

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission File Number: 001-37979

VERRA MOBILITY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of
Incorporation)

81-3563824
(I.R.S. Employer
Identification No.)

1150 North Alma School Road
Mesa, Arizona
(Address of Principal Executive Offices)

85201
(Zip Code)

(480) 443-7000

(Registrant's telephone number, including area code)

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

Class A Common Stock, par value \$0.0001 per share

VRRM

Nasdaq Capital Market

(Title of Each Class)

(Trading Symbol)

(Name of Each Exchange on Which Registered)

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
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

As of October 30, 2020, there were 162,268,865 shares of the Company's Class A Common Stock, par value \$0.0001 per share, issued and outstanding.

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of federal securities laws. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, products, services, and technology offerings, market conditions, growth and trends, expansion plans and opportunities, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “could,” “would,” “project,” “plan,” “potentially,” “preliminary,” “likely” and similar expressions, and the negative of these expressions, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs.

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in Part II, Item 1A, “Risk Factors,” of this Quarterly Report on Form 10-Q, Part II, Item 1A, “Risk Factors” of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020, and in Part I, Item 1A, “Risk Factors,” of our Annual Report on Form 10-K for the year ended December 31, 2019. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements include, among other things:

- disruption to our business and results of operations as a result of the novel coronavirus (“**COVID-19**”) pandemic;
- the impact of the COVID-19 pandemic on our revenues from key customers in the rental car industry and from photo enforcement programs;
- historical data regarding our business, results of operations, financial condition and liquidity may not reflect the impact of COVID-19;
- customer concentration in our Commercial Services and Government Solutions segments;
- decreases in the prevalence of automated and other similar methods of photo enforcement or the use of tolling;
- risks and uncertainties related to our government contracts, including legislative changes, termination rights, audits and investigations;
- decreased interest in outsourcing from our customers;
- our ability to properly perform under our contracts and otherwise satisfy our customers;
- our ability to compete in a highly competitive and rapidly evolving market;
- our ability to keep up with technological developments and changing customer preferences;
- the success of our new products and changes to existing products and services;
- our ability to successfully integrate our recent or future acquisitions; and
- failures in or breaches of our networks or systems, including as a result of cyber-attacks.

You should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this Quarterly Report on Form 10-Q or to conform these statements to actual results or revised expectations.

Unless the context indicates otherwise, the terms “Verra Mobility,” the “Company,” “we,” “us,” and “our” as used in this Quarterly Report on Form 10-Q refer to Verra Mobility Corporation, a Delaware corporation, and its subsidiaries taken as a whole.

Item 1. Financial Statements.

VERRA MOBILITY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

| (\$ in thousands except per share data) | September 30, 2020 | December 31, 2019 |
|--|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 129,158 | \$ 131,513 |
| Restricted cash | 549 | 917 |
| Accounts receivable (net of allowance for credit loss of \$10.1 million at September 30, 2020) | 141,019 | 93,514 |
| Unbilled receivables | 16,145 | 20,003 |
| Prepaid expenses and other current assets | 24,714 | 26,491 |
| Total current assets | 311,585 | 272,438 |
| Installation and service parts, net | 6,916 | 8,841 |
| Property and equipment, net | 73,155 | 72,266 |
| Operating lease assets | 30,548 | 32,177 |
| Intangible assets, net | 363,526 | 434,443 |
| Goodwill | 583,341 | 584,150 |
| Other non-current assets | 2,900 | 3,111 |
| Total assets | <u>\$ 1,371,971</u> | <u>\$ 1,407,426</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 45,601 | \$ 50,825 |
| Accrued liabilities | 17,309 | 25,277 |
| Current portion of long-term debt | 9,104 | 28,779 |
| Total current liabilities | 72,014 | 104,881 |
| Long-term debt, net of current portion | 833,624 | 837,686 |
| Operating lease liabilities, net of current portion | 28,723 | 30,130 |
| Payable to related party pursuant to tax receivable agreement | 65,620 | 61,174 |
| Asset retirement obligation | 6,391 | 6,309 |
| Deferred tax liabilities, net | 21,514 | 25,716 |
| Other long-term liabilities | 163 | 2,183 |
| Total liabilities | 1,028,049 | 1,068,079 |
| Commitments and contingencies (Note 15) | | |
| Stockholders' equity | | |
| Preferred stock, \$.0001 par value | — | — |
| Common stock, \$.0001 par value | 16 | 16 |
| Common stock contingent consideration | 36,575 | 54,862 |
| Additional paid-in capital | 394,259 | 367,266 |
| Accumulated deficit | (82,943) | (80,220) |
| Accumulated other comprehensive loss | (3,985) | (2,577) |
| Total stockholders' equity | 343,922 | 339,347 |
| Total liabilities and stockholders' equity | <u>\$ 1,371,971</u> | <u>\$ 1,407,426</u> |

See accompanying Notes to the Condensed Consolidated Financial Statements.

VERRA MOBILITY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

| (In thousands, except per share data) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|------------------|---------------------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Service revenue | \$ 82,980 | \$ 110,757 | \$ 245,292 | \$ 311,884 |
| Product sales | 13,928 | 17,483 | 48,138 | 24,392 |
| Total revenue | 96,908 | 128,240 | 293,430 | 336,276 |
| Cost of service revenue | 907 | 1,388 | 3,139 | 4,390 |
| Cost of product sales | 7,088 | 7,238 | 24,838 | 10,432 |
| Operating expenses | 26,544 | 32,965 | 85,502 | 94,098 |
| Selling, general and administrative expenses | 17,511 | 21,293 | 64,218 | 62,709 |
| Depreciation, amortization and (gain) loss on disposal of assets, net | 29,590 | 28,697 | 88,002 | 86,488 |
| Impairment of property and equipment | — | — | — | 5,898 |
| Total costs and expenses | 81,640 | 91,581 | 265,699 | 264,015 |
| Income from operations | 15,268 | 36,659 | 27,731 | 72,261 |
| Interest expense, net | 9,578 | 14,932 | 31,568 | 46,621 |
| Loss from tax receivable agreement adjustment | — | — | 4,446 | — |
| Other income, net | (4,982) | (2,727) | (9,430) | (8,279) |
| Total other expenses | 4,596 | 12,205 | 26,584 | 38,342 |
| Income before income tax provision | 10,672 | 24,454 | 1,147 | 33,919 |
| Income tax provision | 3,986 | 6,702 | 3,176 | 9,756 |
| Net income (loss) | \$ 6,686 | \$ 17,752 | \$ (2,029) | \$ 24,163 |
| Other comprehensive income (loss): | | | | |
| Change in foreign currency translation adjustment | 2,467 | (1,664) | (1,408) | (1,736) |
| Total comprehensive income (loss) | \$ 9,153 | \$ 16,088 | \$ (3,437) | \$ 22,427 |
| Net income (loss) per share: | | | | |
| Basic | \$ 0.04 | \$ 0.11 | \$ (0.01) | \$ 0.15 |
| Diluted | \$ 0.04 | \$ 0.11 | \$ (0.01) | \$ 0.15 |
| Weighted average shares used in per share calculation: | | | | |
| Basic outstanding | 161,744 | 158,610 | 161,460 | 157,514 |
| Diluted outstanding | 162,568 | 163,705 | 161,460 | 160,723 |

See accompanying Notes to the Condensed Consolidated Financial Statements.

VERRA MOBILITY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

For the Three and Nine Months Ended September 30, 2020

| (In thousands) | Common Stock | | Common Stock Contingent | Additional Paid-in | Accumulated | Accumulated Other Comprehensive | Total |
|---|--------------|--------|-------------------------|--------------------|-------------|---------------------------------|----------------------|
| | Shares | Amount | Consideration | Capital | Deficit | Loss | Stockholders' Equity |
| Balance as of December 31, 2019 | 159,150 | \$ 16 | \$ 54,862 | \$ 367,266 | \$ (80,220) | \$ (2,577) | \$ 339,347 |
| Net income | — | — | — | — | 6,673 | — | 6,673 |
| Cumulative effect of adoption of the CECL accounting standard, net of tax | — | — | — | — | (694) | — | (694) |
| Earn-out shares issued to Platinum Stockholder | 2,500 | — | (18,287) | 18,287 | — | — | — |
| Vesting of restricted stock units ("RSUs") | 42 | — | — | — | — | — | — |
| Payment of employee tax withholding related to RSUs vesting | — | — | — | (327) | — | — | (327) |
| Stock-based compensation | — | — | — | 2,768 | — | — | 2,768 |
| Other comprehensive loss, net of tax | — | — | — | — | — | (3,367) | (3,367) |
| Balance as of March 31, 2020 | 161,692 | 16 | 36,575 | 387,994 | (74,241) | (5,944) | 344,400 |
| Net loss | — | — | — | — | (15,388) | — | (15,388) |
| Vesting of RSUs | 45 | — | — | — | — | — | — |
| Payment of employee tax withholding related to RSUs vesting | — | — | — | (25) | — | — | (25) |
| Stock-based compensation | — | — | — | 3,271 | — | — | 3,271 |
| Other comprehensive loss, net of tax | — | — | — | — | — | (508) | (508) |
| Balance as of June 30, 2020 | 161,737 | 16 | 36,575 | 391,240 | (89,629) | (6,452) | 331,750 |
| Net income | — | — | — | — | 6,686 | — | 6,686 |
| Vesting of RSUs | 33 | — | — | — | — | — | — |
| Payment of employee tax withholding related to RSUs vesting | — | — | — | (134) | — | — | (134) |
| Stock-based compensation | — | — | — | 3,153 | — | — | 3,153 |
| Other comprehensive income, net of tax | — | — | — | — | — | 2,467 | 2,467 |
| Balance as of September 30, 2020 | 161,770 | \$ 16 | \$ 36,575 | \$ 394,259 | \$ (82,943) | \$ (3,985) | \$ 343,922 |

For the Three and Nine Months Ended September 30, 2019

| | | | | | | | |
|--|---------|-------|-----------|------------|--------------|------------|------------|
| Balance as of December 31, 2018 | 156,057 | \$ 16 | \$ 73,150 | \$ 348,017 | \$ (113,306) | \$ (5,821) | \$ 302,056 |
| Net income | — | — | — | — | 2,820 | — | 2,820 |
| Cumulative effect of adoption of the new revenue accounting standard | — | — | — | — | (257) | — | (257) |
| Adjustment to equity infusion from Gores | — | — | — | (6,205) | — | — | (6,205) |
| Adjustment to tax receivable agreement liability | — | — | — | 2,940 | — | — | 2,940 |
| Stock-based compensation | — | — | — | 2,143 | — | — | 2,143 |
| Other comprehensive gain | — | — | — | — | — | 1,324 | 1,324 |
| Balance as of March 31, 2019 | 156,057 | 16 | 73,150 | 346,895 | (110,743) | (4,497) | 304,821 |
| Net income | — | — | — | — | 3,591 | — | 3,591 |
| Earn-out shares issued to Platinum Stockholder | 2,500 | — | (18,288) | 18,288 | — | — | — |
| Vesting of RSUs | 53 | — | — | — | — | — | — |
| Stock-based compensation | — | — | — | 2,812 | — | — | 2,812 |
| Other comprehensive loss | — | — | — | — | — | (1,396) | (1,396) |
| Balance as of June 30, 2019 | 158,610 | 16 | 54,862 | 367,995 | (107,152) | (5,893) | 309,828 |
| Net income | — | — | — | — | 17,752 | — | 17,752 |
| Adjustment to equity infusion from Gores | — | — | — | (796) | — | — | (796) |
| Stock-based compensation | — | — | — | 2,471 | — | — | 2,471 |
| Other comprehensive loss | — | — | — | — | — | (1,664) | (1,664) |
| Balance as of September 30, 2019 | 158,610 | \$ 16 | \$ 54,862 | \$ 369,670 | \$ (89,400) | \$ (7,557) | \$ 327,591 |

See accompanying Notes to the Condensed Consolidated Financial Statements.

VERRA MOBILITY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (\$ in thousands) | Nine Months Ended September 30, | |
|--|---------------------------------|------------|
| | 2020 | 2019 |
| Cash Flows from Operating Activities: | | |
| Net (loss) income | \$ (2,029) | \$ 24,163 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 87,828 | 86,501 |
| Amortization of deferred financing costs and discounts | 3,725 | 5,066 |
| Impairment of property and equipment | — | 5,898 |
| Loss from tax receivable agreement adjustment | 4,446 | — |
| Credit loss expense | 10,628 | 5,347 |
| Deferred income taxes | (3,920) | (9,426) |
| Stock-based compensation | 9,192 | 7,426 |
| Gain from third-party insurance proceeds | (1,400) | — |
| Installation and service parts expense | 704 | 1,055 |
| Accretion expense | 197 | 269 |
| Loss (gain) on disposal of assets | 174 | (13) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (58,913) | (26,353) |
| Unbilled receivables | 3,866 | (2,117) |
| Prepaid expenses and other current assets | 8,655 | (9,512) |
| Accounts payable and accrued liabilities | (15,134) | 12,258 |
| Other liabilities | (3,669) | (4,976) |
| Net cash provided by operating activities | 44,350 | 95,586 |
| Cash Flows from Investing Activities: | | |
| Purchases of installation and service parts and property and equipment | (18,317) | (17,492) |
| Cash proceeds from the sale of assets | 67 | 14 |
| Net cash used in investing activities | (18,250) | (17,478) |
| Cash Flows from Financing Activities: | | |
| Repayment of long-term debt | (26,503) | (6,827) |
| Payment of debt issuance costs | (960) | (299) |
| Payment of employee tax withholding related to RSU vesting | (486) | — |
| Net cash used in financing activities | (27,949) | (7,126) |
| Effect of exchange rate changes on cash and cash equivalents | (874) | (343) |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (2,723) | 70,639 |
| Cash, cash equivalents and restricted cash - beginning of period | 132,430 | 67,081 |
| Cash, cash equivalents and restricted cash - end of period | \$ 129,707 | \$ 137,720 |

See accompanying Notes to the Condensed Consolidated Financial Statements.

VERRA MOBILITY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)

| | Nine Months Ended September 30, | |
|--|--|-------------|
| | 2020 | 2019 |
| Supplemental cash flow information: | | |
| Interest paid | \$ 28,200 | \$ 42,308 |
| Income taxes paid, net of refunds | 8,736 | 23,870 |
| Supplemental non-cash investing and financing activities: | | |
| Reduction to tax receivable agreement liability | — | 2,940 |
| Gores equity infusion working capital adjustment payable to related party | — | 7,001 |
| Earn-out shares issued to Platinum Stockholder | 18,287 | 18,288 |
| Additions to ARO, property and equipment, and other | 127 | 175 |
| Purchases of installation and service parts and property and equipment in accounts payable and accrued liabilities at period-end | 3,034 | 8,399 |

See accompanying Notes to the Condensed Consolidated Financial Statements.

1. Description of Business

Verra Mobility Corporation (collectively with its subsidiaries, the “**Company**” or “**Verra Mobility**”), formerly known as Gores Holdings II, Inc. (“**Gores**”), was originally incorporated in Delaware on August 15, 2016, as a special purpose acquisition company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or other similar business combination with one or more target businesses. On January 19, 2017, the Company consummated its initial public offering (the “**IPO**”), following which its shares began trading on the Nasdaq Capital Market (“**Nasdaq**”). On June 21, 2018, Gores entered into an Agreement and Plan of Merger (as amended, the “**Merger Agreement**”) with Greenlight Holding II Corporation, PE Greenlight Holdings, LLC, AM Merger Sub I, Inc., a direct, wholly-owned subsidiary of Gores and AM Merger Sub II, LLC, a direct, wholly-owned subsidiary of Gores. On October 17, 2018, the transactions contemplated by the Merger Agreement (the “**Business Combination**”) were consummated. In connection with the closing of the Business Combination, Gores changed its name to Verra Mobility Corporation. As a result of the Business Combination, Verra Mobility Corporation became the owner, directly or indirectly, of all of the equity interests of Verra Mobility Holdings, LLC and its subsidiaries.

Verra Mobility offers integrated technology solutions and services to commercial fleets, rental car companies and state and local governments. The Company has customers located throughout the United States, Canada and Europe. The Company is organized into two operating segments: Commercial Services and Government Solutions (see Note 16).

The Commercial Services segment offers toll and violation management solutions for the commercial fleet and rental car industries by partnering with the leading fleet management and rental car companies in North America. Electronic toll payment services enable fleet drivers and rental car customers to use high-speed cashless toll lanes or all-electronic cashless toll roads. The service helps commercial fleets reduce toll management costs, while it provides rental car companies with a revenue-generating, value-added service for their customers. Electronic violation processing services reduce the cost and risk associated with vehicle-issued violations, such as toll, parking or camera-enforced tickets. Title and registration services offer title and registration processing for individuals, rental car companies and fleet management companies. In Europe, the Company provides violations processing through Euro Parking Collection plc (“**EPC**”) and consumer tolling services through Pagatelia S.L (“**Pagatelia**”).

The Government Solutions segment provides complete, end-to-end red-light, speed, school bus stop arm and bus lane enforcement solutions. The Company’s programs are designed to reduce traffic violations and resulting collisions, injuries, and fatalities. The Company implements and administers traffic safety programs for municipalities, counties, school districts and law enforcement agencies of all sizes.

2. Significant Accounting Policies

Principles of Consolidation

The accompanying unaudited interim condensed consolidated financial statements include the accounts of the Company prepared in accordance with generally accepted accounting principles in the United States of America (“**GAAP**”). All intercompany balances and transactions have been eliminated in consolidation. In the opinion of the Company’s management, the unaudited interim condensed consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation.

Use of Estimates

The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited interim condensed consolidated financial statements and accompanying notes. Significant items subject to such estimates and assumptions include the fair values assigned to net assets acquired (including identifiable intangibles) in business combinations, the carrying amounts of long-lived assets and goodwill, the carrying amount of installation and service parts, the allowance for credit loss, valuation allowances on deferred tax assets, asset retirement obligations, contingent consideration and the recognition and measurement of loss contingencies.

Management believes that its estimates and assumptions are reasonable in the circumstances; however, actual results could differ materially from those estimates.

Recent Accounting Pronouncements

Accounting Standards Adopted

In January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. ASU 2017-04 simplifies the accounting for goodwill impairment and removes Step 2 of the goodwill impairment test. Goodwill impairment is now the amount by which a reporting unit’s carrying value exceeds its fair value limited to the total amount of goodwill allocated to that reporting unit. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill for all reporting units, even those with zero or negative carrying amounts. The Company adopted the ASU as of January 1, 2020 and followed the one-step method in evaluating potential goodwill impairment for the first and second quarters of fiscal 2020, refer to Note 6, *Goodwill and Intangible Assets*. The adoption of this guidance did not have a material impact on our condensed consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and issued certain amendments within ASU 2019-04, ASU 2019-05 and ASU 2019-11, respectively. The guidance replaced the incurred loss impairment model and applies a new model, current expected credit losses (“CECL”), that requires entities to estimate expected credit losses measured over the contractual life of an instrument that consider supportable forecasts of future economic conditions in addition to information about past events and current conditions. An entity is required to measure and record an allowance for credit loss upon initial recognition of a financial asset, and present in-scope assets at the net amount expected to be collected. Under legacy GAAP, the Company recognized credit losses on trade receivables when it was probable that a loss has been incurred.

The Company adopted the CECL standard as of January 1, 2020 through a cumulative effect adjustment of \$0.7 million, net of tax, to the opening balance of accumulated deficit. The adjustment increased accumulated deficit and increased the allowance for credit loss accounts. Subsequent impacts to the allowance for credit loss have been recorded through the credit loss expense account included within selling, general and administrative expenses in our condensed consolidated statements of operations and as an allowance for credit loss on our condensed consolidated balance sheet. See Note 4, *Accounts Receivable, Net* for additional information.

Accounting Standards Not Yet Adopted

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The ASU removes specific exceptions to the general principles in Topic 740 in U.S. GAAP including the exception to the incremental approach for intra-period tax allocation, exceptions to accounting for basis differences when there are ownership changes in foreign investments, and the exception in interim period income tax accounting for year-to-date losses that exceed anticipated losses. The ASU also simplifies current guidance in relation to franchise taxes that are partially based on income, transactions with a government that result in a step-up in tax basis of goodwill, separate financial statements of legal entities that are not subject to tax, and enacted changes in tax laws in interim periods. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. Early adoption is permitted. The impact of the implementation of this standard is still being determined by the Company.

On March 12, 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU provides temporary optional guidance to ease the potential burden in accounting for the reference rate reform. It provides optional expedients and exceptions for applying GAAP to contract modifications, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. The ASU is in effect for a limited time through December 31, 2022, to help stakeholders during the global market-wide reference rate transition period. The impact of the implementation of this standard is still being determined by the Company.

3. Acquisition

Pagatelia Acquisition

On October 31, 2019, the Company completed the acquisition of all of the outstanding shares of Pagatelia S.L., (“*Pagatelia*”), a Spanish limited liability company that provides electronic consumer tolling and parking solutions in Spain, Portugal, France and Italy. The purchase consideration for Pagatelia was \$26.6 million. Transaction costs were not material.

The allocation of the purchase consideration is summarized as follows:

| (\$ in thousands) | |
|---------------------------------------|-----------|
| Assets acquired | |
| Cash | \$ 1,086 |
| Other assets | 5,047 |
| Trademark | 771 |
| Customer relationships | 5,946 |
| Developed technology | 4,624 |
| Non-compete agreements | 440 |
| Goodwill | 17,528 |
| Total assets acquired | 35,442 |
| Liabilities assumed | |
| Accounts payable and accrued expenses | 6,045 |
| Deferred tax liability | 2,801 |
| Total liabilities assumed | 8,846 |
| Total purchase price | \$ 26,596 |

Goodwill arising from Pagatelia was assigned to the Company’s Commercial Services segment and consists largely of the expected cash flows and future growth anticipated for the Company. The goodwill is not expected to be deductible for tax purposes. The customer relationships value was based on an excess earnings methodology utilizing projected cash flows. The trademark and the developed technology values were based on a relief-from-royalty method. The non-compete agreement values were based on the with-or-without method. The trademark, customer relationships, developed technology and non-compete agreements were assigned useful lives of 8.5 years, 9.5 years, 6.5 years and 3 years, respectively.

The Company did not provide pro forma financial information for Pagatelia as it was not material.

4. Accounts Receivable, Net

Accounts receivable are uncollateralized customer obligations arising from the sale of products or services. Accounts receivable have normal trade terms less than one year and are initially stated at the amounts billed to the customers. Accounts receivable are subsequently measured at amortized cost net of allowance for credit loss. The Company reviews historical loss rates, customer payment trends and collection rates on customer balances in accordance with the CECL standard. Estimated loss rates are developed as of the balance sheet date using historical credit loss experience, adjusted for future expectations using probability-weighted assumptions about potential outcomes. Receivables are written off against the allowance for credit loss when it is probable that amounts will not be collected based on terms of the customer contracts, and subsequent recoveries reverse the previous write-off and apply to the receivable in the period recovered. The Company periodically evaluates the adequacy of its allowance for expected credit losses by comparing its actual historical write-offs to its previously recorded estimates, and adjusts appropriately.

The Company identified portfolio segments based on the type of business, industry in which the customer operates and historical credit loss patterns. The following presents by portfolio segment accounts receivable, net and the activity in the allowance for credit loss for the nine months ended September 30, 2020:

| (\$ in thousands) | Commercial Services (Driver-billed) (1) | Commercial Services (All other) | Government Solutions | Total |
|--|--|------------------------------------|-------------------------|------------------|
| Accounts receivable, net at January 1, 2020 (2) | \$ 9,793 | \$ 51,158 | \$ 31,744 | \$ 92,695 |
| Allowance for credit loss at January 1, 2020 (2) | \$ 5,272 | \$ 1,406 | \$ 1,778 | \$ 8,456 |
| Credit loss expense | 4,063 | 4,180 | 2,385 | 10,628 |
| Write-offs, net of recoveries | (7,967) | (344) | (627) | (8,938) |
| Allowance for credit loss at September 30, 2020 | <u>\$ 1,368</u> | <u>\$ 5,242</u> | <u>\$ 3,536</u> | <u>\$ 10,146</u> |
| Accounts receivable, net at September 30, 2020 | \$ 8,909 | \$ 53,866 | \$ 78,244 | \$ 141,019 |

- (1) Driver-billed consists of receivables from drivers of rental cars and fleet management companies for which the Company bills on behalf of its customers. Receivables not collected from drivers within a defined number of days are transferred to customers subject to applicable bad debt sharing agreements.
- (2) This includes a \$0.8 million increase to allowance for credit loss as a result of adopting the CECL standard.

The allowance for credit loss at September 30, 2020 reflects a \$1.9 million reduction to the credit loss expense for the nine months ended September 30, 2020, due to an adjustment for receivables that are no longer subject to the risk of nonpayment from one of our Commercial Services (All other) customers who filed for Chapter 11 bankruptcy.

Concentration of Credit Risk

Significant customers are those which represent more than 10% of the Company's total revenue and accounts receivable. Revenue from one of the Government Solutions customers as a percent of total revenue is presented below for the three and nine months ended September 30, 2020 and 2019, respectively:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|-------|---------------------------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| City of New York Department of Transportation | 32.7% | 20.3% | 32.0% | 14.1% |

As of September 30, 2020, the City of New York Department of Transportation ("**NYCDOT**") represented 50.1% of accounts receivable, net. The Company provides photo enforcement services to NYCDOT under two primary agreements, (i) a legacy contract relating to photo enforcement cameras that were installed prior to fiscal 2020 (the "**Legacy Contract**"), and (ii) an emergency contract for the purchase, installation, maintenance and operation of the expanded speed camera program beginning in 2020 (the "**Emergency Contract**"). At September 30, 2020, the Legacy Contract had an open receivable balance of \$16.6 million, of which \$8.0 million had aged beyond NYCDOT's 45-day payment terms. As of September 30, 2020, the Company had invoiced NYCDOT for \$43.6 million in product revenue and \$9.5 million in service revenue under the Emergency Contract. NYCDOT has not made any payments against the Emergency Contract to date. The Company is working to clear administrative hurdles that will allow NYCDOT to proceed with payment.

Significant customer revenue generated through the Company's Commercial Services partners as a percent of total revenue is presented below for the three and nine months ended September 30, 2020 and 2019, respectively:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------|----------------------------------|-------|---------------------------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| Hertz Corporation | 10.4% | 19.3% | 12.1% | 19.1% |
| Avis Budget Group, Inc. | 9.3% | 15.9% | 9.5% | 14.2% |
| Enterprise Holdings, Inc. | 13.4% | 12.8% | 10.9% | 13.4% |

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following at:

| (\$ in thousands) | September 30, 2020 | December 31, 2019 |
|--|-----------------------|----------------------|
| Prepaid tolls | \$ 7,214 | \$ 10,116 |
| Prepaid services | 4,014 | 5,201 |
| Deposits | 3,627 | 3,642 |
| Prepaid computer maintenance | 2,744 | 2,923 |
| Prepaid supplies | 2,373 | 682 |
| Photo enforcement equipment held for sale | 1,910 | 1,410 |
| Gain from third-party insurance proceeds | 1,400 | — |
| Prepaid insurance | 935 | 1,485 |
| Prepaid income taxes | 330 | 1,025 |
| Other | 167 | 7 |
| Total prepaid expenses and other current assets | \$ 24,714 | \$ 26,491 |

6. Goodwill and Intangible Assets

The following table presents the changes in the carrying amount of goodwill by reportable segment:

| (\$ in thousands) | Commercial Services | Government Solutions | Total |
|---|------------------------|-------------------------|-------------------|
| Balance at December 31, 2019 | \$ 424,404 | \$ 159,746 | \$ 584,150 |
| Foreign currency translation adjustment | (809) | — | (809) |
| Balance at September 30, 2020 | <u>\$ 423,595</u> | <u>\$ 159,746</u> | <u>\$ 583,341</u> |

Intangible assets consist of the following as of the respective period-ends:

| (\$ in thousands) | September 30, 2020 | | | December 31, 2019 | | |
|---|---|-----------------------------|-----------------------------|---|-----------------------------|-----------------------------|
| | Weighted Average Remaining Useful Life | Gross Carrying Amount | Accumulated Amortization | Weighted Average Remaining Useful Life | Gross Carrying Amount | Accumulated Amortization |
| Trademarks | 0.6 years | \$ 32,114 | \$ 26,798 | 1.5 years | \$ 32,127 | \$ 19,106 |
| Non-compete agreements | 2.3 years | 62,557 | 34,263 | 3.0 years | 62,549 | 24,834 |
| Customer relationships | 6.1 years | 366,160 | 113,683 | 6.9 years | 366,533 | 82,903 |
| Developed technology | 2.6 years | 165,698 | 88,259 | 3.3 years | 165,708 | 65,631 |
| Gross carrying value of intangible assets | | 626,529 | <u>\$ 263,003</u> | | 626,917 | <u>\$ 192,474</u> |
| Less: accumulated amortization | | (263,003) | | | (192,474) | |
| Intangible assets, net | | <u>\$ 363,526</u> | | | <u>\$ 434,443</u> | |

Amortization expense was \$23.6 million and \$23.1 million for the three months ended September 30, 2020 and 2019, respectively, and was \$70.6 million and \$69.4 million for the nine months ended September 30, 2020 and 2019, respectively.

Estimated amortization expense in future years is expected to be:

| <u>(\$ in thousands)</u> | |
|--------------------------|-------------------|
| Remainder of 2020 | \$ 23,395 |
| 2021 | 85,475 |
| 2022 | 80,747 |
| 2023 | 52,236 |
| 2024 | 41,749 |
| Thereafter | 79,924 |
| Total | <u>\$ 363,526</u> |

Interim Goodwill Impairment Review

During the fourth quarter of each fiscal year, we perform our annual goodwill impairment test for each of our reporting units. Our reporting units are the same as our two reportable segments (Government Solutions and Commercial Services). We also test goodwill for impairment whenever events or circumstances occur which, in our judgment, could more likely than not reduce the fair value of one or more reporting units below its carrying amount. Potential impairment indicators include, but are not limited to (i) a deterioration of the business environments in which we operate; (ii) downward revisions to internal forecasts, and the magnitude thereof, if any; and (iii) declines in our market capitalization below our book value, and the magnitude and duration of those declines, if any.

During the first half of fiscal 2020, our market capitalization declined significantly compared to December 31, 2019. Over the same period, the equity value of our key Commercial Services customers, our peer group companies and the overall U.S. stock market also declined significantly amid market volatility. These declines were driven by the uncertainty surrounding the outbreak of the novel coronavirus (“**COVID-19**”) and other macroeconomic events. Based on these factors, we concluded that a triggering event occurred and, accordingly, an interim quantitative impairment test was performed as of March 31, 2020 and as of June 30, 2020.

Based upon the results of our interim impairment tests as of March 31, 2020 and June 30, 2020, we concluded that the fair values of the Government Solutions and Commercial Services reporting units exceeded their carrying values. As of September 30, 2020, we concluded there were no interim indicators of impairment.

The current economic conditions due to COVID-19 are still evolving and any significant adverse changes in future periods to our internal forecasts or the external market conditions, if any, could reasonably be expected to negatively affect our key assumptions and may result in a future goodwill impairment charge, which could be material.

7. Impairment of Other Long-Lived Assets

The Company reviews its other long-lived assets for impairment (including intangible assets with finite useful lives) whenever events or circumstances indicate that the carrying value of an asset or asset group may not be fully recoverable. The Company assesses recoverability by comparing the estimated undiscounted future cash flows expected to be generated by the asset or asset group with its carrying value. If the carrying value of the asset or asset group exceeds the estimated undiscounted future cash flows, an impairment loss is recognized for the difference between the estimated fair value of the asset or asset group and its carrying value. At September 30, 2020, there were no events or circumstances that would indicate that the carrying values of our other long-lived assets may not be recoverable.

The state of Texas passed legislation as of June 1, 2019 to ban red-light photo enforcement programs across the state, with certain carve-outs for some existing programs. The Company considered this event an indicator for potential impairment and, as such, evaluated the recoverability of property and equipment used in the operations of red-light photo enforcement programs in Texas. As a result, the Company recognized an impairment charge in the Government Solutions segment of \$5.9 million for the nine months ended September 30, 2019, which is included in impairment of property and equipment in the condensed consolidated statements of operations.

8. Accrued Liabilities

Accrued liabilities consist of the following at:

| (\$ in thousands) | September 30, 2020 | December 31, 2019 |
|--|-----------------------|----------------------|
| Current portion of related party TRA liability | \$ 4,636 | \$ 5,730 |
| Accrued salaries and wages | 3,313 | 10,319 |
| Current portion of operating lease liabilities | 3,137 | 2,970 |
| Advanced deposits payable | 2,820 | 2,875 |
| Payroll liabilities | 1,378 | 149 |
| Accrued sales commissions | 567 | 612 |
| Restricted cash due to customers | 549 | 917 |
| Accrued interest payable | 170 | 210 |
| Other | 739 | 1,495 |
| Total accrued liabilities | <u>\$ 17,309</u> | <u>\$ 25,277</u> |

9. Long-term Debt

The following table provides a summary of the Company's long-term debt at:

| (\$ in thousands) | September 30, 2020 | December 31, 2019 |
|--|-----------------------|----------------------|
| First Lien Term Loan, due February 28, 2025 | \$ 867,918 | \$ 894,421 |
| Less: original issue discounts | (4,218) | (4,778) |
| Less: unamortized deferred financing costs | (20,972) | (23,178) |
| Total long-term debt | 842,728 | 866,465 |
| Less: current portion of long-term debt | (9,104) | (28,779) |
| Total long-term debt, net of current portion | <u>\$ 833,624</u> | <u>\$ 837,686</u> |

In connection with an acquisition in 2018, VM Consolidated, Inc., a wholly-owned subsidiary of the Company, entered into a First Lien Term Loan Credit Agreement (the "**First Lien Term Loan**"), a Second Lien Term Loan Credit Agreement (the "**Second Lien Term Loan**"), (collectively the "**Term Loans**") and a Revolving Credit Facility Agreement (the "**Revolver**") with a syndicate of lenders (collectively, the "**2018 Credit Facilities**"). The 2018 Credit Facilities initially provided for committed senior secured financing of \$1.115 billion, consisting of the Term Loans in an aggregate principal amount of \$1.04 billion and the Revolver available for loans and letters of credit with an aggregate revolving commitment of up to \$75 million (subject to borrowing eligibility requirements as described below). In July 2018, the Company amended the First Lien Term Loan to expand the aggregate principal loan amount from \$840 million to \$910 million. The additional \$70 million along with funds contributed by Platinum Equity, LLC were used to repay the \$200 million Second Lien Term Loan in full contemporaneously with the close of the Business Combination on October 17, 2018.

The First Lien Term Loan is repayable at 1.0% per annum of the amount initially borrowed, paid in quarterly installments. The First Lien Term Loan matures on February 28, 2025. The Company refinanced the entire outstanding amount under the First Lien Term Loan on February 20, 2020 which reduced the previous applicable margin by 50 basis points. The First Lien Term Loan now bears interest based, at our option, on either (1) LIBOR plus an applicable margin of 3.25% per annum, or (2) an alternate base rate plus an applicable margin of 2.25% per annum. As of September 30, 2020, the interest rate on the First Lien Term Loan was 3.4%.

In addition, the First Lien Term Loan requires mandatory prepayments equal to the product of the excess cash flows of the Company (as defined in the loan agreement) and the applicable prepayment percentages (calculated as of the last day of the fiscal year, beginning with the year ending December 31, 2019), as set forth in the following table:

| Consolidated first lien net leverage ratio (as defined by the First Lien Term Loan agreement) | Applicable prepayment percentage |
|--|---|
| > 3.70:1.00 | 50% |
| ≤ 3.70:1.00 and > 3.20:1.00 | 25% |
| ≤ 3.20:1.00 | 0% |

The Company made a \$19.7 million mandatory prepayment of excess cash flow during the first quarter of fiscal 2020, which was classified as current portion of long-term debt in the condensed consolidated balance sheet at December 31, 2019.

The Revolver matures on February 28, 2023. The terms of the Revolver were not affected by the refinancing of the First Lien Term Loan discussed above. Borrowing eligibility under the Revolver is subject to a monthly borrowing base calculation based on (i) certain percentages of eligible accounts receivable and inventory, less (ii) certain reserve items, including outstanding letters of credit and other reserves. The Revolver bears interest on either (1) LIBOR plus an applicable margin, or (2) an alternate base rate, plus an applicable margin. The margin percentage applied to (1) LIBOR is either 1.25%, 1.50%, or 1.75%, or (2) the base rate is either 0.25%, 0.50%, or 0.75%, depending on the Company's average availability to borrow under the commitment. At September 30, 2020, the Company had no outstanding borrowings on the Revolver and availability to borrow under the Revolver was \$44.0 million, net of \$6.3 million of outstanding letters of credit.

Interest on the unused portion of the Revolver is payable quarterly at 0.375%, and the Company is also required to pay participation and fronting fees at 1.38% on \$6.3 million of outstanding letters of credit as of September 30, 2020.

All borrowings and other extensions of credits under the 2018 Credit Facilities are subject to the satisfaction of customary conditions and restrictive covenants including absence of defaults and accuracy in material respects of representations and warranties. At September 30, 2020, the Company was compliant with the 2018 Credit Facilities covenants. Substantially all of the Company's assets are pledged as collateral to secure the Company's indebtedness under the 2018 Credit Facilities.

The Company recorded interest expense, including amortization of deferred financing costs and discounts, of \$9.6 million and \$14.9 million for the three months ended September 30, 2020 and 2019, respectively, and \$31.6 million and \$46.6 million for the nine months ended September 30, 2020 and 2019, respectively.

In connection with the refinancing of the First Lien Term Loan in February 2020, which the Company determined was to be accounted for as a modification, the Company incurred \$0.8 million of lender fees which were capitalized as deferred financing costs and amortized over the remaining life of the First Lien Term Loan, and \$0.2 million of legal fees that were expensed as selling, general and administrative expenses on the condensed consolidated statement of operations.

The weighted average effective interest rates on the Company's outstanding borrowing under the 2018 Credit Facilities were 3.4% and 5.5% at September 30, 2020 and December 31, 2019, respectively.

10. Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurement*, includes a single definition of fair value to be used for financial reporting purposes, provides a framework for applying this definition and for measuring fair value under U.S. GAAP, and establishes a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are summarized as follows:

Level 1 – Fair value is based on observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level 2 – Fair value is determined using quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs other than quoted prices that are directly or indirectly observable.

Level 3 – Fair value is determined using one or more significant inputs that are unobservable in active markets at the measurement date, such as a pricing model, discounted cash flow, or similar technique.

The carrying amounts reported in the Company's condensed consolidated balance sheets for cash, accounts receivable, accounts payable and accrued expenses approximate fair value due to the immediate to short-term maturity of these financial instruments. The estimated fair value of the Company's First Lien Term Loan as of September 30, 2020 and December 31, 2019 was categorized in Level 2 of the fair value hierarchy and was calculated based upon available market information. The carrying value and fair value of long-term debt is as follows:

| (\$ in thousands) | Level in Fair Value Hierarchy | September 30, 2020 | | December 31, 2019 | |
|----------------------|-------------------------------------|--------------------|-------------------------|--------------------|-------------------------|
| | | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| Total long-term debt | 2 | \$ 842,728 | \$ 854,899 | \$ 866,465 | \$ 905,601 |

11. Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted average shares outstanding during the period, without consideration of common stock equivalents. Diluted net income (loss) per share is calculated by adjusting the weighted average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock method.

The components of basic and diluted net income (loss) per share are as follows:

| (In thousands, except per share data) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|-----------|---------------------------------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| Numerator: | | | | |
| Net income (loss) | \$ 6,686 | \$ 17,752 | \$ (2,029) | \$ 24,163 |
| Denominator: | | | | |
| Weighted average shares - basic | 161,744 | 158,610 | 161,460 | 157,514 |
| Common stock equivalents | 824 | 5,095 | — | 3,209 |
| Weighted average shares - diluted | 162,568 | 163,705 | 161,460 | 160,723 |
| Net income (loss) per share - basic | \$ 0.04 | \$ 0.11 | \$ (0.01) | \$ 0.15 |
| Net income (loss) per share - diluted | \$ 0.04 | \$ 0.11 | \$ (0.01) | \$ 0.15 |
| Antidilutive shares excluded from diluted net income (loss) per share (1): | | | | |
| Contingently issuable shares (2) | 5,000 | 7,500 | 5,000 | 8,571 |
| Warrants | 20,000 | — | 20,000 | 6,667 |
| Non-qualified stock options | 689 | — | 668 | — |
| Performance share units | 115 | — | 115 | — |
| Restricted stock units | 447 | — | 3,186 | 29 |
| Total antidilutive shares excluded | 26,251 | 7,500 | 28,969 | 15,267 |

(1) These amounts represent the weighted average antidilutive shares for the three months ended September 30, 2020 and 2019, and for the nine months ended September 30, 2019. The amounts represent the total antidilutive shares outstanding for the nine months ended September 30, 2020.

(2) Contingently issuable shares relate to the earn-out agreement as discussed in Note 14, *Related Party Transactions*.

12. Income Taxes

Our interim income tax provision is determined using an estimated annual effective tax rate, adjusted for discrete items arising in that period. The estimated annual effective tax rate requires judgment and is dependent upon several factors. We provide for income taxes under the liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of differences between the tax basis of assets or liabilities and their carrying amounts in the financial statements.

We provide a valuation allowance for deferred tax assets if it is more likely than not that these items will expire before we are able to realize their benefit. We calculate the valuation allowance in accordance with the authoritative guidance relating

to income taxes, which requires an assessment of both positive and negative evidence regarding the realizability of these deferred tax assets, when measuring the need for a valuation allowance. Significant judgment is required in determining any valuation allowance against deferred tax assets.

In December 2019, COVID-19 emerged in China and has since spread throughout the world causing severe disruption to the global economy. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“**CARES Act**”) was signed into law. There were several income tax provisions and other non-tax matters incorporated into law as a result of the enactment of the CARES Act. The Company applied certain articles of the CARES Act in the interim income tax provision, including the increased interest deduction allowed up to 50 percent of adjusted taxable income for tax years 2019 and 2020. In addition, the Company delayed the employer-side of the FICA payments until 2021. The Company will continue to assess other aspects of the CARES Act and will account for them accordingly, if applicable.

Our effective income tax rate was 37.4% and 27.4% for the three months ended September 30, 2020 and 2019, respectively, and 276.9% and 28.8% for the nine months ended September 30, 2020 and 2019, respectively. The effective tax rate change was primarily due to lower pre-tax income in the current year, resulting in the Company’s permanent book and tax differences having a proportionately greater impact on the effective tax rate in the current year.

The total amount of unrecognized tax benefits decreased by \$1.0 million during the nine months ended September 30, 2020 primarily from the statute expiration of prior year tax positions. As of September 30, 2020, the total amount of unrecognized tax benefits was \$0.8 million, of which \$0.2 million would affect our effective tax rate if recognized. We recognize interest and penalties related to unrecognized tax benefits through income tax expense. As of September 30, 2020, we had less than \$0.1 million accrued for the payment of interest and penalties.

The Company is subject to examination by the Internal Revenue Service and taxing authorities in various states. The Company’s U.S. federal income tax returns remain subject to examination by tax authorities for the years 2016 to 2019. The Company’s state income tax returns are under examination by certain states for tax years 2015 to 2017, and other state income tax returns are subject to examination for tax years 2014 to 2019. Tax returns for years prior to 2014 remain open in a number of states due to tax attributes generated but not yet utilized. The Company regularly assesses the likelihood of tax deficiencies in each of the tax jurisdictions and, accordingly, makes appropriate adjustments to the tax provision as deemed necessary.

13. Stock-Based Compensation

The following details the components of stock-based compensation for the periods presented:

| (\$ in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|----------|---------------------------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Operating expenses | \$ 183 | \$ 138 | \$ 697 | \$ 614 |
| Selling, general and administrative expenses | 2,970 | 2,333 | 8,495 | 6,812 |
| Total stock-based compensation expense | \$ 3,153 | \$ 2,471 | \$ 9,192 | \$ 7,426 |

14. Related Party Transactions

Tax Receivable Agreement

At the closing of the Business Combination, the Company entered into a tax receivable agreement (“**TRA**”) with PE Greenlight Holdings, LLC (the “**Platinum Stockholder**”) and Greenlight Holding II Corporation as the stockholder representative. The TRA generally provides for the payment by the post-closing company to the Platinum Stockholder of 50% of the net cash savings, if any, in U.S. federal, state and local income tax that the post-closing company actually realizes (or is deemed to realize in certain circumstances) in periods after the closing of the Business Combination as a result of the increase in the tax basis of the intangible assets which resulted from an acquisition by the Company prior to the Business Combination. The post-closing company generally will retain the benefit of the remaining 50% of these cash savings. The Company estimated the potential maximum benefit to be paid will be approximately \$70.0 million, and recorded an initial liability and corresponding charge to equity at the closing of the Business Combination. Subsequently, the Company made adjustments to this amount.

The Company recorded a \$4.4 million increase to the payable to related party pursuant to tax receivable agreement with an offsetting charge to loss from tax receivable agreement adjustment in the condensed consolidated statements of operations for the nine months ended September 30, 2020. The adjustment reflects the impact of an increase to the Company’s deferred tax rate arising from higher estimated state tax rates due to a change in apportionment. At September 30, 2020, the

TRA was approximately \$70.2 million of which \$4.6 million was the current portion included in accrued liabilities and \$65.6 million included in payable to related party pursuant to tax receivable agreement on the condensed consolidated balance sheets.

Earn-Out Agreement

Under the Merger Agreement, the Platinum Stockholder is entitled to receive additional shares of Class A Common Stock (the “**Earn-Out Shares**”) if the volume weighted average closing sale price of one share of Class A Common Stock on Nasdaq exceeds certain thresholds for a period of at least 10 days out of 20 consecutive trading days at any time during the five-year period following the closing of the Business Combination (the “**Common Stock Price**”).

The Earn-Out Shares are issued by the Company to the Platinum Stockholder as follows:

| Common Stock Price thresholds | One-time issuance of shares |
|--------------------------------------|------------------------------------|
| > \$13.00 (a) | 2,500,000 |
| > \$15.50 (a) | 2,500,000 |
| > \$18.00 | 2,500,000 |
| > \$20.50 | 2,500,000 |

(a) The first and second tranches of Earn-Out Shares have been issued, as discussed below.

If any of the Common Stock Price thresholds above (each, a “**Triggering Event**”) are not achieved within the five-year period following the closing of the Business Combination, the Company will not be required to issue the Earn-Out Shares in respect of such Common Stock Price threshold. In no event shall the Platinum Stockholder be entitled to receive more than an aggregate of 10,000,000 Earn-Out Shares.

If, during the earn-out period, there is a change of control (as defined in the Merger Agreement) that will result in the holders of Greenlight Acquisition Corporation (“**Parent**”) Class A Common Stock receiving a per share price equal to or in excess of the applicable Common Stock Price required in connection with any Triggering Event (an “**Acceleration Event**”), then immediately prior to the consummation of such change of control: (a) any such Triggering Event that has not previously occurred shall be deemed to have occurred; and (b) Parent shall issue the applicable Earn-Out Shares to the cash consideration stockholders (as defined in the Merger Agreement) (in accordance with their respective pro rata cash share), and the recipients of the issued Earn-Out Shares shall be eligible to participate in such change of control.

The Company estimated the original fair value of the contingently issuable shares to be \$73.15 million, of which \$36.6 million remains contingently issuable as of September 30, 2020. The estimated value is not subject to future revisions during the five-year period discussed above. The Company used a Monte Carlo simulation option-pricing model to arrive at its original estimate. Each tranche was valued separately giving specific consideration to the tranche’s price target. The simulation considered volatility and risk-free rates utilizing a peer group based on a five-year term. This was initially recorded as a distribution to shareholders and was presented as common stock contingent consideration. Upon the occurrence of a Triggering Event, any issuable shares would be transferred from common stock contingent consideration to common stock and additional paid-in capital accounts. Any contingently issuable shares not issued as a result of a Triggering Event not being attained by the end of earn-out period will be canceled.

On April 26, 2019 and on January 27, 2020, the Triggering Events for the issuance of the first and second tranches of Earn-Out Shares occurred, as the volume weighted average closing sale price per share of the Company’s Class A Common Stock as of that date had been greater than \$13.00 and \$15.50, respectively, for 10 out of 20 consecutive trading days. These Triggering Events resulted in the issuance of an aggregate 5,000,000 shares of the Company’s Class A Common Stock to the Platinum Stockholder and an increase in the Company’s common stock and additional paid-in capital accounts of \$36.6 million, with a corresponding decrease to the common stock contingent consideration account.

15. Commitments and Contingencies

The Company has issued various letters of credit under contractual arrangements with certain of its vendors and customers. Outstanding letters of credit under these arrangements totaled \$6.3 million at September 30, 2020.

The Company has non-cancelable purchase commitments to certain vendors. The aggregate non-cancelable purchase commitments outstanding at September 30, 2020 were \$8.1 million.

The Company is subject to tax audits in the normal course of business and does not have material contingencies recorded related to such audits.

Customer Guarantee

In the ordinary course of business, the Company occasionally employs contract terms that mitigate the customer's risk of aggregate revenue decline in connection with the customer's adoption of additional or changes to service models within its existing portfolio. These agreements require the customer to satisfy numerous conditions to trigger payment, including volume metrics and other operational requirements. The Company has one such guarantee outstanding for the one-year period ending March 31, 2021. At September 30, 2020, the Company has concluded that the likelihood of making payment under this guarantee is remote, and consequently no liability or corresponding contra revenue has been recorded in the Company's condensed consolidated financial statements.

Exit Activities

We commenced exit activities related to severance and other employee separation costs during the three and nine months ended September 30, 2020. We expensed \$0.6 million and \$1.1 million for the three and nine months ended September 30, 2020, respectively, as selling, general and administrative expenses on the condensed consolidated statements of operations. We accrued \$0.3 million as of September 30, 2020, the majority of which related to the Commercial Services segment. The Company expects to pay the amount before the end of fiscal 2020.

Legal Proceedings

The Company is subject to legal and regulatory actions that arise from time to time in the ordinary course of business. The Company records a liability when it believes it is probable a loss will be incurred and the amount of loss or range of loss can be reasonably estimated. The assessment as to whether a loss is probable, reasonably possible or remote, and as to whether a loss or a range of such loss is estimable, often involves significant judgment about future events. The Company has determined that resolution of pending matters is not probable to have a material adverse impact on its condensed consolidated results of operations, cash flows, or financial position, and accordingly, no material contingency accruals are recorded. However, the outcome of litigation is inherently uncertain. As additional information becomes available, the Company reassesses the potential liability.

HTA Settlement Agreement

During the quarter ended September 30, 2020, we entered into a Settlement and Release Agreement with the former owners of Highway Toll Administration, LLC (the "**HTA Settlement Agreement**") related to certain terms in dispute for which the Company sought indemnification. In connection with the HTA Settlement Agreement, the Company recognized a \$1.4 million gain for the distribution of escrow funds and a \$1.4 million gain for the receipt of additional proceeds in October 2020 from a third party insurance carrier related to this matter, both of which are included in other income, net on the condensed consolidated statements of operations for the three and nine months ended September 30, 2020.

16. Segment Reporting

The Company has two operating and reportable segments, Commercial Services and Government Solutions. Commercial Services offers toll and violation management solutions and title and registration services to commercial fleet vehicle owners, rental car companies and violation-issuing authorities. Government Solutions implements and administers traffic safety programs and products for municipalities and local government agencies of all sizes. The Company's Chief Operating Decision Maker function ("**CODM**") is comprised of the Company's CEO and certain defined representatives of the Company's executive management team. The Company's CODM monitors operating performance, allocates resources and deploys capital based on these two segments.

Segment performance is based on revenues and income (loss) from operations before depreciation, amortization, gain (loss) on disposal of assets, net, and stock-based compensation. The measure also excludes interest expense, net, income taxes and certain other transactions, and is inclusive of other income, net. The tables below refer to this measure as Segment profit (loss). The aforementioned items are not indicative of operating performance, and, as a result are not included in the measures that are reviewed by the CODM for the segments. Other income, net consists primarily of credit card rebates earned on the prepayment of tolling transactions and is therefore included in Segment profit (loss). There are no significant non-cash items reported in Segment profit (loss).

The following tables set forth financial information by segment for the respective periods:

| (\$ in thousands) | For the Three Months Ended September 30, 2020 | | | |
|--|---|----------------------|---------------------|------------------|
| | Commercial Services | Government Solutions | Corporate and Other | Total |
| Service revenue | \$ 44,153 | \$ 38,827 | \$ — | \$ 82,980 |
| Product sales | — | 13,928 | — | 13,928 |
| Total revenue | 44,153 | 52,755 | — | 96,908 |
| Cost of service revenue | 554 | 353 | — | 907 |
| Cost of product sales | — | 7,088 | — | 7,088 |
| Operating expenses | 11,796 | 14,565 | — | 26,361 |
| Selling, general and administrative expenses | 5,920 | 8,107 | 514 | 14,541 |
| Other income, net | (4,949) | (33) | — | (4,982) |
| Segment profit (loss) | \$ 30,832 | \$ 22,675 | \$ (514) | \$ 52,993 |
| Segment profit (loss) | \$ 30,832 | \$ 22,675 | \$ (514) | \$ 52,993 |
| Depreciation and amortization | — | — | 29,419 | 29,419 |
| Loss on disposal of assets, net | 11 | 160 | — | 171 |
| Stock-based compensation | — | — | 3,153 | 3,153 |
| Interest expense, net | — | — | 9,578 | 9,578 |
| Income (loss) before income tax provision | \$ 30,821 | \$ 22,515 | \$ (42,664) | \$ 10,672 |

| (\$ in thousands) | For the Three Months Ended September 30, 2019 | | | |
|--|---|----------------------|---------------------|------------------|
| | Commercial Services | Government Solutions | Corporate and Other | Total |
| Service revenue | \$ 77,633 | \$ 33,124 | \$ — | \$ 110,757 |
| Product sales | — | 17,483 | — | 17,483 |
| Total revenue | 77,633 | 50,607 | — | 128,240 |
| Cost of service revenue | 1,064 | 324 | — | 1,388 |
| Cost of product sales | — | 7,238 | — | 7,238 |
| Operating expenses | 17,777 | 15,050 | — | 32,827 |
| Selling, general and administrative expenses | 10,407 | 8,266 | 287 | 18,960 |
| Other income, net | (2,672) | (55) | — | (2,727) |
| Segment profit (loss) | \$ 51,057 | \$ 19,784 | \$ (287) | \$ 70,554 |
| Segment profit (loss) | \$ 51,057 | \$ 19,784 | \$ (287) | \$ 70,554 |
| Depreciation and amortization | — | — | 28,697 | 28,697 |
| Stock-based compensation | — | — | 2,471 | 2,471 |
| Interest expense, net | — | — | 14,932 | 14,932 |
| Income (loss) before income tax provision | \$ 51,057 | \$ 19,784 | \$ (46,387) | \$ 24,454 |

| | For the Nine Months Ended September 30, 2020 | | | |
|---|--|----------------------|---------------------|-------------------|
| (\$ in thousands) | Commercial Services | Government Solutions | Corporate and Other | Total |
| Service revenue | \$ 132,667 | \$ 112,625 | \$ — | \$ 245,292 |
| Product sales | — | 48,138 | — | 48,138 |
| Total revenue | 132,667 | 160,763 | — | 293,430 |
| Cost of service revenue | 2,007 | 1,132 | — | 3,139 |
| Cost of product sales | — | 24,838 | — | 24,838 |
| Operating expenses | 39,076 | 45,729 | — | 84,805 |
| Selling, general and administrative expenses | 29,495 | 24,926 | 1,302 | 55,723 |
| Other income, net | (9,345) | (85) | — | (9,430) |
| Segment profit (loss) | \$ 71,434 | \$ 64,223 | \$ (1,302) | \$ 134,355 |
| Segment profit (loss) | \$ 71,434 | \$ 64,223 | \$ (1,302) | \$ 134,355 |
| Depreciation and amortization | — | — | 87,828 | 87,828 |
| Loss on disposal of assets, net | 16 | 158 | — | 174 |
| Loss from tax receivable agreement adjustment | — | — | 4,446 | 4,446 |
| Stock-based compensation | — | — | 9,192 | 9,192 |
| Interest expense, net | — | — | 31,568 | 31,568 |
| Income (loss) before income tax provision | <u>\$ 71,418</u> | <u>\$ 64,065</u> | <u>\$ (134,336)</u> | <u>\$ 1,147</u> |

| | For the Nine Months Ended September 30, 2019 | | | |
|--|--|----------------------|---------------------|-------------------|
| (\$ in thousands) | Commercial Services | Government Solutions | Corporate and Other | Total |
| Service revenue | \$ 208,312 | \$ 103,572 | \$ — | \$ 311,884 |
| Product sales | — | 24,392 | — | 24,392 |
| Total revenue | 208,312 | 127,964 | — | 336,276 |
| Cost of service revenue | 2,843 | 1,547 | — | 4,390 |
| Cost of product sales | — | 10,432 | — | 10,432 |
| Operating expenses | 49,595 | 43,889 | — | 93,484 |
| Selling, general and administrative expenses | 30,798 | 23,677 | 1,422 | 55,897 |
| Other income, net | (8,150) | (129) | — | (8,279) |
| Segment profit (loss) | \$ 133,226 | \$ 48,548 | \$ (1,422) | \$ 180,352 |
| Segment profit (loss) | \$ 133,226 | \$ 48,548 | \$ (1,422) | \$ 180,352 |
| Depreciation and amortization | — | — | 86,501 | 86,501 |
| Gain on disposal of assets, net | — | (13) | — | (13) |
| Impairment of property and equipment | — | 5,898 | — | 5,898 |
| Stock-based compensation | — | — | 7,426 | 7,426 |
| Interest expense, net | — | — | 46,621 | 46,621 |
| Income (loss) before income tax provision | <u>\$ 133,226</u> | <u>\$ 42,663</u> | <u>\$ (141,970)</u> | <u>\$ 33,919</u> |

17. Guarantor/Non-Guarantor Financial Information

VM Consolidated, Inc., a wholly-owned subsidiary of the Company, is the lead borrower of the First Lien Term Loan and the Revolver. VM Consolidated, Inc. is owned by the Company through a series of holding companies that ultimately end with the Company. VM Consolidated, Inc. is wholly-owned by Greenlight Acquisition Corporation, which is wholly-owned by Greenlight Intermediate Holding Corporation, which is wholly-owned by Greenlight Holding Corporation, which is wholly-owned by Verra Mobility Holdings, LLC, which is wholly-owned by Verra Mobility Corporation or the Company. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions, including transactions with the Company's wholly-owned guarantor subsidiary and non-guarantor subsidiaries.

The following financial information presents the condensed consolidated balance sheets as of September 30, 2020 and the related condensed consolidated statements of operations and comprehensive income (loss) for the three and nine months

ended September 30, 2020 and condensed consolidated statements of cash flows for the nine months ended September 30, 2020 for the Company, combined guarantor subsidiary and combined non-guarantor subsidiaries.

Verra Mobility Corporation and Subsidiaries
Condensed Consolidated Balance Sheets
at September 30, 2020
(Unaudited)

| (\$ in thousands) | Verra Mobility Corporation (Ultimate Parent) | VM Consolidated Inc. (Guarantor Subsidiary) | Non- guarantor Subsidiaries | Eliminations | Consolidated |
|--|--|---|-----------------------------------|---------------------|---------------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ — | \$ 109,881 | \$ 19,277 | \$ — | \$ 129,158 |
| Restricted cash | — | 549 | — | — | 549 |
| Accounts receivable (net of allowance for credit loss of \$10.1 million) | — | 137,081 | 3,938 | — | 141,019 |
| Unbilled receivables | — | 14,924 | 1,221 | — | 16,145 |
| Investment in subsidiary | 174,663 | 75,252 | — | (249,915) | — |
| Prepaid expenses and other current assets | — | 21,859 | 2,855 | — | 24,714 |
| Total current assets | 174,663 | 359,546 | 27,291 | (249,915) | 311,585 |
| Installation and service parts, net | — | 6,916 | — | — | 6,916 |
| Property and equipment, net | — | 68,894 | 4,261 | — | 73,155 |
| Operating lease assets | — | 30,238 | 310 | — | 30,548 |
| Intangible assets, net | — | 337,906 | 25,620 | — | 363,526 |
| Goodwill | — | 524,766 | 58,575 | — | 583,341 |
| Due from affiliates | 169,259 | — | — | (169,259) | — |
| Other non-current assets | — | 2,886 | 14 | — | 2,900 |
| Total assets | \$ 343,922 | \$ 1,331,152 | \$ 116,071 | \$ (419,174) | \$ 1,371,971 |
| Liabilities and Stockholders' Equity | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ — | \$ 28,549 | \$ 17,052 | \$ — | \$ 45,601 |
| Accrued liabilities | — | 14,442 | 2,867 | — | 17,309 |
| Current portion of long-term debt | — | 9,104 | — | — | 9,104 |
| Total current liabilities | — | 52,095 | 19,919 | — | 72,014 |
| Long-term debt, net of current portion | — | 833,624 | — | — | 833,624 |
| Operating lease liabilities, net of current portion | — | 28,571 | 152 | — | 28,723 |
| Payable to related party pursuant to tax receivable agreement | — | 65,620 | — | — | 65,620 |
| Due to affiliates | — | 152,620 | 16,639 | (169,259) | — |
| Asset retirement obligation | — | 6,391 | — | — | 6,391 |
| Deferred tax liabilities, net | — | 17,405 | 4,109 | — | 21,514 |
| Other long-term liabilities | — | 163 | — | — | 163 |
| Total liabilities | — | 1,156,489 | 40,819 | (169,259) | 1,028,049 |
| Total stockholders' equity | 343,922 | 174,663 | 75,252 | (249,915) | 343,922 |
| Total liabilities and stockholders' equity | \$ 343,922 | \$ 1,331,152 | \$ 116,071 | \$ (419,174) | \$ 1,371,971 |

Verra Mobility Corporation and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Income
Three Months Ended September 30, 2020
(Unaudited)

| (\$ in thousands) | Verra Mobility Corporation (Ultimate Parent) | VM Consolidated Inc. (Guarantor Subsidiary) | Non- guarantor Subsidiaries | Eliminations | Consolidated |
|---|--|---|-----------------------------------|-------------------|-----------------|
| Service revenue | \$ — | \$ 79,414 | \$ 3,566 | \$ — | \$ 82,980 |
| Product sales | — | 13,928 | — | — | 13,928 |
| Total revenue | — | 93,342 | 3,566 | — | 96,908 |
| Cost of service revenue | — | 389 | 518 | — | 907 |
| Cost of product sales | — | 7,088 | — | — | 7,088 |
| Operating expenses | — | 24,484 | 2,060 | — | 26,544 |
| Selling, general and administrative expenses | — | 16,193 | 1,318 | — | 17,511 |
| Depreciation, amortization and (gain) loss on disposal of assets, net | — | 28,113 | 1,477 | — | 29,590 |
| Total costs and expenses | — | 76,267 | 5,373 | — | 81,640 |
| Income (loss) from operations | — | 17,075 | (1,807) | — | 15,268 |
| (Income) loss from equity investment | (6,686) | 376 | — | 6,310 | — |
| Interest expense, net | — | 9,578 | — | — | 9,578 |
| Other income, net | — | (4,895) | (87) | — | (4,982) |
| Total other (income) expenses | (6,686) | 5,059 | (87) | 6,310 | 4,596 |
| Income (loss) before income tax provision (benefit) | 6,686 | 12,016 | (1,720) | (6,310) | 10,672 |
| Income tax provision (benefit) | — | 5,330 | (1,344) | — | 3,986 |
| Net income (loss) | \$ 6,686 | \$ 6,686 | \$ (376) | \$ (6,310) | \$ 6,686 |
| Other comprehensive income: | | | | | |
| Change in foreign currency translation adjustment | — | — | 2,467 | — | 2,467 |
| Total comprehensive income | <u>\$ 6,686</u> | <u>\$ 6,686</u> | <u>\$ 2,091</u> | <u>\$ (6,310)</u> | <u>\$ 9,153</u> |

Verra Mobility Corporation and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Loss
Nine Months Ended September 30, 2020
(Unaudited)

| (\$ in thousands) | Verra Mobility Corporation (Ultimate Parent) | VM Consolidated Inc. (Guarantor Subsidiary) | Non- guarantor Subsidiaries | Eliminations | Consolidated |
|---|--|---|-----------------------------------|-----------------|-------------------|
| Service revenue | \$ — | \$ 234,848 | \$ 10,444 | \$ — | \$ 245,292 |
| Product sales | — | 48,138 | — | — | 48,138 |
| Total revenue | — | 282,986 | 10,444 | — | 293,430 |
| Cost of service revenue | — | 1,508 | 1,631 | — | 3,139 |
| Cost of product sales | — | 24,838 | — | — | 24,838 |
| Operating expenses | — | 79,988 | 5,514 | — | 85,502 |
| Selling, general and administrative expenses | — | 59,909 | 4,309 | — | 64,218 |
| Depreciation, amortization and (gain) loss on disposal of assets, net | — | 83,984 | 4,018 | — | 88,002 |
| Total costs and expenses | — | 250,227 | 15,472 | — | 265,699 |
| Income (loss) from operations | — | 32,759 | (5,028) | — | 27,731 |
| Loss from equity investment | 2,029 | 3,112 | — | (5,141) | — |
| Interest expense, net | — | 31,568 | — | — | 31,568 |
| Loss from tax receivable agreement adjustment | — | 4,446 | — | — | 4,446 |
| Other income, net | — | (9,264) | (166) | — | (9,430) |
| Total other expenses (income) | 2,029 | 29,862 | (166) | (5,141) | 26,584 |
| Loss before income tax provision (benefit) | (2,029) | 2,897 | (4,862) | 5,141 | 1,147 |
| Income tax provision (benefit) | — | 4,926 | (1,750) | — | 3,176 |
| Net loss | \$ (2,029) | \$ (2,029) | \$ (3,112) | \$ 5,141 | \$ (2,029) |
| Other comprehensive loss: | | | | | |
| Change in foreign currency translation adjustment | — | — | (1,408) | — | (1,408) |
| Total comprehensive loss | \$ (2,029) | \$ (2,029) | \$ (4,520) | \$ 5,141 | \$ (3,437) |

Verra Mobility Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2020
(Unaudited)

| (\$ in thousands) | Verra Mobility Corporation (Ultimate Parent) | VM Consolidated Inc. (Guarantor Subsidiary) | Non- guarantor Subsidiaries | Eliminations | Consolidated |
|---|--|---|-----------------------------------|--------------|--------------|
| Cash Flows from Operating Activities: | | | | | |
| Net loss | \$ (2,029) | \$ (2,029) | \$ (3,112) | \$ 5,141 | \$ (2,029) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | — | 83,826 | 4,002 | — | 87,828 |
| Amortization of deferred financing costs and discounts | — | 3,725 | — | — | 3,725 |
| Loss from tax receivable agreement adjustment | — | 4,446 | — | — | 4,446 |
| Credit loss expense | — | 10,628 | — | — | 10,628 |
| Deferred income taxes | — | (2,369) | (1,551) | — | (3,920) |
| Stock-based compensation | — | 9,192 | — | — | 9,192 |
| Gain from third-party insurance proceeds | — | (1,400) | — | — | (1,400) |
| Installation and service parts expense | — | 704 | — | — | 704 |
| Accretion expense | — | 197 | — | — | 197 |
| Loss on disposal of assets | — | 158 | 16 | — | 174 |
| Loss from equity investment | 2,029 | 3,112 | — | (5,141) | — |
| Changes in operating assets and liabilities: | | | | | |
| Accounts receivable, net | — | (59,581) | 668 | — | (58,913) |
| Unbilled receivables | — | 4,393 | (527) | — | 3,866 |
| Prepaid expenses and other current assets | — | 9,068 | (413) | — | 8,655 |
| Accounts payable and accrued liabilities | — | (17,678) | 2,544 | — | (15,134) |
| Due to affiliates | — | (2,759) | 2,759 | — | — |
| Other liabilities | — | (3,669) | — | — | (3,669) |
| Net cash provided by operating activities | — | 39,964 | 4,386 | — | 44,350 |
| Cash Flows from Investing Activities: | | | | | |
| Purchases of installation and service parts and property and equipment | — | (15,938) | (2,379) | — | (18,317) |
| Cash proceeds from the sale of assets | — | 67 | — | — | 67 |
| Net cash used in investing activities | — | (15,871) | (2,379) | — | (18,250) |
| Cash Flows from Financing Activities: | | | | | |
| Repayment of long-term debt | — | (26,503) | — | — | (26,503) |
| Payment of debt issuance costs | — | (960) | — | — | (960) |
| Payment of employee tax withholding related to RSUs vesting | — | (486) | — | — | (486) |
| Net cash used in financing activities | — | (27,949) | — | — | (27,949) |
| Effect of exchange rate changes on cash and cash equivalents | — | — | (874) | — | (874) |
| Net (decrease) increase in cash, cash equivalents and restricted cash | — | (3,856) | 1,133 | — | (2,723) |
| Cash, cash equivalents and restricted cash - beginning of period | — | 114,286 | 18,144 | — | 132,430 |
| Cash, cash equivalents and restricted cash - end of period | \$ — | \$ 110,430 | \$ 19,277 | \$ — | \$ 129,707 |

Verra Mobility Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Continued)
Nine Months Ended September 30, 2020
(Unaudited)

| | Verra Mobility Corporation (Ultimate Parent) | VM Consolidated Inc. (Guarantor Subsidiary) | Non- guarantor Subsidiaries | Eliminations | Consolidated |
|--|--|---|-----------------------------------|--------------|--------------|
| Supplemental cash flow information: | | | | | |
| Interest paid | \$ — | \$ 28,200 | \$ — | \$ — | \$ 28,200 |
| Income taxes paid, net of refunds | — | 8,447 | 289 | — | 8,736 |
| Supplemental non-cash investing and financing activities: | | | | | |
| Earn-out shares issued to Platinum Stockholder | 18,287 | — | — | — | 18,287 |
| Additions to ARO, property and equipment, and other | — | 127 | — | — | 127 |
| Purchases of installation and service parts and property and equipment in accounts payable and accrued liabilities at period-end | — | 3,034 | — | — | 3,034 |

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

The following discussion and analysis should be read together with our Annual Report on Form 10-K for the year ended December 31, 2019 and our financial statements included in Part I, Item 1 “Financial Statements” of this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in Part II, Item 1A. “Risk Factors” in this Quarterly Report on Form 10-Q and those set forth in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019. Please also refer to the section entitled “Cautionary Note Regarding Forward-Looking Statements.”

Recent Events Affecting Our Operating Results

In December 2019, a novel coronavirus (“**COVID-19**”) emerged in China and has since spread throughout the world. The World Health Organization declared COVID-19 a pandemic in March 2020, and it continues to significantly disrupt the global economy. In the United States and abroad, many federal, state and local governments have instituted travel restrictions, stay-at-home orders, social distancing orders, and border closures in order to minimize the spread of the virus. Although we began to see modest signs of recovery during the third quarter of 2020, we expect that COVID-19 will continue to have a significant negative impact on the global economy and travel industry, including rental car companies (“**RACs**”) in future quarters.

Revenues from RACs in our Commercial Services segment have decreased significantly in fiscal 2020 as a result of reduced airline travel and widespread travel restrictions related to COVID-19. Our RAC customers have experienced increased rental cancellations and declines in forward bookings. Many of these RAC customers have reduced their rental fleet sizes in response to the decline in customer demand. On May 22, 2020, The Hertz Corporation (“**Hertz**”), one of our key Commercial Services customers, filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code, as amended, in the United States Bankruptcy Court for the District of Delaware. While there were modest improvements in travel demand during the third quarter of 2020, the full extent and duration of COVID-19’s impact on the RAC industry and the financial health of our key RAC customers cannot be predicted at this time. These trends have had, and are expected to continue to have, a significant negative effect on revenues in our Commercial Services segment.

In our Government Solutions segment, school closures resulting from the COVID-19 pandemic have negatively impacted revenues from our school bus stop arm camera and school zone speed camera products. Reductions in vehicle traffic in jurisdictions where we operate photo enforcement programs, payment rates for photo enforcement tickets and temporary inactivity of school zone speed cameras have all negatively impacted service revenue in our Government Solutions segment. During the third quarter of 2020, many schools began reopening and some travel restrictions and stay-at-home orders were cautiously lifted. We cannot predict the duration or full impact of COVID-19 on our overall business and results of operations at this time, but we expect the impact to continue into the fourth quarter of 2020.

As a precautionary measure in response to COVID-19, we shifted most of our workforce to remote operations in March 2020 and we have implemented changes in our physical locations to ensure social distancing. We have not experienced any significant disruptions in our operations as a result of these measures.

In light of the extraordinary impact of COVID-19 and related containment measures on the global economy and our business, prior trends in our business may not be applicable to our operations for the duration of the pandemic.

Business Overview

We believe we are a leading provider of smart mobility technology solutions and services throughout the United States, Canada and Europe. These solutions and services include toll and violations management, title and registration, automated safety solutions, and other data-driven solutions, to our customers, which include RACs, fleet management companies (“**FMCs**”), other large fleet owners, municipalities, school districts and violation-issuing authorities. Our solutions simplify the smart mobility ecosystem by utilizing what we believe are industry-leading capabilities, information and technology expertise, and integrated hardware and software to efficiently facilitate the automated processing of tolls and violations and safety solutions for hundreds of agencies and millions of end users annually, while also making cities and roadways safer for everyone.

Segment Information

We have two operating and reportable segments, Commercial Services and Government Solutions:

- Our Commercial Services segment offers toll and violation management solutions and title and registration services for RACs and FMCs in North America. In Europe, we provide violations processing through Euro Parking Collection plc (“*EPC*”) and consumer tolling services through Pagatelia S.L (“*Pagatelia*”).
- Our Government Solutions segment provides complete, end-to-end red-light, speed, school bus stop arm and bus lane enforcement solutions. We implement and administer traffic safety programs and products for municipalities and local government agencies of all sizes.

Segment performance is based on revenues and income (loss) from operations before depreciation, amortization, gain (loss) on disposal of assets, net, and stock-based compensation. The measure also excludes interest expense, net, income taxes and certain other transactions and is inclusive of other income, net.

Executive Summary

We operate with long-term customer contracts and a highly reoccurring service revenue model. We continue to execute on our strategy of growing revenues with existing customers, expanding offerings into adjacent markets through innovation or acquisition and reducing operating costs. During the periods presented, we:

- Generated total revenue of \$293.4 million and \$336.3 million during the nine months ended September 30, 2020 and 2019, respectively. We grew product sales by \$23.7 million year over year; however, due to the ongoing impact of COVID-19, our service revenue declined significantly, as discussed below.
- Generated cash flows from operating activities of \$44.4 million and \$95.6 million for the nine months ended September 30, 2020 and 2019, respectively. Our cash on hand was \$129.2 million as of September 30, 2020.
- Reduced our financing costs by refinancing our term loan in February 2020, which reduced the applicable margin on our interest rate by 50 basis points. Our interest expense, net for the nine months ended September 30, 2020 was \$31.6 million, a \$15.0 million decrease compared to \$46.6 million in the same period in 2019.

Primary Components of Our Operating Results

Revenues

Total revenue consists of service revenue generated by our Commercial Services and Government Solutions segments and product sales generated by our Government Solutions segment.

Service Revenue. Our Commercial Services segment generates service revenue primarily through the management and operation of tolling programs for RACs, FMCs and other large fleet customers. These solutions are full service offerings by which we enroll plates of our customers’ vehicles with tolling authorities, process payments on the customers’ behalf and, through proprietary technology, integrate with customer data to match the toll to the driver and then bill the driver (or our customer, as applicable) for use of the service. The cost of certain tolls, violations and our customers’ share of administration fees are netted against revenue. We also generate service revenue in our Commercial Services segment through processing titles, registrations and violations for our customers.

Our Government Solutions segment generates service revenue through the operation and maintenance of photo enforcement systems. This revenue is generally tied to long-term contracts, and revenue is recognized either when services are performed or when citations are issued or paid, depending on the terms of the customer contract. Revenue drivers in this segment include the number of systems installed and the monthly revenue per system. Ancillary service revenue is generated in our Government Solutions segment from payment processing, pass-through fees for collection expense, and other fees.

Product Sales. Product sales are generated by the sale of photo enforcement equipment to certain Government Solutions customers. A small number of customers purchase this equipment, and their buying patterns vary greatly from period to period. We recognize product sales revenue when the equipment is accepted or installed.

Cost and Expenses

Cost of Service Revenue. Cost of service revenue consists of collection and other professional services provided by third parties and associated with the delivery of certain ancillary services performed by both our Government Solutions and Commercial Services segments.

Cost of Product Sales. Cost of product sales consists of the cost to acquire and install photo enforcement equipment purchased by Government Solutions customers.

Operating Expenses. Operating expenses include payroll and payroll-related costs (including stock-based compensation), costs related to the operation of our call centers and other operational costs, including transaction processing, print, postage and communication costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses include payroll and payroll-related costs (including stock-based compensation), real estate lease expense, insurance costs, professional services fees and general corporate expenses.

Depreciation, Amortization and (Gain) Loss on Disposal of Assets, Net. Depreciation, amortization and (gain) loss on disposal of assets, net includes depreciation on property, plant and equipment, and amortization of definite-lived intangible assets. This line item also includes any one-time gains or losses incurred in connection with the disposal of certain assets.

Impairment of Property and Equipment. Impairment of property and equipment includes impairment charges for fixed assets which were held and used in our operations.

Interest Expense, Net. Interest expense, net includes interest expense and amortization of deferred financing costs and discounts and is net of interest income.

Loss from Tax Receivable Agreement Adjustment. This consists of adjustments made to the related party TRA liability due to changes in estimates.

Other Income, Net. Other income, net primarily consists of volume rebates earned from total spend on purchasing cards and gain or loss on foreign currency transactions.

Results of Operations

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

The following table sets forth our statements of operations data and expresses each item as a percentage of total revenue for the periods presented as well as the changes between periods. The tables and information provided in this section were derived from exact numbers and may have immaterial rounding differences.

| (\$ in thousands) | Three Months Ended September 30, | | | | | |
|---|----------------------------------|------------------|-----------------------|---------------|-------------------------------------|----------------|
| | 2020 | 2019 | Percentage of Revenue | | Increase (Decrease) 2020 vs 2019 | |
| | | | 2020 | 2019 | \$ | % |
| Service revenue | \$ 82,980 | \$ 110,757 | 85.6% | 86.4% | \$ (27,777) | (25.1)% |
| Product sales | 13,928 | 17,483 | 14.4% | 13.6% | (3,555) | (20.3)% |
| Total revenue | 96,908 | 128,240 | 100.0% | 100.0% | (31,332) | (24.4)% |
| Cost of service revenue | 907 | 1,388 | 0.9% | 1.1% | (481) | (34.7)% |
| Cost of product sales | 7,088 | 7,238 | 7.3% | 5.6% | (150) | (2.1)% |
| Operating expenses | 26,544 | 32,965 | 27.4% | 25.7% | (6,421) | (19.5)% |
| Selling, general and administrative expenses | 17,511 | 21,293 | 18.1% | 16.6% | (3,782) | (17.8)% |
| Depreciation, amortization and (gain) loss on disposal of assets, net | 29,590 | 28,697 | 30.5% | 22.4% | 893 | 3.1% |
| Total costs and expenses | 81,640 | 91,581 | 84.2% | 71.4% | (9,941) | (10.9)% |
| Income from operations | 15,268 | 36,659 | 15.8% | 28.6% | (21,391) | (58.4)% |
| Interest expense, net | 9,578 | 14,932 | 9.9% | 11.6% | (5,354) | (35.9)% |
| Other income, net | (4,982) | (2,727) | (5.1)% | (2.1)% | (2,255) | 82.7% |
| Total other expenses | 4,596 | 12,205 | 4.8% | 9.5% | (7,609) | (62.3)% |
| Income before income tax provision | 10,672 | 24,454 | 11.0% | 19.1% | (13,782) | (56.4)% |
| Income tax provision | 3,986 | 6,702 | 4.1% | 5.3% | (2,716) | (40.5)% |
| Net income | \$ 6,686 | \$ 17,752 | 6.9% | 13.8% | \$ (11,066) | (62.3)% |

Service Revenue. Service revenue decreased by \$27.8 million, or 25.1%, to \$83.0 million for the three months ended September 30, 2020 from \$110.8 million for the three months ended September 30, 2019, representing 85.6% and 86.4% of total revenue, respectively. The following table depicts service revenue by segment:

| (\$ in thousands) | Three Months Ended September 30, | | | | | |
|------------------------|----------------------------------|-------------------|-----------------------|--------------|-------------------------------------|----------------|
| | 2020 | 2019 | Percentage of Revenue | | Increase (Decrease) 2020 vs 2019 | |
| | | | 2020 | 2019 | \$ | % |
| Service revenue | | | | | | |
| Commercial Services | \$ 44,153 | \$ 77,633 | 45.5% | 60.6% | \$ (33,480) | (43.1)% |
| Government Solutions | 38,827 | 33,124 | 40.1% | 25.8% | 5,703 | 17.2% |
| Total service revenue | \$ 82,980 | \$ 110,757 | 85.6% | 86.4% | \$ (27,777) | (25.1)% |

Commercial Services service revenue decreased by \$33.5 million, or 43.1%, from \$77.6 million for the three months ended September 30, 2019 to \$44.2 million for the three months ended September 30, 2020. This decrease was primarily due to the COVID-19 pandemic and related containment measures, which continue to have a significant negative impact on the RAC industry. There was a moderate improvement to service revenue in the third quarter compared to the second quarter of 2020 which could be attributed to typical seasonality or to modest signs of recovery. In either case we anticipate that the impact of COVID-19 will result in year over year revenue declines through March 2021. The full extent and duration of COVID-19's impact on our financial results is not yet known.

Government Solutions service revenue includes revenue from red-light, speed, school bus stop arm and bus lane photo enforcement systems. Service revenue increased by \$5.7 million to \$38.8 million for the three months ended September 30, 2020 from \$33.1 million for the three months ended September 30, 2019. The increase is primarily due to a \$7.3 million increase in speed program revenue during the three months ended September 30, 2020 compared to the same period in 2019, resulting from the increase in the total number of camera systems installed. The increase in total installed cameras was partially offset by temporarily inactive school-zone speed cameras due to COVID-19. Our red-light photo enforcement service revenue

declined \$1.1 million during the three months ended September 30, 2020 compared to the same period in 2019 which was primarily attributed to the impact from COVID-19 on variable rate clients. We also had a \$1.2 million service revenue decline from the suspension of school bus stop arm cameras as most school buses were not operating. Service revenue overall for the quarter was negatively impacted by reductions in vehicle traffic and delayed school reopenings, as a result of COVID-19. Although there were signs of modest recovery in the third quarter compared to the second quarter of 2020, we anticipate the negative impacts of COVID-19 to continue into future quarters.

There were an average of 3,730 active camera systems during the three months ended September 30, 2020 compared to an average of 4,759 for the three months ended September 30, 2019. The decline in active camera systems was primarily due to 1,814 cameras that were temporarily inactive due to COVID-19, which was partially offset by the expansion of speed enforcement systems with existing customers.

Product Sales. Product sales relate to revenue generated from Government Solutions customers who purchase their equipment. Product sales were \$13.9 million for the three months ended September 30, 2020 compared to \$17.5 million for the same period in 2019. The \$3.6 million decrease was driven by a lower average sales price on sales to a large customer.

Cost of Service Revenue. Cost of service revenue decreased from \$1.4 million for the three months ended September 30, 2019 to \$0.9 million for the three months ended September 30, 2020. The decrease resulted from decreased costs of collection and other third-party professional services and associated with the delivery of certain ancillary services performed by both of our segments.

Cost of Product Sales. Cost of product sales decreased slightly from \$7.2 million in the three months ended September 30, 2019 to \$7.1 million in the same period in 2020. The reduction in cost for product sales was due to an approximate 4% decline in unit cost per product.

Operating Expenses. Operating expenses decreased by \$6.4 million, or 19.5%, from \$33.0 million for the three months ended September 30, 2019 to \$26.5 million for the three months ended September 30, 2020. The decrease was primarily attributable to \$2.4 million of lower employee expense due to reduced headcount and bonus expenses, and \$3.6 million of transaction processing and related costs in our Commercial Services segment which is consistent with the lower volumes. Operating expenses as a percentage of total revenue increased from 25.7% to 27.4% for the three months ended September 30, 2019 and 2020, respectively. The following table presents operating expenses by segment:

| (\$ in thousands) | Three Months Ended September 30, | | | | | |
|--|----------------------------------|------------------|-----------------------|--------------|-------------------------------------|----------------|
| | | | Percentage of Revenue | | Increase (Decrease) 2020 vs 2019 | |
| | 2020 | 2019 | 2020 | 2019 | \$ | % |
| Operating expenses | | | | | | |
| Commercial Services | \$ 11,796 | \$ 17,777 | 12.2% | 13.9% | \$ (5,981) | (33.6)% |
| Government Solutions | 14,565 | 15,050 | 15.0% | 11.7% | (485) | (3.2)% |
| Total operating expenses before stock-based compensation | 26,361 | 32,827 | 27.2% | 25.6% | (6,466) | (19.7)% |
| Stock-based compensation | 183 | 138 | 0.2% | 0.1% | 45 | 32.6% |
| Total operating expenses | <u>\$ 26,544</u> | <u>\$ 32,965</u> | <u>27.4%</u> | <u>25.7%</u> | <u>\$ (6,421)</u> | <u>(19.5)%</u> |

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased to \$17.5 million for the three months ended September 30, 2020 compared to \$21.3 million for the same period in 2019. The decrease is mainly due to a \$2.7 million reduction in credit loss expense resulting from an adjustment to the reserve for receivables that are no longer subject to risk of nonpayment primarily from one of our Commercial Services customers. The decrease is also attributable to an aggregate cutback of \$2.4 million in costs as a result of eliminating the bonus accrual, marketing and non-essential travel in 2020. These decreases are partially offset by a \$0.8 million increase in consulting fees and \$0.6 million increase in stock-based compensation. Selling, general and administrative expenses as a percentage of total revenue increased from 16.6% to 18.1% for the three months ended September 30, 2019 and 2020, respectively. The following table presents selling, general and administrative expenses by segment:

| (\$ in thousands) | Three Months Ended September 30, | | | | | |
|--|----------------------------------|------------------|-----------------------|--------------|-------------------------------------|----------------|
| | 2020 | 2019 | Percentage of Revenue | | Increase (Decrease) 2020 vs 2019 | |
| | | | 2020 | 2019 | \$ | % |
| Selling, general and administrative expenses | | | | | | |
| Commercial Services | \$ 5,920 | \$ 10,407 | 6.1% | 8.1% | \$ (4,487) | (43.1)% |
| Government Solutions | 8,107 | 8,266 | 8.4% | 6.5% | (159) | (1.9)% |
| Corporate and other | 514 | 287 | 0.5% | 0.2% | 227 | 79.1% |
| Total selling, general and administrative expenses before stock-based compensation | 14,541 | 18,960 | 15.0% | 14.8% | (4,419) | (23.3)% |
| Stock-based compensation | 2,970 | 2,333 | 3.1% | 1.8% | 637 | 27.3% |
| Total selling, general and administrative expenses | <u>\$ 17,511</u> | <u>\$ 21,293</u> | <u>18.1%</u> | <u>16.6%</u> | <u>\$ (3,782)</u> | <u>(17.8)%</u> |

Depreciation, Amortization and (Gain) Loss on Disposal of Assets, Net. Depreciation, amortization and (gain) loss on disposal of assets, net, increased slightly from \$28.7 million for the three months ended September 30, 2019 to \$29.6 million for the same period in 2020. The increase is primarily due to the increased depreciation and amortization expense resulting from the Pagatelia acquisition included in the three months ended September 30, 2020 with no comparable amount in the prior year.

Interest Expense, Net. Interest expense, net decreased by \$5.4 million from \$14.9 million for the three months ended September 30, 2019 to \$9.6 million for the same period in 2020. This decrease is primarily as a result of lower interest rates coupled with the refinancing of our First Lien Term Loan (as defined and discussed below) in February 2020, which reduced the applicable margin on the interest rate by 50 basis points. See “*Liquidity and Capital Resources.*”

Other Income, Net. Other income, net was \$5.0 million for the three months ended September 30, 2020 compared to \$2.7 million for the three months ended September 30, 2019. The increase of \$2.3 million was primarily due to a \$1.4 million gain related to the HTA Settlement Agreement and another \$1.4 million gain for the receipt of insurance proceeds related to this matter, both of which are further discussed in Note 15, *Commitments and Contingencies*, partially offset by the decreased volume in purchasing card rebates resulting from COVID-19’s impact on toll usage.

Income Tax Provision. Income tax provision was \$4.0 million representing an effective tax rate of 37.4% for the three months ended September 30, 2020 compared to \$6.7 million, representing an effective tax rate of 27.4 % for the same period in 2019. The effective tax rate change was primarily due to lower pre-tax income in the current period, resulting in the Company’s permanent book and tax differences having a proportionately greater impact on the effective tax rate in the current period.

Net Income. We had net income of \$6.7 million for the three months ended September 30, 2020, compared to \$17.8 million for the three months ended September 30, 2019. The \$11.1 million decrease in net income was primarily due to the decline in revenue from the impact of COVID-19 on our RAC customers, and the other statement of operations activity discussed above.

Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019

The following table sets forth our statements of operations data and expresses each item as a percentage of total revenue for the periods presented as well as the changes between periods. The tables and information provided in this section were derived from exact numbers and may have immaterial rounding differences.

| (\$ in thousands) | Nine Months Ended September 30, | | | | | |
|---|---------------------------------|------------------|-----------------------|---------------|-------------------------------------|-----------------|
| | | | Percentage of Revenue | | Increase (Decrease) 2020 vs 2019 | |
| | 2020 | 2019 | 2020 | 2019 | \$ | % |
| Service revenue | \$ 245,292 | \$ 311,884 | 83.6% | 92.7% | \$ (66,592) | (21.4)% |
| Product sales | 48,138 | 24,392 | 16.4% | 7.3% | 23,746 | 97.4% |
| Total revenue | 293,430 | 336,276 | 100.0% | 100.0% | (42,846) | (12.7)% |
| Cost of service revenue | 3,139 | 4,390 | 1.1% | 1.3% | (1,251) | (28.5)% |
| Cost of product sales | 24,838 | 10,432 | 8.4% | 3.1% | 14,406 | 138.1% |
| Operating expenses | 85,502 | 94,098 | 29.1% | 28.0% | (8,596) | (9.1)% |
| Selling, general and administrative expenses | 64,218 | 62,709 | 21.9% | 18.6% | 1,509 | 2.4% |
| Depreciation, amortization and (gain) loss on disposal of assets, net | 88,002 | 86,488 | 30.0% | 25.7% | 1,514 | 1.8% |
| Impairment of property and equipment | — | 5,898 | — | 1.8% | (5,898) | (100.0)% |
| Total costs and expenses | 265,699 | 264,015 | 90.5% | 78.5% | 1,684 | 0.6% |
| Income from operations | 27,731 | 72,261 | 9.5% | 21.5% | (44,530) | (61.6)% |
| Interest expense, net | 31,568 | 46,621 | 10.8% | 13.9% | (15,053) | (32.3)% |
| Loss from tax receivable agreement adjustment | 4,446 | — | 1.5% | — | 4,446 | n/a |
| Other income, net | (9,430) | (8,279) | (3.2)% | (2.5)% | (1,151) | 13.9% |
| Total other expenses | 26,584 | 38,342 | 9.1% | 11.4% | (11,758) | (30.7)% |
| Income before income tax provision | 1,147 | 33,919 | 0.4% | 10.1% | (32,772) | (96.6)% |
| Income tax provision | 3,176 | 9,756 | 1.1% | 2.9% | (6,580) | (67.4)% |
| Net (loss) income | \$ (2,029) | \$ 24,163 | (0.7)% | 7.2% | \$ (26,192) | (108.4)% |

Service Revenue. Service revenue decreased by \$66.6 million, or 21.4%, to \$245.3 million for the nine months ended September 30, 2020 from \$311.9 million for the nine months ended September 30, 2019, representing 83.6% and 92.7% of total revenue, respectively. The following table depicts service revenue by segment:

| (\$ in thousands) | Nine Months Ended September 30, | | | | | |
|------------------------|---------------------------------|------------|-----------------------|-------|-------------------------------------|---------|
| | | | Percentage of Revenue | | Increase (Decrease) 2020 vs 2019 | |
| | 2020 | 2019 | 2020 | 2019 | \$ | % |
| Service revenue | | | | | | |
| Commercial Services | \$ 132,667 | \$ 208,312 | 45.2% | 61.9% | \$ (75,645) | (36.3)% |
| Government Solutions | 112,625 | 103,572 | 38.4% | 30.8% | 9,053 | 8.7% |
| Total service revenue | \$ 245,292 | \$ 311,884 | 83.6% | 92.7% | \$ (66,592) | (21.4)% |

Commercial Services service revenue decreased by \$75.6 million, or 36.3%, from \$208.3 million for the nine months ended September 30, 2019 to \$132.7 million for the nine months ended September 30, 2020. This decrease was primarily due to the COVID-19 pandemic and related containment measures, which continue to have a significant negative impact on the RAC industry beginning in March 2020. There was a moderate improvement to service revenue in the third quarter compared to the second quarter of 2020 which could be attributed to typical seasonality or to modest signs of recovery. In either case we anticipate that the impact of COVID-19 will result in year over year revenue declines through March 2021. The full extent and duration of COVID-19's impact on our financial results is not yet known.

Government Solutions service revenue includes revenue from red-light, speed, school bus stop arm and bus lane photo enforcement systems. Service revenue increased by \$9.1 million to \$112.6 million for the nine months ended September 30, 2020 from \$103.6 million for the nine months ended September 30, 2019. Our red-light photo enforcement service revenue declined \$6.5 million during the nine months ended September 30, 2020 compared to the same period in 2019. This was primarily due to a \$3.5 million decline from the loss of certain Texas programs on June 1, 2019 due to a legislative change that

banned most red-light photo enforcement programs in the state. The remainder of the decline was primarily attributed to the impact from COVID-19 on variable rate clients. We also had a \$2.7 million decrease in service revenue from the suspension of school bus stop arm cameras as most school buses were not operating for much of this period. These declines were offset by speed program revenue, which grew approximately \$18.0 million in the nine months ended September 30, 2020, compared to the same period in 2019, due to an increase in the total number of camera systems installed.

There was an average of 4,008 active camera systems during the nine months ended September 30, 2020 compared to an average of 4,666 for the nine months ended September 30, 2019. The decline in active camera systems was primarily due to 1,245 cameras that are temporarily inactive due to COVID-19, and the loss of Texas programs noted above. These declines were partially offset by the expansion of speed enforcement systems with existing customers.

Service revenue for the year was negatively impacted from COVID-19 beginning in March 2020 which led to reduction in vehicle traffic as a result of stay-at-home orders and early school closures and delayed re-openings in certain jurisdictions in which we operate. Although there were signs of modest recovery in the third quarter compared to the second quarter of 2020, we anticipate the negative impacts of COVID-19 to continue in future quarters.

Product Sales. Product sales were \$48.1 million and \$24.4 million for the nine months ended September 30, 2020 and 2019, respectively, which relate to revenue generated from Government Solutions customers who purchase their equipment. Product sales increased by \$23.7 million which was primarily driven by sales to a single customer that is currently expanding its existing school zone speed program.

Cost of Service Revenue. Cost of service revenue decreased year over year, from \$4.4 million for the nine months ended September 30, 2019 to \$3.1 million for the nine months ended September 30, 2020. The decrease resulted from decreased costs of collection and other third-party professional services and associated with the delivery of certain ancillary services performed by both of our segments.

Cost of Product Sales. Cost of product sales increased by \$14.4 million from \$10.4 million in the nine months ended September 30, 2019 to \$24.8 million in the same period in 2020, and was consistent with the increase in product sales.

Operating Expenses. Operating expenses decreased by \$8.6 million, or 9.1%, from \$94.1 million for the nine months ended September 30, 2019 to \$85.5 million for the nine months ended September 30, 2020. This decrease was primarily attributable to decreases of \$3.4 million in employee wages due to furloughs, reduced headcount and bonus expense, and \$7.5 million in transaction processing and other volume related costs, which were partially offset by increases in subcontractor expenses and operational equipment costs. Operating expenses as a percentage of total revenue increased from 28.0% to 29.1% for the nine months ended September 30, 2019 and 2020, respectively. The following table presents operating expenses by segment:

| (\$ in thousands) | Nine Months Ended September 30, | | | | | |
|--|---------------------------------|------------------|-----------------------|--------------|-------------------------------------|---------------|
| | 2020 | 2019 | Percentage of Revenue | | Increase (Decrease) 2020 vs 2019 | |
| | | | 2020 | 2019 | \$ | % |
| Operating expenses | | | | | | |
| Commercial Services | \$ 39,076 | \$ 49,595 | 13.3% | 14.7% | \$ (10,519) | (21.2)% |
| Government Solutions | 45,729 | 43,889 | 15.6% | 13.1% | 1,840 | 4.2% |
| Total operating expenses before stock-based compensation | 84,805 | 93,484 | 28.9% | 27.8% | (8,679) | (9.3)% |
| Stock-based compensation | 697 | 614 | 0.2% | 0.2% | 83 | 13.5% |
| Total operating expenses | <u>\$ 85,502</u> | <u>\$ 94,098</u> | <u>29.1%</u> | <u>28.0%</u> | <u>\$ (8,596)</u> | <u>(9.1)%</u> |

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$1.5 million to \$64.2 million for the nine months ended September 30, 2020 compared to \$62.7 million for the same period in 2019. We recorded a \$10.6 million credit loss expense during the year as a result of the new CECL accounting standard, discussed further in the notes to the condensed consolidated financial statements. This contributed \$5.3 million to the increase year over year, in addition to a \$1.7 million increase in stock-based compensation and \$1.1 million increase in consulting fees. These increases were partially offset by an aggregate \$5.9 million decrease in costs related to the bonus expense as a result of eliminating the bonus accrual, marketing and non-essential travel. Selling, general and administrative expenses as a percentage of total revenue increased from 18.6% to 21.9% for the nine months ended September 30, 2019 and 2020, respectively. The following table presents selling, general and administrative expenses by segment:

| (\$ in thousands) | Nine Months Ended September 30, | | | | | |
|--|---------------------------------|------------------|-----------------------|--------------|-------------------------------------|-------------|
| | 2020 | 2019 | Percentage of Revenue | | Increase (Decrease) 2020 vs 2019 | |
| | | | 2020 | 2019 | \$ | % |
| Selling, general and administrative expenses | | | | | | |
| Commercial Services | \$ 29,495 | \$ 30,798 | 10.1% | 9.2% | \$ (1,303) | (4.2)% |
| Government Solutions | 24,926 | 23,677 | 8.5% | 7.0% | 1,249 | 5.3% |
| Corporate and other | 1,302 | 1,422 | 0.4% | 0.4% | (120) | (8.4)% |
| Total selling, general and administrative expenses before stock-based compensation | 55,723 | 55,897 | 19.0% | 16.6% | (174) | (0.3)% |
| Stock-based compensation | 8,495 | 6,812 | 2.9% | 2.0% | 1,683 | 24.7% |
| Total selling, general and administrative expenses | <u>\$ 64,218</u> | <u>\$ 62,709</u> | <u>21.9%</u> | <u>18.6%</u> | <u>\$ 1,509</u> | <u>2.4%</u> |

Depreciation, Amortization and (Gain) Loss on Disposal of Assets, Net. Depreciation, amortization and (gain) loss on disposal of assets, net, increased from \$86.5 million for the nine months ended September 30, 2019 to \$88.0 million for the same period in 2020. The increase is primarily due to the increased depreciation and amortization expense resulting from the Pagatelia acquisition included in the nine months ended September 30, 2020 with no comparable amount in the prior year.

Impairment of Property and Equipment. Impairment of property and equipment for the nine months ended September 30, 2019 includes a \$5.9 million impairment charge as a result of legislation that banned most red-light photo enforcement programs in Texas on June 1, 2019, which was in the Government Solutions segment.

Interest Expense, Net. Interest expense, net decreased by \$15.1 million from \$46.6 million for the nine months ended September 30, 2019 to \$31.6 million for the same period in 2020. This decrease is primarily as a result of lower interest rates coupled with the refinancing of our First Lien Term Loan (as defined and discussed below) in February 2020, which reduced the applicable margin on the interest rate by 50 basis points. See “*Liquidity and Capital Resources*” below.

Loss from Tax Receivable Agreement Adjustment. We recorded a \$4.4 million charge to loss from tax receivable agreement adjustment for the nine months ended September 30, 2020. The adjustment reflects the impact of an increase to the Company’s deferred tax rate arising from higher estimated state tax rates due to a change in apportionment.

Other Income, Net. Other income, net was \$9.4 million for the nine months ended September 30, 2020 compared to \$8.3 million for the nine months ended September 30, 2019. The increase of \$1.2 million was primarily due to a \$1.4 million gain related to the HTA Settlement Agreement and another \$1.4 million gain for the receipt of insurance proceeds related to this matter, both of which are further discussed in Note 15, *Commitments and Contingencies*, partially offset by the decreased volume in purchasing card rebates resulting from COVID-19’s impact on toll usage.

Income Tax Provision. Income tax provision was \$3.2 million representing an effective tax rate of 276.9% for the nine months ended September 30, 2020 compared to \$9.8 million, representing an effective tax rate of 28.8% for the same period in 2019. The effective tax rate change was primarily due to lower pre-tax income in the current year, resulting in the Company’s permanent book and tax differences having a proportionately greater impact on the effective tax rate in the current year.

Net (Loss) Income. We had a net loss of \$(2.0) million for the nine months ended September 30, 2020, as compared to net income of \$24.2 million for the nine months ended September 30, 2019. The \$26.2 million decrease in net (loss) income was primarily due to the decline in revenue from the impact of COVID-19 on our RAC customers, and the other statement of operations activity discussed above.

Liquidity and Capital Resources

Our principal sources of liquidity are cash flow from operations and borrowings under our 2018 Credit Facilities (as defined below).

We have incurred significant long-term debt as a result of acquisitions completed in prior years.

We believe that our existing cash and cash equivalents, cash flows provided by operating activities and our availability to borrow under our Revolver (as defined below) will be sufficient to meet operating cash requirements and service debt obligations for at least the next 12 months. Our ability to generate sufficient cash from our operating activities depends on our future performance, which is subject to general economic, political, financial, competitive and other factors beyond our control. In addition, our future capital expenditures and other cash requirements could be higher than currently expected due to various factors, including any expansion of our business or strategic acquisitions. Should we pursue strategic acquisitions, we may need to raise additional capital, which may be in the form of additional long-term debt, borrowings on our Revolver, or equity financings, all of which may not be available to us on favorable terms or at all. Please also see section entitled “*Risk Factors.*”

We have the ability to borrow under our Revolver to meet obligations as they come due. As of September 30, 2020, we had \$44.0 million available for borrowing, net of letters of credit, under our Revolver.

Concentration of Credit Risk

As of September 30, 2020, the City of New York Department of Transportation (“*NYCDOT*”) represented 50.1% of accounts receivable, net. The Company provides photo enforcement services to NYCDOT under two primary agreements, (i) a legacy contract relating to photo enforcement cameras that were installed prior to fiscal 2020 (the “*Legacy Contract*”), and (ii) an emergency contract for the purchase, installation, maintenance and operation of the expanded speed camera program beginning in 2020 (the “*Emergency Contract*”). At September 30, 2020, the Legacy Contract had an open receivable balance of \$16.6 million, of which \$8.0 million had aged beyond NYCDOT’s 45-day payment terms. As of September 30, 2020, the Company had invoiced NYCDOT for \$43.6 million in product revenue and \$9.5 million in service revenue under the Emergency Contract. NYCDOT has not made any payments against the Emergency Contract to date. The Company is working to clear administrative hurdles that will allow NYCDOT to proceed with payment. See Note 4, *Accounts Receivables, Net* for additional information on the concentration of credit risk. For additional information on the risks and uncertainties relating to our government contracts, please see the risk factor entitled “*Our government contracts are subject to unique risks and uncertainties, including termination rights, audits and investigations, any of which could have a material adverse effect on our business*” set forth in Part I, Item 1A. “*Risk Factors*” in our Annual Report on Form 10-K for the year ended December 31, 2019.

The following table sets forth certain captions on our statements of cash flows for the respective periods:

| (\$ in thousands) | Nine Months Ended September 30, | |
|---|---------------------------------|-----------|
| | 2020 | 2019 |
| Net cash provided by operating activities | \$ 44,350 | \$ 95,586 |
| Net cash used in investing activities | (18,250) | (17,478) |
| Net cash used in financing activities | (27,949) | (7,126) |

Cash Flows from Operating Activities

Cash provided by operating activities decreased by \$51.2 million, from \$95.6 million for the nine months ended September 30, 2019 to \$44.4 million for the nine months ended September 30, 2020. Net income year over year decreased by \$26.2 million, from \$24.2 million in 2019 to a net loss of \$(2.0) million in 2020. The aggregate adjustments to net (loss) income increased \$9.4 million mainly due to a \$5.3 million increase in credit loss expense related to the CECL accounting standard, a \$5.5 million change in deferred income taxes and the \$4.4 million loss from tax receivable agreement adjustment. These increases were offset by a \$5.9 million impairment of property and equipment in the prior year with no comparable amount in the current year.

There was an aggregate \$34.5 million decrease in the changes in operating assets and liabilities, which was driven primarily by an increase in accounts receivables due to collection delays on the accounts receivable associated with our fixed speed camera product sales to NYCDOT, combined with a decrease in accounts payable and accrued liabilities due to the payout of the 2019 bonus accrual with no accrual for fiscal 2020 and a combination of other factors, the largest of which include a drop in subcontractor accruals, and a decrease in the balance of credit cards payable due to a drop in replenishments required by tolling authorities.

Cash Flows from Investing Activities

Cash used in investing activities was \$18.3 million and \$17.5 million for the nine months ended September 30, 2020 and 2019, respectively, which was related to purchases of installation and service parts and property and equipment.

Cash Flows from Financing Activities

Cash used in financing activities was \$27.9 million and \$7.1 million for the nine months ended September 30, 2020 and 2019, respectively. The cash used in 2020 increased primarily as a result of a \$19.7 million mandatory prepayment of excess cash flows we made pursuant to the terms of the First Lien Term Loan (as defined below), and costs associated with refinancing the First Lien Term Loan in February 2020.

Debt

In connection with an acquisition in 2018, VM Consolidated, Inc., a wholly-owned subsidiary, entered into a First Lien Term Loan Credit Agreement (the “**First Lien Term Loan**”), a Second Lien Term Loan Credit Agreement (the “**Second Lien Term Loan**,” and together with the First Lien Term Loan, the “**Term Loans**”) and a Revolving Credit Facility Agreement (the “**Revolver**,” and together with the Term Loans, the “**2018 Credit Facilities**”) with a syndicate of lenders. The 2018 Credit Facilities initially provided for committed senior secured financing of \$1.115 billion, consisting of an aggregate principal amount of \$1.04 billion under the Term Loans and an aggregate revolving commitment of up to \$75 million available for loans and letters of credit under the Revolver (subject to borrowing eligibility requirements as described below). In July 2018, we amended the First Lien Term Loan to expand the aggregate principal loan amount from \$840 million to \$910 million. The additional \$70 million, along with funds contributed by Platinum Equity, LLC, were used to repay the \$200 million Second Lien Term Loan in full contemporaneously with the closing of the Business Combination (see Note 1, *Description of Business*) on October 17, 2018.

The First Lien Term Loan is repayable at 1.0% per annum of the amount initially borrowed, paid in quarterly installments. The First Lien Term Loan matures on February 28, 2025. We refinanced the entire outstanding amount under the First Lien Term Loan on February 20, 2020, which reduced the previous applicable margin by 50 basis points. The First Lien Term Loan now bears interest based, at our option, on either (1) LIBOR plus an applicable margin of 3.25% per annum, or (2) an alternate base rate plus an applicable margin of 2.25% per annum. As of September 30, 2020, the interest rate on the First Lien Term Loan was 3.4%.

In addition, the First Lien Term Loan requires mandatory prepayments equal to the product of the excess cash flows of the Company (as defined in the loan agreement) and the applicable prepayment percentages (calculated as of the last day of the fiscal year, beginning with the year ending December 31, 2019), as set forth in the following table:

| Consolidated first lien net leverage ratio (as defined by the First Lien Term Loan agreement) | Applicable prepayment percentage |
|---|----------------------------------|
| > 3.70:1.00 | 50% |
| ≤ 3.70:1.00 and > 3.20:1.00 | 25% |
| ≤ 3.20:1.00 | 0% |

We made a \$19.7 million mandatory prepayment of excess cash flow during the first quarter of fiscal 2020, which was classified as current portion of long-term debt in the condensed consolidated balance sheet at December 31, 2019.

The Revolver matures on February 28, 2023. The terms of the Revolver were not affected by the refinancing of the First Lien Term Loan discussed above. Borrowing eligibility under the Revolver is subject to a monthly borrowing base calculation based on (i) certain percentages of eligible accounts receivable and inventory, less (ii) certain reserve items, including outstanding letters of credit and other reserves. The Revolver bears interest on either (1) LIBOR plus an applicable margin, or (2) an alternate base rate, plus an applicable margin. The margin percentage applied to (1) LIBOR is either 1.25%,

1.50%, or 1.75%, or (2) the base rate is either 0.25%, 0.50%, or 0.75%, depending on our average availability to borrow under the commitment. At September 30, 2020, we had no outstanding borrowings on the Revolver and availability to borrow under the Revolver was \$44.0 million, net of \$6.3 million of outstanding letters of credit.

Interest on the unused portion of the Revolver is payable quarterly at 0.375%, and we are also required to pay participation and fronting fees at 1.38% on \$6.3 million of outstanding letters of credit as of September 30, 2020.

All borrowings and other extensions of credits under the 2018 Credit Facilities are subject to the satisfaction of customary conditions and restrictive covenants including absence of defaults and accuracy in material respects of representations and warranties. At September 30, 2020, we were compliant with the 2018 Credit Facilities covenants. Substantially all of our assets are pledged as collateral to secure the Company's indebtedness under the 2018 Credit Facilities.

We recorded interest expense, including amortization of deferred financing costs and discounts, of \$9.6 million and \$14.9 million for the three months ended September 30, 2020 and 2019, respectively, and \$31.6 million and \$46.6 million for the nine months ended September 30, 2020 and 2019, respectively.

In connection with the refinancing of the First Lien Term Loan in February 2020, which we determined was to be accounted for as a modification, we incurred \$0.8 million of lender fees which were capitalized as deferred financing costs and amortized over the remaining life of the First Lien Term Loan, and \$0.2 million of legal fees that were expensed as selling, general and administrative expenses on the condensed consolidated statement of operations.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as of September 30, 2020.

Critical Accounting Policies, Estimates and Judgments

The preparation of condensed consolidated financial statements in conformity with generally accepted accounting principles in the United States (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and the accompanying notes. Significant items subject to such estimates and assumptions include the fair values assigned to net assets acquired (including identifiable intangibles) in business combinations, the carrying amounts of long-lived assets, goodwill and installation and service parts, the allowance for credit loss, valuation allowances on deferred tax assets, asset retirement obligations, contingent consideration and the recognition and measurement of loss contingencies. Management believes that its estimates and assumptions are reasonable in the circumstances; however, actual results could differ materially from those estimates.

Refer to our 2019 Annual Report on Form 10-K for our critical accounting policies, estimates and judgments.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, refer to Note 2, *Significant Accounting Policies*, in Item 1, Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate market risk due to the variable interest rate on the First Lien Term Loan described in “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—*Liquidity and Capital Resources*.”

Interest rate risk represents our exposure to fluctuations in interest rates associated with the variable rate debt represented by the First Lien Term Loan, which has an outstanding balance of \$867.9 million at September 30, 2020. We refinanced the First Lien Term Loan on February 20, 2020 which reduced the previous applicable margin by 50 basis points. The First Lien Term Loan now bears interest based, at our option, on either (1) LIBOR plus an applicable margin of 3.25% per annum, or (2) an alternate base rate plus an applicable margin of 2.25% per annum. At September 30, 2020, the interest rate on the First Lien Term Loan was 3.4%. Based on the September 30, 2020 balance outstanding, each 1% movement in interest rates will result in an approximately \$8.7 million change in annual interest expense.

We have not engaged in any hedging activities during the nine months ended September 30, 2020. We do not expect to engage in any hedging activities with respect to the market risk to which we are exposed.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. Our Chief Executive Officer and Chief Financial Officer, with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures as of September 30, 2020 and, based on their evaluation, have concluded the controls and procedures were not effective as of that date due to a material weakness in internal control over financial reporting that was disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the quarter ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Remediation

As previously described in Part II, Item 9A. "Controls and Procedures" in our Annual Report on Form 10-K for the year ended December 31, 2019, we began implementing a remediation plan to address the material weakness mentioned above. The weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of this material weakness will likely be completed prior to the end of our 2020 fiscal year.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

Risks Related to Our Business

Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019 includes a discussion of our risk factors. The information presented below supplements, and should be read in conjunction with, the risk factors and information disclosed in our Annual Report on Form 10-K. Except as presented below, there have been no material changes from the risk factors described in our Annual Report on Form 10-K. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future SEC filings.

Our business and results of operations may be adversely affected by the COVID-19 pandemic.

On March 11, 2020, the World Health Organization designated COVID-19 a pandemic. In the United States and abroad, many federal, state and local governments instituted travel restrictions, stay-at-home orders, social distancing orders, and border closures in order to minimize the spread of the virus. COVID-19 has caused severe disruption to the global economy.

As a result of these restrictions, we shifted most of our workforce to remote operations and have implemented changes in our physical locations to ensure social distancing. While we have not experienced any significant disruptions in our operations to date, these measures may result in decreases in productivity, an increased risk of information security breaches and delays in responses to our customers, which could harm customer relations and adversely impact our business. COVID-19 may also cause us to temporarily suspend or ultimately forego strategic acquisitions, business initiatives or expansions into new markets. Also, our existing customers may seek to terminate or renegotiate their contracts with us or seek pricing concessions as a result of changes in their business needs or financial condition. In addition, certain of our customers have reduced their operations during the pandemic, and government restrictions could further restrict our operations or result in supply chain interruptions. The measures implemented to contain COVID-19 have had, and we expect will continue to have, a significant negative effect on our business, financial condition, results of operations, cash flows and liquidity position, both in the near term and on a year-over-year basis.

The COVID-19 pandemic has adversely affected our revenues from key customers in the rental car industry, on which our Commercial Services segment is dependent, and from photo enforcement programs in our Government Solutions segment.

Our Commercial Services segment is dependent on certain key customers, including those in the RAC industry, such as Hertz, Avis Budget Group, Inc. and Enterprise Holdings, Inc. COVID-19 continues to have a significant negative impact on the RAC industry. Reduced airline travel and widespread travel restrictions resulted in declining customer demand and many RACs have responded by reducing fleet sizes. In addition, in May 2020, Hertz, one of our key Commercial Services customers, filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code, as amended, in the United States Bankruptcy Court for the District of Delaware. The full extent and duration of COVID-19’s impact on the RAC industry and the financial health of our key RAC customers cannot be predicted at this time. However, we expect that if our RAC customers continue to experience adversity in their businesses or file for bankruptcy, they may delay or default on their payment commitments to us or request to modify or renegotiate pre-existing contractual commitments on terms that are less favorable to us, any of which could have a material adverse effect on our business, financial condition and results of operations.

In our Government Solutions segment, school closures and reductions in vehicle traffic resulting from COVID-19 and the related containment measures have negatively impacted revenues. The COVID-19 pandemic is a highly fluid and rapidly evolving situation, and we cannot anticipate with any certainty the length, scope or severity of such impacts in the jurisdictions in which we operate. Moreover, any additional measures or changes in laws or regulations, whether in the United States or abroad, that further impair the ability or desire of individuals to gather or travel due to the risk of the spreading of COVID-19, including laws or regulations banning travel or requiring the closure of schools, may exacerbate the negative impact of the COVID-19 pandemic on our Government Solutions segment.

The full extent and duration of COVID-19's impact on customers in our Commercial Services and Government Solutions segments, or the ways that COVID-19 may fundamentally alter the travel industry remains to be seen, and this ongoing impact could result in a material adverse impact on our business, financial condition, results of operations and cash flows, potentially for a prolonged period.

Historical data regarding our business, results of operations, financial condition and liquidity may not reflect the impact of the COVID-19 pandemic and related containment measures and therefore does not purport to be representative of our future performance.

The information included in this Quarterly Report on Form 10-Q and our other reports filed with the SEC includes information regarding our business, properties, results of operations, financial condition and liquidity as of dates and for periods before the impact of COVID-19 and related containment measures (including quarantines and governmental orders requiring the closure of certain businesses, limiting travel, requiring that individuals stay at home or shelter in place and closing borders). This historical information therefore may not reflect the adverse impacts of COVID-19 and the related containment measures. Accordingly, investors are cautioned not to unduly rely on historical information regarding our business, results of operations, financial condition or liquidity, as that data does not reflect the adverse impact of COVID-19 and therefore does not purport to be representative of the future results of operations, financial condition, liquidity or other financial or operating results.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

EXHIBIT INDEX

| Exhibit Number | Description | Incorporated by Reference | | | | Filed Herewith |
|----------------|---|---------------------------|-----------|---------|---------------|----------------|
| | | Form | File No. | Exhibit | Filing Date | |
| 2.1 | Merger Agreement, dated as of June 21, 2018, by and among Gores Holdings II, Inc., AM Merger Sub I, Inc., AM Merger Sub II, LLC, Greenlight Holding II Corporation and PE Greenlight Holdings, LLC, in its capacity as the Stockholder Representative. | 8-K | 001-37979 | 2.1 | June 21, 2018 | |
| 2.2 | Amendment No. 1 to Agreement and Plan of Merger, dated as of August 23, 2018, by and among Gores Holdings II, Inc., AM Merger Sub I, Inc., AM Merger Sub II, LLC, Greenlight Holding II Corporation and PE Greenlight Holdings, LLC, in its capacity as the Stockholder Representative. | 8-K | 001-37979 | 2.2 | Aug. 24, 2018 | |
| 3.1 | Second Amended and Restated Certificate of Incorporation of Verra Mobility Corporation. | 8-K | 001-37979 | 3.1 | Oct. 22, 2018 | |
| 3.2 | Amended and Restated Bylaws of Verra Mobility Corporation. | 8-K | 001-37979 | 3.2 | Oct. 22, 2018 | |
| 4.1 | Specimen Class A Common Stock Certificate. | S-1 | 333-21503 | 4.2 | Dec. 9, 2016 | |
| 4.2 | Specimen Warrant Certificate. | S-1 | 333-21503 | 4.3 | Dec. 9, 2016 | |
| 4.3 | Warrant Agreement, dated January 12, 2017, between the Registrant and Continental Stock Transfer & Trust Company, as warrant agent. | 8-K | 001-37979 | 4.1 | Jan. 19, 2017 | |
| 4.4 | First Amendment to Warrant Agreement, dated January 15, 2020, by and among the Registrant, Continental Stock Transfer & Trust Company and American Stock Transfer & Trust Company. | 10-K | 001-37979 | 4.4 | March 2, 2020 | |
| 10.1 | 2020 Form of Notice of Grant of Restricted Stock Unit and Agreement for Non-U.S. Participants under the Verra Mobility Corporation 2018 Equity Incentive Plan. | | | | | X |
| 10.2 | Form of Notice of Grant of Stock Option and Agreement for Non-U.S. Participants under the Verra Mobility Corporation 2018 Equity Incentive Plan. | | | | | X |
| 10.3 | Separation Agreement, dated September 30, 2020, by and between Vincent Brigidi and VM Consolidated, Inc. | | | | | X |
| 31.1 | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 31.2 | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |

| Exhibit Number | Description | Incorporated by Reference | | | Filed Herewith |
|----------------|--|---------------------------|----------|---------|----------------|
| | | Form | File No. | Exhibit | |
| 32.1* | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 32.2* | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 101.INS | Inline XBRL Instance Document (the instance does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document). | | | | X |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. | | | | X |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. | | | | X |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. | | | | X |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. | | | | X |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. | | | | X |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) | | | | X |

* This certification is deemed not filed for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

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.

VERRA MOBILITY CORPORATION

Date: November 5, 2020

By: /s/ David Roberts
David Roberts
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Patricia Chiodo
Patricia Chiodo
Chief Financial Officer
(Principal Financial and Accounting Officer)

**VERRA MOBILITY CORPORATION
NOTICE OF GRANT OF RESTRICTED STOCK UNITS
(For Non-U.S. Participants)**

Verra Mobility Corporation, a Delaware corporation (the “Company”) has granted to the Participant an award (the “Award”) of certain units pursuant to the Verra Mobility Corporation 2018 Equity Incentive Plan (the “Plan”), each of which represents the right to receive on the applicable Settlement Date one (1) share of Stock, as follows:

Participant: _____ **Employee ID:** _____

Date of Grant: _____

Total Number of Units: (each a “Unit”), subject to adjustment as provided by the Restricted Stock Units Agreement.

Settlement Date: Except as provided by the Restricted Stock Units Agreement, the date on which a Unit becomes a Vested Unit.

Vesting Start Date: _____

Vested Units: Except as provided in the Restricted Stock Units Agreement and provided that the Participant’s Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) shall cumulatively increase on each respective date set forth below by the Vested Percentage set forth opposite such date, as follows::

| Vesting Date | Vested Percentage |
|---|--------------------------|
| Prior to first anniversary of Vesting Start Date | 0% |
| On first anniversary of Vesting Start Date (the “Initial Vesting Date”) | 25% |
| 2nd anniversary of Vesting Start Date | 25% |
| 3rd anniversary of Vesting Start Date | 25% |
| 4th anniversary of Vesting Start Date | 25% |

Superseding Agreement: None.

By their signatures below or by electronic acceptance or authentication in a form authorized by the Company, the Company and the Participant agree that the Award is governed by this Grant Notice and by the provisions of the Restricted Stock Units Agreement and the Plan, both of which are made a part of this document, and by the Superseding Agreement, if any. The Participant acknowledges that copies of the Plan, the Restricted Stock Units Agreement and the prospectus for the Plan are available on the Company’s internal web site and may be viewed and printed by the Participant for attachment to the Participant’s copy of this Grant Notice. The Participant represents that the Participant has read and is familiar with the provisions of the Restricted Stock Units Agreement and the Plan, and hereby accepts the Award subject to all of their terms and conditions.

VERRA MOBILITY CORPORATION

PARTICIPANT

By:
 [officer name]
 [officer title]

Signature

 Date

Address:

Address:

ATTACHMENTS: 2018 Equity Incentive Plan, as amended to the Date of Grant; Restricted Stock Units Agreement and Plan Prospectus

VERRA MOBILITY CORPORATION
RESTRICTED STOCK UNITS AGREEMENT
(For Non-U.S. Participants)

Verra Mobility Corporation, a Delaware corporation (the “**Company**”) has granted to the Participant named in the *Notice of Grant of Restricted Stock Units* (the “**Grant Notice**”) to which this Restricted Stock Units Agreement (the “**Agreement**”) is attached an Award consisting of Restricted Stock Units (each a “**Unit**”) subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to and shall in all respects be subject to the terms and conditions of the Verra Mobility Corporation 2018 Equity Incentive Plan (the “**Plan**”), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of the shares issuable pursuant to the Award (the “**Plan Prospectus**”), (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.

1. **DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. **ADMINISTRATION.**

All questions of interpretation concerning the Grant Notice, this Agreement, the Plan or any other form of agreement or other document employed by the Company in the administration of the Plan or the Award shall be determined by the Committee. All such determinations by the Committee shall be final, binding and conclusive upon all persons having an interest in the Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or the Award or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Award. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election.

3. **THE AWARD.**

3.1 **Grant of Units.** On the Date of Grant, the Participant shall acquire, subject to the provisions of this Agreement, the Total Number of Units set forth in the Grant Notice, subject to adjustment as provided in Section 9. Each Unit represents a right to receive on a date determined in accordance with the Grant Notice and this Agreement one (1) share of Stock.

3.2 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Units or shares of Stock issued upon settlement of the Units, the consideration for which shall be past services actually rendered or future services to be rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Units.

4. **VESTING OF UNITS.**

Units acquired pursuant to this Agreement shall become Vested Units as provided in the Grant Notice. For purposes of determining the number of Vested Units following an Ownership Change Event, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after the Ownership Change Event.

5. **COMPANY REACQUISITION RIGHT.**

5.1 **Grant of Company Reacquisition Right.** Except to the extent otherwise provided by the Superseding Agreement, if any, in the event that the Participant's Service terminates for any reason or no reason, with or without cause, the Participant shall forfeit and the Company shall automatically reacquire all Units which are not, as of the time of such termination, Vested Units ("**Unvested Units**"), and the Participant shall not be entitled to any payment therefor (the "**Company Reacquisition Right**").

5.2 **Ownership Change Event, Non-Cash Dividends, Distributions and Adjustments.** Upon the occurrence of an Ownership Change Event, a dividend or distribution to the stockholders of the Company paid in shares of Stock or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 9, any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of the Participant's ownership of Unvested Units shall be immediately subject to the Company Reacquisition Right and included in the terms "Units" and "Unvested Units" for all purposes of the Company Reacquisition Right with the same force and effect as the Unvested Units immediately prior to the Ownership Change Event, dividend, distribution or adjustment, as the case may be. For purposes of determining the number of Vested Units following an Ownership Change Event, dividend, distribution or adjustment, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after any such event.

6. SETTLEMENT OF THE AWARD.

6.1 **Issuance of Shares of Stock.** Subject to the provisions of Section 6.3, the Company shall issue to the Participant on the Settlement Date with respect to each Vested Unit to be settled on such date one (1) share of Stock. The Settlement Date with respect to a Unit shall be the date on which such Unit becomes a Vested Unit as provided by the Grant Notice (an “**Original Settlement Date**”); provided, however, that if the tax withholding obligations of a Participating Company, if any, will not be satisfied by the share withholding method described in Section 7.3 and the Original Settlement Date would occur on a date on which a sale by the Participant of the shares to be issued in settlement of the Vested Units would violate the Trading Compliance Policy of the Company, then the Settlement Date for such Vested Units shall be deferred until the next day on which the sale of such shares would not violate the Trading Compliance Policy, but in any event on or before the 15th day of the third calendar month following calendar year of the Original Settlement Date. Shares of Stock issued in settlement of Units shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to Section 6.3, Section 7 or the Company’s Trading Compliance Policy.

6.2 **Beneficial Ownership of Shares; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit any or all shares acquired by the Participant pursuant to the settlement of the Award with the Company’s transfer agent, including any successor transfer agent, to be held in book entry form, or to deposit such shares for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice. Except as provided by the foregoing, a certificate for the shares acquired by the Participant shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

6.3 **Restrictions on Grant of the Award and Issuance of Shares.** The grant of the Award and issuance of shares of Stock upon settlement of the Award shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No shares of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company’s legal counsel to be necessary to the lawful issuance of any shares subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

6.4 **Fractional Shares.** The Company shall not be required to issue fractional shares upon the settlement of the Award.

7. **TAX WITHHOLDING.**

7.1 **In General.** Regardless of any action taken by the Company or any other Participating Company with respect to any or all income tax, social insurance, National Insurance Contributions, payroll tax, payment on account or other tax-related withholding obligations in connection with any aspect of the Award, including the grant, vesting or settlement of the Award, the subsequent sale of shares acquired pursuant to such settlement, or the receipt of any dividends and (the “**Tax Obligations**”), the Participant acknowledges that the ultimate liability for all Tax Obligations legally due by the Participant is and remains the Participant’s responsibility and that the Company (a) makes no representations or undertakings regarding the treatment of any Tax Obligations and (b) does not commit to structure the terms of the grant or any other aspect of the Award to reduce or eliminate the Participant’s liability for Tax Obligations. The Participant shall pay or make adequate arrangements satisfactory to the Company to satisfy all Tax Obligations of the Company and any other Participating Company at the time such Tax Obligations arise. In this regard, the Participant hereby authorizes withholding of all applicable Tax Obligations from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for withholding of all applicable Tax Obligations, if any, by each Participating Company which arise in connection with the Award. The Company shall have no obligation to process the settlement of the Award or to deliver shares until the Tax Obligations as described in this Section have been satisfied by the Participant.

7.2 **Assignment of Sale Proceeds.** Subject to compliance with applicable law, including local law, and the Company’s Trading Compliance Policy, if permitted by the Company, the Participant may satisfy the Tax Obligations in accordance with procedures established by the Company providing for delivery by the Participant to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to a Participating Company of the proceeds of a sale with respect to some or all of the shares being acquired upon settlement of Units.

7.3 **Withholding in Shares.** If permissible under applicable law, including local law, the Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of the Tax Obligations by deducting from the shares of Stock otherwise deliverable to the Participant in settlement of the Award a number of whole shares having a fair market value, as determined by the Company as of the date on which the Tax Obligations arise, not in excess of the amount of such Tax Obligations determined by the applicable minimum statutory withholding rates.

8. **EFFECT OF CHANGE IN CONTROL.**

In the event of a Change in Control, the Award shall be treated as set forth in Section 13 of the Plan.

9. **ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.**

The Award shall be subject to and treated as set forth in Section 4.3 of the Plan.

10. **RIGHTS AS A STOCKHOLDER.**

The Participant shall have no rights as a stockholder with respect to any shares which may be issued in settlement of this Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the shares are issued, except as provided in Section 9.

11. **SERVICE AND EMPLOYMENT CONDITIONS.**

In accepting the Award, the Participant acknowledges, understands and agrees that:

(a) Any notice period mandated under local law shall not be treated as Service for the purpose of determining the vesting of the Award; and the Participant's right to receive shares in settlement of the Award after termination of Service, if any, will be measured by the date of termination of the Participant's active Service and will not be extended by any notice period mandated under local law. Subject to the foregoing and the provisions of the Plan, the Company, in its sole discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(b) The vesting of the Award shall cease upon, and no Units shall become Vested Units following, the Participant's termination of Service for any reason except as may be explicitly provided by the Plan or this Agreement.

(c) The Plan is established voluntarily by the Company. It is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement.

(d) The grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of Awards, or benefits in lieu of Awards, even if Awards have been granted repeatedly in the past.

(e) All decisions with respect to future Award grants, if any, will be at the sole discretion of the Company.

(f) The Participant's participation in the Plan shall not create a right to further Service with any Participating Company and shall not interfere with the ability of with any Participating Company to terminate the Participant's Service at any time, with or without cause.

(g) The Participant is voluntarily participating in the Plan.

(h) The Award is an extraordinary item that does not constitute compensation of any kind for Service of any kind rendered to any Participating Company, and which is outside the scope of the Participant's employment contract, if any.

(i) The Award is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end-of-service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

(j) In the event that the Participant is not an employee of the Company, the Award grant will not be interpreted to form an employment contract or relationship with the Company; and furthermore the Award grant will not be interpreted to form an employment contract with any other Participating Company.

(k) The future value of the underlying shares is unknown and cannot be predicted with certainty. If the Participant obtains shares upon settlement of the Award, the value of those shares may increase or decrease.

(l) No claim or entitlement to compensation or damages arises from termination of the Award or diminution in value of the Award or shares acquired upon settlement of the Award resulting from termination of the Participant's Service (for any reason whether or not in breach of local law) and the Participant irrevocably releases the Company and each other Participating Company from any such claim that may arise. If, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen then, by signing this Agreement, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such a claim.

12. DATA PRIVACY.

The following provisions shall only apply to the Participant if he or she resides outside the US, the EU, EEA, and UK:

(a) The Participant voluntarily consents to the collection, use, disclosure and transfer to the United States and other jurisdictions, in electronic or other form, of his or her personal data as described in this Agreement and any other award materials ("**Data**") by and among, as applicable, the Participating Company Group for the exclusive purpose of implementing, administering, and managing his or her participation in the Plan. If the Participant does not choose to participate in the Plan, his or her employment status or service with the Participating Company Group will not be adversely affected.

(b) The Participant understands that the Participating Company Group may collect, maintain, process and disclose, certain personal information about him or her, including, but not limited to, his or her name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all equity awards or any other entitlement to shares of Stock awarded, canceled, exercised, vested, unvested or outstanding in his or her favor, for the exclusive purpose of implementing, administering and, managing the Plan.

(c) The Participant understands that Data will be transferred to one or more service provider(s) selected by the Company, which may assist the Company with the implementation, administration and management of the Plan. The Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient's country (e.g., the United States) may have different, including less stringent, data privacy laws and protections than his or her country. The Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The

Participant authorizes the Company and any other possible recipients that may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan.

(d) The Participant understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan, including to maintain records regarding participation. The Participant understands that if he or she resides in certain jurisdictions, to the extent required by applicable law, he or she may, at any time, request access to Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents given by accepting these Units, in any case without cost, by contacting in writing his or her local human resources representative. Further, the Participant understands that he or she is providing these consents on a purely voluntary basis. If the Participant does not consent or if he or she later seeks to revoke his or her consent, his or her engagement as a service provider with the Participating Company Group will not be adversely affected; the only consequence of refusing or withdrawing his or her consent is that the Company will not be able to grant him or her Units under the Plan or administer or maintain Units. Therefore, the Participant understands that refusing or withdrawing his or her consent may affect his or her ability to participate in the Plan (including the right to retain the Units). The Participant understands that he or she may contact his or her local human resources representative for more information on the consequences of his or her refusal to consent or withdrawal of consent.

The following provisions shall only apply to the Participant if he or she resides in the EU, EEA, UK, or EU privacy laws are otherwise applicable:

(a) **Data Collected and Purposes of Collection.** The Participant understands that the Company, acting as controller, as well as the employing Participating Company, will process, to the extent permissible under applicable law, certain personal information about the Participant, including name, home address and telephone number, information necessary to process the Units (e.g., mailing address for a check payment or bank account wire transfer information), date of birth, social insurance number or other identification number, salary, nationality, job title, employment location, details of all Units granted, canceled, vested, unvested or outstanding in the Participant's favor, and where applicable service termination date and reason for termination, any capital shares or directorships held in the Company (where needed for legal or tax compliance), and any other information necessary to process mandatory tax withholding and reporting (all such personal information is referred to as "Data"). The Data is collected from the Participant, and from the Participating Company Group, for the purpose of implementing, administering and managing the Plan pursuant to its terms. The legal bases (that is, the legal justification) for processing the Data is that it is necessary to perform, administer and manage the Plan and in Company's legitimate interests, which means the Company is using the relevant Data to conduct and develop its business activities, subject to the Participant's interest and fundamental rights. The Data must be provided in order for the Participant to participate in the Plan and for the parties to this Agreement to perform their respective obligations thereunder. If the Participant does not provide Data, he or she will not be able to participate in the Plan and become a party to this Agreement.

(b) **Transfers and Retention of Data.** The Participant understands that the Data will be transferred to and among the Participating Company Group, as well as service providers (such as stock administration providers, brokers, transfer agents, accounting firms, payroll processing firms or tax firms), for the purposes explained above. The Participant understands that the recipients of the Data may be located in the United States and in other jurisdictions outside of the European Economic Area where we or our service providers have operations. The United States and some of these other jurisdictions have not been found by the European Commission to have adequate data protection safeguards. If the Participating Company Group transfer Data outside of the European Economic Area, we will take steps as required and recognized by the European Commission to provide adequate safeguards for the transferred Data. The Participant has a right to obtain details of the mechanism(s) under which the Participant's Data is transferred outside of the European Economic Area, or the United Kingdom, which the Participant may exercise by contacting .

(c) **The Participant's Rights in Respect of Data.** The Participant has the right to access the Participant's Data being processed by the Company as well as understand why Company is processing such Data. Additionally, subject to applicable law, the Participant is entitled to have any inadequate, incomplete or incorrect Data corrected (that is, rectified). Further, subject to applicable law, the Participant may be entitled to the following rights in regard to his or her Data: (i) to object to the processing of Data; (ii) to have his or her Data erased, under certain circumstances, such as where it is no longer necessary in relation to the purposes for which it was processed; (iii) to restrict the processing of the Participant's Data so that it is stored but not actively processed (e.g., while the Company assesses whether the Participant is entitled to have Data erased) under certain circumstances; (iv) to port a copy of the Data provided pursuant to this Agreement or generated by the Participant, in a common machine-readable format; and (v) to obtain a copy of the appropriate safeguards under which Data is transferred to a third country or international organization. To exercise his or her rights, the Participant may contact the applicable human resources representative. The Participant may also contact the relevant data protection supervisory authority, as he or she has the right to lodge a complaint.

13. **LEGENDS.**

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to this Award in the possession of the Participant in order to carry out the provisions of this Section.

14. COMPLIANCE WITH SECTION 409A.

It is intended that any election, payment or benefit which is made or provided pursuant to or in connection with this Award that may result in Section 409A Deferred Compensation shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non-compliance. In connection with effecting such compliance with Section 409A, the following shall apply:

14.1 **Separation from Service; Required Delay in Payment to Specified Employee.** Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Participant's termination of Service which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "**Section 409A Regulations**") shall be paid unless and until the Participant has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Participant is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Participant's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the "**Delayed Payment Date**") which is first day of the seventh month after the date of the Participant's separation from service or, if earlier, the date of the Participant's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

14.2 **Other Changes in Time of Payment.** Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with the Section 409A Regulations.

14.3 **Amendments to Comply with Section 409A; Indemnification.** Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with the Section 409A Regulations without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

14.4 **Advice of Independent Tax Advisor.** The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement

and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

15. **MISCELLANEOUS PROVISIONS.**

15.1 **Termination or Amendment.** The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may have a materially adverse effect on the Participant's rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

15.2 **Nontransferability of the Award.** Prior to the issuance of shares of Stock on the applicable Settlement Date, neither this Award nor any Units subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

15.3 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

15.4 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

15.5 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery and Signature.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in

administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company. Any and all such documents and notices may be electronically signed.

(b) **Consent to Electronic Delivery and Signature.** The Participant acknowledges that the Participant has read Section 15.5(a) of this Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice, as described in Section 15.5(a). The Participant agrees that any and all such documents requiring a signature may be electronically signed and that such electronic signature shall have the same effect as handwritten signature for the purposes of validity, enforceability and admissibility. The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 15.5(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 15.5(a).

15.6 **Country-Specific Terms and Conditions.** Notwithstanding any other provision of this Agreement to the contrary, the Award shall be subject to the specific terms and conditions, if any, set forth in Appendix A to this Agreement which are applicable to the Participant's country of residence, the provisions of which are incorporated in and constitute part of this Agreement. Moreover, if the Participant relocates to one of the countries included in Appendix A, the specific terms and conditions applicable to such country will apply to the Award to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan or this Agreement.

15.7 **Foreign Exchange / Exchange Control.** The Participant acknowledges and agrees that it is the Participant's sole responsibility to investigate and comply with any applicable foreign exchange or exchange control laws in connection with the issuance, delivery or sale of the shares of Stock pursuant to the Award and that the Participant shall be responsible for any associated compliance or reporting of inbound international fund transfers required under applicable law. The Participant is advised to seek appropriate professional advice as to how the foreign exchange or exchange control regulations apply to the Participant's specific situation.

15.8 **Language.** If Participant has received this Agreement, or any other document related to the Award and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control, subject to local law.

15.9 **Integrated Agreement.** The Grant Notice, this Agreement and the Plan, together with the Superseding Agreement, if any, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, this Agreement and the Plan shall survive any settlement of the Award and shall remain in full force and effect.

15.10 **Applicable Law.** This Agreement shall be governed by the laws of the State of Delaware, without regard to its conflict of law rules.

15.11 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**VERRA MOBILITY CORPORATION
2018 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNITS AGREEMENT
FOR NON-US PARTICIPANTS**

Terms and Conditions

This Appendix includes additional terms and conditions that govern the Award granted to Participant under the Plan if he or she resides in one of the countries listed below. Certain capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or the main body of the Agreement.

Notifications

This Appendix also includes information regarding exchange controls and certain other issues of which Participant should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of August 2020. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the information in this Appendix as the only source of information relating to the consequences of Participant's participation in the Plan because the information may be out of date at the time Participant vests in the Shares or sells the Shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to Participant's particular situation and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws of Participant's country may apply to his or her situation.

Finally, if Participant is a citizen or resident of a country other than the one in which Participant is currently working or transfers to another country after the grant of the Restricted Stock Units, or is considered a resident of another country for local law purposes, the information contained herein may not be applicable to Participant in the same manner. In addition, the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply to Participant under these circumstances.

FRANCE

Terms and Conditions

Units Not Tax-Qualified. The Unit is not intended to be a tax-qualified or tax-preferred award, including without limitation, under Sections L. 225-197-1 to L. 225-197-6 of the French Commercial Code. The Participant is encouraged to consult with a personal tax advisor to understand the tax and social insurance implications of the Unit.

Language Consent. By accepting the Unit, the Participant confirms having read and understood the documents relating to this grant (the Plan and this Agreement) which were provided in English language. The Participant accepts the terms of those documents accordingly. The Participant confirms that the Participant has a good knowledge of the English language.

En acceptant l'Attribution, le Bénéficiaire confirme avoir lu et compris les documents relatifs à cette attribution (le Plan et ce Contrat) qui ont été fournis en langue anglaise. Le Bénéficiaire accepte les dispositions de ces documents en connaissance de cause. Etant précisé que le Titulaire a une bonne maîtrise de la langue anglaise.

Notifications

Securities Law Information. The grant of Unit under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in France.

Foreign Asset/Account Reporting Information. The Participant may hold shares of Stock acquired upon vesting/settlement of the Unit, any proceeds resulting from the sale of shares of Stock or any dividends paid on such shares of Stock outside of France, provided the Participant declares all foreign bank and brokerage accounts (including any accounts that were opened or closed during the tax year) with his or her annual income tax return. Failure to complete this reporting may trigger penalties for the Participant.

HUNGARY

Notifications

Securities Law Information. The grant of Unit under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in Hungary.

The grant of Unit made pursuant to and in compliance with the private placement rules under the Capital Markets Act CXX of 2001. However, the Company will fill a notification with the Hungarian Financial Supervisory Authority as applicable.

Non-Qualification of Award. The Participant understands that the Unit is not intended to be tax-qualified or preferred under the laws of Hungary

NETHERLANDS

Notifications

Securities Law Information. The grant of Unit under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in the Netherlands.

Prohibition Against Insider Trading. The Participant should be aware of the Dutch insider trading rules, which may affect the sale of shares of Stock acquired under this Agreement. In

particular, the Participant may be prohibited from effecting certain share transactions if the Participant has insider information regarding the Company. Below is a discussion of the applicable restrictions. The Participant is advised to read the discussion carefully to determine whether the insider rules could apply to him or her. If it is uncertain whether the insider rules apply, the Company recommends that the Participant consult with a legal advisor. The Company cannot be held liable if the Participant violates the Dutch insider trading rules. The Participant is responsible for ensuring the Participant's compliance with these rules.

Dutch securities laws prohibit insider trading. As of 3 July 2016, the European Market Abuse Regulation (MAR), is applicable in the Netherlands. For further information, the Participant is referred to the website of the Authority for the Financial Markets (AFM): <https://www.afm.nl/en/professionals/onderwerpen/marktmisbruik>.

Given the broad scope of the definition of insider information, certain employees of the Company working at its Dutch Participating Company may have insider information and thus are prohibited from making a transaction in securities in the Netherlands at a time when they have such insider information. By entering into and participating in this Agreement, the Participant acknowledges having read and understood the notification above and acknowledges that it is the Participant's responsibility to comply with the Dutch insider trading rules, as discussed herein.

SPAIN

Terms and Conditions

Service Conditions. This provision supplements Section 11 of this Agreement:

In accepting this Unit, the Participant consents to participate in the Plan and acknowledges that he or she has received a copy of the Plan.

The Participant understands that the Company has unilaterally, gratuitously and discretionally decided to grant Unit under the Plan to individuals who may be employees of the Company or any Participating Company throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any Participating Company, over and above the specific terms of the Plan. Consequently, the Participant understands that this Unit is granted on the assumption and condition that this Unit and any shares of Stock acquired upon exercise of this Unit are not part of any employment contract (either with the Company or any Participating Company) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, the Participant understands that this Unit would not be granted to the Participant but for the assumptions and conditions referred to herein; thus, the Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then the grant of this Unit shall be null and void.

This Unit is a conditional right to shares of Stock and will be forfeited in the case of the Participant's termination of employment. This will be the case even if (1) the Participant is

considered to be unfairly dismissed without cause (*despido improcedente*); (2) the Participant is dismissed for disciplinary or objective reasons or due to a collective dismissal, whether adjudged or recognized to be with or without cause; (3) the Participant terminates employment due to a change of work location, duties or any other material modification of the terms of employment; (4) the Participant terminates employment due to unilateral breach of contract of the Company or any of its Subsidiaries; or (5) The Participant's employment terminates for any other reason whatsoever (including, but not limited to, mutual agreement, resignation, retirement, death, permanent disability, causes included in the employment contract, expiry of the temporary contract, force majeure and under Article 10.3 of the Royal Decree Law 1382/1985). Consequently, upon termination of the Participant's employment for any of the reasons set forth above, the Participant will automatically lose any rights to the unvested Unit granted to him or her as of the date of the Participant's termination of employment, as described in the Plan and this Agreement.

Notifications

Securities Law Information. The grant of Unit under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in Spain.

The Units do not qualify under Spanish Law as securities. No "offer to the public," as defined under Spanish Law, has taken place or will take place in the Spanish territory. Neither the Plan nor this Agreement have been registered with the Comisión Nacional del Mercado de Valores and do not constitute a public offering prospectus.

Exchange Control Information. The Participant must declare the acquisition and sale of shares of Stock to the *Dirección General de Comercio y Inversiones* (the "DGCI") for statistical purposes. Because the Participant will not acquisition or sell the shares of Stock through the use of a Spanish financial institution, the Participant must make the declaration himself or herself by filing a D-6 form with the DGCI. Generally, the D-6 form must be filed each January while the shares of Stock are owned as of December 31 of each year; however, if the value of the shares of Stock or the sale proceeds exceed certain designated amount, a declaration must be filed within one month of the acquisition or sale, as applicable.

Foreign Asset/Account Reporting Information. To the extent that the Participant holds shares of Stock and/or has bank accounts outside Spain with a value in excess of certain designated amount (for each type of asset) as of December 31 each year, the Participant will be required to report information on such assets through tax form 720. After such shares of Stock and/or accounts are initially reported, the reporting obligation will apply for subsequent years only if the value of any previously-reported shares of Stock or accounts increases by more than certain designated amount. The Participant should consult his or her personal advisor in this regard. Further, the Participant is required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), as well as the shares of Stock held in such accounts if the value of the transactions during the prior tax year or the balances in such accounts as of December 31 of the prior tax year exceed certain designated amount.

UNITED KINGDOM

Notifications

Securities Law Information. Neither this Agreement nor Appendix is an approved prospectus for the purposes of section 85(1) of the Financial Services and Markets Act 2000 (“*FSMA*”) and no offer of transferable securities to the public (for the purposes of section 102B of *FSMA*) is being made in connection with this Agreement. This Agreement and the Unit are exclusively available in the UK to bona fide employees and former employees of the Company or its Affiliate.

Neither this Agreement nor Appendix is an approved prospectus for the purposes of section 85(1) of the Financial Services and Markets Act 2000 (“*FSMA*”) and no offer of transferable securities to the public (for the purposes of section 102B of *FSMA*) is being made in connection with the Plan. The Plan and the Award is exclusively available in the UK to bona fide employees and former employees of the Company or its Affiliate.

Non-Qualification of Award. The Award is not intended to be tax-qualified or tax- preferred for purposes of UK tax rules.

Tax Consultation. The Participant understands that he or she may suffer adverse tax consequences as a result of the Participant’s acquisition or disposition of the shares. The Participant represents that he or she will consult with any tax advisors the Participant deems appropriate in connection with the acquisition or disposition of the shares and that the Participant is not relying on the company or any Participating Company for any tax advice.

Prohibition Against Insider Dealing. The Participant should be aware of:

1. the insider dealing rules of the Regulation (EU) No 596/2014 of the European Parliament and Council (Market Abuse Regulation) which apply in the UK; and
2. the UK's insider dealing rules under the Criminal Justice Act 1993,

each of which may affect transactions under the Plan such as the acquisition or sale of shares of Stock acquired under the Plan, if the Participant has inside information regarding the Company. If the Participant is uncertain whether the insider dealing rules apply, the Company recommends that the Participant consults with a legal advisor. The Company cannot be held liable if the Participant violates the UK's insider dealing rules. The Participant is responsible for ensuring his or her compliance with these rules.

End of the Appendix

**VERRA MOBILITY CORPORATION
NOTICE OF GRANT OF STOCK OPTION
(For Non-U.S. Participants)**

Verra Mobility Corporation, a Delaware corporation (the “*Company*”) has granted to the Participant an option (the “*Option*”) to purchase certain shares of Stock pursuant to the Verra Mobility Corporation 2018 Equity Incentive Plan (the “*Plan*”), as follows:

Participant: _____ **Employee ID:** _____

Date of Grant: _____

Number of Option Shares: _____

Exercise Price: _____

Vesting Start Date: _____

Option Expiration Date: The tenth anniversary of the Date of Grant.

US Tax Status of Option: Nonstatutory Stock Option.

Vested Shares: Except as provided in the Option Agreement and provided the Participant’s Service has not terminated prior to the applicable date, the number of Vested Shares (disregarding any resulting fractional share) as of any date is determined by multiplying the Number of Option Shares by the “*Vested Ratio*” determined as of such date, as follows:

| | <u>Vested Ratio</u> |
|--|----------------------------|
| Prior to first anniversary of Vesting Start Date | 0% |
| On first anniversary of Vesting Start Date (the “ <i>Initial Vesting Date</i> ”) | 25% |
| On 2 nd anniversary of Vesting Start Date | 25% |
| On 3 rd anniversary of Vesting Start Date | 25% |
| On 4 th anniversary of Vesting Start Date | 25% |

Superseding Agreement:

By their signatures below or by electronic acceptance or authentication in a form authorized by the Company, the Company and the Participant agree that the Option is governed by this Grant Notice and by the provisions of the Option Agreement and the Plan, both of which are made a part of this document, and by the Superseding Agreement, if any. The Participant acknowledges that copies of the Plan, the Option Agreement and the prospectus for the Plan are available on the Company’s internal web site and may be viewed and printed by the Participant for attachment to the Participant’s copy of this Grant Notice. The Participant represents that the Participant has read and is familiar with the provisions of the Option Agreement and the Plan, and hereby accepts the Option subject to all of their terms and conditions.

VERRA MOBILITY CORPORATION

PARTICIPANT

By: _____
 [officer name]
 [officer title]

Address: _____

Address: _____

ATTACHMENTS: 2018 Equity Incentive Plan, as amended to the Date of Grant; Stock Option Agreement, Exercise Notice and Plan Prospectus

VERRA MOBILITY CORPORATION
STOCK OPTION AGREEMENT
(For Non-U.S. Participants)

Verra Mobility Corporation, a Delaware corporation (the “*Company*”) has granted to the Participant named in the *Notice of Grant of Stock Option* (the “*Grant Notice*”) to which this Stock Option Agreement (the “*Option Agreement*”) is attached an option (the “*Option*”) to purchase certain shares of Stock upon the terms and conditions set forth in the Grant Notice and this Option Agreement. The Option has been granted pursuant to and shall in all respects be subject to the terms and conditions of the Verra Mobility Corporation 2018 Equity Incentive Plan (the “*Plan*”), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of, and represents that the Participant has read and is familiar with, the Grant Notice, this Option Agreement, the Plan and a prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of shares issuable pursuant to the Option (the “*Plan Prospectus*”), (b) accepts the Option subject to all of the terms and conditions of the Grant Notice, this Option Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Option Agreement or the Plan.

1. **DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Option Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. **U.S. TAX STATUS OF OPTION.**

For US tax purposes, to the extent applicable, this Option is intended to be a Nonstatutory Stock Option and shall not be treated as an Incentive Stock Option within the meaning of Section 422(b) of the Code.

3. **ADMINISTRATION.**

All questions of interpretation concerning the Grant Notice, this Option Agreement, the Plan or any other form of agreement or other document employed by the Company in the administration of the Plan or the Option shall be determined by the Committee. All such determinations by the Committee shall be final, binding and conclusive upon all persons having an interest in the Option, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or the Option or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and

conclusive upon all persons having an interest in the Option. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election.

4. **EXERCISE OF THE OPTION.**

4.1 **Right to Exercise.** Except as otherwise provided herein, the Option shall be exercisable on and after the Initial Vesting Date and prior to the termination of the Option (as provided in Section 6) in an amount not to exceed the number of Vested Shares less the number of shares previously acquired upon exercise of the Option. In no event shall the Option be exercisable for more shares than the Number of Option Shares, as adjusted pursuant to Section 9.

4.2 **Method of Exercise.** Exercise of the Option shall be by means of electronic or written notice (the “*Exercise Notice*”) in a form authorized by the Company. An electronic Exercise Notice must be digitally signed or authenticated by the Participant in such manner as required by the notice and transmitted to the Company or an authorized representative of the Company (including a third-party administrator designated by the Company). In the event that the Participant is not authorized or is unable to provide an electronic Exercise Notice, the Option shall be exercised by a written Exercise Notice addressed to the Company, which shall be signed by the Participant and delivered in person, by certified or registered mail, return receipt requested, by confirmed facsimile transmission, or by such other means as the Company may permit, to the Company, or an authorized representative of the Company (including a third-party administrator designated by the Company). Each Exercise Notice, whether electronic or written, must state the Participant’s election to exercise the Option, the number of whole shares of Stock for which the Option is being exercised and such other representations and agreements as to the Participant’s investment intent with respect to such shares as may be required pursuant to the provisions of this Option Agreement. Further, each Exercise Notice must be received by the Company prior to the termination of the Option as set forth in Section 6 and must be accompanied by full payment of the aggregate Exercise Price for the number of shares of Stock being purchased. The Option shall be deemed to be exercised upon receipt by the Company of such electronic or written Exercise Notice and the aggregate Exercise Price.

4.3 **Payment of Exercise Price.**

(a) **Forms of Consideration Authorized.** Except as otherwise provided below, payment of the aggregate Exercise Price for the number of shares of Stock for which the Option is being exercised shall be made (i) in cash, by check or in cash equivalent; (ii) if permitted by the Company and subject to the limitations contained in Section 4.3(b), by means of (1) a Cashless Exercise, (2) a Net-Exercise, or (3) a Stock Tender Exercise; or (iii) by any combination of the foregoing.

(b) **Limitations on Forms of Consideration.** The Company reserves, at any and all times, the right, in the Company’s sole and absolute discretion, to establish, decline to approve or terminate any program or procedure providing for payment of the Exercise Price through any of the means described below, including with respect to the Participant notwithstanding that such program or procedures may be available to others.

(i) **Cashless Exercise.** A “*Cashless Exercise*” means the delivery of a properly executed Exercise Notice together with irrevocable instructions to a broker in a form acceptable to the Company providing for the assignment to the Company of the proceeds of a sale or loan with respect to shares of Stock acquired upon the exercise of the Option in an amount not less than the aggregate Exercise Price for such shares (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System).

(ii) **Net-Exercise.** A “*Net-Exercise*” means the delivery of a properly executed Exercise Notice electing a procedure pursuant to which (1) the Company will reduce the number of shares otherwise issuable to the Participant upon the exercise of the Option by the largest whole number of shares having a Fair Market Value that does not exceed the aggregate Exercise Price for the shares with respect to which the Option is exercised, and (2) the Participant shall pay to the Company in cash the remaining balance of such aggregate Exercise Price not satisfied by such reduction in the number of whole shares to be issued. Following a Net-Exercise, the number of shares remaining subject to the Option, if any, shall be reduced by the sum of (1) the net number of shares issued to the Participant upon such exercise, and (2) the number of shares deducted by the Company for payment of the aggregate Exercise Price.

(iii) **Stock Tender Exercise.** A “*Stock Tender Exercise*” means the delivery of a properly executed Exercise Notice accompanied by (1) the Participant’s tender to the Company, or attestation to the ownership, in a form acceptable to the Company of whole shares of Stock having a Fair Market Value that does not exceed the aggregate Exercise Price for the shares with respect to which the Option is exercised, and (2) the Participant’s payment to the Company in cash of the remaining balance of such aggregate Exercise Price not satisfied by such shares’ Fair Market Value. A Stock Tender Exercise shall not be permitted if it would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company’s stock. If required by the Company, the Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either have been owned by the Participant for a period of time required by the Company (and not used for another option exercise by attestation during such period) or were not acquired, directly or indirectly, from the Company.

4.4 **Tax Withholding.**

(a) **In General.** At the time the Option is exercised, in whole or in part, or at any time thereafter as requested by a Participating Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for (including by means of a Cashless Exercise to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax (including any social insurance or National Insurance Contributions) withholding obligations of the Participating Company Group, if any, which arise in connection with the Option, including, without limitation, obligations arising upon (i) the grant, vesting or exercise, in whole or in part, of the Option, (ii) the transfer, in whole or in part, of any shares acquired upon exercise of the Option, (iii) the operation of any law or regulation providing for the imputation of interest, or (iv) the lapsing of any restriction with respect to any shares acquired upon exercise of the Option (“Tax Obligations”). The Option is not exercisable unless the Tax

Obligations of the Participating Company Group are satisfied. Accordingly, the Company shall have no obligation to deliver shares of Stock until the Tax Obligations of the Participating Company Group have been satisfied by the Participant. The Participant acknowledges that the ultimate liability for all Tax Obligations legally due by the Participant is and remains the Participant's responsibility and that the Company (a) makes no representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Option and (b) does not commit to structure the terms of the grant or any other aspect of the Option to reduce or eliminate the Participant's liability for Tax Obligations. The Company shall have no obligation to deliver shares of Stock until the Tax Obligations of the Participating Company Group have been satisfied by the Participant.

(b) **Withholding in Shares.** The Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of a Participating Company's Tax Obligations upon exercise of the Option by deducting from the shares of Stock otherwise issuable to the Participant upon such exercise a number of whole shares having a fair market value, as determined by the Company as of the date of exercise, not in excess of the amount of such Tax Obligations determined by the applicable minimum statutory withholding rates if required to avoid liability classification of the Option under generally accepted accounting principles in the United States.

4.5 **Beneficial Ownership of Shares; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice any or all shares acquired by the Participant pursuant to the exercise of the Option. Except as provided by the preceding sentence, a certificate for the shares as to which the Option is exercised shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

4.6 **Restrictions on Grant of the Option and Issuance of Shares.** The grant of the Option and the issuance of shares of Stock upon exercise of the Option shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. The Option may not be exercised if the issuance of shares of Stock upon exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, the Option may not be exercised unless (i) a registration statement under the Securities Act shall at the time of exercise of the Option be in effect with respect to the shares issuable upon exercise of the Option or (ii) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Option may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. **THE PARTICIPANT IS CAUTIONED THAT THE OPTION MAY NOT BE EXERCISED UNLESS THE FOREGOING CONDITIONS ARE SATISFIED. ACCORDINGLY, THE PARTICIPANT MAY NOT BE ABLE TO EXERCISE THE OPTION WHEN DESIRED EVEN THOUGH THE OPTION IS VESTED.** The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Option shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of the Option, the

Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

4.7 **Fractional Shares.** The Company shall not be required to issue fractional shares upon the exercise of the Option.

5. **NONTRANSFERABILITY OF THE OPTION.**

During the lifetime of the Participant, the Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. The Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Following the death of the Participant, the Option, to the extent provided in Section 7, may be exercised by the Participant's legal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

6. **TERMINATION OF THE OPTION.**

The Option shall terminate and may no longer be exercised after the first to occur of (a) the close of business on the Option Expiration Date, (b) the close of business on the last date for exercising the Option following termination of the Participant's Service as described in Section 7, or (c) a Change in Control to the extent provided in Section 8.

7. **EFFECT OF TERMINATION OF SERVICE.**

7.1 **Option Exercisability.** The Option shall terminate immediately upon the Participant's termination of Service to the extent that it is then unvested and shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period as determined below and thereafter shall terminate.

(a) **Disability.** If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable for Vested Shares on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

(b) **Death.** If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable for Vested Shares on the date on which the Participant's Service terminated, may be exercised by the Participant's legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if the Participant dies within three (3) months after the Participant's termination of Service.

(c) **Termination for Cause.** Notwithstanding any other provision of this Option Agreement to the contrary, if the Participant's Service is terminated for Cause or if, following the Participant's termination of Service and during any period in which the Option otherwise would remain exercisable, the Participant engages in any act that would constitute Cause, the Option shall terminate in its entirety and cease to be exercisable immediately upon such termination of Service or act.

(d) **Other Termination of Service.** If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable for Vested Shares by the Participant on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the expiration of three (3) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

7.2 **Extension if Exercise Prevented by Law.** Notwithstanding the foregoing, other than termination of the Participant's Service for Cause, if the exercise of the Option within the applicable time periods set forth in Section 7.1 is prevented by the provisions of Section 4.6, the Option shall remain exercisable until the later of (a) thirty (30) days after the date such exercise first would no longer be prevented by such provisions, or (b) the end of the applicable time period under Section 7.1, but in any event no later than the Option Expiration Date.

8. **EFFECT OF CHANGE IN CONTROL.**

In the event of a Change in Control, the Option shall be treated as set forth in Section 13 of the Plan.

9. **ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.**

The Option shall be subject to and treated as set forth in Section 4.3 of the Plan.

10. **RIGHTS AS A STOCKHOLDER.**

The Participant shall have no rights as a stockholder with respect to any shares covered by the Option until the date of the issuance of the shares for which the Option has been exercised (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the shares are issued, except as provided in Section 9.

11. **SERVICE CONDITIONS.**

In accepting the Option, the Participant acknowledges and agrees that:

(a) Any notice period mandated under applicable law shall not be treated as Service for the purpose of determining the vesting of the Option; and the Participant's right to vesting of shares in settlement of the Option after termination of Service, if any, will be measured by the date of termination of the Participant's active Service and will not be extended

by any notice period mandated under applicable law. Subject to the foregoing and the provisions of the Plan, the Company, in its sole discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(b) The Plan is established voluntarily by the Company. It is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Option Agreement.

(c) The grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of Options, or benefits in lieu of Options, even if Options have been granted repeatedly in the past.

(d) All decisions with respect to future Option grants, if any, will be at the sole discretion of the Company.

(e) The Participant's participation in the Plan shall not create a right to further Service with the Company or another Participating Company and shall not interfere with the ability of with the Company or another Participating Company to terminate the Participant's Service at any time, with or without cause, subject to applicable law.

(f) The Participant is voluntarily participating in the Plan.

(g) The Option is an extraordinary item that does not constitute compensation of any kind for Service of any kind rendered to the Company or any Participating Company, and which is outside the scope of the Participant's employment contract, if any.

(h) The Option is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end-of-service payments, bonuses, long-service Options, pension or retirement benefits or similar payments.

(i) In the event that the Participant is not an employee of a Participating Company, the Option grant will not be interpreted to form an employment contract or relationship with a Participating Company.

(j) The future value of the underlying shares is unknown and cannot be predicted with certainty. The value of the shares may increase or decrease.

(k) No claim or entitlement to compensation or damages arises from termination of the Option or diminution in value of the Option or shares and the Participant irrevocably releases Participating Company Group from any such claim that may arise. If, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen then, by signing this Option Agreement, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such a claim.

12. DATA PRIVACY.

(a) Data Collected and Purposes of Collection. The Participant understands that the Company, acting as controller, as well as the employing Participating Company, will process, to the extent permissible under applicable law, certain personal information about the Participant, including name, home address and telephone number, information necessary to process the Options (e.g., mailing address for a check payment or bank account wire transfer information), date of birth, social insurance number or other identification number, salary, nationality, job title, employment location, details of all Options granted, canceled, vested, unvested or outstanding in the Participant's favor, and where applicable service termination date and reason for termination, any capital shares or directorships held in the Company (where needed for legal or tax compliance), and any other information necessary to process mandatory tax withholding and reporting (all such personal information is referred to as "Data"). The Data is collected from the Participant, any Parents or Subsidiaries, and from the Company or other Subsidiary companies, for the purpose of implementing, administering and managing this Option Agreement pursuant to its terms. The legal bases (that is, the legal justification) for processing the Data is that it is necessary to perform, administer and manage this Option Agreement and in Company's legitimate interests, which means the Company is using the relevant Data to conduct and develop its business activities, subject to the Participant's interest and fundamental rights. The Data must be provided in order for the Participant to participate in this Option Agreement and for the parties to this Option Agreement to perform their respective obligations thereunder. If the Participant does not provide Data, he or she will not be able to participate in and become a party to this Option Agreement.

(b) Transfers and Retention of Data. The Participant understands that the Data will be transferred to and among Company and Company's other subsidiaries or affiliates (including any Parents or Subsidiaries), as well as service providers (such as stock administration providers, brokers, transfer agents, accounting firms, payroll processing firms or tax firms), for the purposes explained above. The Participant understands that the recipients of the Data may be located in the United States and in other jurisdictions outside of the European Economic Area where we or our service providers have operations. The United States and some of these other jurisdictions have not been found by the European Commission to have adequate data protection safeguards. If Company or its affiliates or subsidiaries transfer Data outside of the European Economic Area, we will take steps as required and recognized by the European Commission to provide adequate safeguards for the transferred Data. The Participant has a right to obtain details of the mechanism(s) under which the Participant's Data is transferred outside of the European Economic Area, or the United Kingdom, which the Participant may exercise by contacting privacy@verramobility.com.

(c) The Participant's Rights in Respect of Data. The Participant has the right to access the Participant's Data being processed by the Company as well as understand why Company is processing such Data. Additionally, subject to applicable law, the Participant is entitled to have any inadequate, incomplete or incorrect Data corrected (that is, rectified). Further, subject to applicable law, the Participant may be entitled to the following rights in regard to his or her Data: (i) to object to the processing of Data; (ii) to have his or her Data erased, under certain circumstances, such as where it is no longer necessary in relation to the purposes for which it was processed; (iii) to restrict the processing of the Participant's Data so

that it is stored but not actively processed (e.g., while the Company assesses whether the Participant is entitled to have Data erased) under certain circumstances; (iv) to port a copy of the Data provided pursuant to this Option Agreement or generated by the Participant, in a common machine-readable format; (v) to withdraw the Participant's consent to Company's processing of Data; and (vi) to obtain a copy of the appropriate safeguards under which Data is transferred to a third country or international organization. To exercise his or her rights, the Participant may contact the local human resources representative. The Participant may also contact the relevant data protection supervisory authority, as he or she has the right to lodge a complaint.

13. **LEGENDS.**

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of stock subject to the provisions of this Option Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to the Option in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include, but shall not be limited to, the following:

14. **MISCELLANEOUS PROVISIONS.**

14.1 **Termination or Amendment.** The Committee may terminate or amend the Plan or the Option at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may have a materially adverse effect on the Option or any unexercised portion thereof without the consent of the Participant unless such termination or amendment is necessary to comply with any applicable law or government regulation. No amendment or addition to this Option Agreement shall be effective unless in writing.

14.2 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Option Agreement.

14.3 **Binding Effect.** This Option Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

14.4 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Option Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery and Signature.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Option Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice and Exercise Notice called for by Section 4.2 to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company. Any and all such documents and notices may be electronically signed.

(b) **Consent to Electronic Delivery and Signature.** The Participant acknowledges that the Participant has read Section 14.4(a) of this Option Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice and Exercise Notice, as described in Section 14.4(a). The Participant agrees that any and all such documents requiring a signature may be electronically signed and that such electronic signature shall have the same effect as handwritten signature for the purposes of validity, enforceability and admissibility. The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third-party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 14.4(a) or may change the electronic mail address to which such documents are to be delivered (if the Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 14.4(a).

14.5 **Country-Specific Terms and Conditions.** Notwithstanding any other provision of this Option Agreement to the contrary, the Option shall be subject to the specific terms and conditions, if any, set forth in Appendix A to this Option Agreement which are applicable to the Participant's country of residence, the provisions of which are incorporated in and constitute part of this Option Agreement. Moreover, if the Participant relocates to one of the countries included in Appendix A, the specific terms and conditions applicable to such country will apply to the Option to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan or this Option Agreement.

14.6 **Integrated Agreement.** The Grant Notice, this Option Agreement and the Plan, together with the Superseding Agreement, if any, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the

Participating Company Group with respect to such subject matter. To the extent contemplated herein, the provisions of the Grant Notice, the Option Agreement and the Plan shall survive any exercise of the Option and shall remain in full force and effect.

14.7 **Applicable Law.** This Option Agreement shall be governed by the laws of the State of Delaware as such laws are applied to agreements between Delaware residents entered into and to be performed entirely within the State of Delaware.

14.8 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

VERRA MOBILITY CORPORATION

2018 EQUITY INCENTIVE PLAN
STOCK OPTION AGREEMENT
FOR NON-US PARTICIPANTS***Terms and Conditions***

This Appendix includes additional terms and conditions that govern the Option granted to Participant under the Plan if he or she resides in one of the countries listed below. Certain capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or the main body of this Option Agreement.

Notifications

This Appendix also includes information regarding exchange controls and certain other issues of which Participant should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of August 2020. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the information in this Appendix as the only source of information relating to the consequences of Participant's participation in the Plan because the information may be out of date at the time Participant vests in the Shares or sells the Shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to Participant's particular situation and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws of Participant's country may apply to his or her situation.

Finally, if Participant is a citizen or resident of a country other than the one in which Participant is currently working or transfers to another country after the grant of the Option or is considered a resident of another country for local law purposes, the information contained herein may not be applicable to Participant in the same manner. In addition, the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply to Participant under these circumstances.

NETHERLANDS

Notifications

Securities Law Information. The grant of Option under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in the Netherlands.

Prohibition Against Insider Trading. The Participant should be aware of the Dutch insider trading rules, which may affect the sale of shares of Stock acquired under this Option Agreement. In particular, the Participant may be prohibited from effecting certain share transactions if the Participant has insider information regarding the Company. Below is a discussion of the applicable restrictions. The Participant is advised to read the discussion carefully to determine whether the insider rules could apply to him or her. If it is uncertain whether the insider rules apply, the Company recommends that the Participant consult with a legal advisor. The Company cannot be held liable if the Participant violates the Dutch insider trading rules. The Participant is responsible for ensuring the Participant's compliance with these rules.

Dutch securities laws prohibit insider trading. As of 3 July 2016, the European Market Abuse Regulation (MAR), is applicable in the Netherlands. For further information, the Participant is referred to the website of the Authority for the Financial Markets (AFM): <https://www.afm.nl/en/professionals/onderwerpen/marktmisbruik>.

Given the broad scope of the definition of insider information, certain employees of the Company working at its Dutch Parent or Subsidiary may have insider information and thus are prohibited from making a transaction in securities in the Netherlands at a time when they have such insider information. By entering into and participating in this Option Agreement, the Participant acknowledges having read and understood the notification above and acknowledges that it is the Participant's responsibility to comply with the Dutch insider trading rules, as discussed herein.

UNITED KINGDOM

Notifications

Securities Law Information. The grant of the Options is exempt from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in the United Kingdom. This Option Agreement is not an approved prospectus for the purposes of section 85(1) of the Financial Services and Markets Act 2000 ("**FSMA**") and no offer of transferable securities to the public (for the purposes of section 102B of FSMA) is being made in connection with this Option Agreement. This Option Agreement and the Option are exclusively available in the UK to bona fide employees and former employees of the Company or its Affiliate.

Non-Qualified Grants. The Option is not intended to be tax-qualified or tax preferred under current tax rules and regulations in the United Kingdom.

Tax Consultation. The Participant understands that he or she may suffer adverse tax consequences as a result of the Participant's acquisition or disposition of the shares. The Participant represents that he or she will consult with any tax advisors that the Participant deems appropriate in connection with the acquisition or disposition of the shares and that the Participant is not relying on the Company or any Participating Company for any tax advice.

Prohibition Against Insider Dealing. The Participant should be aware of: (a) the insider dealing rules of the Regulation (EU) No 596/2014 of the European Parliament and Council (Market Abuse Regulation) which apply in the UK; and (b) the UK's insider dealing rules under the Criminal Justice Act 1993; each of which may affect transactions under the Plan such as the acquisition or sale of shares acquired under the Plan, if the Participant has inside information regarding the Company. If the Participant is uncertain whether the insider dealing rules apply, the Company recommends that the Participant consults with a legal advisor. The Company cannot be held liable if the Participant violates the UK's insider dealing rules. The Participant is responsible for ensuring his or her compliance with these rules.

SEPARATION AND RELEASE AGREEMENT

This Separation and Release Agreement (“Agreement”) is made by and between Vincent Brigidi (“Executive”) and VM Consolidated, Inc. (“Verra Mobility” or the “Company”) (and, together with Executive, the “Parties”) to set forth the Parties’ agreement concerning the terms and conditions that will govern the termination of the employment relationship between Executive and the Company. The Parties agree as follows:

1. Transition Period and Separation Date. Executive’s last day of work as the Company’s Executive Vice President of Commercial Services will be September 30, 2020 (the “Transition Date”). In exchange for the release of claims provided in Section 4 of this Agreement, the Company will continue to employ Executive through October 30, 2020 (the “Separation Date”). From the Transition Date until the Separation Date (the “Transition Period”), and as a condition to be eligible for the Severance Payments described in Section 3 below, Executive will be required to assist the Company with the transition of responsibilities to others and to give his full attention to his duties, as directed by the Company’s Chief Executive Officer, as a special advisor to the Chief Executive Officer. Executive’s failure to satisfactorily perform his duties during the Transition Period shall constitute Cause under his Employment Agreement (as defined below) for which no notice period is required and shall result in Executive’s immediate termination and forfeiture of all severance benefits described in Section 3 of this Agreement. After the Separation Date, Executive will not represent himself as being an employee, officer, attorney, agent, or representative of the Company for any purpose. Except as otherwise set forth in this Agreement, the Separation Date will be the employment termination date for the Executive for all purposes, meaning that Executive is not entitled to any further compensation, monies, or other benefits from the Company, including coverage under any benefit plans or programs sponsored by the Company, as of the Separation Date.

2. Pay, Expenses, and Benefits.

a) *Salary and Expenses.* The Company will pay Executive at the salary rate that was in place immediately prior to the Separation Date in accordance with the Company’s standard payroll practices through the Separation Date. Executive will be reimbursed for any unreimbursed business expenses incurred prior to the Separation Date pursuant to Company policy. Reimbursement requests must be submitted before the Separation Date.

b) *Benefit Plans and Programs.* As of the Separation Date, Executive will cease to earn, accrue, or be eligible for benefits, coverage, or perquisites under the benefit plans and programs provided to employees of the Company, with the sole exception of the specific benefits promised in Section 3. After the Separation Date, Executive shall be eligible for continuation coverage under the Company’s health plan pursuant to COBRA. Any vested benefits to which Executive may be entitled under any Company-sponsored 401(k) plan will be provided in accordance with and subject to the terms of that plan, including any terms regarding the timing, form, and manner of contributions and payment. Except as specifically provided in Section 3 of this Agreement, any grant of equity units to Executive shall be governed by the terms of the Verra Mobility Corporation 2018 Equity Incentive Plan (the “Equity Plan”) and related agreements.

c) *Payment of Accrued and Unused Paid Time Off Balance.* Executive will be entitled to receive, and the Company will promptly pay to Executive, all accrued but unused paid time off, but not unused paid sick leave, following the Separation Date consistent with the Company’s policies and Arizona law.

3. Severance Benefits.

a) *Salary and Group Health Insurance Coverage.* In accordance with the letter agreement dated September 30, 2014, and amended on February 29, 2016, by between Executive and the Company’s predecessor payroll entity American Traffic Solutions, Inc. d/b/a Verra Mobility (the “Employment Agreement”), and contingent upon Executive’s timely and valid execution of this Agreement without revocation and continued compliance with its terms, the Company (or its successor payroll entity) will continue to pay Executive his base salary, and will pay one hundred two percent (102%) of the full cost to cover the Executive and his dependents for group health coverage under the Company’s medical, dental, and vision plans in which they participated immediately prior to the Separation Date (which shall also be grossed up to account for withholding) (collectively, the “Severance Payments”), for a 12-month period in accordance with its regular payroll cycle, commencing on the first payroll that is processed within 5 business days after the later of (i) the expiration of the revocation period described in Section 5 of the supplemental release of claims attached hereto as **Exhibit A** (the “Supplemental Release”), and (ii) the date that Executive returns

all Company Property (as defined in Section 5(b) of this Agreement). The Severance Payments shall not be eligible for 401(k) plan contributions. All coverage will be subject to the terms of the Company's respective plans and any plan amendments or changes that are made in plan design, coverage, offerings, premiums, deductibles, co-pays or plan administration. **The Severance Payments will cease being made on the earlier of (a) Executive's failure to comply with any obligation set forth in this Agreement, the Supplemental Release or the Non-Competition Agreement (each as defined below); or (b) the end of the 12-month period following the commencement of the Severance Payments.**

b) *Equity Awards.* The Company previously awarded Executive a stock option award for 37,236 shares of the Company's common stock on March 5, 2020 (the "2020 Option Award"), a performance stock unit award for 9,273 shares of the Company's common stock on March 5, 2020 (the "2020 PSU Award"), a restricted stock unit award for 7,821 shares of the Company's common stock on March 5, 2020 (the "2020 RSU Award"), and a restricted stock unit award for 277,301 shares of the Company's common stock on October 23, 2018 (the "2018 RSU Award"), each subject to the terms and conditions of the Equity Plan and related Equity Plan documents. Executive acknowledges he has not vested any portion of the 2020 Option Award, 2020 PSU Award or 2020 RSU Award as of the date hereof and that Executive shall permanently forfeit such awards as of the Separation Date for no consideration. With respect to the 2018 RSU Award, the Parties acknowledge that as a result of the Company continuing to employ Executive during the Transition Period, 69,325 units are scheduled to vest on October 23, 2020 (the "Second RSU Vesting Tranche"), resulting in 138,651 restricted stock units remaining unvested under the 2018 RSU Award as of the Separation Date. As additional consideration for (i) Executive's obligations set forth in this Agreement and (ii) Executive's valid execution and non-revocation of the Supplemental Release on or after the Separation Date, the Company agrees to permit the vesting of 69,325 restricted stock units under the 2018 RSU Award (the "Third RSU Vesting Tranche") on the vesting date of October 23, 2021 under the 2018 RSU Award (the "Post-Separation Equity Award Vesting"). The Parties acknowledge and agree that the Post-Separation Equity Award Vesting is made expressly subject to and contingent upon Executive remaining in full compliance with the terms of this Agreement, the Non-Competition Agreement and the Supplemental Release. On the Separation Date, the 2018 RSU Award will terminate with respect to the remaining 69,326 unvested restricted stock units. Executive acknowledges and agrees that (i) other than the Post-Separation Equity Award Vesting, Executive has no rights to otherwise vest in any securities of the Company following the Separation Date and (ii) all other equity awards held by Executive will terminate or be forfeited on the Separation Date. This Agreement and the terms related to the Post-Separation Equity Award Vesting of the Third RSU Vesting Tranche constitute a "superseding agreement" to the Verra Mobility Corporation Restricted Stock Units Agreement and the Verra Mobility Corporation Notice of Grant of Restricted Stock Units provided to Executive with a grant date of October 23, 2018.

The Parties acknowledge and agree that Executive has no right to receive the Severance Payments or the Post-Separation Equity Award Vesting unless he validly executes this Agreement and the Supplemental Release and fully complies with the respective terms of this Agreement, the Non-Competition Agreement and the Supplemental Release. The Parties further agree that the Severance Payments, Second RSU Vesting Tranche and Post-Separation Equity Award Vesting constitute adequate and sufficient consideration to support the mutual promises set forth in this Agreement and the Supplemental Release. Executive is not entitled to any additional payment or benefit from any Released Party (as defined below) that is not expressly promised or described in this Agreement.

4. Release of Claims.

a) *Release and Released Parties.* In exchange for the consideration described above, including the Second RSU Vesting Tranche, Third RSU Vesting Tranche and Severance Payments described in Section 3, and subject only to the exclusions of Section 4(b) below, Executive hereby releases the Company, its parents, shareholders, subsidiaries, affiliates, predecessors, successors, assigns, related companies or entities, its and their employee benefit plans and administrators, and any and all of its and their respective current and former officers, directors, partners, insurers, agents, representatives, attorneys, accountants, actuaries, trustees, fiduciaries, and employees (the "Released Parties") from any and all claims, demands or causes of action which Executive or Executive's heirs, executors, administrators, agents, attorneys, representatives or assigns (all collectively included in the term "Executive" for purposes of this Section 4), has, had or may have against any of the Released Parties, based on any events or circumstances arising or occurring on or before the date of Executive's execution of this Agreement, including, but not limited to, any claims relating to Executive's employment or termination of employment, and any rights of continued employment, reinstatement or reemployment with any of the Released Parties. For the avoidance

of doubt, and subject only to the exclusions in Section 4(b) of this Agreement, Executive expressly agrees, understands, and acknowledges that this is a general release that, to the fullest extent permitted by law, waives, surrenders, and extinguishes any and all claims that Executive has or may have against any of the Released Parties, whether known, unknown, foreseen, or unforeseen, including, but not limited to, the following:

(i) any claim(s) under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans with Disabilities Act, the Equal Pay Act, the Employee Retirement Income Security Act, the Family and Medical Leave Act (“FMLA”), the Genetic Information Nondiscrimination Act, the Health Insurance Portability and Accountability Act, 42 U.S.C. § 1981, the Arizona Minimum Wage Act; Arizona Equal Pay Act, the Arizona Employment Protection Act, the Arizona Civil Rights Act, the Arizona Occupational Health and Safety Act; Arizona Right to Work Act, the Arizona Drug Testing of Employees Act, the Arizona Medical Marijuana Act, or the Worker Adjustment and Retraining Notification Act;

(ii) any claim(s) under any other applicable federal, state, or local or foreign law, statute, regulation, or ordinance regarding discrimination, harassment, retaliation, or any other subject matter;

(iii) any claim(s) for unpaid or withheld wages, severance, benefits, bonuses, commissions, and other compensation of any kind that Executive may have against the Company;

(iv) any claim(s) for breach of contract, wrongful discharge, unjust dismissal, defamation, slander, libel, fraud, misrepresentation, negligence, intentional or negligent infliction of emotional distress; and

(v) any other claim for damages or other relief arising under the common law or any theory of law or equity, including any claim for costs or attorneys’ fees.

b) *Claims Not Released.* The claims released in Section 4(a) of this Agreement do not include any claim or cause of action based on any of the following: (i) the right to vested benefits under any retirement plan; (ii) the right to continued benefits as required by COBRA; (iii) any right to receive workers’ compensation benefits or unemployment insurance as required by applicable law; (iv) the right to challenge the validity or enforceability of this Agreement under the Older Workers Benefit Protection Act; (v) any claim to enforce the terms of this Agreement; or (vi) any claim which cannot be waived as a matter of law. For the avoidance of doubt, nothing herein waives or releases any claim that may arise after the Effective Date (as defined below).

c) *Permitted Conduct.* Nothing in this Agreement prohibits Executive from filing a charge with the Equal Employment Opportunity Commission (“EEOC”) or any other government agency, nor does anything in this Agreement prohibit Executive from participating, cooperating, or testifying in any investigation or proceeding conducted by or pending before the EEOC or any other any government agency. However, even though Executive can provide testimony or information or assistance in an investigation or in proceedings described in this Section 4(c), Executive’s participation therein will not entitle Executive to additional compensation from the Company or any of the Released Parties beyond that described in Section 3 of this Agreement. In fact, if Executive is awarded any monetary relief in connection with any lawsuit, legal proceeding, charge or complaint, that relief will be reduced by any amounts paid or payable by the Company under this Agreement.

5. Confidentiality, Intellectual Property, and Company Property.

a) *Confidential Information.* Executive understands and agrees that he remains bound by the terms of his Proprietary Rights and Non-Competition Agreement that he executed in conjunction with his employment on October 13, 2014, a copy of which is attached hereto as **Exhibit B** (the “Non-Competition Agreement”), as amended by Section 9 of this Agreement. Executive specifically acknowledges and reaffirms his ongoing obligations (a) not to use or disclose for his own benefit, or that of another employer or any party other than the Company, any confidential or proprietary information of the Company to which he had access or created during the period of his employment with the Company, (b) to return to the Company any and all Company property and all materials containing Company confidential or proprietary information in his possession, and (c) to comply with his post-employment restrictions regarding the Company’s customers, competitors and employees. Notwithstanding the foregoing, Executive may disclose Confidential Information to the extent he is compelled to do so by lawful service of process, subpoena, court order, or as he is otherwise compelled to do by law or the rules or regulations of any

regulatory body or governmental agency or instrumentality to which he is subject, including full and complete disclosure in response thereto, in which event he agrees (unless prohibited by law) to provide the Company with a copy of the documents seeking disclosure of such information promptly upon receipt of such documents and prior to their disclosure of any such information, so that the Company may, upon notice to Executive, take such action as the Company deems appropriate in relation to such subpoena or request, and Executive (unless otherwise compelled to do so by lawful service of process, subpoena, court order, or by law or the rules or regulations of any regulatory body or governmental agency or instrumentality) may not disclose any such information until the Company has had the opportunity to take such action. Executive further understands and acknowledges that the Company's Insider Trading Policy will continue to apply to Executive and his family members until after the second trading day that any material nonpublic information in his possession has become public or is no longer material.

b) *Company Property.* Executive will promptly return to the Company all property belonging to it, including, but not limited to, laptops, monitors, desktop computers, mobile phones, hotspots and other mobile Wi-Fi devices, headsets, keyboards, mice, power cords and adaptors, identification badges, credit cards, supplies, documents, files, computer disks or drives, and the like (collectively, the "Company Property"). Executive further agrees to remove from any personal computer and other data devices all data and files containing Company information.

6. Pay and Leave Confirmation. Executive is not aware of any occasion on which the Company or any of the Released Parties failed to pay Executive for hours worked for or on behalf of the Company at the appropriate rate of pay. Executive is not aware of any occasion when he was denied any leave that he was entitled to take under the FMLA or any other law or regulation.

7. Cooperation in Legal Proceedings and Investigations. If requested, from and after the Separation Date, Executive agrees to make himself reasonably available to the Company to respond to requests by the Company for documents and information concerning matters involving facts or events relating to the Company that may be within his knowledge, and further agrees to provide truthful information to the Company, as reasonably requested upon reasonable notice from the Company with respect to pending and future litigation, arbitrations, dispute resolutions, investigations or requests for information. Executive shall be reimbursed for his reasonable out-of-pocket expenses incurred as a result of such cooperation and assistance, including reimbursement for his time (using an hourly rate of \$152.00, which is proportional to Executive's annual salary in effect at the time of his Separation Date). Executive acknowledges and agrees that should he fail to provide reasonable cooperation and assistance, the Company has the right to withhold, recover or claw back, as applicable, the Severance Payment or Post-Separation Equity Vesting from him.

8. Non-Disparagement. Except as permitted by Sections 4(c) and 5(a), Executive agrees that he will not directly or indirectly make any derogatory, disparaging, or defamatory statements concerning the Company or any of the Released Parties. For purposes of this Agreement, a derogatory or disparaging statement is any communication, oral or written (including electronic communications), which would cause or reasonably tend to cause the recipient of the communication to question the business condition, integrity, competence, fairness or good character of the person to whom or entity to which the communication relates.

9. Non-Competition and Non-Solicitation. The Parties agree to amend the Non-Competition Agreement as follows:

a) *Section 1 (a).* The "Business Territory" as defined in Section 1(a) Section 1(b) of the Non-Competition Agreement shall mean any state, county, or locality in the United States or around the world in which the Company is or has conducted business or, as of the Separation Date, has plans to do business.

b) *Section 1(b).* The "Company" as defined in Section 1(b) of the Non-Competition Agreement shall refer to Verra Mobility Corporation, a Delaware corporation, and its subsidiaries.

c) *Section 1(f).* The "Employee Non-Solicitation Period" and the "Client Non-Solicitation Period" as defined in Section 1(f) of the Non-Competition Agreement shall be extended by an additional six (6) months, from eighteen (18) months to twenty-four (24) months following the Separation Date.

d) Section 1(g). The “Non-Competition Period” defined in Section 1(g) of the Non-Competition Agreement shall be extended by an additional twelve (12) months, from twelve (12) months to twenty-four (24) months following the Separation Date.

10. Liquidated Damages for Breach of Certain Obligations. As Executive previously acknowledged when he signed the Non-Competition Agreement, a breach of his obligations under the Non-Competition Agreement could cause irreparable damage to the Company. Similarly, a breach of his obligations under Section 5, Section 7, Section 8 or Section 9 of this Agreement could irreparably damage the Company. Consequently, and because the damage that a breach of those obligations would inflict on the Company is not an amount that the Parties can clearly ascertain at this time, but would likely be even greater than the Severance Payments and Post-Separation Equity Award Vesting that Executive will receive under this Agreement, Executive agrees that if he breaches any of his obligations under Section 5, Section 7, Section 8 or Section 9 of this Agreement, he will not be entitled to any further payment pursuant to this Agreement and he will promptly: (i) return 100% of the Severance Payments to the Company; and (ii) forfeit the Post-Separation Equity Award Vesting received under this Agreement or, if the Company has already issued stock as a result of the Post-Separation Equity Award Vesting, reimburse the Company the fair market value of the Post-Separation Equity Award Vesting, which will be calculated by multiplying the number of shares issued as a result of the Post-Separation Equity Award Vesting by the closing price of the Company’s common stock on the date of the stock issuance. THE REMEDIES SET FORTH IN THIS SECTION 10 ARE NOT EXCLUSIVE AND SHALL BE IN ADDITION TO ANY OTHER LEGAL OR EQUITABLE REMEDY THAT MAY BE AVAILABLE TO THE COMPANY IN THE EVENT OF A BREACH BY EMPLOYEE.

11. Non-Admission. This Agreement does not constitute and shall not be construed as an admission by the Company or any of the Released Parties that any of them has violated any law, interfered with any rights, breached any obligation or otherwise engaged in any improper or illegal conduct with respect to Executive, and the Company expressly denies that it has engaged in any such conduct.

12. Severability. If any term or provision of this Agreement shall be determined by any court of competent jurisdiction to be invalid, illegal or unenforceable in whole or in part, and such determination shall become final, such provision or portion shall be deemed to be severed or limited, but only to the extent required to render the remaining terms and provisions of this Agreement enforceable. This Agreement as thus amended shall be enforced so as to give effect to the intention of the Parties insofar as that is possible. In addition, the Parties hereby expressly empower a court of competent jurisdiction to modify any term or provision of this Agreement to the extent necessary to comply with existing law and to enforce this Agreement as modified.

13. Choice of Law. This Agreement shall be construed, enforced and interpreted in accordance with and governed by the laws of the State of Arizona without regard to its choice-of-law principles.

14. Deductions and Withholding. The Company may deduct and withhold from any amounts payable to the Executive hereunder all federal, state, city or other taxes that the Company may reasonably determine are required to be deducted or withheld pursuant to any applicable law or regulation (it being understood that Executive shall be responsible for payment of all taxes in respect of the payments and benefits provided herein).

15. Headings. The headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

16. Entire Agreement. This Agreement constitutes the entire agreement between the Parties and supersedes all prior negotiations and agreements. This Agreement shall be binding upon and inure to the benefit of, as applicable, Executive’s (on the one hand) and the Company’s and the Released Parties’ (on the other hand) respective successors, assigns, heirs, estates, and representatives. This Agreement shall not be amended or modified except in a writing signed by Executive and the Company’s Chief Executive Officer.

17. Tax Code Section 409A Compliance. The intent of the Parties is that any payments and benefits under this Agreement that are subject to Section 409A of the Code comply with the requirements of Section 409A of the Code and any related regulations and other guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service. Accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered in compliance therewith. All expense reimbursements paid pursuant to this Agreement that are taxable income to Executive shall in no event be paid later than the end of the calendar year

next following the calendar year in which Executive incurs such expense. For purposes of applying the provisions of Section 409A of the Code to this Agreement, each separately identified amount to which Executive is entitled under this Agreement shall be treated as a separate payment. In addition, to the extent permissible under Section 409A of the Code, any series of installment payments under this Agreement shall be treated as a right to a series of separate payments. In no event shall the Company be liable to Executive for any adverse tax consequences arising under Section 409A.

18. Acceptance. Executive may accept this Agreement by delivering a signed original of this Agreement to the Company's Chief Executive Officer, David Roberts, on or before September 28, 2020. Executive's signing of this Agreement will be final and binding upon Executive.

19. Effective Date. This Agreement will become effective and enforceable on the date both Parties sign the Agreement (the "Effective Date").

20. Executive's Acknowledgment. Executive acknowledges that he (a) has carefully read and understands the terms and conditions of this Agreement; (b) has had adequate opportunity to consult with counsel of his choosing concerning the consequences of signing this Agreement and the release and waiver contained in Section 4; (c) is signing this Agreement knowingly and voluntarily of his own free will, without any duress, coercion or undue influence by the Company, its representatives, or other persons; and (d) has not relied on any promise, statement, or representation by anyone associated with the Company that is not contained in this Agreement in deciding to sign this Agreement. Executive specifically represents that he has not assigned or given to any other person or party the right to pursue any legal claim that falls within the scope of Section 4 of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties knowingly and voluntarily executed this Separation and Release Agreement as of the dates set forth below.

Executive

VM Consolidated, Inc.

Signature: /s/Vincent Brigidi
Vincent Brigidi

By: /s/David Roberts
David Roberts, CEO

Date: 9/23/2020

Date: 9/23/2020

EXHIBIT A

SUPPLEMENTAL SEPARATION AND RELEASE AGREEMENT

This Supplemental Separation and Release Agreement (this "Supplemental Release") is made by and between Vincent Brigidi ("Executive") and VM Consolidated, Inc. (the "Company") and, together with Executive, the "Parties"), as contemplated by that certain Separation and Release Agreement, by and between the Parties, dated as of September 30, 2020 (the "Separation Agreement"). Capitalized terms used by not otherwise defined herein shall have the meaning set forth in the Separation Agreement.

RECITALS

WHEREAS, pursuant to the Separation Agreement, the Parties agreed that Executive would continue to be employed by the Company after the Transition Date in order to assist the Company with the transition of his responsibilities during the Transition Period, ending October 30, 2020 (the "Separation Date"); and

WHEREAS, pursuant to the Separation Agreement and in consideration for the Severance Payments, Second RSU Vesting Tranche and Post-Separation Equity Award Vesting, Executive desires to execute this Supplemental Release following the Transition Period.

NOW, THEREFORE, 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, the parties hereto agree as follows:

1. Termination. Executive's last day of employment with the Company was the Separation Date. Executive's accrual of, and eligibility for vacation, holiday pay, and any other employee privileges ceased on the Separation Date. Pursuant to Section 3(b) of the Separation Agreement, Executive acknowledges that any unvested equity awards, other than the Third RSU Vesting Tranche, were forfeited as of the Separation Date.

2. General Release of Claims. In exchange of the consideration described above, including the Post-Separation Equity Award Vesting, Executive unconditionally, irrevocably and absolutely releases and discharges the Company, and any parent and subsidiary corporations, divisions and affiliated corporations, partnerships or other affiliated entities of the Company, past and present, as well as the Company's employees, officers, directors, agents, successors and assigns (collectively, "Released Parties"), from all claims related in any way to the transactions or occurrences between them to date, to the fullest extent permitted by law, including, but not limited to, Executive's employment with the Company, the termination of Executive's employment, and all other losses, liabilities, claims, charges, demands and causes of action, known or unknown, suspected or unsuspected, arising directly or indirectly out of or in any way connected with Executive's employment with the Company. This release is intended to have the broadest possible application and includes, but is not limited to, any tort, contract, wrongful discharge, common law, constitutional or other statutory claims, including, but not limited to alleged violations of the Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act ("ADEA"); the Fair Labor Standards Act; the Fair Credit Reporting Act; the Americans with Disabilities Act; the Family Medical Leave Act; the Equal Pay Act; the Employee Retirement Income Security Act of 1974; the National Labor Relations Act; the Arizona Minimum Wage Act; Arizona Equal Pay Act, the Arizona Employment Protection Act, the Arizona Civil Rights Act, the Arizona Occupational Health and Safety Act; Arizona Right to Work Act, the Arizona Drug Testing of Employees Act, the Arizona Medical Marijuana Act, and all other laws against discrimination, governing wage and hour, or applicable to employment that may be the subject of a release under applicable law. Executive expressly waives his right to recovery of any type, including damages or reinstatement, in any court action, whether state or federal, and whether brought by Executive or on his behalf, related in any way to the matters released herein. Nothing in this Agreement shall be construed to prohibit Executive from reporting conduct to, providing truthful information to or participating in any investigation or proceeding conducted by any federal or state government agency or self-regulatory organization.

Executive represents that, as of the date of this Supplemental Release, he has not filed any lawsuits, charges, complaints, petitions, claims or other accusatory pleadings against the Company or any of the Released Parties, in any court or with any governmental agency. Executive agrees that, to the fullest extent permitted by law, Executive will not prosecute, nor allow to be prosecuted on Executive's behalf, in any administrative agency, whether state or federal,

or in any court, whether state or federal, any claim or demand of any type related to the matters released in the Separation Agreement or this Supplemental Release.

Nothing in this Supplemental Release shall be construed to waive any claims that cannot be waived as a matter of law. In addition, this Supplemental Release does not prevent Executive from filing an administrative charge against the Company that may not be released as a matter of law. Nothing in this Supplemental Release shall be construed to prohibit Executive from reporting conduct to, providing truthful information to or participating in any investigation or proceeding conducted by any federal or state government agency or self-regulatory organization. This Supplemental Release does not waive any rights or claims that may arise after the date that Executive executed this Supplemental Release.

3. Job-Related Illness or Injury. Executive certifies that he has not experienced a job-related illness or injury for which he has not already filed a claim.

4. Acknowledgment. Executive stipulates and agrees that he has been advised in writing that, by virtue of his age, he may have rights under the ADEA, which rights will be extinguished by his execution of this Agreement.

- a. Executive acknowledges that he has been advised to seek an attorney regarding the effect of this Agreement prior to signing it.
- b. Executive stipulates and agrees that this Supplemental Release provides consideration in addition to anything of value to which he may be entitled independent of this Supplemental Release.
- c. Nothing herein shall be deemed to release claims that arise under the ADEA after the date that Executive executes this Supplemental Release.
- d. Executive acknowledges that he has twenty-one (21) days from the date this offer is received to consider this Supplemental Release before signing it. Executive may choose to execute this Supplemental Release before the expiration of this period.
- e. Executive understands that he has seven (7) days after accepting this offer to revoke his acceptance (the "Revocation Period"). Revocation must be in writing and either personally delivered or overnight mailed to the Company's Chief Executive Officer, David Roberts, to arrive on the eighth (8th) day after Executive executed this Supplemental Release. Neither Executive's acceptance nor the terms of this Supplemental Release will be effective until the Revocation Period has expired.

5. Acceptance. Executive may accept this Supplemental Release by delivering a signed original of this Supplemental Release to the Company's Chief Executive Officer, David Roberts, within twenty-one (21) calendar days from Executive's receipt of this Supplemental Release. Executive may decide to sign this Supplemental Release before the 21-day review period expires, provided, however, that Executive signing this Supplemental Release will be final and binding upon Executive, unless Executive rescinds the Supplemental Release within the Revocation Period referenced in Section 4 above.

6. Effective Date. This Supplemental Release will not become effective or enforceable until the eighth (8th) calendar day after Executive signs it (the "Effective Date"). If (i) this Supplemental Release fails to become effective and irrevocable on or prior to the 60th day following the Separation Date or (ii)(a) Executive revokes this Supplemental Release within the seven (7) day Revocation Period or (b) Executive fails to return an executed original within the required twenty-one (21) day timeframe referenced above, the Parties shall have no obligations under this Supplemental Release, and this Supplemental Release shall be considered null and void.

7. Severability. In the event any provision of this Supplemental Release shall be found unenforceable, that provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that the Company shall receive the benefits contemplated herein to the fullest extent permitted by law. If a deemed modification is not satisfactory to make it enforceable, then that unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

8. No Admissions. By entering into this Supplemental Release, the Company makes no admission that any of the Released Parties have engaged in any unlawful conduct. The Parties understand and acknowledge that this Supplemental Release is not an admission of liability and shall not be used or construed as such in any legal or administrative proceeding.

9. Applicable Law. The validity, interpretation and performance of this Supplemental Release shall be construed and interpreted according to the laws of the United States of America and the State of Arizona.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties knowingly and voluntarily executed this Supplemental Separation and Release Agreement as of the dates set forth below.

Vincent Brigidi

DATED: _____

By: _____
*not to be signed until on or after the Separation Date.

VM Consolidated, Inc.

DATED: _____

By: _____
Name: _____
Title: _____

**Certification of Principal Executive Officer
Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, David Roberts, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Verra Mobility Corporation;
2. Based on my knowledge, this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly 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 Quarterly Report;
4. The registrant's other certifying officer(s) 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 Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report on Form 10-Q based on such evaluation; and
 - d) Disclosed in this Quarterly Report on Form 10-Q any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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.

Dated: November 5, 2020

By: /s/ David Roberts

David Roberts

President and Chief Executive Officer

**Certification of Principal Financial Officer
Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Patricia Chiodo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Verra Mobility Corporation;
2. Based on my knowledge, this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly 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 Quarterly Report;
4. The registrant's other certifying officer(s) 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 Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report on Form 10-Q 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 fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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.

Dated: November 5, 2020

By: /s/ Patricia Chiodo
Patricia Chiodo
Chief Financial Officer

VERRA MOBILITY CORPORATION
CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the periodic report of Verra Mobility Corporation (the “*Company*”) on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission (the “*Report*”), I, David Roberts, President and Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Dated: November 5, 2020

By: /s/ David Roberts

David Roberts

President and Chief Executive Officer

VERRA MOBILITY CORPORATION
CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the periodic report of Verra Mobility Corporation (the “*Company*”) on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission (the “*Report*”), I, Patricia Chiodo, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Dated: November 5, 2020

By: /s/ Patricia Chiodo

Patricia Chiodo
Chief Financial Officer