosures may be presented on a prospective or retrospective basis. The ASU is effective for fiscal years beginning after December 15, 2024 with early adoption permitted. The Company is currently assessing the impact of this ASU to its consolidated financial statements and related disclosures and is evaluating the method and timing of adoption.

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board or other standard-setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of other recently issued standards that are not yet effective will not have a material impact on the Company's consolidated financial statements upon adoption.

(3) Revenue

The Company derives its revenue from contracts predominantly from recurring service fees. While the majority of its agreements are generally cancellable by the client on 60 days' notice or less, the Company also offers term agreements to its clients, which are generally two years in length. Recurring fees are derived from payroll, timekeeping, and HR-related cloud-based computing services. The majority of the Company's recurring fees are satisfied over time as services are provided. The performance obligations related to payroll services are satisfied upon the processing of the client's payroll with the fee charged and collected based on a per employee per payroll frequency fee. The performance obligations related to time and attendance services and HR related services are satisfied over time each month with the fee charged and collected based on a per employee per month fee. For subscription-based fees which can include payroll, time and attendance, and other HCM related services, the Company recognizes the applicable recurring fees over time each month with the fee charged and collected based on a per employee per month fee. Implementation services and other consist mainly of nonrefundable implementation fees, which involve setting the client up in, and loading data into, the Company's cloud-based modules. These implementation activities are considered set-up activities. The Company has determined that the nonrefundable upfront fees provide certain clients with a material right to renew the contract.

Disaggregation of revenue

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

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|-----------------------------------|---------------------------------|-------------------|-------------------------------|-------------------|
| | 2022 | 2023 | 2022 | 2023 |
| Recurring fees | \$ 247,522 | \$ 285,140 | \$ 484,341 | \$ 565,039 |
| Implementation services and other | 8,912 | 13,276 | 17,499 | 25,062 |
| Total revenues from contracts | <u>\$ 256,434</u> | <u>\$ 298,416</u> | <u>\$ 501,840</u> | <u>\$ 590,101</u> |

Deferred revenue

The timing of revenue recognition for recurring revenue is consistent with the timing of invoicing as they occur simultaneously based on the client payroll processing period or by month. As such, the Company does not recognize contract assets or liabilities related to recurring revenue.

[Table of Contents](#)

The Company defers and amortizes nonrefundable upfront fees related to implementation services generally over a period up to 24 months based on the type of contract. The following table summarizes the changes in deferred revenue (i.e., contract liability) related to these nonrefundable upfront fees as follows:

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|------------------------------------|------------------------------------|-----------|----------------------------------|-----------|
| | 2022 | 2023 | 2022 | 2023 |
| Balance at beginning of the period | \$ 14,195 | \$ 24,140 | \$ 12,233 | \$ 22,617 |
| Deferral of revenue | 12,002 | 11,588 | 20,234 | 22,232 |
| Revenue recognized | (6,460) | (9,483) | (12,730) | (18,604) |
| Balance at end of the period | \$ 19,737 | \$ 26,245 | \$ 19,737 | \$ 26,245 |

Deferred revenue related to these nonrefundable upfront fees are recorded within Accrued expenses and Other long-term liabilities on the Unaudited Consolidated Balance Sheets. The Company expects to recognize these deferred revenue balances of \$17,203 in fiscal 2024, \$7,841 in fiscal 2025 and \$1,201 in fiscal 2026 and thereafter.

Deferred contract costs

The Company defers certain selling and commission costs that meet the capitalization criteria under ASC 340-40. The Company also capitalizes certain costs to fulfill a contract related to its proprietary products if they are identifiable, generate or enhance resources used to satisfy future performance obligations and are expected to be recovered under ASC 340-40. Implementation fees are treated as nonrefundable upfront fees and the related implementation costs are required to be capitalized and amortized over the expected period of benefit, which is the period in which the Company expects to recover the costs and enhance its ability to satisfy future performance obligations.

The Company utilizes the portfolio approach to account for both the cost of obtaining a contract and the cost of fulfilling a contract. These capitalized costs are amortized over the expected period of benefit, which has been determined to be over 7 years based on the Company's average client life and other qualitative factors, including rate of technological changes. The Company does not incur any additional costs to obtain or fulfill contracts upon renewal. The Company recognizes additional selling and commission costs and fulfillment costs when an existing client purchases additional services. These additional costs only relate to the additional services purchased and do not relate to the renewal of previous services.

[Table of Contents](#)

The following tables present the deferred contract costs and the related amortization expense for these deferred contract costs:

| | Three Months Ended December 31, 2022 | | | |
|--------------------------------|--------------------------------------|-------------------|--------------------|-------------------|
| | Beginning Balance | Capitalized Costs | Amortization | Ending Balance |
| Costs to obtain a new contract | \$ 191,088 | \$ 20,310 | \$ (10,845) | \$ 200,553 |
| Costs to fulfill a contract | 117,524 | 18,803 | (6,010) | 130,317 |
| Total | <u>\$ 308,612</u> | <u>\$ 39,113</u> | <u>\$ (16,855)</u> | <u>\$ 330,870</u> |

| | Three Months Ended December 31, 2023 | | | |
|--------------------------------|--------------------------------------|-------------------|--------------------|-------------------|
| | Beginning Balance | Capitalized Costs | Amortization | Ending Balance |
| Costs to obtain a new contract | \$ 224,409 | \$ 18,576 | \$ (12,928) | \$ 230,057 |
| Costs to fulfill a contract | 163,817 | 19,805 | (8,699) | 174,923 |
| Total | <u>\$ 388,226</u> | <u>\$ 38,381</u> | <u>\$ (21,627)</u> | <u>\$ 404,980</u> |

| | Six Months Ended December 31, 2022 | | | |
|--------------------------------|------------------------------------|-------------------|--------------------|-------------------|
| | Beginning Balance | Capitalized Costs | Amortization | Ending Balance |
| Costs to obtain a new contract | \$ 182,543 | \$ 39,222 | \$ (21,212) | \$ 200,553 |
| Costs to fulfill a contract | 106,025 | 35,665 | (11,373) | 130,317 |
| Total | <u>\$ 288,568</u> | <u>\$ 74,887</u> | <u>\$ (32,585)</u> | <u>\$ 330,870</u> |

| | Six Months Ended December 31, 2023 | | | |
|--------------------------------|------------------------------------|-------------------|--------------------|-------------------|
| | Beginning Balance | Capitalized Costs | Amortization | Ending Balance |
| Costs to obtain a new contract | \$ 218,965 | \$ 36,336 | \$ (25,244) | \$ 230,057 |
| Costs to fulfill a contract | 153,366 | 38,260 | (16,703) | 174,923 |
| Total | <u>\$ 372,331</u> | <u>\$ 74,596</u> | <u>\$ (41,947)</u> | <u>\$ 404,980</u> |

Deferred contract costs are recorded within Deferred contract costs and Long-term deferred contract costs on the Unaudited Consolidated Balance Sheets. Amortization of deferred contract costs is primarily recorded in Cost of revenues and Sales and marketing in the Unaudited Consolidated Statements of Operations and Comprehensive Income.

Remaining Performance Obligations

The balance of the Company's remaining performance obligations related to minimum monthly fees on its term-based contracts was approximately \$70,999 as of December 31, 2023, which will be generally recognized over the next 24 months. This balance excludes the value of unsatisfied performance obligations for contracts that have an original expected duration of one year or less and contracts for which the variable consideration is allocated entirely to wholly unsatisfied performance obligations.

(4) Business Combination

On November 30, 2023, the Company acquired all of the outstanding shares of TraceHQ.com, Inc. ("Trace") through a merger of Trace with a subsidiary of the Company for cash consideration of \$12,086, subject to working capital and other customary purchase price adjustments. Trace offers a headcount planning solution that expands the Company's product functionality in this area. The preliminary allocation of the purchase price for Trace was approximately \$7,504 of goodwill, \$3,000 of proprietary technology and other immaterial assets and liabilities. The Company accounted for this transaction as a business combination and recorded the assets acquired and liabilities assumed at their respective estimated fair values as of the date of the acquisition with the excess consideration paid recorded as goodwill. The fair values of all assets acquired and liabilities assumed are currently provisional and are subject to change over the measurement period as the Company continues to evaluate and analyze the estimates and assumptions used in the valuation. The measurement period will end no later than one year from the acquisition date.

The results from this acquisition have been included in the Company's consolidated financial statements since the closing of the transaction and are not material to the Company. Pro forma information is not presented because the effects of the acquisition are not material to the Company's consolidated financial statements. The goodwill related to this transaction is primarily attributable to the assembled workforce and growth opportunities from the expansion and enhancement of the Company's product offerings. The goodwill associated with the Trace acquisition is not deductible for income tax purposes. Direct costs related to the acquisition were immaterial and were expensed as incurred as General and administrative expense in the Unaudited Consolidated Statements of Operations and Comprehensive Income.

(5) Balance Sheet Information

The following tables provide details of selected consolidated balance sheet items:

Activity in the allowance for credit losses related to accounts receivable was as follows:

| | |
|------------------------------|------------------------|
| Balance at June 30, 2023 | \$ 1,620 |
| Charged to expense | 463 |
| Write-offs | (314) |
| Balance at December 31, 2023 | <u><u>\$ 1,769</u></u> |

Capitalized internal-use software and accumulated amortization were as follows:

| | June 30, 2023 | December 31, 2023 |
|--|-------------------------|--------------------------|
| Capitalized internal-use software | \$ 248,738 | \$ 286,103 |
| Accumulated amortization | (162,611) | (182,822) |
| Capitalized internal-use software, net | <u><u>\$ 86,127</u></u> | <u><u>\$ 103,281</u></u> |

Amortization of capitalized internal-use software costs is primarily included in Cost of revenues and amounted to \$7,478 and \$10,676 for the three months ended December 31, 2022 and 2023, respectively, and \$14,520 and \$20,211 for the six months ended December 31, 2022 and 2023, respectively.

The major classes of property and equipment, net were as follows:

| | June 30, 2023 | December 31, 2023 |
|-------------------------------|-------------------------|-------------------------|
| Office equipment | \$ 2,508 | \$ 2,792 |
| Computer equipment | 58,670 | 62,301 |
| Furniture and fixtures | 12,958 | 12,986 |
| Software | 11,127 | 11,944 |
| Leasehold improvements | 48,159 | 48,829 |
| Time clocks rented by clients | 8,533 | 9,258 |
| Total | <u>141,955</u> | <u>148,110</u> |
| Accumulated depreciation | (77,886) | (84,960) |
| Property and equipment, net | <u><u>\$ 64,069</u></u> | <u><u>\$ 63,150</u></u> |

Depreciation expense amounted to \$4,579 and \$5,179 for the three months ended December 31, 2022 and 2023, respectively, and \$9,033 and \$10,229 for the six months ended December 31, 2022 and 2023, respectively.

[Table of Contents](#)

The following table summarizes changes in goodwill during the six months ended December 31, 2023:

| | December 31, 2023 |
|--------------------------------------|----------------------|
| Balance at June 30, 2023 | \$ 102,054 |
| Addition attributable to acquisition | 7,504 |
| Balance at December 31, 2023 | \$ 109,558 |

Refer to Note 4 for further details on current year acquisition activity.

The Company's amortizable intangible assets and estimated useful lives are as follows:

| | June 30, 2023 | December 31, 2023 | Weighted average useful life (years) |
|-------------------------------|------------------|----------------------|---|
| Proprietary technology | \$ 43,129 | \$ 46,129 | 5.9 |
| Client relationships | 22,200 | 22,200 | 7.8 |
| Non-solicitation agreements | 1,600 | 1,600 | 3.1 |
| Trade names | 1,640 | 1,640 | 5.0 |
| Total | 68,569 | 71,569 | |
| Accumulated amortization | (34,042) | (39,103) | |
| Intangible assets, net | \$ 34,527 | \$ 32,466 | |

Amortization expense for acquired intangible assets was \$2,770 and \$2,525 for the three months ended December 31, 2022 and 2023, respectively, and \$5,541 and \$5,061 for the six months ended December 31, 2022 and 2023, respectively, and is included in Cost of revenues and General and administrative.

Future amortization expense for acquired intangible assets as of December 31, 2023 is as follows:

| | |
|--------------------------|------------------|
| Remainder of fiscal 2024 | \$ 5,182 |
| Fiscal 2025 | 9,488 |
| Fiscal 2026 | 7,869 |
| Fiscal 2027 | 5,493 |
| Fiscal 2028 | 3,629 |
| Thereafter | 805 |
| Total | \$ 32,466 |

The components of accrued expenses were as follows:

| | June 30, 2023 | December 31, 2023 |
|-------------------------------------|-------------------|----------------------|
| Accrued payroll and personnel costs | \$ 85,019 | \$ 66,520 |
| Operating lease liabilities | 7,800 | 8,197 |
| Deferred revenue | 24,539 | 30,306 |
| Other | 25,929 | 42,098 |
| Total accrued expenses | \$ 143,287 | \$ 147,121 |

[Table of Contents](#)

(6) Corporate Investments and Funds Held for Clients

Corporate investments and funds held for clients consisted of the following:

| Type of Issue | June 30, 2023 | | | |
|---|----------------|------------------------|-------------------------|--------------|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| Cash and cash equivalents | \$ 288,767 | \$ — | \$ — | \$ 288,767 |
| Funds held for clients' cash and cash equivalents | 2,132,545 | — | — | 2,132,545 |
| Available-for-sale securities: | | | | |
| Commercial paper | 110,003 | 12 | (138) | 109,877 |
| Corporate bonds | 112,262 | 18 | (1,867) | 110,413 |
| Asset-backed securities | 30,061 | 10 | (337) | 29,734 |
| Certificates of deposit | 68,247 | 5 | (93) | 68,159 |
| U.S. treasury securities | 158,839 | — | (2,839) | 156,000 |
| U.S government agency securities | 8,000 | — | (513) | 7,487 |
| Other | 7,329 | — | (129) | 7,200 |
| Total available-for-sale securities | 494,741 | 45 | (5,916) | 488,870 |
| Total investments | \$ 2,916,053 | \$ 45 | \$ (5,916) | \$ 2,910,182 |

| Type of Issue | December 31, 2023 | | | |
|---|-------------------|------------------------|-------------------------|--------------|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| Cash and cash equivalents | \$ 366,904 | \$ — | \$ — | \$ 366,904 |
| Funds held for clients' cash and cash equivalents | 2,759,349 | — | — | 2,759,349 |
| Available-for-sale securities: | | | | |
| Commercial paper | 49,002 | 5 | (19) | 48,988 |
| Corporate bonds | 204,682 | 2,830 | (751) | 206,761 |
| Asset-backed securities | 40,140 | 336 | (160) | 40,316 |
| Certificates of deposit | 37,620 | 36 | (6) | 37,650 |
| U.S. treasury securities | 159,125 | 106 | (1,168) | 158,063 |
| U.S government agency securities | 8,000 | — | (323) | 7,677 |
| Other | 12,819 | 163 | (50) | 12,932 |
| Total available-for-sale securities | 511,388 | 3,476 | (2,477) | 512,387 |
| Total investments | \$ 3,637,641 | \$ 3,476 | \$ (2,477) | \$ 3,638,640 |

All available-for-sale securities were included in Funds held for clients at June 30, 2023 and December 31, 2023.

Cash and cash equivalents and funds held for clients' cash and cash equivalents included demand deposit accounts and money market funds at June 30, 2023 and December 31, 2023.

Classification of investments on the Unaudited Consolidated Balance Sheets was as follows:

| | June 30, 2023 | December 31, 2023 |
|---------------------------|------------------|-------------------|
| Cash and cash equivalents | \$ 288,767 | \$ 366,904 |
| Funds held for clients | 2,621,415 | 3,271,736 |
| Total investments | \$ 2,910,182 | \$ 3,638,640 |

[Table of Contents](#)

Available-for-sale securities that had been in an unrealized loss position for a period of less and greater than 12 months as of June 30, 2023 and December 31, 2023 had fair market value as follows:

| June 30, 2023 | | | | | | |
|-------------------------------------|---|------------|--|------------|-------------------------|------------|
| | Securities in an unrealized loss position for less than 12 months | | Securities in an unrealized loss position for greater than 12 months | | Total | |
| | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value |
| Commercial paper | \$ (138) | \$ 96,665 | \$ — | \$ — | \$ (138) | \$ 96,665 |
| Corporate bonds | (695) | 71,089 | (1,172) | 32,807 | (1,867) | 103,896 |
| Asset-backed securities | (233) | 23,313 | (104) | 2,038 | (337) | 25,351 |
| Certificates of deposit | (93) | 52,254 | — | — | (93) | 52,254 |
| U.S. treasury securities | (1,075) | 95,388 | (1,764) | 60,612 | (2,839) | 156,000 |
| U.S. government agency securities | — | — | (513) | 7,487 | (513) | 7,487 |
| Other | (71) | 5,326 | (58) | 1,874 | (129) | 7,200 |
| Total available-for-sale securities | \$ (2,305) | \$ 344,035 | \$ (3,611) | \$ 104,818 | \$ (5,916) | \$ 448,853 |

| December 31, 2023 | | | | | | |
|-------------------------------------|---|------------|--|------------|-------------------------|------------|
| | Securities in an unrealized loss position for less than 12 months | | Securities in an unrealized loss position for greater than 12 months | | Total | |
| | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value |
| Commercial paper | \$ (19) | \$ 32,846 | \$ — | \$ — | \$ (19) | \$ 32,846 |
| Corporate bonds | (60) | 24,428 | (691) | 31,909 | (751) | 56,337 |
| Asset-backed securities | (5) | 6,171 | (155) | 9,906 | (160) | 16,077 |
| Certificates of deposit | (6) | 21,394 | — | — | (6) | 21,394 |
| U.S. treasury securities | (178) | 80,597 | (990) | 67,913 | (1,168) | 148,510 |
| U.S. government agency securities | — | — | (323) | 7,677 | (323) | 7,677 |
| Other | — | — | (50) | 3,596 | (50) | 3,596 |
| Total available-for-sale securities | \$ (268) | \$ 165,436 | \$ (2,209) | \$ 121,001 | \$ (2,477) | \$ 286,437 |

The Company regularly reviews the composition of its portfolio to determine the existence of credit impairment. The Company did not recognize any credit impairment losses during the three or six months ended December 31, 2022 or 2023. All securities in the Company's portfolio held an A-1 rating or better as of December 31, 2023.

The Company did not make any material reclassification adjustments out of accumulated other comprehensive income for realized gains and losses on the sale of available-for-sale securities during the three or six months ended December 31, 2022 or 2023. There were no realized gains or losses on the sale of available-for-sale securities for the three or six months ended December 31, 2022 or 2023.

Expected maturities of available-for-sale securities at December 31, 2023 were as follows:

| | Amortized cost | Fair value |
|-------------------------------------|-------------------|-------------------|
| One year or less | \$ 214,684 | \$ 213,663 |
| One year to two years | 152,062 | 151,098 |
| Two years to three years | 85,613 | 86,714 |
| Three years to five years | 59,029 | 60,912 |
| Total available-for-sale securities | <u>\$ 511,388</u> | <u>\$ 512,387</u> |

(7) Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted prices in active markets for identical assets and liabilities.
- Level 2—Quoted prices in active markets for similar assets and liabilities, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company measures certain cash and cash equivalents, funds held for clients' cash and cash equivalents, accounts receivable, accounts payable and client fund obligations at fair value on a recurring basis using Level 1 inputs. The Company considers the recorded value of these financial assets and liabilities to approximate the fair value of the respective assets and liabilities at June 30, 2023 and December 31, 2023 based upon the short-term nature of these assets and liabilities.

Marketable securities, consisting of securities classified as available-for-sale as well as certain cash equivalents, are recorded at fair value on a recurring basis using Level 2 inputs obtained from an independent pricing service. Available-for-sale securities include commercial paper, corporate bonds, asset-backed securities, certificates of deposit, U.S. treasury securities, U.S. government agency and other securities. The independent pricing service utilizes a variety of inputs including benchmark yields, broker/dealer quoted prices, reported trades, issuer spreads as well as other available market data. The Company, on a sample basis, validates the pricing from the independent pricing service against another third-party pricing source for reasonableness. The Company has not adjusted any prices obtained by the independent pricing service, as it believes they are appropriately valued. There were no available-for-sale securities classified in Level 3 of the fair value hierarchy at June 30, 2023 or December 31, 2023.

[Table of Contents](#)

The fair value level for the Company's cash and cash equivalents and available-for-sale securities was as follows:

| | June 30, 2023 | | | |
|---|---------------|--------------|------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Cash and cash equivalents | \$ 288,767 | \$ 288,767 | \$ — | \$ — |
| Funds held for clients' cash and cash equivalents | 2,132,545 | 2,132,545 | — | — |
| Available-for-sale securities: | | | | |
| Commercial paper | 109,877 | — | 109,877 | — |
| Corporate bonds | 110,413 | — | 110,413 | — |
| Asset-backed securities | 29,734 | — | 29,734 | — |
| Certificates of deposit | 68,159 | — | 68,159 | — |
| U.S. treasury securities | 156,000 | — | 156,000 | — |
| U.S government agency securities | 7,487 | — | 7,487 | — |
| Other | 7,200 | — | 7,200 | — |
| Total available-for-sale securities | 488,870 | — | 488,870 | — |
| Total investments | \$ 2,910,182 | \$ 2,421,312 | \$ 488,870 | \$ — |

| | December 31, 2023 | | | |
|---|-------------------|--------------|------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Cash and cash equivalents | \$ 366,904 | \$ 366,904 | \$ — | \$ — |
| Funds held for clients' cash and cash equivalents | 2,759,349 | 2,759,349 | — | — |
| Available-for-sale securities: | | | | |
| Commercial paper | 48,988 | — | 48,988 | — |
| Corporate bonds | 206,761 | — | 206,761 | — |
| Asset-backed securities | 40,316 | — | 40,316 | — |
| Certificates of deposit | 37,650 | — | 37,650 | — |
| U.S. treasury securities | 158,063 | — | 158,063 | — |
| U.S government agency securities | 7,677 | — | 7,677 | — |
| Other | 12,932 | — | 12,932 | — |
| Total available-for-sale securities | 512,387 | — | 512,387 | — |
| Total investments | \$ 3,638,640 | \$ 3,126,253 | \$ 512,387 | \$ — |

Assets and Liabilities Recorded at Fair Value on a Non-Recurring Basis

The Company records assets acquired and liabilities assumed in business combinations at fair value. Refer to Note 4 for further details on the fair value measurements of certain assets and liabilities recorded at fair value on a non-recurring basis.

(8) Debt

In July 2019, the Company entered into a revolving credit agreement with PNC Bank, National Association, and other lenders, which is secured by substantially all of the Company's assets, subject to certain restrictions. In August 2022, the Company entered into a first amendment to the aforementioned credit agreement to increase the borrowing capacity of our revolving credit facility ("credit facility") to \$550,000, which may be increased up to \$825,000, subject to obtaining additional lender commitments and certain approvals and satisfying other requirements. The amended credit agreement extends the maturity date of the credit facility to August 2027 and replaces the interest rate based on London Interbank Offered Rate with an interest rate based on secured overnight financing rate ("SOFR"). The Company had no borrowings at June 30, 2023 or December 31, 2023.

The proceeds of any borrowings are to be used to fund working capital, capital expenditures and general corporate purposes, including permitted acquisitions, permitted investments, permitted distributions and share repurchases. The Company may generally borrow, prepay and reborrow under the credit facility and terminate or reduce the lenders'

commitments at any time prior to revolving credit facility expiration without a premium or a penalty, other than customary “breakage” costs.

Any borrowings under the credit facility will generally bear interest, at the Company’s option, at a rate per annum determined by reference to either the Term SOFR rate plus the SOFR Adjustment or an adjusted base rate, in each case plus an applicable margin ranging from 0.875% to 1.500% and 0.0% to 0.500%, respectively, based on the then-applicable net total leverage ratio. Additionally, the Company is required to pay certain commitment, letter of credit fronting and letter of credit participation fees on available and/or undrawn portions of the credit facility.

The Company is required to comply with certain customary affirmative and negative covenants, including a requirement to maintain a maximum net total leverage ratio of not greater than 4.00 to 1.00, (with a step up to 4.50 to 1.00 for the 4 consecutive fiscal quarters following a fiscal quarter in which certain permitted acquisitions are consummated), and a minimum interest coverage ratio of not less than 2.00 to 1.00. As of December 31, 2023, the Company was in compliance with all of the aforementioned covenants.

(9) Stock-Based Compensation

In November 2023, the Company’s stockholders approved the 2023 Equity Incentive Plan (the “2023 Plan”). The 2023 Plan serves as the successor to the 2014 Equity Incentive Plan (the “2014 Plan”) and permits the granting of restricted stock units (“RSUs”), market share units (“MSUs”) and other equity incentives at the discretion of the compensation committee of the Company’s board of directors. No new awards have been or will be issued under the 2014 Plan since the effective date of the 2023 Plan. Outstanding awards under the 2014 Plan continue to be subject to the terms and conditions of the 2014 Plan.

As of December 31, 2023, the Company had 2,009 shares available for future grant, and 1,961 shares were subject to outstanding options or awards. Generally, the Company issues previously unissued shares for the exercise of stock options or vesting of awards; however, shares previously subject to granted awards that are forfeited or net settled at exercise or release may be reissued under the 2023 Plan to satisfy future issuances.

Stock-based compensation expense related to RSUs, MSUs and the Employee Stock Purchase Plan is included in the following line items in the accompanying unaudited consolidated statements of operations and comprehensive income:

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|---------------------------------|-----------|-------------------------------|-----------|
| | 2022 | 2023 | 2022 | 2023 |
| Cost of revenues | \$ 5,232 | \$ 5,475 | \$ 9,273 | \$ 10,418 |
| Sales and marketing | 10,795 | 10,043 | 20,354 | 19,268 |
| Research and development | 11,292 | 11,313 | 20,094 | 21,071 |
| General and administrative | 16,232 | 16,377 | 33,643 | 31,456 |
| Total stock-based compensation expense | \$ 43,551 | \$ 43,208 | \$ 83,364 | \$ 82,213 |

In addition, the Company capitalized \$3,154 and \$3,916 of stock-based compensation expense in its capitalized internal-use software costs in the three months ended December 31, 2022 and 2023, respectively, and \$6,096 and \$7,965 for the six months ended December 31, 2022 and 2023, respectively.

There were no stock options granted during the six months ended December 31, 2023. The table below presents stock option activity during the six months ended December 31, 2023:

| | Outstanding Options | | | |
|---|---------------------|---------------------------------|---|---------------------------|
| | Number of shares | Weighted average exercise price | Weighted average remaining contractual term (years) | Aggregate intrinsic value |
| Option balance at July 1, 2023 | 288 | \$ 23.63 | 1.2 | \$ 46,129 |
| Options exercised | (28) | \$ 17.43 | | |
| Option balance at December 31, 2023 | 260 | \$ 24.30 | 0.7 | \$ 36,392 |
| Options vested and exercisable at December 31, 2023 | 260 | \$ 24.30 | 0.7 | \$ 36,392 |

[Table of Contents](#)

The total intrinsic value of options exercised was \$1,484 and \$2,206 during the three months ended December 31, 2022 and 2023, respectively, and \$49,627 and \$4,700 for the six months ended December 31, 2022 and 2023, respectively.

The Company grants RSUs under its equity incentive plan with terms determined at the discretion of the compensation committee of the Company's board of directors. RSUs generally vest over four years following the grant date and have time-based vesting conditions.

The following table represents restricted stock unit activity during the six months ended December 31, 2023:

| | Units | Weighted average grant date fair value |
|----------------------------------|--------------|---|
| RSU balance at July 1, 2023 | 1,242 | \$ 225.30 |
| RSUs granted | 753 | \$ 193.88 |
| RSUs vested | (429) | \$ 191.68 |
| RSUs forfeited | (62) | \$ 213.01 |
| RSU balance at December 31, 2023 | <u>1,504</u> | <u>\$ 219.66</u> |

The Company also grants MSUs under its equity incentive plan with terms determined at the discretion of the compensation committee of the Company's board of directors. The actual number of MSUs that will be eligible to vest is based on the achievement of a relative total shareholder return ("TSR") target as compared to the TSR realized by each of the companies comprising the Russell 3000 Index over an approximately three-year period. The MSUs cliff-vest at the end of the TSR measurement period, and up to 200% of the target number of shares subject to each MSU are eligible to be earned.

The following table represents market share unit activity during the six months ended December 31, 2023:

| | Units | Weighted average grant date fair value |
|----------------------------------|------------|---|
| MSU balance at July 1, 2023 | 171 | \$ 320.38 |
| MSUs granted | 86 | \$ 256.66 |
| MSUs vested | (60) | \$ 178.04 |
| MSU balance at December 31, 2023 | <u>197</u> | <u>\$ 335.84</u> |

The Company estimated the grant date fair value of the MSUs using a Monte Carlo simulation model that included the following assumptions:

| | Six Months Ended December 31, | |
|-------------------------------|----------------------------------|-------|
| | 2022 | 2023 |
| Valuation assumptions: | | |
| Expected dividend yield | —% | —% |
| Expected volatility | 51.00% - 52.7% | 44.5% |
| Expected term (years) | 2.75 - 3.04 | 3.04 |
| Risk-free interest rate | 3.11% - 4.01% | 4.58% |

At December 31, 2023, there was \$198,250 of total unrecognized compensation cost, net of estimated forfeitures, related to unvested RSUs and MSUs. That cost is expected to be recognized over a weighted average period of 1.9 years.

(10) Litigation

On November 16, 2020, a potential class action complaint was filed against the Company with the Circuit Court of Cook County alleging that the Company violated the Illinois Biometric Information Privacy Act. The complaint seeks

statutory damages, attorney's fees and other costs. On September 11, 2023, a second potential class action complaint was filed against the Company with the Circuit Court of Cook County that alleges violations of the Illinois Biometric Information Privacy Act that overlap with claims in the first action. The Company is unable to estimate any reasonably possible loss, or range of loss, with respect to these matters at this time. The Company intends to vigorously defend against these lawsuits.

From time to time, the Company is subject to litigation arising in the ordinary course of business. Many of these matters are covered in whole or in part by insurance. In the opinion of the Company's management, the ultimate disposition of any matters currently outstanding or threatened will not have a material adverse effect on the Company's financial position, results of operations, or liquidity. However, these matters are subject to inherent uncertainties and could materially impact the Company's financial position, results of operations, or liquidity based on the final disposition of these matters.

(11) Income Taxes

The Company's quarterly provision for income taxes is based on the annual effective rate method. The Company's quarterly provision for income taxes also includes the tax impact of certain unusual or infrequently occurring items, if any, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, and other discrete items in the interim period in which they occur.

The Company's effective tax rate was 14.3% and 28.8% for the three months ended December 31, 2022 and 2023, respectively. The Company's effective tax rate for the three months ended December 31, 2022 was lower than the federal statutory rate of 21% primarily due to a decrease to the valuation allowance, partially offset by non-deductible stock-based compensation under Internal Revenue Code Section 162(m). The Company's effective tax rate for the three months ended December 31, 2023 was higher than the federal statutory rate of 21% primarily due to state and local income taxes.

The Company's effective tax rate was (82.9)% and 25.8% for the six months ended December 31, 2022 and 2023, respectively. The Company's effective tax rate for the six months ended December 31, 2022 was lower than the federal statutory rate of 21% primarily due to excess tax benefits from employee stock-based compensation, state and local income taxes, and a decrease in the valuation allowance. The Company's effective tax rate for the six months ended December 31, 2023 was higher than the federal statutory rate of 21% primarily due to state and local income taxes.

(12) Net Income Per Share

Basic net income per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common shares outstanding during the period and, if dilutive, potential common shares outstanding during the period. The Company's potential common shares consist of the incremental common shares issuable upon the exercise of stock options,

[Table of Contents](#)

the release of restricted stock units and market share units as of the balance sheet date. The following table presents the calculation of basic and diluted net income per share:

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---------------------------------|-----------|-------------------------------|-----------|
| | 2022 | 2023 | 2022 | 2023 |
| Numerator: | | | | |
| Net income | \$ 15,600 | \$ 38,116 | \$ 45,952 | \$ 72,633 |
| Denominator: | | | | |
| Weighted-average shares used in computing net income per share: | | | | |
| Basic | 55,721 | 56,244 | 55,587 | 56,140 |
| Weighted-average effect of potentially dilutive shares: | | | | |
| Employee stock options, restricted stock units and market share units | 753 | 611 | 972 | 766 |
| Diluted | 56,474 | 56,855 | 56,559 | 56,906 |
| Net income per share: | | | | |
| Basic | \$ 0.28 | \$ 0.68 | \$ 0.83 | \$ 1.29 |
| Diluted | \$ 0.28 | \$ 0.67 | \$ 0.81 | \$ 1.28 |

The following table summarizes the outstanding restricted stock units and market share units as of December 31, 2022 and 2023 that were excluded from the diluted per share calculation for the periods presented because to include them would have been antidilutive:

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|------------------------|---------------------------------|------|-------------------------------|------|
| | 2022 | 2023 | 2022 | 2023 |
| Market share units | 57 | 17 | 60 | 17 |
| Restricted stock units | 616 | 22 | 601 | 15 |
| Total | 673 | 39 | 661 | 32 |

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

The statements included herein that are not based solely on historical facts are "forward looking statements." Such forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties. Our actual results could differ materially from those anticipated by us in these forward-looking statements as a result of various factors, including items discussed below and under Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended June 30, 2023 filed with the SEC on August 4, 2023.

Overview

We are a leading cloud-based provider of human capital management, or HCM, and payroll software solutions that deliver a comprehensive platform for the modern workforce. Our HCM and payroll platform offers an intuitive, easy-to-use product suite that helps businesses attract and retain talent, build culture and connection with their employees, and streamline and automate HR and payroll processes.

Effective management of human capital is a core function in all organizations and requires a significant commitment of resources. Our cloud-based software solutions, combined with our unified database architecture, are highly flexible and configurable and feature a modern, intuitive user experience. Our platform offers automated data integration with hundreds of third-party partner systems, such as 401(k), benefits and insurance provider systems. We plan to continue to invest in research and development efforts that will allow us to offer a broader selection of products to new and existing clients focused on experiences that solve our clients' challenges.

We believe there is a significant opportunity to grow our business by increasing our number of clients and we intend to invest in our business to achieve this purpose. We market and sell our solutions through our direct sales force. We have increased our sales and marketing expenses as we have added sales representatives and related sales and marketing personnel. We intend to continue to grow our sales and marketing organization across new and existing geographic territories. In addition to growing our number of clients, we intend to grow our revenue over the long term by increasing the number of solutions that clients purchase from us. To do so, we must continue to enhance and grow the number of solutions we offer to advance our platform.

We also believe that delivering a positive service experience is an essential element of our ability to sell our solutions and retain our clients. We supplement our comprehensive software solutions with an integrated implementation and client service organization, all of which are designed to meet the needs of our clients and sales prospects. We expect to continue to invest in and grow our implementation and client service organization as our client base grows.

We will continue to invest across our entire organization as we continue to grow our business over the long term. These investments include increasing the number of personnel across all functional areas, along with improving our solutions and infrastructure to support our growth. The timing and amount of these investments vary based on the rate at which we add new clients and personnel and scale our application development and other activities. Many of these investments will occur in advance of experiencing any direct benefit from them, which will make it difficult to determine if we are effectively allocating our resources. We expect these investments to increase our costs on an absolute basis, but as we grow our number of clients and our related revenues, we anticipate that we will gain economies of scale and increased operating leverage. As a result, we expect our gross and operating margins will improve over the long term.

Paylocity Holding Corporation is a Delaware corporation, which was formed in November 2013. Our business operations are conducted by our wholly owned subsidiaries.

Key Metrics

We regularly review a number of metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions.

Revenue Growth

Our recurring revenue model and high annual revenue retention rates provide significant visibility into our future operating results and cash flow from operations. This visibility enables us to better manage and invest in our business. Total revenues increased from \$273.0 million for the three months ended December 31, 2022 to \$326.4 million for the three months ended December 31, 2023, representing a 20% year-over-year increase. Total revenues increased from \$526.3 million for the six months ended December 31, 2022 to \$643.9 million for the six months ended December 31, 2023, representing a 22% year-over-year increase. The increase in year-over-year revenue growth was driven by the strong performance by our sales team and growth in interest income on funds held for clients attributable to rising interest rates and higher average daily balances for funds held for clients due to the addition of new clients as compared to the prior

fiscal year. Uncertainties around market and economic conditions may impact revenue growth, which we have recently experienced and may continue to experience, through fluctuations in client employee counts, elongated sales cycles, client losses, and a changing interest rate environment, among other factors.

Adjusted Gross Profit and Adjusted EBITDA

We disclose Adjusted Gross Profit and Adjusted EBITDA, which are non-GAAP measures, because we use them to evaluate our performance, and we believe Adjusted Gross Profit and Adjusted EBITDA assist in the comparison of our performance across reporting periods by excluding certain items that we do not believe are indicative of our core operating performance. We believe these metrics are commonly used in the financial community, and we present them to enhance investors' understanding of our operating performance and cash flows.

Adjusted Gross Profit and Adjusted EBITDA are not measurements of financial performance under generally accepted accounting principles in the United States ("GAAP"), and you should not consider Adjusted Gross Profit as an alternative to gross profit or Adjusted EBITDA as an alternative to net income or cash provided by operating activities, in each case as determined in accordance with GAAP. In addition, our definition of Adjusted Gross Profit and Adjusted EBITDA may be different than the definition utilized for similarly-titled measures used by other companies.

We define Adjusted Gross Profit as gross profit before amortization of capitalized internal-use software costs, amortization of certain acquired intangibles, stock-based compensation expense and employer payroll taxes related to stock releases and option exercises, and other items as defined below. We define Adjusted EBITDA as net income before interest expense, income tax expense (benefit), depreciation and amortization expense, stock-based compensation expense and employer payroll taxes related to stock releases and option exercises and other items as defined below.

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|------------------------------------|-------------------|----------------------------------|-------------------|
| | 2022 | | 2023 | |
| | (in thousands) | | (in thousands) | |
| Reconciliation from Gross Profit to Adjusted Gross Profit | | | | |
| Gross profit | \$ 182,932 | \$ 218,962 | \$ 351,669 | \$ 435,081 |
| Amortization of capitalized internal-use software costs | 7,478 | 10,676 | 14,520 | 20,211 |
| Amortization of certain acquired intangibles | 1,853 | 1,853 | 3,707 | 3,707 |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises | 5,310 | 5,639 | 10,355 | 11,241 |
| Other items (1) | — | — | 19 | — |
| Adjusted Gross Profit | \$ 197,573 | \$ 237,130 | \$ 380,270 | \$ 470,240 |

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|---------------------------------|-------------------|-------------------------------|-------------------|
| | 2022 | 2023 | 2022 | 2023 |
| | (in thousands) | | (in thousands) | |
| Reconciliation from Net income to Adjusted EBITDA | | | | |
| Net income | \$ 15,600 | \$ 38,116 | \$ 45,952 | \$ 72,633 |
| Interest expense | 190 | 189 | 377 | 379 |
| Income tax expense (benefit) | 2,603 | 15,390 | (20,823) | 25,287 |
| Depreciation and amortization expense | 14,827 | 18,380 | 29,094 | 35,501 |
| EBITDA | 33,220 | 72,075 | 54,600 | 133,800 |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises | 43,981 | 43,862 | 88,959 | 85,838 |
| Other items (2) | 151 | (3,328) | 416 | (2,143) |
| Adjusted EBITDA | <u>\$ 77,352</u> | <u>\$ 112,609</u> | <u>\$ 143,975</u> | <u>\$ 217,495</u> |

(1) Represents acquisition-related costs.

(2) Represents acquisition and other nonrecurring transaction-related costs and lease exit activity.

Basis of Presentation

Revenues

Recurring and other revenue

We derive the majority of our revenues from recurring fees attributable to our cloud-based HCM and payroll software solutions. Recurring fees for each client generally include a base fee in addition to a fee based on the number of client employees and the number of products a client uses. We also charge fees attributable to our preparation of W-2 documents and annual required filings on behalf of our clients. We charge implementation fees for professional services provided to implement our HCM and payroll solutions.

The number of client employees on our platform and the mix of products purchased by a client as well as the timing of services provided with respect to those client employees can vary each period. As such, the number of client employees on our system is not a good indicator of our financial results in any given period. Recurring and other revenue accounted for 94% and 91% of our total revenues for the three months ended December 31, 2022 and 2023, respectively, and 95% and 92% of our total revenues for the six months ended December 31, 2022 and 2023, respectively.

While the majority of our agreements with clients are generally cancellable by the client on 60 days' notice or less, we also have term agreements, which are generally two years in length. Our agreements do not include general rights of return and do not provide clients with the right to take possession of the software supporting the services being provided. We recognize recurring fees in the period in which services are provided and the related performance obligations have been satisfied. We defer implementation fees related to our proprietary products over a period generally up to 24 months.

Interest Income on Funds Held for Clients

We earn interest income on funds held for clients. We collect funds for employee payroll payments and related taxes in advance of remittance to employees and taxing authorities. Prior to remittance to employees and taxing authorities, we earn interest on these funds through demand deposit accounts with financial institutions with which we have automated clearing house, or ACH, arrangements. We also earn interest by investing a portion of funds held for clients in highly liquid, investment-grade marketable securities.

Cost of Revenues

Cost of revenues includes costs to provide our HCM and payroll solutions which primarily consists of employee-related expenses, including wages, stock-based compensation, bonuses and benefits, relating to the provision of ongoing client support and implementation activities, payroll tax filing, distribution of printed checks and other materials as well as

[Table of Contents](#)

delivery costs, computing costs, amortization of certain acquired intangibles and bank fees associated with client fund transfers. Costs related to recurring support are generally expensed as incurred. Implementation costs related to our proprietary products are capitalized and amortized over a period of 7 years. Our cost of revenues is expected to increase in absolute dollars for the foreseeable future as we increase our client base. However, we expect to realize cost efficiencies over the long term as our business scales, resulting in improved operating leverage and increased margins.

We also capitalize a portion of our internal-use software costs, which are then primarily amortized as Cost of revenues. We amortized \$7.5 million and \$10.7 million of capitalized internal-use software costs during the three months ended December 31, 2022 and 2023, respectively, and \$14.5 million and \$20.2 million of capitalized internal-use software costs for the six months ended December 31, 2022 and 2023, respectively.

Operating Expenses

Sales and Marketing

Sales and marketing expenses consist primarily of employee-related expenses for our direct sales and marketing staff, including wages, commissions, stock-based compensation, bonuses, benefits, marketing expenses and other related costs. Our sales personnel earn commissions and bonuses for attainment of certain performance criteria based on new sales throughout the fiscal year. We capitalize certain selling and commission costs related to new contracts or purchases of additional services by our existing clients and amortize them over a period of 7 years.

We will seek to grow our number of clients for the foreseeable future, and therefore our sales and marketing expense is expected to continue to increase in absolute dollars as we grow our sales organization and expand our marketing activities.

Research and Development

Research and development expenses consist primarily of employee-related expenses for our research and development and product management teams, including wages, stock-based compensation, bonuses and benefits. Additional expenses include costs related to the development, maintenance, quality assurance and testing of new technologies and ongoing refinement of our existing solutions. Research and development expenses, other than internal-use software costs qualifying for capitalization, are expensed as incurred.

We capitalize a portion of our development costs related to internal-use software. The timing of our capitalized development projects may affect the amount of development costs expensed in any given period. The table below sets forth the amounts of capitalized and expensed research and development expenses for the three and six months ended December 31, 2022 and 2023.

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|------------------------------------|-----------|----------------------------------|------------|
| | 2022 | 2023 | 2022 | 2023 |
| | (in thousands) | | (in thousands) | |
| Capitalized portion of research and development | \$ 11,868 | \$ 18,435 | \$ 23,618 | \$ 37,365 |
| Expensed portion of research and development | 41,029 | 46,139 | 81,122 | 90,744 |
| Total research and development | \$ 52,897 | \$ 64,574 | \$ 104,740 | \$ 128,109 |

We expect to grow our research and development efforts as we continue to broaden our product offerings and extend our technological leadership by investing in the development of new technologies and introducing them to new and existing clients. We expect research and development expenses to continue to increase in absolute dollars but to vary as a percentage of total revenue on a period-to-period basis.

General and Administrative

General and administrative expenses consist primarily of employee-related costs, including wages, stock-based compensation, bonuses and benefits for our finance and accounting, legal, information systems, human resources and other administrative departments. Additional expenses include consulting and professional fees, occupancy costs, insurance and other corporate expenses. While we expect our general and administrative expenses to continue to increase in absolute dollars as our company continues to grow, we expect to realize cost efficiencies as our business scales.

[Table of Contents](#)

Other Income (Expense)

Other income (expense) generally consists of interest income related to interest earned on our cash and cash equivalents, net of losses on disposals of property and equipment and interest expense related to our revolving credit facility.

Results of Operations

The following table sets forth our statements of operations data for each of the periods indicated.

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|------------------------------------|------------|----------------------------------|------------|
| | 2022 | 2023 | 2022 | 2023 |
| | (in thousands) | | (in thousands) | |
| Consolidated Statements of Operations Data: | | | | |
| Revenues: | | | | |
| Recurring and other revenue | \$ 256,434 | \$ 298,416 | \$ 501,840 | \$ 590,101 |
| Interest income on funds held for clients | 16,574 | 27,945 | 24,448 | 53,846 |
| Total revenues | 273,008 | 326,361 | 526,288 | 643,947 |
| Cost of revenues | 90,076 | 107,399 | 174,619 | 208,866 |
| Gross profit | 182,932 | 218,962 | 351,669 | 435,081 |
| Operating expenses: | | | | |
| Sales and marketing | 75,694 | 79,777 | 146,757 | 160,180 |
| Research and development | 41,029 | 46,139 | 81,122 | 90,744 |
| General and administrative | 48,001 | 43,340 | 98,493 | 93,262 |
| Total operating expenses | 164,724 | 169,256 | 326,372 | 344,186 |
| Operating income | 18,208 | 49,706 | 25,297 | 90,895 |
| Other income (expense) | (5) | 3,800 | (168) | 7,025 |
| Income before income taxes | 18,203 | 53,506 | 25,129 | 97,920 |
| Income tax expense (benefit) | 2,603 | 15,390 | (20,823) | 25,287 |
| Net income | \$ 15,600 | \$ 38,116 | \$ 45,952 | \$ 72,633 |

[Table of Contents](#)

The following table sets forth our statements of operations data as a percentage of total revenues for each of the periods indicated.

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|---------------------------------|-------|-------------------------------|-------|
| | 2022 | 2023 | 2022 | 2023 |
| Consolidated Statements of Operations Data: | | | | |
| Revenues: | | | | |
| Recurring and other revenue | 94 % | 91 % | 95 % | 92 % |
| Interest income on funds held for clients | 6 % | 9 % | 5 % | 8 % |
| Total revenues | 100 % | 100 % | 100 % | 100 % |
| Cost of revenues | 33 % | 33 % | 33 % | 32 % |
| Gross profit | 67 % | 67 % | 67 % | 68 % |
| Operating expenses: | | | | |
| Sales and marketing | 28 % | 24 % | 28 % | 25 % |
| Research and development | 15 % | 14 % | 15 % | 14 % |
| General and administrative | 17 % | 13 % | 19 % | 15 % |
| Total operating expenses | 60 % | 51 % | 62 % | 54 % |
| Operating income | 7 % | 16 % | 5 % | 14 % |
| Other income (expense) | 0 % | 1 % | 0 % | 1 % |
| Income before income taxes | 7 % | 17 % | 5 % | 15 % |
| Income tax expense (benefit) | 1 % | 5 % | (4)% | 4 % |
| Net income | 6 % | 12 % | 9 % | 11 % |

Comparison of Three Months Ended December 31, 2022 and 2023

Revenues

(\$ in thousands)

| | Three Months Ended December 31, | | \$ | % |
|---|---------------------------------|------------|-----------|------|
| | 2022 | 2023 | | |
| Recurring and other revenue | \$ 256,434 | \$ 298,416 | \$ 41,982 | 16 % |
| Percentage of total revenues | 94 % | 91 % | | |
| Interest income on funds held for clients | \$ 16,574 | \$ 27,945 | \$ 11,371 | 69 % |
| Percentage of total revenues | 6 % | 9 % | | |

Recurring and Other Revenue

Recurring and other revenue for the three months ended December 31, 2023 increased by \$42.0 million, or 16%, to \$298.4 million from \$256.4 million for the three months ended December 31, 2022. Recurring and other revenue increased primarily as a result of incremental revenues from new and existing clients due to the strong performance by our sales team.

Interest Income on Funds Held for Clients

Interest income on funds held for clients for the three months ended December 31, 2023 increased by \$11.4 million, or 69%, to \$27.9 million from \$16.6 million for the three months ended December 31, 2022. Interest income on funds held for clients increased primarily due to higher interest rates and higher average daily balances for funds held due to the addition of new clients to our client base as compared to the prior fiscal year.

[Table of Contents](#)

Cost of Revenues

(\$ in thousands)

| | Three Months Ended December 31, | | Change | |
|------------------------------|---------------------------------|------------|-----------|------|
| | 2022 | 2023 | \$ | % |
| Cost of revenues | \$ 90,076 | \$ 107,399 | \$ 17,323 | 19 % |
| Percentage of total revenues | 33 % | 33 % | | |
| Gross margin | 67 % | 67 % | | |

Cost of Revenues

Cost of revenues for the three months ended December 31, 2023 increased by \$17.3 million, or 19%, to \$107.4 million from \$90.1 million for the three months ended December 31, 2022. Cost of revenues increased primarily as a result of the continued growth of our business, in particular, \$11.9 million in additional employee-related costs resulting from additional personnel necessary to provide services to new and existing clients and \$3.1 million in additional amortization of internal use software. Gross margin was 67% for both the three months ended December 31, 2022 and three months ended December 31, 2023.

Operating Expenses

(\$ in thousands)

Sales and Marketing

| | Three Months Ended December 31, | | Change | |
|------------------------------|---------------------------------|-----------|----------|-----|
| | 2022 | 2023 | \$ | % |
| Sales and marketing | \$ 75,694 | \$ 79,777 | \$ 4,083 | 5 % |
| Percentage of total revenues | 28 % | 24 % | | |

Sales and marketing expenses for the three months ended December 31, 2023 increased by \$4.1 million, or 5%, to \$79.8 million from \$75.7 million for the three months ended December 31, 2022. The increase in sales and marketing expense was primarily due to \$3.9 million of additional employee-related costs, including those incurred to expand our sales team.

Research and Development

| | Three Months Ended December 31, | | Change | |
|------------------------------|---------------------------------|-----------|----------|------|
| | 2022 | 2023 | \$ | % |
| Research and development | \$ 41,029 | \$ 46,139 | \$ 5,110 | 12 % |
| Percentage of total revenues | 15 % | 14 % | | |

Research and development expenses for the three months ended December 31, 2023 increased by \$5.1 million, or 12%, to \$46.1 million from \$41.0 million for the three months ended December 31, 2022. The increase in research and development expenses was primarily due to \$8.6 million of additional employee-related costs related to additional development personnel, partially offset by \$4.8 million in higher period-over-period capitalized internal-use software costs.

General and Administrative

| | Three Months Ended December 31, | | Change | |
|------------------------------|---------------------------------|-----------|------------|-------|
| | 2022 | 2023 | \$ | % |
| General and administrative | \$ 48,001 | \$ 43,340 | \$ (4,661) | (10)% |
| Percentage of total revenues | 17 % | 13 % | | |

General and administrative expenses for the three months ended December 31, 2023 decreased by \$4.7 million, or 10%, to \$43.3 million from \$48.0 million for the three months ended December 31, 2022. General and administrative expenses decreased primarily due to a \$4.3 million gain related to lease exit activity during the three months ended

[Table of Contents](#)

December 31, 2023. Excluding the gain related to lease exit activity, General and administrative expenses remained relatively flat year over year as we continue to focus on achieving cost efficiencies as our business scales.

Other Income (Expense)

Other income for the three months ended December 31, 2023 increased by \$3.8 million as compared to the three months ended December 31, 2022. The change in other income was primarily due to higher interest income earned on our cash and cash equivalents as a result of higher interest rates and higher average daily balances of those corporate cash and cash equivalents.

Income Taxes

Our effective tax rate was 14.3% and 28.8% for the three months ended December 31, 2022 and 2023, respectively. Our effective tax rate for the three months ended December 31, 2022 was lower than the federal statutory rate of 21% primarily due to a decrease to the valuation allowance, partially offset by non-deductible stock-based compensation under Internal Revenue Code Section 162(m). Our effective tax rate for the three months ended December 31, 2023 was higher than the federal statutory rate of 21% primarily due to an increase to state and local income taxes.

Comparison of Six Months Ended December 31, 2022 and 2023

Revenues

(\$ in thousands)

| | Six Months Ended December 31, | | Change | |
|---|-------------------------------|------------|-----------|-------|
| | 2022 | 2023 | \$ | % |
| Recurring and other revenue | \$ 501,840 | \$ 590,101 | \$ 88,261 | 18 % |
| Percentage of total revenues | 95 % | 92 % | | |
| Interest income on funds held for clients | \$ 24,448 | \$ 53,846 | \$ 29,398 | 120 % |
| Percentage of total revenues | 5 % | 8 % | | |

Recurring and Other Revenue

Recurring and other revenue for the six months ended December 31, 2023 increased by \$88.3 million, or 18%, to \$590.1 million from \$501.8 million for the six months ended December 31, 2022. Recurring and other revenue increased primarily as a result of incremental revenues from new and existing clients due to the strong performance by our sales team.

Interest Income on Funds Held for Clients

Interest income on funds held for clients for the six months ended December 31, 2023 increased by \$29.4 million, or 120%, to \$53.8 million from \$24.4 million for the six months ended December 31, 2022. Interest income on funds held for clients increased primarily due to higher interest rates and higher average daily balances for funds held due to the addition of new clients to our client base as compared to the prior fiscal year.

Cost of Revenues

(\$ in thousands)

| | Six Months Ended December 31, | | Change | |
|------------------------------|-------------------------------|------------|-----------|------|
| | 2022 | 2023 | \$ | % |
| Cost of revenues | \$ 174,619 | \$ 208,866 | \$ 34,247 | 20 % |
| Percentage of total revenues | 33 % | 32 % | | |
| Gross margin | 67 % | 68 % | | |

Cost of Revenues

Cost of revenues for the six months ended December 31, 2023 increased by \$34.2 million, or 20%, to \$208.9 million from \$174.6 million for the six months ended December 31, 2022. Cost of revenues increased primarily as a result

[Table of Contents](#)

of the continued growth of our business, in particular, \$21.7 million in additional employee-related costs resulting from additional personnel necessary to provide services to new and existing clients, \$5.6 million in additional amortization of internal use software and \$5.8 million in additional delivery and other processing costs. Gross margin increased from 67% for the six months ended December 31, 2022 to 68% for the six months ended December 31, 2023.

Operating Expenses

(\$ in thousands)

Sales and Marketing

| | Six Months Ended December 31, | | Change | |
|------------------------------|-------------------------------|------------|-----------|-----|
| | 2022 | 2023 | \$ | % |
| Sales and marketing | \$ 146,757 | \$ 160,180 | \$ 13,423 | 9 % |
| Percentage of total revenues | 28 % | 25 % | | |

Sales and marketing expenses for the six months ended December 31, 2023 increased by \$13.4 million, or 9%, to \$160.2 million from \$146.8 million for the six months ended December 31, 2022. The increase in sales and marketing expense was primarily due to \$10.7 million of additional employee-related costs, including those incurred to expand our sales team.

Research and Development

| | Six Months Ended December 31, | | Change | |
|------------------------------|-------------------------------|-----------|----------|------|
| | 2022 | 2023 | \$ | % |
| Research and development | \$ 81,122 | \$ 90,744 | \$ 9,622 | 12 % |
| Percentage of total revenues | 15 % | 14 % | | |

Research and development expenses for the six months ended December 31, 2023 increased by \$9.6 million, or 12%, to \$90.7 million from \$81.1 million for the six months ended December 31, 2022. The increase in research and development expenses was primarily due to \$17.2 million of additional employee-related costs related to additional development personnel, partially offset by \$10.8 million in higher period-over-period capitalized internal-use software costs.

General and Administrative

| | Six Months Ended December 31, | | Change | |
|------------------------------|-------------------------------|-----------|------------|------|
| | 2022 | 2023 | \$ | % |
| General and administrative | \$ 98,493 | \$ 93,262 | \$ (5,231) | (5)% |
| Percentage of total revenues | 19 % | 15 % | | |

General and administrative expenses for the six months ended December 31, 2023 decreased by \$5.2 million, or 5%, to \$93.3 million from \$98.5 million for the six months ended December 31, 2022. General and administrative expenses decreased primarily due to a \$4.3 million gain related to lease exit activity during the six months ended December 31, 2023. Excluding the gain on lease exit activity, General and administrative expenses remained relatively flat year over year as we continue to focus on achieving cost efficiencies as our business scales.

Other Income (Expense)

Other income for the six months ended December 31, 2023 increased by \$7.2 million as compared to the six months ended December 31, 2022. The change in other income was primarily due to higher interest income earned on our cash and cash equivalents as a result of higher interest rates and higher average daily balances of those corporate cash and cash equivalents.

Income Taxes

Our effective tax rate was (82.9)% and 25.8% for the six months ended December 31, 2022 and 2023, respectively. Our effective tax rate for the six months ended December 31, 2022 was lower than the federal statutory rate of

21% primarily due to excess tax benefits from employee stock-based compensation, state and local income taxes, and a decrease in the valuation allowance. Our effective tax rate for the six months ended December 31, 2023 was higher than the federal statutory rate of 21% primarily due to state and local income taxes.

Quarterly Trends and Seasonality

Our overall operating results fluctuate from quarter to quarter as a result of a variety of factors, some of which are outside of our control. Our historical results should not be considered a reliable indicator of our future results of operations.

We experience fluctuations in revenues and related costs on a seasonal basis, which are primarily seen in our fiscal third quarter, which ends on March 31 of each year. Specifically, our recurring revenue is positively impacted in our fiscal third quarter as a result of our preparation of W-2 documents for our clients' employees in advance of tax filing requirements. Our interest income earned on funds held for clients is also positively impacted during our fiscal third quarter as a result of our increased collection of funds held for clients. Certain payroll taxes are primarily collected during our fiscal third quarter and subsequently remitted. The seasonal fluctuations in revenues also positively impact gross profits during our fiscal third quarter. Our historical results for our fiscal third quarter should not be considered a reliable indicator of our future results of operations.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses. In accordance with GAAP, we base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions and, to the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

Accounting estimates used in the preparation of these consolidated financial statements change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes. Our critical accounting policies and use of estimates are disclosed in our audited consolidated financial statements for the year ended June 30, 2023 included in our Annual Report on Form 10-K filed with the SEC on August 4, 2023.

Liquidity and Capital Resources

Our primary liquidity needs are related to the funding of general business requirements, including working capital requirements, research and development, and capital expenditures. As of December 31, 2023, our principal source of liquidity was \$366.9 million of cash and cash equivalents. We maintain a credit agreement that provides for a \$550.0 million revolving credit facility, which may be increased up to \$825.0 million. No amounts were drawn on the revolving credit facility as of December 31, 2023. Refer to Note 8 of the Notes to the Unaudited Consolidated Financial Statements for additional detail on the credit agreement.

We may invest portions of our excess cash and cash equivalents in highly liquid, investment-grade marketable securities. These investments may consist of money market funds, commercial paper, corporate debt issuances, asset-backed debt securities, certificates of deposit, U.S. treasury securities, U.S. government agency securities and other securities with credit quality ratings of A-1 or higher. As of December 31, 2023, we did not have any corporate investments classified as available-for-sale securities.

In order to grow our business, we intend to increase our personnel and related expenses and to make significant investments in our platform, data centers and general infrastructure. The timing and amount of these investments will vary based on our financial condition, the rate at which we add new clients and new personnel and the scale of our module development, data centers and other activities. Many of these investments will occur in advance of experiencing any direct benefit from them, which could negatively impact our liquidity and cash flows during any particular period and may make it difficult to determine if we are effectively allocating our resources. However, we expect to fund our operations, capital expenditures, acquisitions and other investments principally with cash flows from operations, and to the extent that our liquidity needs exceed our cash from operations, we would look to our cash on hand or utilize the borrowing capacity under our credit facility to satisfy those needs.

[Table of Contents](#)

Funds held for clients and client fund obligations vary substantially from period to period as a result of the timing of payroll and tax obligations due. Our payroll processing activities involve the movement of significant funds from accounts of employers to employees and relevant taxing authorities. Though we debit a client's account prior to any disbursement on its behalf, there is a delay between our payment of amounts due to employees and taxing and other regulatory authorities and when the incoming funds from the client to cover these amounts payable actually clear into our operating accounts. We currently have agreements with various major U.S. banks to execute ACH and wire transfers to support our client payroll and tax services. We believe we have sufficient capacity under these ACH arrangements to handle all transaction volumes for the foreseeable future. We primarily collect fees for our services via ACH transactions at the same time we debit the client's account for payroll and tax obligations and thus are able to reduce collectability and accounts receivable risks.

We believe our current cash and cash equivalents, future cash flow from operations, and access to our credit facility will be sufficient to meet our ongoing working capital, capital expenditure and other liquidity requirements for at least the next 12 months, and thereafter, for the foreseeable future.

The following table sets forth data regarding cash flows for the periods indicated:

| | Six Months Ended December 31, | |
|--|-------------------------------|-------------------|
| | 2022 | 2023 |
| Net cash provided by operating activities | \$ 78,757 | \$ 137,212 |
| Cash flows from investing activities: | | |
| Purchases of available-for-sale securities | (296,060) | (164,815) |
| Proceeds from sales and maturities of available-for-sale securities | 190,253 | 150,851 |
| Capitalized internal-use software costs | (19,740) | (29,483) |
| Purchases of property and equipment | (6,663) | (6,142) |
| Acquisitions of businesses, net of cash acquired | — | (12,015) |
| Other investing activities | 29 | (583) |
| Net cash used in investing activities | (132,181) | (62,187) |
| Cash flows from financing activities: | | |
| Net change in client fund obligations | (922,079) | 642,416 |
| Proceeds from employee stock purchase plan | 8,450 | 9,534 |
| Taxes paid related to net share settlement of equity awards | (79,369) | (35,390) |
| Other financing activities | (864) | 13,356 |
| Net cash provided by (used in) financing activities | (993,862) | 629,916 |
| Net change in cash, cash equivalents and funds held for clients' cash and cash equivalents | <u>\$ (1,047,286)</u> | <u>\$ 704,941</u> |

Operating Activities

Net cash provided by operating activities was \$78.8 million and \$137.2 million for the six months ended December 31, 2022 and 2023, respectively. The change in net cash provided by operating activities from the six months ended December 31, 2022 to the six months ended December 31, 2023 was primarily due to improved operating results after adjusting for non-cash items including stock-based compensation expense, depreciation and amortization expense and deferred income tax expense (benefit), partially offset by net changes in operating assets and liabilities during the six months ended December 31, 2023 as compared to the six months ended December 31, 2022.

Investing Activities

Net cash used in investing activities was \$132.2 million and \$62.2 million for the six months ended December 31, 2022 and 2023, respectively. The net cash used in investing activities is significantly impacted by the timing of purchases and sales and maturities of investments as we invest portions of funds held for clients in highly liquid, investment-grade marketable securities. The amount of funds held for clients invested will vary based on timing of client funds collected and payments due to client employees and taxing and other regulatory authorities.

[Table of Contents](#)

The change in net cash used in investing activities was primarily due to \$131.2 million in fewer purchases of available-for-sale securities, partially offset by \$39.4 million in fewer proceeds from the sales and maturities of available-for-sale securities, \$12.0 million in additional amounts paid for acquisitions, net of cash acquired and \$9.7 million in additional capitalized internal-use software costs during the six months ended December 31, 2023 as compared to the six months ended December 31, 2022.

Financing Activities

Net cash provided by (used in) financing activities was \$(993.9) million and \$629.9 million for the six months ended December 31, 2022 and 2023, respectively. The change in net cash provided by (used in) financing activities was primarily the result of an increase in the net change in client fund obligations of \$1,564.5 million due to the timing of client funds collected and related remittance of those funds to client employees and taxing authorities during the six months ended December 31, 2023 as compared to the six months ended December 31, 2022.

Contractual Obligations and Commitments

At December 31, 2023, our principal commitments consisted of \$70.1 million in operating lease obligations, of which \$10.6 million is due in the next twelve months. We also had \$59.6 million in purchase obligations, of which \$40.4 million is due in the next twelve months.

Capital Expenditures

We expect to continue to invest in capital spending as we continue to grow our business and expand and enhance our operating facilities, data centers and technical infrastructure. Future capital requirements will depend on many factors, including our rate of sales growth. In the event that our sales growth or other factors do not meet our expectations, we may eliminate or curtail capital projects in order to mitigate the impact on our use of cash. Capital expenditures were \$6.7 million and \$6.1 million for the six months ended December 31, 2022 and 2023, respectively, exclusive of capitalized internal-use software costs of \$19.7 million and \$29.5 million for the same periods, respectively.

New Accounting Pronouncements

Refer to Note 2 of the Notes to the Unaudited Consolidated Financial Statements for a discussion of recently issued accounting standards.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We have operations primarily in the United States and are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate and certain other exposures including risks relating to changes in the general economic conditions in the United States. Refer to “Part I. Item 1A. Risk Factors” of our Annual Report on Form 10-K filed with the SEC on August 4, 2023 for risks related to our business.

We have not used, nor do we intend to use, derivatives to mitigate the impact of interest rate or other exposure or for trading or speculative purposes.

Interest Rate Risk

As of December 31, 2023, we had cash and cash equivalents of \$366.9 million and funds held for clients of \$3,271.7 million. We deposit our cash and cash equivalents and significant portions of our funds held for clients in demand deposit accounts with various financial institutions. We invest portions of our excess cash and cash equivalents and funds held for clients in marketable securities including money market funds, commercial paper, corporate debt issuances, asset-backed debt securities, certificates of deposit, U.S. treasury securities, U.S. government agency securities and other. Our investment policy is focused on generating higher yields from these investments while preserving liquidity and capital. However, as a result of our investing activities, we are exposed to changes in interest rates that may materially affect our financial statements.

In a falling rate environment, a decline in interest rates would decrease our interest income earned on both cash and cash equivalents and funds held for clients. An increase in the overall interest rate environment may cause the market value of our investments in fixed rate available-for-sale securities to decline. If we are forced to sell some or all of these securities at lower market values, we may incur investment losses. However, because we classify all marketable securities as available-for-sale, no gains or losses are recognized due to changes in interest rates until such securities are sold or decreases in fair value are deemed due to expected credit losses. We have not recorded any credit impairment losses on our portfolio to date.

Based upon a sensitivity model that measures market value changes caused by interest rate fluctuations, an immediate 100-basis point increase in interest rates would have resulted in a decrease in the market value of our available-for-sale securities by \$7.1 million as of December 31, 2023. An immediate 100-basis point decrease in interest rates would have resulted in an increase in the market value of our available-for-sale securities by \$7.1 million as of December 31, 2023. Fluctuations in the value of our available-for-sale securities caused by changes in interest rates are recorded in other comprehensive income and are only realized if we sell the underlying securities.

Additionally, as described in Note 8 of the Notes to the Unaudited Consolidated Financial Statements, we maintain a credit agreement that provides for a revolving credit facility (“credit facility”) in the aggregate amount of \$550.0 million, which may be increased up to \$825.0 million. Borrowings under the credit facility generally bear interest at a rate based upon the Term Secured Overnight Financing Rate (“SOFR”) plus the SOFR Adjustment or an adjusted base rate plus an applicable margin based on our then-applicable net total leverage ratio. As of December 31, 2023, there were no amounts drawn on the credit facility. To the extent that we draw additional amounts under the credit facility, we may be exposed to increased market risk from changes in the underlying index rates, which affects our interest expense.

Inflation Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Our management, with the participation of our Co-Chief Executive Officers and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2023, the end of the period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, our Co-Chief Executive Officers and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of such date.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting during the three-month period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in litigation related to claims arising from the ordinary course of our business. We believe that there are no claims or actions pending or threatened against us, the ultimate disposition of which would have a material adverse effect on us.

Item 1A. Risk Factors

There have been no material changes in our risk factors disclosed in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended June 30, 2023 filed with the SEC on August 4, 2023.

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

(a) Sales of Unregistered Securities

Not applicable.

(b) Use of Proceeds

On March 24, 2014, we completed our initial public offering or IPO, of 8,101,750 shares of common stock, at a price of \$17.00 per share, before underwriting discounts and commissions. The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-193661), which was declared effective by the SEC on March 18, 2014. With the proceeds of the IPO, we repaid amounts outstanding under a note issued by us to Commerce Bank & Trust Company on March 9, 2011, which totaled \$1.1 million, paid \$9.4 million for the purchase of substantially all of the assets of BFKMS Inc. and paid \$9.5 million for the purchase of substantially all of the assets of Synergy Payroll, LLC.

On December 17, 2014, we completed a follow-on offering of 4,960,000 shares of common stock at a price of \$26.25 per share, before underwriting discounts and commissions. The offer and sale of all of the shares in the follow-on offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-200448) which was declared effective by the SEC on December 11, 2014. There have been no material changes in the planned use of proceeds from the follow-on as described in the final prospectus filed with the SEC pursuant to Rule 424(b) on December 12, 2014.

(c) Purchases of Equity Securities

Not applicable.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None

Item 6. Exhibits

| Exhibit Nos. | Description |
|-----------------|---|
| <u>3.1</u> | Third Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 of Paylocity Holding Corporation's Current Report on Form 8-K on December 4, 2023 (File No. 001-36348)). |
| <u>3.2</u> | Third Amended and Restated Bylaws of Paylocity Holding Corporation (filed as Exhibit 3.2 of Paylocity Holding Corporation's Current Report on Form 8-K on December 4, 2023 (File No. 001-36348)). |
| <u>10.1</u> | 2023 Equity Incentive Plan (filed as Exhibit 10.1 of Paylocity Holding Corporation's Current Report on Form 8-K on December 4, 2023 (File No. 001-36348)). |
| <u>10.2</u> | Form of U.S. Executive Restricted Stock Unit Notice of Grant and Award Agreement under 2023 Equity Incentive Plan (filed as Exhibit 10.2 of Paylocity Holding Corporation's Current Report on Form 8-K on December 4, 2023 (File No. 001-36348)). |
| <u>10.3</u> | Form of Market Stock Unit Notice of Grant and Award Agreement under 2023 Equity Incentive Plan (filed as Exhibit 10.3 of Paylocity Holding Corporation's Current Report on Form 8-K on December 4, 2023 (File No. 001-36348)). |
| <u>10.4*</u> | Amendments to Multi-Tenant Office Lease Agreement dated June 1, 2016 by and between Paylocity Corporation and RPAI Schaumburg American Lane, L.L.C. and Landmark Schaumburg Towers LP. ** |
| <u>31.1*</u> | Certification of Co-Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-4 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| <u>31.2*</u> | Certification of Co-Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-4 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| <u>31.3*</u> | Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-4 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| <u>32.1***</u> | Certification pursuant to 18 U.S.C. 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Co-Chief Executive Officer. |
| <u>32.2***</u> | Certification pursuant to 18 U.S.C. 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Co-Chief Executive Officer. |
| <u>32.3***</u> | Certification pursuant to 18 U.S.C. 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Financial Officer. |
| <u>101.INS*</u> | Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document). |
| <u>101.SCH*</u> | Inline XBRL Taxonomy Extension Schema Document. |
| <u>101.CAL*</u> | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| <u>101.DEF*</u> | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| <u>101.LAB*</u> | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| <u>101.PRE*</u> | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| <u>104*</u> | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

* Filed herewith

** Schedules or exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Registrant agrees to furnish supplementally a copy of any omitted schedule or exhibit upon request by the Securities and Exchange Commission.

*** Furnished herewith

SIGNATURES

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

PAYLOCITY HOLDING CORPORATION

Date: February 9, 2024

By: /s/ Steven R. Beauchamp
Steven R. Beauchamp
Title: **Co-Chief Executive Officer (Principal Executive Officer) and Director**

Date: February 9, 2024

By: /s/ Toby J. Williams
Toby J. Williams
Title: **President, Co-Chief Executive Officer (Principal Executive Officer) and Director**

Date: February 9, 2024

By: /s/ Ryan Glenn
Ryan Glenn
Title: **Chief Financial Officer and Treasurer (Principal Financial Officer)**

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this "Amendment") is made effective as of the 18 day of January, 2017, by and between RPAI Schaumburg American Lane, L.L.C., a Delaware limited liability company ("Landlord"), and PAYLOCITY CORPORATION, an Illinois corporation ("Tenant").

RECITALS:

A. Landlord and Tenant entered into a certain Multi-Tenant Office Lease Agreement dated as of June 1, 2016 (the "Lease"), whereby Landlord leased to Tenant certain premises (the "Premises") located at 1400 American Lane, Schaumburg, Illinois.

B. Landlord and Tenant desire to make certain modifications to the Lease, all as more particularly described herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, it is hereby agreed as follows:

1. Each capitalized term used in this Amendment shall have the same meaning as is ascribed to such capitalized term in the Lease, unless otherwise provided for herein.

2. Tenant has agreed to lease floors ten and thirteen of the Building as the Phase I portion of the Premises. Notwithstanding anything in the Lease to the contrary, in addition to floors ten and thirteen, and as part of the Phase I portion of the Premises, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, upon and subject to the terms, covenants and conditions set forth in the Lease, approximately 2,000 square feet of the 11th floor of the Building for use as a MDF room or data and distribution center ("MDF Room") serving the balance of the Premises as it exists from time to time. Tenant shall be solely responsible for the demolition of the current improvements in the area of the MDF Room and for the demising and construction of the MDF Room in accordance with the terms of Exhibit "L" of the Lease; provided, however, in connection with its delivery of Phase I (including the MDF Room) to Tenant, Landlord shall be responsible for delivering the 11th floor of the Building with all base building mechanical, electrical and plumbing systems in good working condition, order and repair and in the Base Building Condition specified on EXHIBIT "J" attached to the Lease. Following the demising of the MDF Room, at the option of either party, the MDF Room shall be measured in accordance with the BOMA Standards following which, the Rent, the Improvement Allowance, Tenant's Share and any and all other calculations based on the rentable area of the Premises shall be adjusted to reflect the actual measurement of the MDF Room in accordance with the BOMA Standards. Tenant shall pay Rent to Landlord in connection with the MDF Room and shall receive the Improvement Allowance at the same rate and pursuant to the same terms set forth in the Lease for the Phase I portion of the Building.

3. Additionally, Tenant shall have the right to perform the demolition of the current improvements to the remainder of the 11th floor of the Building (other than the MDF Room) (such remainder being referred to hereinafter as the "11th Floor Remainder") at Tenant's sole cost and expense and to thereafter use the 11th Floor Remainder for the purposes of staging for Tenant's construction in the Building, pursuant to all of the terms of the Lease other than the payment of Rent, including, but not limited to, Article 10 of the Lease.

4. Landlord and Tenant hereby acknowledge and agree that the Lease provides that Tenant has the right to lease the Premises in Phases and to designate in writing to Landlord which full floors Tenant elects to lease in each Phase, provided that in no event shall any Phase of the Premises set forth in the Lease include a greater number of floors than set forth in the Basic Terms section of the Lease with respect to such Phase. Landlord and Tenant hereby agree that at Tenant's option, any of Phase II, III or IV may include the 11th Floor Remainder and that Tenant's election to lease such 11th Floor Remainder shall constitute "one full floor" for purposes of satisfying the requirement that Tenant lease (i) three (3) full floors in the Building between the seventh (7th) and the twentieth (20th) floors of the Building for Phase II, (ii) four (4) full floors in the Building between the seventh (7th) and the twentieth (20th) floors of the Building for Phase III, or (iii) five (5) full floors in the Building between the seventh (7th) and the twentieth (20th) floors of the Building for Phase IV.

5. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Amendment may be executed by facsimile or electronic signatures, and such signatures shall have the same force and effect as originals.

6. The provisions of Section 18.11 of the Lease shall apply to Tenant's demise of the MDF Room, and except as otherwise expressly set forth therein, each of the parties hereto represent that, in connection with this Amendment, said party has not engaged or consulted any other third party broker or finder; nor is any other third party broker entitled to compensation or commission by or through acts of said party, and the parties hereby agree to defend, indemnify and hold harmless the other party from and against any and all claims of any other brokers, finders or any like third party claiming any right to commission or compensation by or through acts of said party in connection with this Amendment.

7. Each of the parties hereto represents, warrants, and certifies to the other that the Lease, as amended, is in full force and effect. Except as specifically set forth in this Amendment, all provisions of the Lease shall remain in full force and effect and the parties hereby ratify and confirm each and every provision thereof. This Amendment shall be binding upon and inure to the benefit of Landlord and Tenant and their respective successors and permitted assigns under the Lease. In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control. This Amendment sets forth the entire agreement between Landlord and Tenant, with respect to the matters set forth herein.

[Signatures are on the following page]

IN WITNESS WHEREOF, this Amendment is executed as of the day and year aforesaid.

LANDLORD: RPAI Schaumburg American Lane, L.L.C.,
a Delaware limited liability company

TENANT: PAYLOCITY CORPORATION,
an Illinois corporation

By: Retail Properties of America, Inc., a Maryland corporation, its sole member

By: /s/ Gerald Wright
Name: Gerald Wright
Title: SVP - President Western Division

By: /s/ Jay Schedler
Name: Jay Schedler
Title: VP Human Resources

SECOND AMENDMENT TO LEASE AGREEMENT

THIS SECOND AMENDMENT TO LEASE AGREEMENT (this "Second Amendment") is made effective as of the 15 day of June, 2017 ("Second Amendment Effective Date"), by and between RPAI Schaumburg American Lane, L.L.C., a Delaware limited liability company ("Landlord"), and PAYLOCITY CORPORATION, an Illinois corporation ("Tenant").

RECITALS:

A. By that certain Multi-Tenant Office Lease Agreement dated as of June 1, 2016 (the "Original Lease"), between Landlord and Tenant, whereby Landlord leased to Tenant certain premises (the "Premises") located at 1400 American Lane, Schaumburg, Illinois.

B. By that certain First Amendment to Lease Agreement dated January 18, 2017 ("First Amendment"), between Landlord and Tenant, Landlord leased to Tenant certain additional premises to be used as a data and distribution center, and to make certain modifications of the Original Lease, all as more particularly described therein.

C. Landlord and Tenant desire to make certain additional modifications to the Original Lease, all as more particularly described herein.

D. The Original Lease, the First Amendment and this Second Amendment are hereinafter collectively referred to as the "Lease," and all references to the Lease shall mean the Original Lease, as amended, whether or not such reference shall expressly refer to this Second Amendment. Unless otherwise provided herein, all capitalized words and terms used herein shall have the same meanings ascribed to such words and terms as in the Original Lease.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Section 23.2 of the Lease is hereby deleted in its entirety.

2. Landlord hereby leases to Tenant and Tenant leases from Landlord throughout the Term that certain space containing approximately 475 rentable square feet of area located in the basement of the Building as shown on Exhibit A attached hereto and made a part hereof ("Storage Space") including the exclusive use of the uninterrupted power supply back-up system and all related equipment located in the Storage Space (other than the electrical closet which each of Landlord and Tenant shall have the right to use) (the uninterrupted power supply back-up system and the equipment situated in the Storage Space that is available for Tenant's exclusive use may be referred to as the "UPS"). Landlord shall deliver to Tenant the Storage Space within five (5) business days after the Second Amendment Effective Date. Tenant acknowledges and agrees to accept delivery of the Storage Space and the UPS in an "As Is" condition. All of the terms, covenants and conditions of the Lease shall extend to the Storage Space; provided, however, that the square footage of the Storage Space shall not be included in the Premises square footage for purposes of calculating Basic Rent, Tenant's Share of Expenses or the Improvement Allowance, and Landlord shall not provide janitorial service to the Storage Space. Tenant, at its sole cost and expense shall be responsible for operating, maintaining, repairing, and if necessary, replacing the UPS during the Term. Upon the expiration or earlier termination of the Lease, Tenant shall surrender (i) possession of the Storage Space to Landlord broom clean with any personal property belonging to Tenant having been removed therefrom (for the avoidance of doubt, the UPS will not be considered personal property), and otherwise in "As Is" condition and (ii) the UPS in "As Is" condition. Landlord has approved Tenant's list of proposed alterations to the Storage Space, attached hereto and made a part hereof as Exhibit B.

3. Tenant's rental obligation with respect to the Storage Space shall commence on the Phase I Commencement Date. Tenant will pay to Landlord, in advance, without offset or deduction, except as expressly set forth in the Lease, commencing on the Phase I Commencement Date and continuing on the first day of each and every calendar month thereafter during the Term an annual amount, payable in equal monthly installments, equal to Ten and 00/100 Dollars (\$10.00) per rentable square foot in the Storage Space ("Storage Space Rent"), provided, however, Tenant shall not be required to pay the Storage Space Rent for 85 rentable square feet of the Storage Space. Anything in the Lease to the contrary notwithstanding, the Storage Space Rent shall be a so-called "gross rent", and Tenant shall have no liability to Landlord for Tenant's Share of Expenses, Property Taxes, and Variable Operating Expenses with respect to the Storage Space; provided, however, Landlord reserves the right to separately meter or sub-meter utilities for the Storage Space and charge Tenant for all utilities used by Tenant in the Storage Space, which amounts shall be paid by Tenant as Additional Rent within thirty (30) days after receipt of an invoice therefor.

Anything herein to the contrary notwithstanding, provided no Event of Default has occurred and is continuing, Storage Space Rent shall be abated during the twelve (12) month period from the Phase I Commencement Date (“**Storage Space Rent Abatement Period**”). Once the Event of Default is cured, the Storage Space Rent Abatement Period shall once again continue until Tenant has received its full share of Storage Space Rent abatement.

4. If Tenant desires to lease additional storage space in the Building, then Tenant shall so notify Landlord in writing. Within thirty (30) days after Landlord’s receipt of such written notice from Tenant, Landlord shall notify Tenant of whether or not there is any available storage space in the Building and, if storage is available, the size thereof, the location thereof and the rent rate therefore, which shall be Landlord’s then-current rates. If Tenant elects to lease additional storage space, then the parties shall execute an amendment to the Lease evidencing the lease by Tenant of the applicable storage space and the applicable Fair Market Rent.

5. If another tenant or occupant in the Building needs space for installation of its own uninterrupted power supply back-up system, then Landlord shall have the right, upon thirty (30) days prior written notice to Tenant, at Landlord’s sole cost and expense, to partition the Storage Space and further separately meter the Storage Space to allow use of such portion of the Storage Space as may be reasonably acceptable to Tenant by other tenants or occupants of the Building. Upon the expiration of such 30-day period, Tenant shall surrender possession of the applicable portion of the Storage Space to Landlord broom clean with any personal property belonging to Tenant having been removed therefrom, and otherwise in “As Is” condition. In no event shall Landlord reduce the Storage Space to an area smaller than that which is reasonably necessary for Tenant’s use. Upon any such reduction, all of the terms, covenants and conditions of this Second Amendment shall continue unchanged and in full force and effect, except that the Storage Space Rent shall be proportionately reduced based on the remaining Storage Space.

6. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Second Amendment may be executed by facsimile or electronic signatures, and such signatures shall have the same force and effect as originals.

7. Each of the parties hereto represents that, in connection with this Second Amendment, no broker or other third party is entitled to compensation or commission by or through acts of said party, and the parties hereby agree to defend, indemnify and hold harmless the other party from and against any and all claims of any brokers, finders or any like third party claiming any right to commission or compensation by or through acts of said party in connection with this Second Amendment.

8. Each of the parties hereto represents, warrants, and certifies to the other that the Lease, as amended, is in full force and effect. Except as specifically set forth in this Second Amendment, all provisions of the Lease shall remain in full force and effect and the parties hereby ratify and confirm each and every provision thereof. This Second Amendment shall be binding upon and inure to the benefit of Landlord and Tenant and their respective successors and permitted assigns under the Lease. In the case of any inconsistency between the provisions of the Lease and this Second Amendment, the provisions of this Second Amendment shall govern and control. This Second Amendment sets forth the entire agreement between Landlord and Tenant, with respect to the matters set forth herein.

IN WITNESS WHEREOF, this Second Amendment is executed as of the day and year aforesaid.

LANDLORD: RPAI Schaumburg American Lane, L.L.C.,
a Delaware limited liability company

TENANT: PAYLOCITY CORPORATION,
an Illinois corporation

By: Retail Properties of America, Inc, a Maryland corporation, its sole member

By: /s/ Gerald Wright
Name: Gerald Wright
Title: SVP - President Western Division

By: /s/ Jay Schedler
Name: Jay Schedler
Title: VP Human Resources

THIRD AMENDMENT TO LEASE AGREEMENT

THIS THIRD AMENDMENT TO LEASE AGREEMENT (this “**Third Amendment**”) is made effective as of the 28th day of September, 2017 (“**Third Amendment Effective Date**”), by and between RPAI SCHAUMBURG AMERICAN LANE, L.L.C., a Delaware limited liability company (“**Landlord**”), and PAYLOCITY CORPORATION, an Illinois corporation (“**Tenant**”).

RECITALS:

A. By that certain Multi-Tenant Office Lease Agreement dated as of June 1, 2016 (the “**Original Lease**”), between Landlord and Tenant, whereby Landlord leased to Tenant certain premises (the “**Premises**”) located at 1400 American Lane, Schaumburg, Illinois (the “**Building**”).

B. By that certain First Amendment to Lease Agreement dated January 18, 2017 (“**First Amendment**”), between Landlord and Tenant, Landlord leased to Tenant certain additional premises to be used as a data and distribution center, and to make certain modifications of the Original Lease, all as more particularly described therein.

C. By that certain Second Amendment to Lease Agreement dated June 15, 2017 (“**Second Amendment**”), between Landlord and Tenant, Landlord leased to Tenant certain additional premises to be used as storage space, and to make certain modifications of the Original Lease, all as more particularly described therein.

D. Section 23.3.1 of the Lease grants Tenant the right to use the existing exterior mounted 1750 KW generator (“**Existing Generator**”) serving the Building. Prior to execution of this Third Amendment, Tenant has previously tested, and Landlord agrees, that based on the location of the Existing Generator and available ventilation the actual maximum power of the Existing Generator as configured is 1400 KW. Landlord and Tenant desire to address the capacity of the Existing Generator and make certain additional modifications to the Original Lease, all as more particularly described herein.

E. The Original Lease, the First Amendment, the Second Amendment, and this Third Amendment are hereinafter collectively referred to as the “**Lease**,” and all references to the Lease shall mean the Original Lease, as amended, whether or not such reference shall expressly refer to this Third Amendment. Unless otherwise provided herein, all capitalized words and terms used herein shall have the same meanings ascribed to such words and terms as in the Original Lease.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Tenant hereby acknowledges that Landlord is currently using 700 KW of the maximum total 1400 KW of power produced by the Existing Generator to support the life safety systems of the Building (including, without limitation, emergency lighting, sump pumps, elevators and the like), and Tenant is entitled to use the remaining 700 KW for its own use. Landlord and Tenant will each be responsible for its pro rata share of the costs of operating, maintaining and repairing the Existing Generator. Such pro rata share for each party shall be determined by dividing the number of kilowatt hours available to such party from the Existing Generator by the total number of kilowatt hours able to be produced by the Existing Generator (i.e., initially 50% for Landlord and 50% for Tenant). Tenant shall pay its share of such costs to Landlord on the terms and conditions set forth in Section 23.3.1 of the Lease. Landlord’s share of such costs shall be included as Operating Expenses to the extent properly included in Operating Expenses under the Lease.

2. If either party desires to use more than 700 KW of power from the Existing Generator, then such electing party, at its own cost and expense and in accordance with plans reasonably approved by Landlord, may refurbish the Existing Generator or modify the ventilation available to the Existing Generator in order to increase the actual maximum power of the Existing Generator, provided that such work does not interfere with the use of the Existing Generator by the other party or require any alterations to the structural portions of the Building or the mechanical or electrical systems of the Building and provided that such work is performed in accordance with all applicable provisions of the Lease. Following any such refurbishment or modification, Landlord shall recalculate each party’s pro rata share by dividing the number of kilowatt hours available to such party from the Existing Generator following such refurbishment or modification by the total number of kilowatt hours able to be produced by the Generator following such refurbishment or modification.

3. In the event that it becomes necessary to replace the Existing Generator, then Landlord and Tenant will work together to determine whether:

(a) Landlord will replace the Existing Generator with one (1) replacement generator, in which event Landlord shall be entitled to select the size, make and model of the replacement generator; provided, however, Landlord shall consult with Tenant regarding its power demands in making its determination as to capacity and such replacement generator shall provide Tenant at least the power usage requested by Tenant; or

(b) Landlord will replace the Existing Generator with two (2) replacement generators, one of which shall be utilized solely by Tenant and one of which shall be utilized solely by Landlord and other tenants and occupants of the Building, in which event, each party shall be entitled to select the size, make and model of its replacement generator based upon availability of space for such replacement generators.

Landlord's and Tenant's rights and obligations set forth in this Section 3 shall be subject to the ability of the Building to accommodate such replacement without material structural alterations or material alterations to the mechanical or electrical systems of the Building. If the Existing Generator is replaced with a single generator as contemplated in clause (a) above, then Tenant shall reimburse Landlord for its pro rata share (determined by dividing the number of kilowatt hours available to Tenant from the replacement generator by the total number of kilowatt hours able to be produced by the replacement generator) of the actual, reasonable, out of pocket costs incurred by Landlord (without markup) to replace the Existing Generator and to operate, maintain, repair and replace the replacement generator within thirty (30) days following receipt of invoice therefor, in detail reasonably satisfactory to Tenant. If the Existing Generator is replaced with two generators as contemplated in clause (b) above, then Tenant shall be responsible for the actual, reasonable, out-of-pocket costs incurred (without markup) to purchase, install, operate, maintain, repair and replace the generator to be utilized solely by Tenant. In either case, Landlord shall only be entitled to include as part of Operating Expenses the costs of operating, maintaining and repairing the generator that is not to be utilized solely by Tenant and then, only to the extent such costs are attributable to supporting the life safety systems of the Building and are otherwise properly included as part of Operating Expenses under the Lease.

The provisions of this Section 3 are not intended to replace or supersede Tenant's rights to install other Generator Equipment as described, and on the terms and conditions, set forth in Sections 23.3.2-23.3.10 of the Lease.

4. This Third Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Third Amendment may be executed by facsimile or electronic signatures, and such signatures shall have the same force and effect as originals.

5. Each of the parties hereto represents that, in connection with this Third Amendment, no broker or other third party is entitled to compensation or commission by or through acts of said party, and the parties hereby agree to defend, indemnify and hold harmless the other party from and against any and all claims of any brokers, finders or any like third party claiming any right to commission or compensation by or through acts of said party in connection with this Third Amendment.

6. Each of the parties hereto represents, warrants, and certifies to the other that the Lease, as amended, is in full force and effect. Except as specifically set forth in this Third Amendment, all provisions of the Lease shall remain in full force and effect and the parties hereby ratify and confirm each and every provision thereof. This Third Amendment shall be binding upon and inure to the benefit of Landlord and Tenant and their respective successors and permitted assigns under the Lease. In the case of any inconsistency between the provisions of the Lease and this Third Amendment, the provisions of this Third Amendment shall govern and control. This Third Amendment sets forth the entire agreement between Landlord and Tenant, with respect to the matters set forth herein.

[Signatures on Following Page]

IN WITNESS WHEREOF, this Third Amendment is executed as of the Third Amendment Effective Date.

LANDLORD: **RPAI Schaumburg American Lane, L.L.C.,**
a Delaware limited liability company

TENANT: **PAYLOCITY CORPORATION,**
an Illinois corporation

By:
Retail Properties of America, Inc, a Maryland
corporation, its sole member

By:
Name:
Title:

By:
Name:
Title:
/s/ Jay Schedler
Jay Schedler
VP Human Resources

FOURTH AMENDMENT TO LEASE AGREEMENT

THIS FOURTH AMENDMENT TO LEASE AGREEMENT (this “**Fourth Amendment**”) is made effective as of the 29th day of May, 2018 (“**Fourth Amendment Effective Date**”), by and between RPAI SCHAUMBURG AMERICAN LANE, L.L.C., a Delaware limited liability company (“**Landlord**”), and PAYLOCITY CORPORATION, an Illinois corporation (“**Tenant**”).

RECITALS:

A. By that certain Multi-Tenant Office Lease Agreement dated as of June 1, 2016 (the “**Original Lease**”), between Landlord and Tenant, whereby Landlord leased to Tenant certain premises (the “**Premises**”) located at 1400 American Lane, Schaumburg, Illinois (the “**Building**”).

B. By that certain First Amendment to Lease Agreement dated January 18, 2017 (“**First Amendment**”), between Landlord and Tenant, Landlord leased to Tenant certain additional premises to be used as a data and distribution center, and to make certain modifications of the Original Lease, all as more particularly described therein.

C. By that certain Second Amendment to Lease Agreement dated June 15, 2017 (“**Second Amendment**”), between Landlord and Tenant, Landlord leased to Tenant certain additional premises to be used as storage space, and to make certain modifications of the Original Lease, all as more particularly described therein.

D. By that certain Third Amendment to Lease Agreement dated September 28, 2017 (“**Third Amendment**”), between Landlord and Tenant, the parties agreed to amend their rights and obligations related to the power capacity of the Existing Generator serving the Building, and to make certain modifications of the Original Lease, all as more particularly described therein.

E. Landlord and Tenant desire to make certain additional modifications to the Original Lease, all as more particularly described herein.

F. The Original Lease, the First Amendment, the Second Amendment, the Third Amendment and this Fourth Amendment are hereinafter collectively referred to as the “**Lease**,” and all references to the Lease shall mean the Original Lease, as amended, whether or not such reference shall expressly refer to this Fourth Amendment. Unless otherwise provided herein, all capitalized words and terms used herein shall have the same meanings ascribed to such words and terms as in the Original Lease.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Anything in the Lease to the contrary notwithstanding, and in consideration for the reimbursements detailed below, Tenant agrees that, in lieu of Landlord’s obligation to do so, Tenant will perform any and all bathroom renovations in accordance with and as outlined in Exhibit J, subsection (d) of the Lease in accordance with Tenant’s plans therefor (“**Bathroom Renovations**”). As of the date hereof, Tenant has performed Bathroom Renovations, drinking fountain replacements and related ADA compliance work for nine (9) floors of the Building. Anything in the Lease to the contrary notwithstanding, Landlord will pay to Tenant, as and for a contribution toward the costs and expenses previously incurred by Tenant in performing the Bathroom Renovations, drinking fountain replacements and related ADA compliance work an amount equal to \$16,500.00 per floor for the nine (9) floors currently in Tenant’s possession within thirty (30) days after the Fourth Amendment Effective Date and Landlord’s receipt of sworn statements from Tenant and Tenant’s general contractor as to the amount of such costs and the contractors and subcontractors performing such work, and final lien waivers therefor. Landlord further agrees pay to Tenant, as and for a contribution toward the costs and expenses incurred by Tenant in performing the Bathroom Renovations, drinking fountain replacements and related ADA compliance work, an amount equal to \$16,500.00 per floor for the remaining five (5) floors to be delivered to Tenant as part of Phase IV within thirty (30) days following Tenant’s completion of the Bathroom Renovations, drinking fountain replacements and related ADA compliance work on such remaining five (5) floors and Landlord’s receipt of sworn statements from Tenant and Tenant’s general contractor as to the amount of such costs and the contractors and subcontractors performing such work, and final lien waivers therefor. Tenant’s obligation to perform the Bathroom Renovations, drinking fountain replacements and related ADA compliance work on the remaining five (5) floors, is limited to compliance with the ADA and other Laws in effect as of the date hereof; it being the agreement of the parties that if any Bathroom Renovations, drinking fountain replacements or related ADA compliance work is required on the remaining five (5) floors that is different from or in excess of the Bathroom Renovations, drinking fountain replacements and related ADA compliance work performed on the first nine (9) floors due to the implementation of new Laws or Laws first interpreted by the governmental authority having jurisdiction to apply to such work after the date hereof and Tenant gives Landlord written

notice thereof on or before June 30, 2019, then the same shall be performed at Landlord's sole cost and reasonable expense, and shall not reduce the payment of \$16,500.00 per floor by Landlord to Tenant for the remaining five (5) floors.

2. Landlord hereby acknowledges that Landlord is required to complete certain patio improvements ("Patio Improvements") as part of Landlord's Common Area Improvements in accordance with the terms and conditions set forth in Section 17.1.2 and Exhibit K of the Lease. Landlord covenants to complete the Patio Improvements as soon as reasonably practicable.

3. Tenant shall have the right, without Landlord's consent and at Tenant's sole cost and expense, to install and maintain the lobby signage depicted in Exhibit A attached hereto and made a part hereof, provided such signage is professionally prepared, and complies with all applicable Laws. If Tenant desires to make any changes to the signage set forth on Exhibit A, then any such changes shall require the prior reasonable approval of Landlord.

4. The Basic Terms section of the Lease is hereby amended by changing the Address of Tenant for Notices set forth in Item 9 thereof to read:

"Address of Tenant for Notices:
Paylocity Corporation
1400 American Lane
Schaumburg, Illinois 60173
Attn: Chief Financial Officer

With a copy to:
Paylocity Corporation
1400 American Lane
Schaumburg, Illinois 60173
Attn: General Counsel"

5. This Fourth Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Fourth Amendment may be executed by facsimile or electronic signatures, and such signatures shall have the same force and effect as originals.

6. Each of the parties hereto represents that, in connection with this Fourth Amendment, no broker or other third party is entitled to compensation or commission by or through acts of said party, and the parties hereby agree to defend, indemnify and hold harmless the other party from and against any and all claims of any brokers, finders or any like third party claiming any right to commission or compensation by or through acts of said party in connection with this Fourth Amendment.

7. Each of the parties hereto represents, warrants, and certifies to the other that the Lease, as amended, is in full force and effect. Except as specifically set forth in this Fourth Amendment, all provisions of the Lease shall remain in full force and effect and the parties hereby ratify and confirm each and every provision thereof. This Fourth Amendment shall be binding upon and inure to the benefit of Landlord and Tenant and their respective successors and permitted assigns under the Lease. In the case of any inconsistency between the provisions of the Lease and this Fourth Amendment, the provisions of this Fourth Amendment shall govern and control. This Fourth Amendment sets forth the entire agreement between Landlord and Tenant, with respect to the matters set forth herein.

[Signatures on Following Page]

IN WITNESS WHEREOF, this Fourth Amendment is executed as of the Fourth Amendment Effective Date.

LANDLORD:

RPAI Schaumburg American Lane, L.L.C.,

a Delaware limited liability company

TENANT:

PAYLOCITY CORPORATION,

an Illinois corporation

By: Retail Properties of America, Inc, a Maryland
corporation, its sole member

By: /s/ Gerald Wright

Name: Gerald Wright

Title: SVP - President Western Division

By: /s/ Jay Schedler

Name: Jay Schedler

Title: VP Human Resources

FIFTH AMENDMENT TO LEASE AGREEMENT

THIS FIFTH AMENDMENT TO LEASE AGREEMENT (this “**Fifth Amendment**”) is made effective as of the 9th day of July, 2018 (“**Fifth Amendment Effective Date**”), by and between LANDMARK SCHAUMBURG TOWERS LP, a Delaware limited partnership (“**Landlord**”), and PAYLOCITY CORPORATION, an Illinois corporation (“**Tenant**”).

RECITALS:

A. By that certain Multi-Tenant Office Lease Agreement dated as of June 1, 2016 (the “**Original Lease**”), between Landlord’s predecessor, RPAI Schaumburg American Lane, L.L.C. (“**Original Landlord**”) and Tenant, whereby Original Landlord leased to Tenant certain premises (the “**Premises**”) located at 1400 American Lane, Schaumburg, Illinois (the “**Building**”).

B. By that certain First Amendment to Lease Agreement dated January 18, 2017 (“**First Amendment**”), between Original Landlord and Tenant, Original Landlord leased to Tenant certain additional premises to be used as a data and distribution center, and to make certain modifications of the Original Lease, all as more particularly described therein.

C. By that certain Second Amendment to Lease Agreement dated June 15, 2017 (“**Second Amendment**”), between Original Landlord and Tenant, Original Landlord leased to Tenant certain additional premises to be used as storage space, and to make certain modifications of the Original Lease, all as more particularly described therein.

D. By that certain Third Amendment to Lease Agreement dated September 28, 2017 (“**Third Amendment**”), between Original Landlord and Tenant, the parties agreed to amend their rights and obligations related to the power capacity of the existing generator serving the Building, and to make certain modifications of the Original Lease, all as more particularly described therein.

E. By that certain Fourth Amendment to Lease Agreement dated May 29, 2018 (“**Fourth Amendment**”), between Original Landlord and Tenant, the parties agreed to amend the Original Lease to address certain bathroom renovations and patio improvements and to make certain modifications of the Original Lease, all as more particularly described therein.

F. Landlord and Tenant desire to make certain additional modifications to the Original Lease including leasing to Tenant certain additional premises to be used as a mail room, all as more particularly described herein.

G. The Original Lease, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, and this Fifth Amendment are hereinafter collectively referred to as the “**Lease**,” and all references to the Lease shall mean the Original Lease, as amended, whether or not such reference shall expressly refer to any such amendment. Unless otherwise provided herein, all capitalized words and terms used herein shall have the same meanings ascribed to such words and terms as in the Original Lease.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. a. Landlord hereby leases to Tenant and Tenant leases from Landlord on the terms and conditions set forth herein (i) that certain space containing approximately 5,147 rentable square feet of area located on the first (1st) floor of the Building as depicted on Exhibit A attached hereto and made a part hereof (“**The First Floor Mail Room Space**”) and (ii) those certain spaces consisting of approximately 828 rentable square feet of space located in the basement of the Building located in the areas labelled “A”, “B”, “C”, “D”, and “E” on Exhibit A-1 attached hereto and made a part hereof (the “**Basement Mail Room Space**”). The First Floor Mail Room Space and the Basement Mail Room Space may be referred to collectively as the “**Mail Room**”. The term of the lease of the Mail Room shall be for a period of five (5) years commencing on November 1, 2018 (the “**Mail Room Commencement Date**”) and ending on October 31, 2023 (the “**Initial Mail Room Term**”), subject to the extension options set forth below.

b. Tenant shall have the option to extend the Initial Mail Room Term (a) for the five (5) year period commencing on November 1, 2023 and ending on October 31, 2028 (the “**First Mail Room Extension Period**”), (b) for the four (4) year period commencing on November 1, 2028 and ending on October 31, 2032 (the “**Second Mail Room Extension Period**”), (c) for the First Renewal Term (as defined in the Lease), and (d) for the Second Renewal Term (as defined in the Lease) (each, a “**Mail Room Renewal Term**”). The Initial Mail Room Term and the Mail Room Renewal Terms for which Tenant has exercised its option to extend in accordance with the provisions of this Paragraph 1(b) shall hereinafter collectively be referred to as the “**Mail Room Term**”. Provided there is no Event of Default by Tenant under the Lease at the time of the exercise of the option or upon the expiration of the then current Mail Room Term, each such option to

extend shall be exercisable by Tenant, if at all, by written notice of Tenant's desire to exercise such option given to Landlord not less than six (6) months prior to the expiration of the then current Mail Room Term. Each Mail Room Renewal Term shall be on the same terms, covenants and conditions as contained in this Lease; provided, however, (i) the annual Basic Rent for each Renewal Term shall be as set forth in Paragraph 3 below, (ii) the Mail Room shall be leased during the Mail Room Renewal Term in its "as-is" condition and (iii) there shall be no rent abatement or allowances available to Tenant during the Mail Room Renewal Term.

2. Landlord shall deliver to Tenant the Mail Room within five (5) business days after the Fifth Amendment Effective Date, following which Tenant shall have the right to perform the Mail Room Work (as defined in Paragraph 4 below). Tenant will accept delivery of the Mail Room in "As Is" condition; provided, however, on or before December 15, 2018, Landlord shall, at its sole cost and expense, perform the following work in the area labelled "Common Corridor" on Exhibit A attached hereto and made a part hereof, (i) repaint the existing corridor walls, (ii) repair or replace any broken or discolored ceiling tiles, (iii) install new building standard lighting, and (iv) place the loading dock doors in good working condition. Tenant acknowledges that the Basement Mail Room Space (other than the Basement Mail Room Space labelled "A" on Exhibit A-1, which space is enclosed by a locked gate and will be operated and controlled solely by Tenant) is open, not demised, and will be delineated by Landlord by tape or paint on the floor and identified as Tenant's space by such signage as Landlord and Tenant mutually agree. Tenant shall utilize the Basement Mail Room Space at its own risk, and Landlord shall not be liable for loss of or damage to any items stored within the Basement Mail Room Space, except to the extent caused by the gross negligence or willful misconduct of Landlord, its agents, employees or contractors. All of the terms, covenants and conditions of the Lease shall extend to the Mail Room except as set forth herein; provided, however, that the term of the Lease for the Mail Room shall be as set forth herein, the square footage of the Mail Room shall not be included in the Premises square footage for purposes of calculating Basic Rent or the Improvement Allowance (provided, however, Tenant shall receive the Mail Room Allowance as described in Paragraph 4 below), and Landlord shall not provide janitorial service to the Mail Room. Landlord shall exclude the cost of janitorial service for the Mail Room from the calculation of Tenant's Share of Expenses. Upon the expiration or earlier termination of the Lease for the Mail Room, Tenant shall surrender possession of the Mail Room to Landlord broom clean with any personal property belonging to Tenant having been removed therefrom, and otherwise in "As Is" condition.

3. a. Tenant will pay to Landlord, in advance, without offset or deduction, except as expressly set forth in the Lease and subject to the abatement provisions set forth below, commencing on the Mail Room Commencement Date and continuing on the first day of each and every calendar month thereafter during the Mail Room Term an annual amount, payable in equal monthly installments, equal to the following amounts for the First Floor Mail Room Space (the "First Floor Mail Room Basic Rent"):

| <u>Period</u> | <u>Per Square Foot Rent Rate</u> | <u>Annual Basic Rent</u> | <u>Monthly Basic Rent</u> |
|---------------------------------------|--------------------------------------|------------------------------|-------------------------------|
| November 1, 2018 – October 31, 2019 | \$10.00 | \$51,470.00 | \$4,289.17 |
| November 1, 2019 – October 31, 2020 | \$10.25 | \$52,756.75 | \$4,396.40 |
| November 1, 2020 – October 31, 2021 | \$10.51 | \$54,094.97 | \$4,507.91 |
| November 1, 2021 – October 31, 2022 | \$10.77 | \$55,433.19 | \$4,619.43 |
| November 1, 2022 – October 31, 2023 | \$11.04 | \$56,822.88 | \$4,735.24 |
| November 1, 2023 – October 31, 2024* | \$11.32 | \$58,264.04 | \$4,855.34 |
| November 1, 2024 – October 31, 2025* | \$11.60 | \$59,705.20 | \$4,975.43 |
| November 1, 2025 – October 31, 2026* | \$11.89 | \$61,197.83 | \$5,099.82 |
| November 1, 2026 – October 31, 2027* | \$12.19 | \$62,741.93 | \$5,228.49 |
| November 1, 2027 – October 31, 2028* | \$12.49 | \$64,286.03 | \$5,357.17 |
| November 1, 2028 – October 31, 2029** | \$12.80 | \$65,881.60 | \$5,490.13 |
| November 1, 2029 – October 31, 2030** | \$13.12 | \$67,528.64 | \$5,627.39 |
| November 1, 2030 – October 31, 2031** | \$13.45 | \$69,227.15 | \$5,768.93 |
| November 1, 2031 – October 31, 2032** | \$13.79 | \$70,977.13 | \$5,914.76 |

* If Tenant extends the term of the Lease for the Mail Room for the First Mail Room Extension Period

** If Tenant extends the term of the Lease for the Mail Room for the Second Mail Room Extension Period

If Tenant exercises its right to extend the term of the Lease for the Mail Room for the First Renewal Term (as defined in the Lease) or the Second Renewal Term (as defined in the Lease), the First Floor Mail Room Rent shall continue

to increase by two and one-half percent (2.5%) per annum for each year during the First Renewal Term and the Second Renewal Term, as applicable.

In addition to the First Floor Mail Room Basic Rent, during the Mail Room Term, Tenant shall be liable to Landlord for Tenant's Share of Expenses, Property Taxes, and Variable Operating Expenses with respect to the First Floor Mail Room Space, payable in accordance with the terms of the Lease. In addition, Landlord reserves the right to separately meter or sub-meter utilities for the First Floor Mail Room Space and to charge Tenant for all utilities used by Tenant in the First Floor Mail Room Space. All amounts payable by Tenant to Landlord pursuant to this grammatical paragraph shall be paid by Tenant as "**First Floor Mail Room Additional Rent**" within thirty (30) days after receipt of an invoice from Landlord therefor. The First Floor Mail Room Basic Rent together with the First Floor Mail Room Additional Rent may be referred to hereinafter collectively as the "**First Floor Mail Room Rent**".

b. Tenant will pay to Landlord, in advance, without offset or deduction, except as expressly set forth in the Lease and subject to the abatement provisions set forth below, commencing on the Mail Room Commencement Date and continuing on the first day of each and every calendar month thereafter during the Mail Room Term an annual amount, payable in equal monthly installments, equal to Six Hundred Ninety and No/100 Dollars (\$690.00) for the Basement Mail Room Space (the "**Basement Mail Room Rent**"). In no event shall Tenant be liable for any additional rent or other charges in connection with its use of the Basement Mail Room Space, including but not limited to as Tenant's Share of Expenses, Property Taxes, Variable Operating Expenses, or utilities consumed in the Basement Mail Room Space.

c. The First Floor Mail Room Rent and the Basement Mail Room Rent may be referred to collectively hereinafter as the "**Mail Room Rent**". Anything herein to the contrary notwithstanding, provided no Event of Default has occurred and is continuing, Mail Room Rent shall be abated during the twelve (12) month period commencing on the Mail Room Commencement Date ("**Mail Room Rent Abatement Period**"). If an Event of Default has occurred and is continuing, the Mail Room Rent abatement shall cease, and once the Event of Default is cured, the Mail Room Rent Abatement Period shall once again continue until Tenant has received its full share of Mail Room Rent abatement.

4. Tenant shall be responsible for the performance of any and all improvements required by Tenant in and to the First Floor Mail Room ("**Mail Room Work**"), subject to Tenant's preparation of, and Landlord's approval of, Tenant's Drawings relating to the Mail Room Work, in accordance with the terms of EXHIBIT "L" to the Lease. Landlord agrees that Tenant shall have the right to connect to the Base Building plumbing system in the basement of the Building for purposes of operating the chilled water system serving the First Floor Mail Room Space. Landlord agrees that it shall pay to Tenant an improvement allowance in the amount of One Hundred Two Thousand Nine Hundred Forty and No/100 Dollars (\$102,940.00) ("**Mail Room Allowance**") in connection with the Mail Room Work, subject to the terms of this Paragraph 4. The Mail Room Allowance may be used to reimburse Tenant for all hard and soft construction costs incurred by Tenant in connection with the Mail Room Work, including furniture, cabling, telecommunications equipment, phones and reasonable third party consultant's fees. Within thirty (30) days after Substantial Completion of the Mail Room Work, as certified by Tenant's architect (subject only to minor checklist items which Tenant has agreed to perform), and Landlord's receipt of written request from Tenant, Landlord shall pay the Mail Room Allowance to Tenant in an amount equal to the costs incurred as part of the Mail Room Work up to the total amount of the Mail Room Allowance, provided that at the time of such request and scheduled payment:

- (a) No Event of Default shall have occurred and be continuing under the Lease;
- (b) No liens shall have been filed and appropriate waivers, affidavits and final unconditional releases of lien shall have been received by Landlord covering all work for which payment is requested;
- (c) The Certificate of Occupancy for the First Floor Mail Room Space shall have been issued;
- (d) Tenant's architect shall have certified in writing to Landlord that the Mail Room Work has been substantially completed in accordance with Tenant's Drawings for the First Floor Mail Room Space, with applicable laws, ordinances, rules, regulations and codes (subject only to minor checklist items which Tenant has agreed to perform);
- (e) Tenant has delivered to Landlord an executed Commencement Date Memorandum for the Mail Room substantially in the form of EXHIBIT "E" to the Lease;
- (f) Landlord has received a complete set of electronic "as-built" Tenant's Drawings for the First Floor Mail Room Space in both a .pdf and .dwg format; and
- (g) Landlord has received for the First Floor Mail Room Space: (i) a complete operations and maintenance manual for all operating equipment servicing the First Floor Mail Room Space, including warranty certificates; (ii) a copy of all final permit inspection sign-offs; (iii) a completed Landlord punch list with Tenant sign off; (iv) test and balance reports for the HVAC system; and (v) final sign off from local health department, if applicable.

If the disbursement of the Mail Room Allowance pursuant to this Paragraph 4 does not equal or exceed the total Mail Room Allowance, then all or a portion of the next installment or installments, as the case may be, of Mail Room Rent due and payable shall be abated in an amount equal to the difference between the total Mail Room Allowance and the amount of the Mail Room Allowance previously disbursed pursuant to this Paragraph 4.

If all or part of the Improvement Allowance due and owing to Tenant is not paid to Tenant within the time period prescribed above, subject to satisfaction of the conditions set forth herein, and if Tenant shall have notified Landlord and any mortgagee in writing, and such payment is not made within thirty (30) days after Landlord (and any mortgagee) received such notice, then Tenant, as its sole and exclusive remedy, may deduct such unpaid amount from Tenant's Rent obligation next due owing until the date the same is reimbursed or deducted as aforesaid, as described above.

5. Within sixty (60) days following the Fifth Amendment Effective Date, Tenant shall deliver to Landlord plans and specifications for an exterior dedicated smoking hut to be constructed by Tenant at its sole cost. The smoking hut shall be designed in a first class manner so as not to detract from the image of the Building in Landlord's reasonable judgment. Landlord shall review the plans and specifications within ten (10) days after receipt thereof, and Landlord shall approve same or provide its comments to Tenant, which comments shall be incorporated into revised plans and specifications. Landlord shall have the right to approve Tenant's contractor and the construction contract, which consent shall not be unreasonably withheld. Tenant shall cause its contractor to provide a certificate of insurance prior to commencing the work and a lien waiver evidencing full and final payment upon completion of the work. In addition, a building permit, if required by the Village of Schaumburg, Illinois, shall be procured by Tenant prior to the commencement of any work. The smoking hut shall be constructed in a location approved by Landlord in its sole discretion. Such smoking hut shall be considered a Common Area and shall be available for Landlord and all of the tenants of the Building and their respective employees and invitees. After the smoking hut is completed by Tenant's contractor, the smoking hut shall be repaired, maintained, cleaned and operated by Landlord in accordance with the terms of the Lease applicable to other Common Areas.

6. Landlord acknowledges that Tenant is currently using the eighteenth (18th) floor of the Building as a staging area for the performance of Tenant's Improvements and furniture move-in. Landlord has requested, and Tenant has agreed, to move Tenant's tools, equipment, and other materials currently located on the eighteenth (18th) floor of the Building to the seventh (7th) floor of the Building. Until such time as Tenant has completed Tenant's Improvements and furniture move-in with respect to all of the Premises demised under the Lease (i.e., Phases I, II, III and IV), Tenant shall have the right to use the seventh floor (7th) floor of the Building as a staging area without additional charge; provided, however, during the performance of Tenant's Improvements and furniture move-in on the seventh (7th) floor of the Building, at Tenant's request, Landlord shall make available for Tenant's use other space in the Building designated by Landlord and reasonably acceptable to Tenant as a staging area free of charge. For so long as Tenant is utilizing any portion of the Building as a staging area, Tenant shall keep such staging area clean and orderly.

7. The Basic Terms section of the Lease is hereby amended by changing the Address of Landlord for Notices set forth in Item 8 thereof to read:

“Address of Landlord for Notices: Landmark Schaumburg Towers LP
8114 North Lawndale Avenue
Skokie, Illinois 60076
Attn: Yisorel Gluck”

8. This Fifth Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Fifth Amendment may be executed by facsimile or electronic signatures, and such signatures shall have the same force and effect as originals.

9. The provisions of Section 18.11 of the Lease shall apply to Tenant's demise of the Mail Room, and except as otherwise expressly set forth therein, each of the parties hereto represents that, in connection with this Fifth Amendment, no broker or other third party is entitled to compensation or commission by or through acts of said party, and the parties hereby agree to defend, indemnify and hold harmless the other party from and against any and all claims of any brokers, finders or any like third party claiming any right to commission or compensation by or through acts of said party in connection with this Fifth Amendment.

10. Each of the parties hereto represents, warrants, and certifies to the other that the Lease, as amended, is in full force and effect. Except as specifically set forth in this Fifth Amendment, all provisions of the Lease shall remain in full force and effect and the parties hereby ratify and confirm each and every provision thereof. This Fifth Amendment shall be binding upon and inure to the benefit of Landlord and Tenant and their respective successors and permitted assigns under the Lease. In the case of any inconsistency between the provisions of the Lease and this Fifth Amendment, the provisions of this Fifth Amendment shall govern and control. This Fifth Amendment sets forth the entire agreement

between Landlord and Tenant, with respect to the matters set forth herein. Landlord represents and warrants that it has received written approval of this Amendment from its mortgagee and any and all other third parties whose approval may be required in order for this Amendment to be binding against Landlord and such party and in full force and effect.

[Signatures on Following Page]

IN WITNESS WHEREOF, this Fifth Amendment is executed as of the Fifth Amendment Effective Date.

LANDLORD: **LANDMARK SCHAUMBURG TOWERS LP,**

a Delaware limited liability company

TENANT: **PAYLOCITY CORPORATION,**

an Illinois corporation

By: ST GP Owner LLC, a Delaware limited liability company

Its: General Partner

By: /s/ Yisorel Gluck

Name: Yisorel Gluck

Title: Manager

By: /s/ Jay Schedler

Name: Jay Schedler

Title: VP Human Resources

SIXTH AMENDMENT TO LEASE AGREEMENT

THIS SIXTH AMENDMENT TO LEASE AGREEMENT (this “**Sixth Amendment**”) is made effective as of the 1st day of April, 2019, by and between LANDMARK SCHAUMBURG TOWERS LP, a Delaware limited partnership (“**Landlord**”), and PAYLOCITY CORPORATION, an Illinois corporation (“**Tenant**”).

RECITALS:

A. By that certain Multi-Tenant Office Lease Agreement dated as of June 1, 2016 (the “**Original Lease**”), between Landlord’s predecessor, RPAI Schaumburg American Lane, L.L.C. (“**Original Landlord**”) and Tenant, whereby Original Landlord leased to Tenant certain premises (the “**Premises**”) located at 1400 American Lane, Schaumburg, Illinois (the “**Building**”).

B. By that certain First Amendment to Lease Agreement dated January 18, 2017 (“**First Amendment**”), between Original Landlord and Tenant, Original Landlord leased to Tenant certain additional premises to be used as a data and distribution center, and to make certain modifications of the Original Lease, all as more particularly described therein.

C. By that certain Second Amendment to Lease Agreement dated June 15, 2017 (“**Second Amendment**”), between Original Landlord and Tenant, Original Landlord leased to Tenant certain additional premises to be used as storage space, and to make certain modifications of the Original Lease, all as more particularly described therein.

D. By that certain Third Amendment to Lease Agreement dated September 28, 2017 (“**Third Amendment**”), between Original Landlord and Tenant, the parties agreed to amend their rights and obligations related to the power capacity of the existing generator serving the Building, and to make certain modifications of the Original Lease, all as more particularly described therein.

E. By that certain Fourth Amendment to Lease Agreement dated May 29, 2018 (“**Fourth Amendment**”), between Landlord and Tenant, the parties agreed to amend the Original Lease to address certain bathroom renovations and patio improvements and to make certain modifications of the Original Lease, all as more particularly described therein.

F. By that certain Fifth Amendment to Lease Agreement dated July 9, 2018 (“**Fifth Amendment**”), between Landlord and Tenant, the parties agreed to amend the Original Lease and Landlord agreed to lease to Tenant certain first floor and basement space in the Building, all as more particularly described therein.

G. Landlord and Tenant desire to make certain additional modifications to the Original Lease including permitting the installation of a wind screen, all as more particularly described herein.

H. The Original Lease, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment and this Sixth Amendment are hereinafter collectively referred to as the “**Lease**,” and all references to the Lease shall mean the Original Lease, as amended, whether or not such reference shall expressly refer to any such amendment. Unless otherwise provided herein, all capitalized words and terms used herein shall have the same meanings ascribed to such words and terms as in the Original Lease.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Landlord agrees that Tenant may, at its sole cost and expense, install a wind screen between the Building and parking garage, as described on Exhibit “A” attached hereto (the “**Wind Screen**”) and in accordance with the plans and specifications attached hereto as Exhibit “B”. The Wind Screen, approved by Landlord, will be manufactured and installed by Thatcher Oaks Awnings. Tenant may install the Wind Screen by drilling holes into the sidewalk in the space approved by Landlord. All of the foregoing work and the color and location of the Wind Screen shall be approved in writing by Landlord prior to the installation of the Wind Screen. Tenant shall deliver to Landlord lien waivers from Thatcher Oaks Awnings as proof of payment in full for the Wind Screen and its installation.

2. Tenant, at its sole cost and expense, shall be responsible for maintenance, repairs and replacement of the Wind Screen, and any replacement shall require Landlord’s prior written approval. Tenant shall cause any cosmetic or physical damage to the Wind Screen to be repaired within ten (10) business days after the earlier to occur of (i) the occurrence of the damage or (ii) receipt of written notice from Landlord that repairs are required. The Wind Screen may be erected by Tenant during the period of October 15th to May 20th during each year of the term of the Lease (the “**Permitted Period**”). Upon expiration of the Permitted Period each year, Tenant shall, at its sole cost and expense, be responsible to (i) remove and store the Wind Screen, (ii) repair any damage to the sidewalks, curbs and/or stairs caused by the installation

and removal of the Wind Screen, and (iii) fill or cover any holes in the sidewalks, curbs and/or stairs. The Wind Screen shall not be stored in the Premises or in the common areas of the property.

3. Tenant will procure all necessary approvals and consents from the local fire department and any other applicable governmental bodies. Prior to installation of the Wind Screen, Tenant shall deliver to Landlord a copy of any permits and licenses required by the Village of Schaumburg.

4. Upon the expiration or earlier termination of the Lease, Tenant shall be obligated to remove the Wind Screen and restore the property to its prior condition. In the event Tenant elects not to erect the Wind Screen during any Permitted Period in any calendar year, then, Tenant shall immediately restore the property to its original condition, including filling or covering any holes in the sidewalks, curbs or stairs.

5. Tenant shall amend its insurance coverage requirements as set forth in the Original Lease to include damage and liability coverages with respect to the Wind Screen with such insurance limits as are set forth in the Lease. A certificate of insurance in the form required by the Lease with said coverages shall be delivered to Tenant prior to the commencement of any work and covering each Permitted Period.

6. Tenant agrees to defend, indemnify and hold harmless Landlord, its mortgagee and their respective managers, members, shareholders, partners, employees and agents from any and all damages, liabilities, claims, costs, expenses, fees, including attorneys' fees, incurred by Landlord arising from any injuries to any person or damage to any property caused by the installation, removal or presence of Wind Screen at the Building.

7. Expenses. Any increases in the Expenses, as defined in the Lease, caused by the installation of the Wind Screen (i.e., snow plowing) will be billed to Tenant in accordance with the Lease.

8. This Sixth Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Sixth Amendment may be executed by facsimile or electronic signatures, and such signatures shall have the same force and effect as originals.

9. Each of the parties hereto represents, warrants, and certifies to the other that the Lease, as amended, is in full force and effect. Except as specifically set forth in this Sixth Amendment, all provisions of the Lease shall remain in full force and effect and the parties hereby ratify and confirm each and every provision thereof. This Sixth Amendment shall be binding upon and inure to the benefit of Landlord and Tenant and their respective successors and permitted assigns under the Lease. In the case of any inconsistency between the provisions of the Lease and this Sixth Amendment, the provisions of this Sixth Amendment shall govern and control. This Sixth Amendment sets forth the entire agreement between Landlord and Tenant, with respect to the matters set forth herein.

[Signatures on Following Page]

IN WITNESS WHEREOF, this Sixth Amendment is executed as of the date first above written.

LANDLORD: **LANDMARK SCHAUMBURG TOWERS LP,**
a Delaware limited liability company

TENANT: **PAYLOCITY CORPORATION,**
an Illinois corporation

By: ST GP Owner LLC, a Delaware limited liability company
Its: General Partner
By: /s/ Yisorel Gluck
Name: Yisorel Gluck
Title: Manager

By: /s/ Jay Schedler
Name: Jay Schedler
Title: Vice President

SEVENTH AMENDMENT TO LEASE AGREEMENT

THIS SEVENTH AMENDMENT TO LEASE AGREEMENT (this “**Seventh Amendment**”) is made effective as of the 22 day of November, 2019 (the “**Amendment Effective Date**”), by and between LANDMARK SCHAUMBURG TOWERS LP, a Delaware limited partnership (“**Landlord**”), and PAYLOCITY CORPORATION, an Illinois corporation (“**Tenant**”).

RECITALS:

A. By that certain Multi-Tenant Office Lease Agreement dated as of June 1, 2016 (the “**Original Lease**”), between Landlord’s predecessor, RPAI Schaumburg American Lane, L.L.C. (“**Original Landlord**”) and Tenant, whereby Original Landlord leased to Tenant certain premises (the “**Premises**”) located at 1400 American Lane, Schaumburg, Illinois (the “**Building**”).

B. By that certain First Amendment to Lease Agreement dated January 18, 2017 (“**First Amendment**”), between Original Landlord and Tenant, Original Landlord leased to Tenant certain additional premises to be used as a data and distribution center, and to make certain modifications of the Original Lease, all as more particularly described therein.

C. By that certain Second Amendment to Lease Agreement dated June 15, 2017 (“**Second Amendment**”), between Original Landlord and Tenant, Original Landlord leased to Tenant certain additional premises to be used as storage space, and to make certain modifications of the Original Lease, all as more particularly described therein.

D. By that certain Third Amendment to Lease Agreement dated September 28, 2017 (“**Third Amendment**”), between Original Landlord and Tenant, the parties agreed to amend their rights and obligations related to the power capacity of the existing generator serving the Building, and to make certain modifications of the Original Lease, all as more particularly described therein.

E. By that certain Fourth Amendment to Lease Agreement dated May 29, 2018 (“**Fourth Amendment**”), between Landlord and Tenant, the parties agreed to amend the Original Lease to address certain bathroom renovations and patio improvements and to make certain modifications of the Original Lease, all as more particularly described therein.

F. By that certain Fifth Amendment to Lease Agreement dated July 9, 2018 (“**Fifth Amendment**”), between Landlord and Tenant, the parties agreed to amend the Original Lease and Landlord agreed to lease to Tenant certain first floor and basement space in the Building, all as more particularly described therein.

G. By that certain Sixth Amendment to Lease Agreement dated April 1, 2019 (“**Sixth Amendment**”), between Landlord and Tenant, the parties agreed to amend the Original Lease, and Landlord agreed to permit Tenant to erect a wind screen between the Building and parking garage, all as more particularly described therein.

H. Landlord and Tenant desire to make certain additional modifications to the Original Lease including establishing additional parking restrictions on the use of the Parking Facilities, including the Garage (defined as the Tower One parking garage in Exhibit A of the Lease) and the surface parking areas servicing the Building, all as more particularly described herein.

I. The Original Lease, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and this Seventh Amendment are hereinafter collectively referred to as the “**Lease**,” and all references to the Lease shall mean the Original Lease, as amended, whether or not such reference shall expressly refer to any such amendment. Unless otherwise provided herein, all capitalized words and terms used herein shall have the same meanings ascribed to such words and terms as in the Original Lease.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. The Garage (defined as the Tower One parking garage in Exhibit A of the Lease) and the surface parking areas servicing the Building, as depicted on Exhibit “A” attached hereto, may be referred to collectively herein as the “**Tower One Parking Facilities**”. Landlord agrees to institute from time to time certain parking rules and regulations with respect to the Tower One Parking Facilities, in order to properly control the number of spaces in the Tower One Parking Facilities available to Tenant and the other tenants in Tower One. Landlord agrees that (i) any tenant or tenants who lease any space in Tower One, including but not limited to the second and third floors of Tower One, will be limited to the use of not more than four (4) parking spaces within the Tower One Parking Facilities for every 1,000 square feet of rentable area of such tenant’s premises (the “**Tower One Parking Ratio Limitation**”) and (ii) all employees and guests of tenants located within the second and third floor atrium space and all employees and guests of tenants of Tower Two shall be

required to park in locations serving Tower Two or any future areas designated by Landlord to serve Tower Two, and shall not be permitted to park in the Tower One Parking Facilities. Landlord shall enforce the Tower One Parking Ratio Limitation on future tenants of Tower One, including but not limited to specifying such limitations in a proposed lease that may be entered into with Alliant Credit Union Foundation (“**Alliant**”). Should Landlord determine that the Tower One Parking Ratio Limitation is being violated by the employees or guests of any tenant of the Property, Landlord will amend the Building Rules pursuant to Section 4.4 of the Original Lease, including implementing an electronic gate system or placard system, to regulate and enforce which tenants’ employees and guests are permitted to park in the Tower One Parking Facilities and the number of vehicles parking in the Tower One Parking Facilities. Should Tenant, in its reasonable opinion believe that the Tower One Parking Ratio Limitation is being violated by the employees or guests of any tenant of the Property, Tenant shall notify Landlord of same in writing, and if Landlord is able to confirm same acting reasonably and in good faith, Landlord will amend the Building Rules pursuant to Section 4.4 of the Original Lease, including implementing an electronic gate system or placard system, to regulate and enforce which tenants’ employees and guests are permitted to park in the Tower One Parking Facilities and the number of vehicles parking in the Tower One Parking Facilities. In the event of a dispute between Landlord and Tenant as to whether the Tower One Parking Ratio Limitation is being violated by the employees or guests of any tenant of the Property, either party shall have the right, after thirty (30) days prior written notice to the other party, to elect to have the dispute settled by arbitration in accordance with the American Arbitration Association’s Expedited Procedures, and the determination made in such proceeding shall be binding on Landlord and Tenant. Each party shall be responsible for its own attorneys’ fees in connection with the arbitration, and they shall split the fees and costs of the arbitration. Landlord agrees not to amend the Building Rules in any manner which would eliminate or increase the Tower One Parking Ratio Limitation for the Tower One Parking Facilities. To avoid any ambiguity, the parties agree that the visitor parking located on the east side of the Project shall not be subject to the foregoing limitations and restrictions. In the event of any conflict between the Building Rules and this Lease, the Lease shall control. Landlord acknowledges and agrees that given the square footage of the Premises leased by Tenant as of the Amendment Effective Date, Tenant’s employees and guests are entitled to the use of no less than 1,240 parking spaces in the Tower One Parking Facilities, plus the use of the visitor parking located on the east side of the Project.

2. Landlord delivered to Tenant a First Offer Notice dated October 18, 2019 pursuant to Section 21.1 (Right of First Offer of the Original Lease) and a Refusal Notice dated October 23, 2019 pursuant to Section 21.2 (Right of First Refusal of the Original Lease). In consideration of the agreements set forth herein, Tenant agrees to rescind its notice dated October 31, 2019 exercising its right of first offer. In addition, Tenant agrees to waive its right of first refusal with respect to the Refusal Space described in the Refusal Notice dated October 23, 2019, and as defined in the Original Lease and in the Refusal Notice dated October 23, 2019. To avoid any ambiguity, Tenant agrees that Landlord has the right to negotiate a lease with Alliant for the Refusal Space as described in the Refusal Notice, subject to the terms of Section 21.2 of the Original Lease and the provisions of Section 1 of this Seventh Amendment.

3. Section 18.1 of the Original Lease is hereby deleted in its entirety and replaced with the following in order to correct a typographical error contained therein:

“All Notices must be in writing and must be sent by personal delivery, United States registered or certified mail (postage prepaid) or by an independent overnight courier service, addressed to the addresses specified in the Basic Terms or at such other place as either party may designate to the other party by written notice given in accordance with this section. Notices given by mail are deemed effective three (3) Business Days after the party sending the Notice deposits the Notice with the United States Post Office. Notices delivered by courier are deemed effective on the next Business Day after the day the party delivering the Notice timely deposits the Notice with the courier for overnight (next day) delivery.”

4. This Seventh Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Seventh Amendment may be executed by facsimile or electronic signatures, and such signatures shall have the same force and effect as originals.

5. Each of the parties hereto represents, warrants, and certifies to the other that the Lease, as amended, is in full force and effect. Except as specifically set forth in this Seventh Amendment, all provisions of the Lease shall remain in full force and effect and the parties hereby ratify and confirm each and every provision thereof. This Seventh Amendment shall be binding upon and inure to the benefit of Landlord and Tenant and their respective successors and permitted assigns under the Lease. In the case of any inconsistency between the provisions of the Lease and this Seventh Amendment, the provisions of this Seventh Amendment shall govern and control. This Seventh Amendment sets forth the entire agreement between Landlord and Tenant, with respect to the matters set forth herein.

[Signatures on Following Page]

IN WITNESS WHEREOF, this Seventh Amendment is executed as of the date first above written.

LANDLORD: **LANDMARK SCHAUMBURG TOWERS LP,**
a Delaware limited liability company

TENANT: **PAYLOCITY CORPORATION,**
an Illinois corporation

By: ST GP Owner LLC, a Delaware limited liability company

Its: General Partner

By: /s/ Yisorel Gluck

Name: Yisorel Gluck

Title: Manager

By: /s/ Jay Schedler

Name: Jay Schedler

Title: Vice President

EIGHTH AMENDMENT TO LEASE AGREEMENT

THIS EIGHTH AMENDMENT TO LEASE AGREEMENT (this “**Eighth Amendment**”) is made effective as of the 13 day of May, 2023 (“**Eighth Amendment Effective Date**”), by and between LANDMARK SCHAUMBURG TOWERS LP, a Delaware limited partnership (“**Landlord**”), and PAYLOCITY CORPORATION, an Illinois corporation (“**Tenant**”).

RECITALS:

A. By that certain Multi-Tenant Office Lease Agreement dated as of June 1, 2016 (the “**Original Lease**”), between Landlord’s predecessor, RPAI Schaumburg American Lane, L.L.C. (“**Original Landlord**”) and Tenant, whereby Original Landlord leased to Tenant certain premises (the “**Premises**”) located at 1400 American Lane, Schaumburg, Illinois (the “**Building**”).

B. The Original Lease was amended by (i) that certain First Amendment to Lease Agreement dated January 18, 2017 (“**First Amendment**”); (ii) that certain Second Amendment to Lease Agreement dated June 15, 2017 (“**Second Amendment**”), (iii) that certain Third Amendment to Lease Agreement dated September 28, 2017 (“**Third Amendment**”), (iv) that certain Fourth Amendment to Lease Agreement dated May 29, 2018 (“**Fourth Amendment**”), (v) that certain Fifth Amendment to Lease Agreement dated July 9, 2018 (“**Fifth Amendment**”); (vi) that certain Sixth Amendment to Lease Agreement dated April 1, 2019 (“**Sixth Amendment**”), and (vii) that certain Seventh Amendment to Lease Agreement dated November 22, 2019 (“**Seventh Amendment**”), all as more particularly described therein.

C. Tenant has exercised its option to extend the term of the lease for the Mail Room pursuant to the terms and provisions of the Fifth Amendment.

D. The Original Lease, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment, the Seventh Amendment and this Eighth Amendment are hereinafter collectively referred to as the “**Lease**,” and all references to the Lease shall mean the Original Lease, as amended, whether or not such reference shall expressly refer to any such amendment. Unless otherwise provided herein, all capitalized words and terms used herein shall have the same meanings ascribed to such words and terms as in the Original Lease, as amended.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. The term of the Lease for the Mail Room shall continue through the First Mail Room Extension Period and, unless Tenant exercises the extension options contained in the Fifth Amendment, shall expire on October 31, 2028.

2. Tenant is in possession of the Mail Room and accepts same in its “As Is” condition. Tenant shall continue to utilize the Basement Mail Room Space at its own risk, and Landlord shall not be liable for loss of or damage to any items stored within the Basement Mail Room Space, except to the extent caused by the gross negligence or willful misconduct of Landlord, its agents, employees or contractors.

3. a. Landlord and Tenant hereby acknowledge and agree that the First Floor Mail Room Basic Rent due and payable to Tenant during the First Mail Room Extension Period shall be as set forth below and shall be payable in accordance with the terms and provisions of the Lease:

| <u>Period</u> | <u>Per Square Foot Rent Rate</u> | <u>Annual Basic Rent</u> | <u>Monthly Basic Rent</u> |
|-------------------------------------|---|-------------------------------------|--------------------------------------|
| November 1, 2023 – October 31, 2024 | \$11.32 | \$58,264.04 | \$4,855.34 |
| November 1, 2024 – October 31, 2025 | \$11.60 | \$59,705.20 | \$4,975.43 |
| November 1, 2025 – October 31, 2026 | \$11.89 | \$61,197.83 | \$5,099.82 |
| November 1, 2026 – October 31, 2027 | \$12.19 | \$62,741.93 | \$5,228.49 |
| November 1, 2027 – October 31, 2028 | \$12.49 | \$64,286.03 | \$5,357.17 |

In addition to the First Floor Mail Room Basic Rent, during the First Mail Room Extension Period, Tenant shall be liable to Landlord for Tenant’s Share of Expenses, Property Taxes, and Variable Operating Expenses with respect to the First Floor Mail Room Space, payable in accordance with the terms of the Lease.

b. Landlord and Tenant hereby acknowledge and agree that the Basement Mail Room Basic Rent due and payable to Tenant during the First Mail Room Extension Period shall be equal to Six Hundred Ninety and No/100 Dollars

(\$690.00) for the Basement Mail Room Space. In no event shall Tenant be liable for any additional rent or other charges in connection with its use of the Basement Mail Room Space, including but not limited to as Tenant's Share of Expenses, Property Taxes, Variable Operating Expenses, or utilities consumed in the Basement Mail Room Space.

4. This Eighth Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Eighth Amendment may be executed by facsimile or electronic signatures, and such signatures shall have the same force and effect as originals.

5. The provisions of Section 18.11 of the Lease shall apply to Tenant's demise of the Mail Room, and except as otherwise expressly set forth therein, each of the parties hereto represents that, in connection with this Eighth Amendment, no broker or other third party is entitled to compensation or commission by or through acts of said party, and the parties hereby agree to defend, indemnify and hold harmless the other party from and against any and all claims of any brokers, finders or any like third party claiming any right to commission or compensation by or through acts of said party in connection with this Eighth Amendment.

6. Each of the parties hereto represents, warrants, and certifies to the other that the Lease, as amended, is in full force and effect. Except as specifically set forth in this Eighth Amendment, all provisions of the Lease shall remain in full force and effect and the parties hereby ratify and confirm each and every provision thereof. This Eighth Amendment shall be binding upon and inure to the benefit of Landlord and Tenant and their respective successors and permitted assigns under the Lease. In the case of any inconsistency between the provisions of the Lease and this Eighth Amendment, the provisions of this Eighth Amendment shall govern and control. This Eighth Amendment sets forth the entire agreement between Landlord and Tenant, with respect to the matters set forth herein. Landlord represents and warrants that it has received written approval of this Eighth Amendment from its mortgagee and any and all other third parties whose approval may be required in order for this Eighth Amendment to be binding against Landlord and such party and in full force and effect.

[Signatures on Following Page]

IN WITNESS WHEREOF, this Eighth Amendment is executed as of the Eighth Amendment Effective Date.

LANDLORD: **LANDMARK SCHAUMBURG TOWERS LP,**
a Delaware limited liability company

TENANT: **PAYLOCITY CORPORATION,**
an Illinois corporation

By: ST GP Owner LLC, a Delaware limited liability company
Its: General Partner

By: _____
Name: _____
Title: _____

By: /s/ Jay Schedler
Name: Jay Schedler
Title: Vice President

NINTH AMENDMENT TO LEASE AGREEMENT

THIS NINTH AMENDMENT TO LEASE AGREEMENT (this “**Ninth Amendment**”) is made effective as of the 30 day of Oct, 2023 (“**Ninth Amendment Effective Date**”), by and between LANDMARK SCHAUMBURG TOWERS LP, a Delaware limited partnership (“**Landlord**”), and PAYLOCITY CORPORATION, an Illinois corporation (“**Tenant**”).

RECITALS:

A. By that certain Multi-Tenant Office Lease Agreement dated as of June 1, 2016 (the “**Original Lease**”), between Landlord’s predecessor, RPAI Schaumburg American Lane, L.L.C. (“**Original Landlord**”) and Tenant, whereby Original Landlord leased to Tenant certain premises (the “**Premises**”) located at 1400 American Lane, Schaumburg, Illinois (the “**Building**”).

B. The Original Lease was amended by (i) that certain First Amendment to Lease Agreement dated January 18, 2017 (“**First Amendment**”); (ii) that certain Second Amendment to Lease Agreement dated June 15, 2017 (“**Second Amendment**”), (iii) that certain Third Amendment to Lease Agreement dated September 28, 2017 (“**Third Amendment**”), (iv) that certain Fourth Amendment to Lease Agreement dated May 29, 2018 (“**Fourth Amendment**”), (v) that certain Fifth Amendment to Lease Agreement dated July 9, 2018 (“**Fifth Amendment**”); (vi) that certain Sixth Amendment to Lease Agreement dated April 1, 2019 (“**Sixth Amendment**”), (vii) that certain Seventh Amendment to Lease Agreement dated November 22, 2019 (“**Seventh Amendment**”), and (viii) that certain Eighth Amendment to Lease Agreement dated May 13, 2023 (“**Eighth Amendment**”) all as more particularly described therein.

C. Tenant desires to reduce the size of the Premises, and Landlord will agree to the reduction in accordance with the terms and provisions of this Ninth Amendment.

D. The Original Lease, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment, the Seventh Amendment, the Eight Amendment and this Ninth Amendment are hereinafter collectively referred to as the “**Lease**,” and all references to the Lease shall mean the Original Lease, as amended, whether or not such reference shall expressly refer to any such amendment. Unless otherwise provided herein, all capitalized words and terms used herein shall have the same meanings ascribed to such words and terms as in the Original Lease, as amended.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. **Premises.** On or before December 31, 2023 (the “**Vacated Premises Termination Date**”), Tenant shall vacate the portion of the Premises consisting of the entire 7th floor and the entire 8th floor of the Building (the “**Vacated Premises**”) and shall deliver the Vacated Premises in the condition required by Section 16.1 of the Original Lease. Landlord and Tenant acknowledge and agree that the Term of the Lease with respect to the Vacated Premises shall expire and terminate at 11:59 p.m. Chicago time on the Vacated Premises Termination Date as though the Vacated Premises Termination Date were the expiration date of the Term with respect to the Vacated Premises determined in accordance with the Lease. Effective as of January 1, 2024, the Vacated Premises shall no longer be included in the definition of Premises, and Landlord and Tenant acknowledge and agree that the Premises shall consist of 270,836 rentable square feet of space and Tenant’s Share shall be 30.7046% (270,836/882,071).

2. **Condition.** Tenant is in possession of the Premises and accepts same in its “As Is” condition. Landlord shall have no obligation to perform any work in the Premises.

3. Rent.

(a) Landlord and Tenant hereby acknowledge and agree that, effective as of January 1, 2024, the Basic Rent for the office space due and payable by Tenant during the remainder of the Term shall be as set forth below and shall be payable in accordance with the terms and provisions of the Lease:

| Period | Per Square Foot Rent Rate | Annual Basic Rent | Monthly Basic Rent |
|-------------------------------------|--------------------------------------|------------------------------|-------------------------------|
| January 1, 2024 – October 31, 2024 | \$17.40 | \$4,622,988.60 | \$385,249.05 |
| November 1, 2024 – October 31, 2025 | \$17.83 | \$4,737,234.87 | \$394,769.57 |
| November 1, 2025 – October 31, 2026 | \$18.28 | \$4,856,794.92 | \$404,732.91 |

| | | | |
|-------------------------------------|---------|----------------|--------------|
| November 1, 2026 – October 31, 2027 | \$18.73 | \$4,976,354.97 | \$414,696.25 |
| November 1, 2027 – October 31, 2028 | \$19.20 | \$5,101,228.80 | \$425,102.40 |
| November 1, 2028 – October 31, 2029 | \$19.68 | \$5,228,759.52 | \$435,729.96 |
| November 1, 2029 – October 31, 2030 | \$19.68 | \$5,228,759.52 | \$435,729.96 |
| November 1, 2030 – October 31, 2031 | \$19.68 | \$5,228,759.52 | \$435,729.96 |
| November 1, 2031 – October 31, 2032 | \$20.17 | \$5,358,947.13 | \$446,578.93 |

(b) Landlord and Tenant hereby acknowledge and agree that, effective as of January 1, 2024, the First Floor Mail Room Basic Rent for the first floor mail room due and payable by Tenant during the remainder of the Term shall be as set forth below and shall be payable in accordance with the terms and provisions of the Lease:

| <u>Period</u> | <u>Per Square Foot Rent Rate</u> | <u>Annual Basic Rent</u> | <u>Monthly Basic Rent</u> |
|-------------------------------------|--------------------------------------|------------------------------|-------------------------------|
| January 1, 2024 – October 31, 2024 | \$11.32 | \$58,264.08 | \$4,855.34 |
| November 1, 2024 – October 31, 2025 | \$11.60 | \$59,705.16 | \$4,975.43 |
| November 1, 2025 – October 31, 2026 | \$11.89 | \$61,197.84 | \$5,099.82 |
| November 1, 2026 – October 31, 2027 | \$12.19 | \$62,741.88 | \$5,228.49 |
| November 1, 2027 – October 31, 2028 | \$12.49 | \$64,286.04 | \$5,357.17 |
| November 1, 2028 – October 31, 2029 | \$12.80 | \$65,881.56 | \$5,490.13* |
| November 1, 2029 – October 31, 2030 | \$13.12 | \$67,528.68 | \$5,627.39* |
| November 1, 2030 – October 31, 2031 | \$13.45 | \$69,227.16 | \$5,768.93* |
| November 1, 2031 – October 31, 2032 | \$13.79 | \$70,977.12 | \$5,914.76* |

*Assumes Tenant will exercise the four (4) year second mailroom extension option pursuant to the Fifth Amendment to Lease Agreement.

(c) In addition, nothing herein shall amend or otherwise change the obligation of Tenant to pay the Basement Mail Room Rent in the amount of \$325.00 per month for Basement Main Room #1 and \$690.00 per month for Basement Mail Room #2.

(d) In addition to Basic Rent and First Floor Mail Room Basic Rent, Tenant shall be liable to Landlord for Tenant's Share of Expenses, payable in accordance with the terms of the Lease.

4. **Termination Fee**. There shall be no termination payment or fee due or payable from Tenant to Landlord in connection with the Vacated Premises.

5. **Deletion of Sections**. The following Sections of the Lease are hereby deleted in their entirety from the Lease: Section 20.2 (Contraction Option) and Section 20.3 (the Termination Option).

6. **Building Conference Facilities**. Section 1.2 of the Lease is amended as follows: Notwithstanding anything in the Lease to the contrary, Tenant shall not have the right to incorporate the Building Conference Facilities into the Premises under any circumstances. However, Landlord agrees to maintain and operate the Building Conference Facilities in a first-class manner and consistent with similar Class A office complexes in the Chicago suburban market throughout the Term of this Lease.

7. **Building Façade Signage**. Landlord and Tenant hereby agree that notwithstanding anything to the contrary in Section 4.6.1, Landlord shall have the right to lease the so-called "Building Façade Signage" on Tower Two to other tenants of Tower Two in Landlord's sole discretion, excluding Tenant's Competitors.

8. **Other Signage**. Section 4.6.3 regarding Tenant's signage shall be amended as follows: Notwithstanding anything in the Lease to the contrary, Landlord shall have the sole and absolute right to lease monument sign panels to any existing or future tenants at the Property, other than to any of Tenant's Competitors, so long as Tenant receives the top panel on such monument signs and so long as such top panel is no smaller than any other panel on such monument signs. Tenant does not have the right to approve any monument sign, including the location and size of the panels. Landlord shall have the right to grant signage in the lobby of Tower Two to any tenant of the Building other than to any of Tenant's Competitors without Tenant's consent.

9. **Definitions.** The following definitions set forth in **Exhibit "A"** of the Lease shall be deleted in their entirety: (i) "Contraction Date", (ii) "Contraction Option"; (iii) "Contraction Space"; (iv) "Termination Date"; and (v) "Termination Fee".

10. **Counterparts.** This Ninth Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The parties hereto consent and agree that this Ninth Amendment may be signed and/or transmitted by facsimile, e-mail or a .pdf document.

11. **Brokers.** Each of the parties hereto represents that, in connection with this Ninth Amendment, no broker or other third party is entitled to compensation, consulting fees or commission by or through acts of said party, and the parties hereby agree to defend, indemnify and hold harmless the other party from and against any and all claims of any brokers, finders or any like third party claiming any right to compensation, consulting fees or commission by or through acts of said party in connection with this Ninth Amendment. In addition, Tenant agrees to bear the cost of any compensation, consulting fees or commission that may be due and owing to its broker, CBRE, in connection with this Ninth Amendment.

12. **Full Force.** Each of the parties hereto represents, warrants, and certifies to the other that the Lease, as amended, is in full force and effect. Except as specifically set forth in this Ninth Amendment, all provisions of the Lease shall remain in full force and effect and the parties hereby ratify and confirm each and every provision thereof. This Ninth Amendment shall be binding upon and inure to the benefit of Landlord and Tenant and their respective successors and permitted assigns under the Lease. In the case of any inconsistency between the provisions of the Lease and this Ninth Amendment, the provisions of this Ninth Amendment shall govern and control. This Ninth Amendment sets forth the entire agreement between Landlord and Tenant, with respect to the matters set forth herein. Landlord represents and warrants that it has received written approval of this Ninth Amendment from its mortgagee and any and all other third parties whose approval may be required in order for this Ninth Amendment to be binding against Landlord and such party and in full force and effect.

[Signatures on Following Page]

IN WITNESS WHEREOF, this Ninth Amendment is executed as of the Ninth Amendment Effective Date.

LANDLORD: **LANDMARK SCHAUMBURG TOWERS LP,**
a Delaware limited liability company

TENANT: **PAYLOCITY CORPORATION,**
an Illinois corporation

By: ST GP Owner LLC, a Delaware limited liability company
Its: General Partner
By: /s/ Yisorel Gluck
Name: Yisorel Gluck
Title: Manager

By: /s/ Ryan Glenn
Name: Ryan Glenn
Title: Chief Financial Officer

**CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven R. Beauchamp, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Paylocity Holding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2024

/s/ Steven R. Beauchamp

Name: **Steven R. Beauchamp**
Title: **Co-Chief Executive Officer (Principal Executive Officer) and Director**

**CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, Toby J. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Paylocity Holding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2024

/s/ Toby J. Williams

Name:

Toby J. Williams

Title: **President, Co-Chief Executive Officer (Principal Executive Officer)
and Director**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, Ryan Glenn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Paylocity Holding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2024

/s/ Ryan Glenn

Name:

Ryan Glenn

Title: **Chief Financial Officer and Treasurer (Principal Financial Officer)**

**CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, the Co-Chief Executive Officer of Paylocity Holding Corporation (the "Company"), does hereby certify under the standards set forth and solely for the purposes of 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of the Company for the period ended December 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 9, 2024

/s/ Steven R. Beauchamp

Name: **Steven R. Beauchamp**
Title: **Co-Chief Executive Officer (Principal Executive Officer) and
Director**

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, the Co-Chief Executive Officer of Paylocity Holding Corporation (the "Company"), does hereby certify under the standards set forth and solely for the purposes of 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of the Company for the period ended December 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 9, 2024

/s/ Toby J. Williams

Name: Toby J. Williams
Title: President, Co-Chief Executive Officer (Principal Executive Officer)
and Director

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, the Chief Financial Officer of Paylocity Holding Corporation (the “Company”), does hereby certify under the standards set forth and solely for the purposes of 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of the Company for the period ended December 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 9, 2024

/s/ Ryan Glenn

Name:

Ryan Glenn

Title: **Chief Financial Officer and Treasurer (Principal Financial Officer)**

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.