

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Paysign, Inc.

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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 June 30, 2019

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 000-54123

PAYSIGN, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

95-4550154
(IRS Employer Identification No.)

1700 W Horizon Ridge Parkway, Suite 200,
Henderson, Nevada 89012
(Address of principal executive offices)

(702) 453-2221
(Issuer's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	PAYS	The NASDAQ Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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 under Rule 12b-2 of the Exchange Act. See the definition 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
Emerging growth company
Accelerated filer
Smaller reporting 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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 47,570,512 shares as of July 29, 2019.

PAYSIGN, INC.
FORM 10-Q REPORT
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PAYSIGN, INC.
(Formerly known as, 3PEA INTERNATIONAL, INC.)
CONDENSED CONSOLIDATED BALANCE SHEETS
JUNE 30, 2019 AND DECEMBER 31, 2018

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current assets		
Cash	\$ 6,289,008	\$ 5,615,073
Restricted cash	42,600,430	26,050,668
Accounts receivable	948,892	337,303
Prepaid expenses and other assets	966,633	1,175,241
Total current assets	<u>50,804,963</u>	<u>33,178,285</u>
Fixed assets, net	969,161	883,490
Intangible assets, net	<u>2,268,611</u>	<u>2,115,933</u>
Total assets	<u>\$ 54,042,735</u>	<u>\$ 36,177,708</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,005,867	\$ 1,327,497
Customer card funding	40,323,617	25,960,974
Total current liabilities	<u>41,329,484</u>	<u>27,288,471</u>
Total liabilities	<u>41,329,484</u>	<u>27,288,471</u>
Equity		
Preferred stock: \$0.001 par value; 25,000,000 shares authorized; none issued and outstanding at June 30, 2019 and December 31, 2018	-	-
Common stock: \$0.001 par value; 150,000,000 shares authorized, 47,556,912 and 46,440,765 issued at June 30, 2019 and December 31, 2018, respectively	47,557	46,441
Additional paid-in capital	9,833,648	8,620,144
Treasury stock at cost, 303,450 shares	(150,000)	(150,000)
Retained earnings	3,190,044	579,582
Total Paysign, Inc.'s stockholders' equity	<u>12,921,249</u>	<u>9,096,167</u>
Noncontrolling interest	(207,998)	(206,930)
Total equity	<u>12,713,251</u>	<u>8,889,237</u>
Total liabilities and equity	<u>\$ 54,042,735</u>	<u>\$ 36,177,708</u>

See accompanying notes to unaudited condensed consolidated financial statements.

PAYSIGN, INC.
(Formerly known as, 3PEA INTERNATIONAL, INC.)
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED)

	For the three months ended June 30,	
	2019	2018
Revenues	\$ 8,636,271	\$ 5,460,723
Cost of revenues (excluding depreciation and amortization)	<u>3,598,038</u>	<u>2,840,876</u>
Gross profit	<u>5,038,233</u>	<u>2,619,847</u>
Operating expenses		
Depreciation and amortization	395,510	250,447
Selling, general and administrative	<u>3,012,971</u>	<u>1,667,856</u>
Total operating expenses	<u>3,408,481</u>	<u>1,918,303</u>
Income from operations	<u>1,629,752</u>	<u>701,544</u>
Other income (expense)		
Other (expense)	–	(3,125)
Interest income	131,811	33,015
Total other income, net	<u>131,811</u>	<u>29,890</u>
Income before income tax expense and noncontrolling interest	1,761,563	731,434
Income tax expense	<u>23,276</u>	<u>–</u>
Net income before noncontrolling interest	1,738,287	731,434
Net loss attributable to noncontrolling interest	<u>504</u>	<u>622</u>
Net income attributable to Payscale, Inc.	<u>\$ 1,738,791</u>	<u>\$ 732,056</u>
Net income per common share – basic	<u>\$ 0.04</u>	<u>\$ 0.02</u>
Net income per common share - fully diluted	<u>\$ 0.03</u>	<u>\$ 0.01</u>
Weighted average common shares outstanding - basic	<u>47,310,209</u>	<u>45,560,692</u>
Weighted average common shares outstanding - fully diluted	<u>54,967,595</u>	<u>51,988,192</u>

See accompanying notes to unaudited condensed consolidated financial statements.

PAYSIGN, INC.
(Formerly known as, 3PEA INTERNATIONAL, INC.)
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED)

	For the six months ended June 30,	
	2019	2018
Revenues	\$ 15,893,561	\$ 10,137,042
Cost of revenues (excluding depreciation and amortization)	7,080,174	5,274,086
Gross profit	8,813,387	4,862,956
Operating expenses		
Depreciation and amortization	729,271	496,079
Selling, general and administrative	5,717,921	3,247,321
Total operating expenses	6,447,192	3,743,400
Income from operations	2,366,195	1,119,556
Other income (expense)		
Other (expense)	–	(31,125)
Interest income	250,985	53,615
Total other income, net	250,985	22,490
Income before income tax expense and noncontrolling interest	2,617,180	1,142,046
Income tax expense	7,786	–
Net income before noncontrolling interest	2,609,394	1,142,046
Net loss attributable to noncontrolling interest	1,068	2,517
Net income attributable to Paysign, Inc.	\$ 2,610,462	\$ 1,144,563
Net income per common share – basic	\$ 0.06	\$ 0.03
Net income per common share - fully diluted	\$ 0.05	\$ 0.02
Weighted average common shares outstanding - basic	47,136,608	45,359,479
Weighted average common shares outstanding - fully diluted	54,739,483	51,437,538

See accompanying notes to unaudited condensed consolidated financial statements.

PAYSIGN, INC.
(Formerly known as, 3PEA INTERNATIONAL, INC.)
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2019

	Stockholders' Equity Attributable to Paysign, Inc.							Total Equity
	Common Stock		Additional Paid-in Capital	Treasury Stock Amount	Retained Earnings	Non- controlling Interest		
	Shares	Amount						
Balance, December 31, 2018	46,440,765	\$ 46,441	\$ 8,620,144	\$ (150,000)	\$ 579,582	\$ (206,930)	\$ 8,889,237	
Issuance of stock for previously vested stock based compensation	291,147	291	(291)	-	-	-	-	
Stock-based compensation	-	-	646,710	-	-	-	646,710	
Net income (loss)	-	-	-	-	871,671	(564)	871,107	
Balance, March 31, 2019	46,731,912	46,732	9,266,563	(150,000)	1,451,253	(207,494)	10,407,054	
Issuance of stock for previously vested stock based compensation	825,000	825	(825)	-	-	-	-	
Stock-based compensation	-	-	567,910	-	-	-	567,910	
Net income (loss)	-	-	-	-	1,738,791	(504)	1,738,287	
Balance, June 30, 2019	47,556,912	\$ 47,557	\$ 9,833,648	\$ (150,000)	\$ 3,190,044	\$ (207,998)	\$ 12,713,251	

FOR THE SIX MONTHS ENDED JUNE 30, 2018

	Stockholders' Equity Attributable to Paysign, Inc.						Total Equity	
	Common Stock		Additional Paid-in Capital	Treasury Stock Amount	Accumulated Deficit	Non- controlling Interest		
	Shares	Amount						
Balance, December 31, 2017	43,670,765	\$ 43,671	\$ 7,155,970	\$ (150,000)	\$ (2,008,472)	\$ (200,117)	\$ 4,841,052	
Stock-based compensation	-	-	137,401	-	-	-	137,401	
Net income (loss)	-	-	-	-	412,507	(1,895)	410,612	
Balance, March 31, 2018	43,670,765	43,671	7,293,371	(150,000)	(1,595,965)	(202,012)	5,389,065	
Stock-based compensation	-	-	212,181	-	-	-	212,181	
Net income (loss)	-	-	-	-	732,056	(622)	731,434	
Balance, June 30, 2018	43,670,765	\$ 43,671	\$ 7,505,552	\$ (150,000)	\$ (863,909)	\$ (202,634)	\$ 6,332,680	

See accompanying notes to unaudited condensed consolidated financial statements.

PAYSIGN, INC.
(Formerly known as, 3PEA INTERNATIONAL, INC.)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED)

	For the six months ended June 30,	
	2019	2018
Cash flows from operating activities:		
Net income attributable to Paysign, Inc.	\$ 2,610,462	\$ 1,144,563
Adjustments to reconcile net income attributable to Paysign, Inc. to net cash provided by operating activities:		
Change in noncontrolling interest	(1,068)	(2,517)
Depreciation and amortization	729,271	496,079
Stock-based compensation	1,214,620	349,582
Changes in operating assets and liabilities:		
Change in accounts receivable	(611,589)	(24,059)
Change in prepaid expenses and other current assets	208,608	(474,354)
Change in accounts payable and accrued liabilities	(321,630)	(456,546)
Change in customer card funding	14,362,643	4,047,583
Net cash provided by operating activities	<u>18,191,317</u>	<u>5,080,331</u>
Cash flows from investing activities:		
Purchase of fixed assets	(234,255)	(61,473)
Increase in intangible assets	(733,365)	(645,441)
Net cash used in investing activities	<u>(967,620)</u>	<u>(706,914)</u>
Net change in cash and restricted cash	17,223,697	4,373,417
Cash and restricted cash, beginning of period	<u>31,665,741</u>	<u>17,164,757</u>
Cash and restricted cash, end of period	<u>\$ 48,889,438</u>	<u>\$ 21,538,174</u>
Cash and Restricted Cash Reconciliation:		
Cash	\$ 6,289,008	\$ 3,074,147
Restricted cash	42,600,430	18,464,027
Total cash and restricted cash	<u>\$ 48,889,438</u>	<u>\$ 21,538,174</u>
Interest paid	\$ —	\$ —
Income taxes paid	\$ —	\$ —

See accompanying notes to unaudited condensed consolidated financial statements.

PAYSIGN, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT POLICIES

The foregoing unaudited interim condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions for Form 10-Q and Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, these financial statements do not include all of the disclosures required by GAAP for complete financial statements. These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements and the notes thereto included on Form 10-K for the year ended December 31, 2018. In the opinion of management, the unaudited interim condensed financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented.

The preparation of financial statements in accordance with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company's financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions that could have a material effect on the reported amounts of the Company's financial position and results of operations.

Operating results for the three and six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

About Paysign, Inc.

Paysign, Inc. (the "Company," "Paysign," or "we", formerly known as 3PEA International, Inc.) is a vertically integrated provider of innovative prepaid card products and processing services for corporate, consumer and government applications. Our payment solutions are utilized by our corporate customers as a means to increase customer loyalty, increase patient adherence rate, reduce administration costs and streamline operations. Public sector organizations can utilize our payment solutions to disburse public benefits or for internal payments. The Company markets prepaid card solutions under our Paysign® brand. As we are both a payment processor and prepaid card program manager, we derive revenue from all stages of the prepaid card lifecycle. We utilize our proprietary Paysign platform consisting of proprietary systems and innovative software applications based on the unique needs of our programs. We design and process prepaid card programs whereby customers can define the services they wish to offer cardholders. Through the Paysign platform, we provide a variety of services including transaction processing, cardholder enrollment, value loading, cardholder account management, reporting, and customer service.

The Paysign brand offers prepaid card based solutions or "card products" for corporate incentive rewards and corporate expense, per diem and travel payments, healthcare reimbursement payments, pharmaceutical co-pay assistance, donor compensation and clinical trials. We plan to expand our product offering to include payroll cards, general purpose re-loadable cards, and others. Our cards are offered to end users through our relationships with bank issuers.

The Paysign platform was built on modern cross-platform architecture and designed to be highly flexible, scalable and customizable. The platform allows us to significantly expand our operational capabilities by facilitating entry into new markets within the payments space through its flexibility and ease of customization. The Paysign platform delivers cost benefits and revenue building opportunities to our partners.

We manage all aspects of the debit card lifecycle, from managing the card design and approval processes with partners and networks, to production, packaging, distribution, and personalization. We oversee inventory and security controls, renewals, lost and stolen card management and replacement. We deploy a fully staffed, in-house customer service department which utilizes bilingual customer service agents, Interactive Voice Response (IVR), and two-way short message service (SMS) messaging and text alerts.

On March 4, 2019, our board of directors and stockholders holding a majority of our outstanding common stock agreed to amend our articles of incorporation to change our name from 3PEA International, Inc. to Paysign, Inc. As a result, we amended our articles of incorporation on April 23, 2019 for such name change. Additionally, we changed our trading symbol on the NASDAQ Capital Market to "PAYS".

Principles of consolidation – The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of estimates – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash restricted – At June 30, 2019 and December 31, 2018, restricted cash consisted of funds held specifically for our card product programs that are contractually restricted to use. Changes in cash restricted balances which represent customer deposits are included in operating activities in our condensed consolidated statements of cash flows.

Intangible assets – Internally Developed Software Costs - Computer software development costs are expensed as incurred, except for internal use software or website development costs that qualify for capitalization as described below, and include compensation and related expenses, costs of hardware and software, and costs incurred in developing features and functionality.

For computer software developed or obtained for internal use, costs that are incurred in the preliminary project and post implementation stages of software development are expensed as incurred. Costs incurred during the application and development stage are capitalized. Capitalized costs are amortized using the straight-line method over a three-year estimated useful life, beginning in the period in which the software is available for use.

For intangible assets, we recognize an impairment loss if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible asset is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives.

Earnings per share– Basic earnings per share exclude any dilutive effects of options, warrants and convertible securities. Basic earnings per common share is computed using the weighted-average number of outstanding common stocks during the applicable period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to be issued common stock were exercised or converted into common stock or resulted in the issuance of common stock that are then shared in the earnings of the Company. Common stock equivalent shares are excluded from the computation if their effect is antidilutive.

Revenue and expense recognition (Adoption of ASC 606, *Revenue from Contracts with Customers*) – In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (ASC Topic 606)*, guidance on recognizing revenue from contracts with customers. The guidance outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the model is that an entity recognizes revenue to portray the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also expands disclosure requirements regarding revenue recognition. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017 and may be applied retrospectively to each prior period presented or using a modified retrospective approach with the cumulative effect recognized as of the date of initial application. Early adoption is permitted for interim and annual reporting periods beginning after December 15, 2016. We adopted this guidance as of January 1, 2018 using the modified retrospective transition method. The adoption of the guidance did not have a material impact on our financial condition and results of operations. The standard also requires new, expanded disclosures regarding revenue recognition. Several ASU's have been issued since the issuance of ASU 2014-09. These ASU's, which modify certain sections of ASU 2014-09 are intended to promote a more consistent interpretation and application of the principles outlined in the standard.

The Company recognizes revenue when goods or services are transferred to customers in an amount that reflects the consideration which it expects to receive in exchange for those goods or services. In determining when and how revenue is recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of contract with customers; (ii) determination of performance obligations; (iii) measurement of the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company generates revenue through fees generated from cardholder transactions, interchange and card program management fees. Revenue from cardholder transactions, interchange and card program management fees is recorded when the performance obligation is fulfilled. The Company records all revenue on a gross basis since it is the primary obligor and establishes the price in the contract arrangement with its customers. The Company is currently under no obligation for refunding any fees or has any obligations for disputed claim settlements. Given the nature of the Company's services and contracts, it has no contract assets.

Stock-Based Compensation – We adopted the guidance in ASU 2018-07, *Compensation - Stock Compensation (Topic 718) - Improvements to Nonemployee Share-Based Payment Accounting*, on January 1, 2019. This ASU expands the scope to make the guidance for share-based payment awards to nonemployees consistent with the guidance for share-based payment awards to employees. The adoption of ASU 2018-07 did not have a material impact on the consolidated financial statements.

Prior to the adoption of ASU 2018-07, stock based compensation for non-employees is accounted for using the Equity-Based Payments to Non-Employee Topic of the FASB ASC, which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. We determine the value of stock issued at the date of grant. We also determine at the date of grant the value of stock at fair market value or the value of services rendered (based on contract or otherwise) whichever is more readily determinable.

Stock based compensation for employees is accounted for using the Stock Based Compensation Topic of the FASB ASC. We use the fair value method for equity instruments granted to employees and will use the Black Scholes model for measuring the fair value of options, if issued. The stock based fair value compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the requisite service periods, which are generally the vesting periods.

New accounting pronouncements - In February 2016, the FASB issued ASU 2016-02, *Leases*. This update requires lessees to recognize at the lease commencement date a lease liability which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance sheet financing. This update is effective for financial statements issued for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Applying a full retrospective approach is not allowed. There was no material impact of this adoption on the Company's consolidated financial position, results of operations and cash flows.

2. FIXED ASSETS

Fixed assets consist of the following:

	June 30, 2019	December 31, 2018
Equipment	\$ 1,692,726	\$ 1,586,954
Software	265,274	165,274
Furniture and fixtures	149,684	140,209
Website Costs	44,475	25,467
Leasehold improvements	52,894	52,894
	<u>2,205,053</u>	<u>1,970,798</u>
Less: accumulated depreciation and amortization	1,235,892	1,087,308
Fixed assets, net	<u>\$ 969,161</u>	<u>\$ 883,490</u>

3. INTANGIBLE ASSETS

Intangible assets consist of the following:

	June 30, 2019	December 31, 2018
Patents and trademarks	\$ 36,073	\$ 36,073
Platform	4,761,133	4,105,780
Kiosk	64,802	64,802
Licenses	511,697	433,685
	<u>5,373,705</u>	<u>4,640,340</u>
Less: accumulated amortization	3,105,094	2,524,407
Intangible assets, net	<u>\$ 2,268,611</u>	<u>\$ 2,115,933</u>

Intangible assets are amortized over their estimated useful lives ranging from 3 to 5 years.

4. COMMON STOCK

At June 30, 2019, the Company's authorized capital stock was 150,000,000 shares of common stock, par value \$0.001 per share, and 25,000,000 shares of preferred stock, par value \$0.001 per share. As of that date, the Company had 47,556,912 shares of common stock, and no shares of preferred stock.

2019 Transactions: During the three and six months ended June 30, 2019, the Company issued a total of 825,000 and 1,116,147, respectively, for restricted stock awards previously granted, earned and vested.

In February 2019, the Company issued a total of 291,147 shares of common stock to three individuals for restricted stock awards previously granted, earned and vested.

In April 2019, the Company issued a total of 500,000 shares of common stock to four individuals for stock awards previously granted, earned and vested.

In May 2019, the Company issued a total of 100,000 shares of common stock to three individuals for stock awards previously granted, earned and vested.

In June 2019, the Company issued a total of 225,000 shares of common stock to three individuals for stock awards previously granted, earned and vested.

2018 Transactions: During the six months ended June 30, 2018, the Company did not issue any shares of common stock.

Stock and Warrant Grants:

In May 2019 and June 2019, the Company granted three employees a total of 145,000 shares of common stock. The shares were valued for a total of \$1,426,450 based on the average closing stock price per share of \$9.84 at the date of grants. The 145,000 shares have an annual vesting period of five years with the first vesting period occurring on June 30, 2020 with vesting start date for each grant of July 1, 2019.

In April 2019, the Company granted an employee a total of 50,000 shares of common stock. The shares were valued at \$377,000 based on the closing stock price per share of \$7.54 at the date of grant. The 50,000 shares have an annual vesting period of five years with the first vesting period occurring on April 30, 2020.

From 2016 to 2018, excluding employee terminations, the Company granted a total of 8,690,000 shares of common stock and 2,688,000 stock options. The shares were valued at \$6,419,849 or an average price per share of \$.74. The stock options were valued at \$4,172,996 an average price per share of \$1.55, collectively vesting over a three to five year period. The amount expensed related to these grants for the three and six months ended June 30, 2019 \$646,710 and \$1,214,620, respectively. The amount expensed for the three and six months ended June 30, 2018 totaled \$137,401 and \$349,582, respectively.

5. BASIC AND FULLY DILUTED NET INCOME PER COMMON SHARE

The following table sets forth the computation of basic and fully diluted net income per common share for the three months ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Numerator:		
Net income attributable to Payscale, Inc.	\$ 1,738,791	\$ 732,056
Denominator:		
Weighted average common shares:		
Denominator for basic calculation	47,310,209	45,560,692
Weighted average effects of potentially diluted common stock:		
Stock options (calculated using the treasury method)	2,287,387	662,500
Unvested restricted stock grants	5,370,000	5,765,000
Denominator for fully diluted calculation	<u>54,967,595</u>	<u>51,988,192</u>
Net income per common share:		
Basic	<u>\$ 0.04</u>	<u>\$ 0.02</u>
Fully diluted	<u>\$ 0.03</u>	<u>\$ 0.01</u>

The following table sets forth the computation of basic and fully diluted net income per common share for the six months ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Numerator:		
Net income attributable to Payscale, Inc.	\$ 2,610,462	\$ 1,144,563
Denominator:		
Weighted average common shares:		
Denominator for basic calculation	47,136,608	45,359,479
Weighted average effects of potentially diluted common stock:		
Stock options (calculated using the treasury method)	2,158,289	422,253
Unvested restricted stock grants	5,444,586	5,655,806
Denominator for fully diluted calculation	<u>54,739,483</u>	<u>51,437,538</u>
Net income per common share:		
Basic	<u>\$ 0.06</u>	<u>\$ 0.03</u>
Fully diluted	<u>\$ 0.05</u>	<u>\$ 0.02</u>

6. SUBSEQUENT EVENTS

The Company has completed an evaluation of all subsequent events through the issuance date of these financial statements and concluded that no other subsequent events occurred that required recognition to the financial statements or disclosures in the Notes to Consolidated Financial Statements or Cash Flows.

Disclosure Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q includes forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended ("Forward Looking Statements"). All statements other than statements of historical fact included in this report are Forward Looking Statements. In the normal course of our business, we, in an effort to help keep our shareholders and the public informed about our operations, may from time-to-time issue certain statements, either in writing or orally, that contains or may contain Forward Looking Statements. Although we believe that the expectations reflected in such Forward Looking Statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of such plans or strategies, past and possible future, of acquisitions and projected or anticipated benefits from acquisitions made by or to be made by us, or projections involving anticipated revenues, earnings, levels of capital expenditures or other aspects of operating results. All phases of our operations are subject to a number of uncertainties, risks and other influences, many of which are outside of our control and any one of which, or a combination of which, could materially affect the results of our proposed operations and whether Forward Looking Statements made by us ultimately prove to be accurate. Such important factors ("Important Factors") and other factors could cause actual results to differ materially from our expectations are disclosed in this report, including those factors discussed in "Item 1A. Risk Factors." All prior and subsequent written and oral Forward Looking Statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the Important Factors described below that could cause actual results to differ materially from our expectations as set forth in any Forward Looking Statement made by or on behalf of us.

Overview

On March 4, 2019, our board of directors and stockholders holding a majority of our outstanding common stock agreed to amend our articles of incorporation to change our name from 3PEA International, Inc. to Paysign, Inc. As a result, we amended our articles of incorporation on April 23, 2019 for such name change. Additionally, we changed our trading symbol on the NASDAQ Capital Market to "PAYS".

We are a vertically integrated provider of innovative prepaid card products and processing services for corporate, consumer and government applications. Our payment solutions are utilized by our corporate customers as a means to increase customer loyalty, increase patient adherence rates, reduce administration costs and streamline operations. Public sector organizations can utilize our payment solutions to disburse public benefits or for internal payments. We market our prepaid card solutions under our Paysign brand. As we are a payment processor and prepaid card program manager, we derive our revenue from all stages of the prepaid card lifecycle. We provide a card processing platform consisting of proprietary systems and innovative software applications based on the unique needs of our clients. We have extended our processing business capabilities through our proprietary Paysign platform. Through the Paysign platform, we provide a variety of services including transaction processing, cardholder enrollment, value loading, cardholder account management, reporting, and customer service.

We have developed prepaid card programs for corporate incentive and rewards including, but not limited to, consumer rebates and rewards, donor compensation, healthcare reimbursement payments and pharmaceutical payment assistance. We are expanding our product offerings to include additional corporate incentive products, payroll cards, demand deposit accounts accessible with a debit card, travel cards, and expense reimbursement cards. Our cards are sponsored by our issuing bank partners.

The Paysign platform was built on modern cross-platform architecture and designed to be highly flexible, scalable and customizable. The platform has allowed us to significantly expand its operational capabilities by facilitating our entry into new markets within the payments space through its flexibility and ease of customization. The Paysign platform delivers cost benefits and revenue building opportunities to our partners.

Our revenues include fees generated from cardholder transactions, interchange and card program management fees. Revenue from cardholder transactions, interchange and card program management fees is recorded when the performance obligation is fulfilled. We provide an in-house customer service center which includes live bi-lingual phone operators staffed 24/7/365, for incoming calls. We also provide in house Interactive Voice Response and two-way SMS messaging platforms.

We have two categories for our prepaid debit cards: corporate and consumer reloadable, and non-reloadable cards.

Reloadable Cards: These types of cards are generally incentive, payroll or considered general purpose reloadable (“GPR”) cards. Payroll cards are issued to an employee by an employer to receive the direct deposit of their payroll. GPR cards can also be issued to a consumer at a retail location or mailed to a consumer after completing an on-line application. GPR cards can be reloaded multiple times with a consumer’s payroll, government benefit, a federal or state tax refund or through cash reload networks located at retail locations. Reloadable cards are generally open loop cards as described below.

Non-Reloadable Cards: These are generally one-time use cards that are only active until the funds initially loaded to the card are spent. These types of cards are gift or incentive cards. These cards may be open loop or closed loop. Normally these types of cards are used for purchase of goods or services at retail locations and cannot be used to receive cash.

These prepaid cards may be open loop, closed loop or semi-closed loop. Open loop cards can be used to receive cash at ATM locations or purchase goods or services by PIN or signature at retail locations. These cards can be used virtually anywhere that the network brand (Visa, MasterCard, Discover, etc.) is accepted. Closed loop cards can only be used at a specific merchant. Semi-closed loop cards can be used at several merchants such as a shopping mall.

The prepaid card market is one of the fastest growing segments of the payments industry in the U.S. This market has experienced significant growth in recent years due to consumers and merchants embracing improved technology, greater convenience, more product choices and greater flexibility. Prepaid cards have also proven to be an attractive alternative to traditional bank accounts for certain segments of the population, particularly those without, or who could not qualify for, a checking or savings account.

We have developed prepaid card products for healthcare reimbursement payments, pharmaceutical assistance, donor compensation, corporate and incentive rewards and expense reimbursement cards. We plan to expand our product offering to include payroll cards, general purpose re-loadable cards and travel cards. Our cards are offered to end users through our relationships with bank issuers.

Our products and services are aimed at capitalizing on the growing demand for stored value and reloadable ATM/prepaid card financial products in a variety of market niches. Our proprietary platform is scalable and customizable, delivering cost benefits and revenue building opportunities to partners. We manage all aspects of the debit card lifecycle, from managing the card design and approval processes with banking partners and card networks, to production, packaging, distribution, and personalization. We also oversee inventory and security controls, renewals, lost and stolen card management and replacement.

Currently, we are focusing our marketing efforts on corporate incentive and expense prepaid card products, in various market verticals including but not limited to general corporate expense, healthcare related markets including co-pay assistance, clinical trials and donor compensation, loyalty rewards and incentive cards.

As part of our continuing platform expansion process, we evaluate current and emerging technologies for applicability to our existing and future software platform. To this end, we engage with various hardware and software vendors in evaluation of various infrastructure components. Where appropriate, we use third-party technology components in the development of our software applications and service offerings. Third-party software may be used for highly specialized business functions, which we may not be able to develop internally within time and budget constraints. Our principal target markets for processing services include prepaid card issuers, retail and private-label issuers, small third-party processors, and small and mid-size financial institutions in the United States and in emerging international markets.

We have devoted more extensive resources to sales and marketing activities as we have added essential personnel to our marketing and sales team. We sell our products directly to customers in the U.S. but may work with a small number of resellers and third parties in international markets to identify, sell and support targeted opportunities. We have also identified opportunities in the European Union and are pursuing those opportunities.

During 2019, we will continue to invest additional funds in technology improvements, sales and marketing, customer service, and regulatory compliance. We are considering raising capital to enable us to diversify into new market verticals. If we do not raise new capital, we believe that we will still be able to expand into new markets using internally generated funds, but our expansion will not be as rapid.

Key Performance Indicators and Non-GAAP Measures

Management reviews a number of metrics to help us monitor the performance of and identify trends affecting our business. We believe the following measures are the primary indicators of our quarterly and annual revenues:

Gross Dollar Volume Loaded on Cards – Represents the total dollar volume of funds loaded to all of our prepaid card programs. Our gross dollar volume was \$205 million and \$149 million for the three months ended June 30, 2019 and 2018, respectively. Our gross dollar volume was \$397 million and \$276 million for the six months ended June 30, 2019 and 2018, respectively. We use this metric to analyze the total amount of money moving into our prepaid card programs.

Conversion Rate on Gross Dollar Volume Loaded on Cards – Comprised of revenues, gross profit and net profit conversion rates of gross dollar volume loaded on cards. Our revenue conversion rate for the three months ended June 30, 2019 and 2018 were 4.21% or 421 basis points (“bps”), and 3.66% or 366 bps, respectively, of gross dollar volume loaded on cards. Our gross profit conversion rate for the three months ended June 30, 2019 and 2018 were 2.45% or 245 bps, and 1.76% or 176 bps, respectively, of gross dollar volume loaded on cards. Our net profit conversion rate for the three months ended June 30, 2019 and 2018 were 0.85% or 85 bps, and 0.49% or 49 bps, respectively, of gross dollar volume loaded on cards. Our revenue conversion rate for the six months ended June 30, 2019 and 2018 were 4.01% or 401 basis points (“bps”), and 3.67% or 367 bps, respectively, of gross dollar volume loaded on cards. Our gross profit conversion rate for the six months ended June 30, 2019 and 2018 were 2.22% or 222 bps, and 1.76% or 176 bps, respectively, of gross dollar volume loaded on cards. Our net profit conversion rate for the six months ended June 30, 2019 and 2018 were 0.66% or 66 bps, and 0.41% or 41 bps, respectively, of gross dollar volume loaded on cards.

In addition, management reviews key performance indicators, such as revenues, gross profit, operational expenses as a percent of revenues, and cardholder participation. In addition, we consider certain non-GAAP (or “adjusted”) measures to be useful to management and investors evaluating our operating performance for the periods presented, and provide a tool for evaluating our ongoing operations, liquidity and management of assets. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment and investment in new card programs. These adjusted metrics are consistent with how management views our business and are used to make financial, operating and planning decisions. These metrics, however, are not measures of financial performance under GAAP and should not be considered a substitute for revenue, operating income, net income, earnings per share (basic and diluted) or net cash from operating activities as determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators:

“EBITDA” defined as earnings before interest, income taxes, depreciation and amortization expense and “Adjusted EBITDA” reflects the adjustment to EBITDA to exclude stock-based compensation expense.

	Three Months Ended June 30,	
	2019	2018
Reconciliation of adjusted EBITDA to net income:		
Net income attributable to Paysign, Inc.	\$ 1,738,791	\$ 732,056
Income tax expense	23,276	–
Interest income	(131,811)	(33,015)
Depreciation and amortization	395,510	250,447
EBITDA	2,025,766	949,488
Stock-based compensation	567,910	212,181
Adjusted EBITDA	\$ 2,593,676	\$ 1,161,669

	Six Months Ended June 30,	
	2019	2018
Reconciliation of adjusted EBITDA to net income:		
Net income attributable to Paysign, Inc.	\$ 2,610,462	\$ 1,144,563
Income tax expense	7,786	-
Interest income	(250,985)	(53,615)
Depreciation and amortization	729,271	496,079
EBITDA	3,096,534	1,587,027
Stock-based compensation	1,214,620	349,582
Adjusted EBITDA	\$ 4,311,154	\$ 1,936,609

Results of Operations

Three Months ended June 30, 2019 and 2018

Revenues for the three months ended June 30, 2019 were \$8,636,271, an increase of \$3,175,548 compared to the same period in the prior year, when revenues were \$5,460,723. The increase in revenue approximating 58% was primarily due to an increase in the number of new corporate incentive prepaid card products and growth within our existing corporate incentive prepaid card products. We believe we will continue to experience equal or better revenue growth rate for the rest of 2019 as a result of growth in our existing product lines and industry verticals and the expected addition of new card products in various industry verticals.

Cost of revenues (excluding depreciation and amortization) for the three months ended June 30, 2019 were \$3,598,038, an increase of \$757,162 compared to the same period in the prior year, when cost of revenues were \$2,840,876. Cost of revenues constituted approximately 42% and 52% of total revenues for the three months ended June 30, 2019 and 2018, respectively. Cost of revenues is comprised of transaction processing fees, data connectivity and data center expenses, network fees, bank fees, card production costs, customer service and program management expenses, application integration setup, and sales and commission expense. Our cost of revenues (excluding depreciation and amortization) as a percentage of revenues decreased due to improved network interchange margins and a favorable client mix.

Gross profit for the three months ended June 30, 2019 was \$5,038,233, an increase of \$2,418,386 compared to the same period in the prior year, when gross profit was \$2,619,847. Our overall gross margins were 58% and 48% during the three months ended June 30, 2019 and 2018, respectively, which was consistent with our expectations and an improvement of 1036 bps resulting from favorable client industry mix. Gross margins are expected to perform at these levels or slightly better the balance of the year, based on increased revenues and favorable client mix.

Depreciation and amortization for the three months ended June 30, 2019 were \$395,510, an increase of \$145,063 compared to the same period in the prior year, when depreciation and amortization were \$250,447. The increase in depreciation and amortization was primarily due to continued capitalized enhancements to our platform which we expect to continue. Additionally, investments in fixed assets and software licensing contributed to the variance.

Selling, general and administrative expenses ("SG&A") for the three months ended June 30, 2019 were, \$3,012,971 an increase of \$1,345,115 compared to the same period in the prior year, when SG&A were \$1,667,856. The increase in SG&A was primarily due to the carry through effect of investments in infrastructure, staffing and stock-based compensation occurring in the second half of 2018, along with additional investments in infrastructure and staffing in 2019. In 2019, SG&A has increased at a slower rate of growth, increasing just \$421,029 in the current quarter or approximately 16% compared to the fourth quarter 2018.

In the three months ended June 30, 2019, we recorded operating income of \$1,629,752 as compared to operating income of \$701,544 in the three months ended June 30, 2018, an increase of \$928,208 or 132%.

Other income, net for the three months ended June 30, 2019 was \$131,811, as compared to other income, net of \$29,890 in three months ended June 30, 2018, which represents an increase in net other income, net of \$101,921. The increase in our other income, net is attributable to increased interest earnings on our cash balances, which we expect to continue in future periods.

Our income tax expense for the three months June 30, 2019 was \$23,276, as compared to \$-0- for the three months ended June 30, 2018, an increase of \$23,276.

Our net income attributable to Paysign, Inc. for the three months ended June 30, 2019 was \$1,738,791 as compared to net income of \$732,056 in the three months ended June 30, 2018, which represents an increase in net income of \$1,006,735 or 138%. The overall change in net income is attributable to the aforementioned factors.

Six Months ended June 30, 2019 and 2018

Revenues for the six months ended June 30, 2019 were \$15,893,561, an increase of \$5,756,519 compared to the same period in the prior year, when revenues were \$10,137,042. The increase in revenue approximating 57% was primarily due to an increase in the number of new corporate incentive prepaid card products and growth within our existing corporate incentive prepaid card products. We believe we will continue to experience equal or better revenue growth rate for the rest of 2019 as a result of growth in our existing product lines and industry verticals and the expected addition of new card products in various industry verticals.

Cost of revenues (excluding depreciation and amortization) for the six months ended June 30, 2019 were \$7,080,174, an increase of \$1,806,088 compared to the same period in the prior year, when cost of revenues were \$5,274,086. Cost of revenues constituted approximately 45% and 52% of total revenues for the six months ended June 30, 2019 and 2018, respectively. Cost of revenues is comprised of transaction processing fees, data connectivity and data center expenses, network fees, bank fees, card production costs, customer service and program management expenses, application integration setup, and sales and commission expense. Our cost of revenues (excluding depreciation and amortization) as a percentage of revenues decreased due to improved network interchange margins and a favorable client mix.

Gross profit for the six months ended June 30, 2019 was \$8,813,387, an increase of \$3,950,431 compared to the same period in the prior year, when gross profit was \$4,862,956. Our overall gross margins were 55% and 48% during the six months ended June 30, 2019 and 2018 which was consistent with our overall expectation and an improvement of 405 bps resulting from favorable client industry mix. We believe gross margin will perform at these levels or slightly better than those recorded for the most recent three month period.

Depreciation and amortization for the six months ended June 30, 2019 were \$729,271, an increase of \$233,192 compared to the same period in the prior year, when depreciation and amortization were \$496,079. The increase in depreciation and amortization was primarily due to continued capitalized enhancements to our platform which we expect to continue.

Selling, general and administrative expenses ("SG&A") for the six months ended June 30, 2019 were, \$5,727,921 an increase of \$2,470,600 compared to the same period in the prior year, when SG&A were \$3,247,321. The increase in SG&A was primarily due to the continued ramp up of our investment in infrastructure, increased staffing, and increased stock based compensation as inducement grants.

In the six months ended June 30, 2019, we recorded operating income of \$2,366,195 as compared to operating income of \$1,119,556 in the six months ended June 30, 2018, an increase of \$1,246,639 or 111%.

Other income, net for the six months ended June 30, 2019 was \$250,985, as compared to other income, net of \$22,490 in six months ended June 30, 2018, which represents an increase in net other income, net of \$228,495. The increase in our other income, net is attributable to increased interest earnings on our cash balances, which we expect to continue in future periods.

Our income tax expense for the six months June 30, 2019 was \$7,786, as compared to \$-0- for the six months ended June 30, 2018, an increase of \$7,786.

Our net income attributable to Payscale, Inc. for the six months ended June 30, 2019 was \$2,610,462 as compared to net income of \$1,144,563 in the six months ended June 30, 2018, which represents an increase in net income of \$1,465,899 or 128%. The overall change in net income is attributable to the aforementioned factors.

Liquidity and Sources of Capital

The following table sets forth the major sources and uses of cash for the six months ended June 30, 2019 and 2018:

	Six months ended June 30,	
	2019	2018
Net cash provided by operating activities	\$ 18,191,317	\$ 5,080,331
Net cash used in investing activities	(967,620)	(706,914)
Net increase in cash and restricted cash	<u>\$ 17,223,697</u>	<u>\$ 4,373,417</u>

Comparison of six months ended June 30, 2019 and 2018

During the six months ended June 30, 2019 and 2018, we financed our operations primarily through internally generated funds.

Operating activities provided \$18,191,317 of cash in the six months ended June 30, 2019, as compared to \$5,080,331 of cash provided by the same period in the prior year. In the six months ended June 30, 2019, \$14,362,643 of cash was provided by change in customer card funding. Reconciling non-cash items that affected our cash flow from operations in the six months ended June 30, 2019 were non-cash charges of \$729,271 for depreciation and amortization, and stock-based compensation of \$1,214,620. Our operating assets and liabilities, excluding customer card funding, used \$(724,611) of cash in the six months ended June 30, 2019, resulted from changes in accounts receivable of \$(611,589) and, accounts payable and accrued expenses of \$(321,630), offset by changes in prepaid expenses of \$208,608. Reconciling non-cash items that affected our cash flow from operations in the six months ended June 30, 2018 were non-cash charges of \$496,079 for depreciation and amortization, and stock-based compensation of \$349,582. Our operating assets and liabilities in the six months ended June 30, 2018, excluding customer card funding, used \$(954,959) of cash, resulted from a decrease in accounts payable of \$(456,546) and an increase in prepaid expenses, accounts receivable and other assets of \$(498,413).

Investing activities used \$(967,620) of cash in the six months ended June 30, 2019, as compared to \$(706,914) of cash used in the same period in 2018, with the difference primarily attributed to enhancements to our processing platform and investments in our telephony and equipment infrastructure.

Sources of Financing

We believe that our available cash on hand, excluding restricted cash, at June 30, 2019 of \$6,289,008, combined with revenues and operating earnings anticipated for the remainder of 2019 will be sufficient to sustain our operations for the next twelve months.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Critical Accounting Estimates

Our significant accounting policies are described in Note 1 of Notes to Financial Statements and our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Any estimates we make will be based on our experience and our interpretation of economic, political, regulatory, and other factors that affect our business prospects. Actual results may differ significantly from our estimates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Because the Company is a smaller reporting company, it is not required to provide the information called for by this Item.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our chief executive officer and chief financial officer are responsible for establishing and maintaining our disclosure controls and procedures. Disclosure controls and procedures means controls and other procedures that are designed to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and to ensure that information required to be disclosed by us in those reports is accumulated and communicated to the our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of June 30, 2019. Based on that evaluation, our chief executive officer and chief financial officer have concluded that, as of the evaluation date, such controls and procedures were effective.

Changes in internal controls

There were no changes in our internal controls over financial reporting that occurred during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are not presently a party to any material litigation, nor to the knowledge of management is any litigation threatened against us, which may materially affect us.

ITEM 1A. RISK FACTORS.

Not applicable.

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

During the quarter ending June 30, 2019, we issued a total of 825,000 shares of common stock to six individuals for shares previously earned and vested.

The shares were issued pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION.

Paysign has adopted new agreement forms for restricted stock grants, whether issued pursuant to its 2018 Incentive Compensation Plan (the “Plan”) or otherwise. The form of Restricted Stock Award used for issuances under the Plan is filed herewith as Exhibit 4.1, and the form of Restricted Stock Award for issuances other than under the Plan is filed herewith as Exhibit 4.2 (the “Form Agreements”). Exhibit 4.1 filed herewith amends and replaces Exhibit 4.4 to Paysign’s registration statement on Form S-8 (File No. 333-230632), and Exhibit 4.2 filed herewith amends and replaces Exhibit 4.1 to Paysign’s registration statement on Form S-8 (File No. 333-230634) and Exhibit 4.1 to Paysign’s registration statement on Form S-3 (File No. 333-230640) (collectively, the “Registration Statements”). Paysign and recipients of restricted stock awards registered under the Registration Statements have executed new Form Agreements to evidence the terms of their restricted stock awards, which supersede and replace their prior agreements.

ITEM 6. EXHIBITS.

- 4.1 [Form of Restricted Stock Award under 2018 Incentive Compensation Plan](#)
- 4.2 [Form of Restricted Stock Award](#)
- 31.1 [Certification Pursuant to Rule 13a-14\(a\)/15d-14\(a\) of the Securities Exchange Act of 1934](#)
- 31.2 [Certification Pursuant to Rule 13a-14\(a\)/15d-14\(a\) of the Securities Exchange Act of 1934](#)
- 32.1 [Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2 [Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101.INS XBRL Instance Document
- 101.SCH XBRL Schema Document
- 101.CAL XBRL Calculation Linkbase Document
- 101.LAB XBRL Label Linkbase Document
- 101.PRE XBRL Presentation Linkbase Document
- 101.DEF XBRL Definition Linkbase Document

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PAYSIGN, INC.

Date: August 7, 2019

/s/ Mark Newcomer

By: Mark Newcomer, Chief Executive Officer
(principal executive officer)

Date: August 7, 2019

/s/ Mark Attinger

By: Mark Attinger, Chief Financial Officer
(principal financial and accounting officer)

PAYSIGN, INC.
RESTRICTED STOCK AGREEMENT
FOR
[name]

1. **Award of Restricted Stock.** Payscale, Inc., a Nevada corporation (the "**Company**") hereby grants (the "**Award**"), as of _____ (the "**Date of Grant**"), to _____ (the "**Recipient**"), _____ restricted shares of the Company's Common Stock, par value \$0.001 per share (collectively the "**Restricted Stock**"). This Award is being issued pursuant to the Company's 2018 Incentive Compensation Plan (the "**Plan**"), which is incorporated herein for all purposes. The Recipient hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all of the terms and conditions hereof and thereof and all applicable laws and regulations.

2. **Definitions.** Unless otherwise provided herein, terms used herein that are defined in the Plan and not defined herein shall have the meanings attributed thereto in the Plan.

3. **Vesting of Restricted Stock.**

(a) **General Vesting.** The shares of Restricted Stock shall become vested in the following amounts, at the following times and upon the following conditions, provided that the Continuous Service of the Recipient continues through and on the applicable Vesting Date:

Percentage of Restricted Stock	Vesting Date

Except as otherwise provided in Sections 3(b) and (c) and 5 hereof, or in the Plan, there shall be no proportionate or partial vesting of shares of Restricted Stock in or during the months, days or periods prior to each Vesting Date, and all vesting of shares of Restricted Stock shall occur only on the applicable Vesting Date. The applicable Vesting Date shall be determined in reference to the date of execution of the offer letter between the Company and the Recipient.

(b) **Acceleration of Vesting Upon Change in Control.** In the event that a "Change in Control" (as defined in the Plan) of the Company occurs during the Recipient's Continuous Service, the shares of Restricted Stock subject to this Agreement shall become immediately vested as of the date of the Change in Control.

(c) **Acceleration of Vesting at Company Discretion.** Notwithstanding any other term or provision of this Agreement, the Board shall be authorized, in its sole discretion, based upon its review and evaluation of the performance of the Recipient and of the Company, to accelerate the vesting of any shares of Restricted Stock under this Agreement, at such times and upon such terms and conditions as the Board shall deem advisable.

4. **Delivery of Restricted Stock.**

(a) **Issuance of Stock Certificates and Legends.** At the election of the Company, stock certificates representing the Restricted Stock may be issued in the name of the Recipient either (i) on multiple occasions after each Vesting Date at the time a portion of the Restricted Stock becomes Vested Shares, or (ii) in one or more stock certificates on the Date of Grant which shall be held and retained by the Records Administrator of the Company until the date (the "**Applicable Date**") on which the shares (or a portion thereof) subject to this Restricted Stock award become Vested Shares pursuant to Section 3 hereof, subject to the provisions of Section 5 hereof. All such stock certificates shall bear the following legends, along with such other legends that the Board shall deem necessary and appropriate or which are otherwise required or indicated pursuant to any applicable stockholders' agreement:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO SUBSTANTIAL VESTING AND OTHER RESTRICTIONS AS SET FORTH IN THE RESTRICTED STOCK AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SHARES, AND INCLUDE VESTING CONDITIONS WHICH MAY RESULT IN THE COMPLETE FORFEITURE OF THE SHARES.

(b) **Stock Powers.** The Recipient shall deposit with the Company stock powers or other instruments of transfer or assignment, duly endorsed in blank with signature(s) guaranteed, corresponding to each certificate representing shares of Restricted Stock until such shares become Vested Shares. If the Recipient shall fail to provide the Company with any such stock power or other instrument of transfer or assignment, the Recipient hereby irrevocably appoints the Secretary of the Company as his attorney-in-fact, with full power of appointment and substitution, to execute and deliver any such power or other instrument which may be necessary to effectuate the transfer of the Restricted Stock (or assignment of distributions thereon) on the books and records of the Company.

(c) **Delivery of Stock Certificates.** In the event the Company issues certificates representing Restricted Stock pursuant to Section 4(a)(ii), on or after each Applicable Date, upon written request to the Company by the Recipient, the Company shall promptly cause a new certificate or certificates to be issued for and with respect to all shares that become Vested Shares on that Applicable Date, which certificate(s) shall be delivered to the Recipient as soon as administratively practicable after the date of receipt by the Company of the Recipient's written request. The new certificate or certificates shall continue to bear those legends and endorsements that the Company shall deem necessary or appropriate (including those relating to restrictions on transferability and/or obligations and restrictions under the Securities Laws).

(d) **Issuance Without Certificates.** If the Company is authorized to issue Shares without certificates, then the Company may, in the discretion of the Board, issue Shares pursuant to this Agreement without certificates, in which case any references in this Agreement to certificates shall instead refer to whatever evidence may be issued to reflect the Recipient's ownership of the Shares subject to the terms and conditions of this Agreement.

5. **Forfeiture of Non-Vested Shares.** If the Recipient's Continuous Service with the Company and the Related Entities is terminated for any reason, any Shares of Restricted Stock that are not Vested Shares, and that do not become Vested Shares pursuant to Section 3 hereof as a result of such termination, shall be forfeited immediately upon such termination of Continuous Service and revert back to the Company without any payment to the Recipient. The Board shall have the power and authority to enforce on behalf of the Company any rights of the Company under this Agreement in the event of the Recipient's forfeiture of Non-Vested Shares pursuant to this Section 5.

6. **Rights with Respect to Restricted Stock.**

(a) **General.** Except as otherwise provided in this Agreement, the Recipient shall have, with respect to all of the shares of Restricted Stock actually issued, whether Vested Shares or Non-Vested Shares, all of the rights of a holder of shares of common stock of the Company, including without limitation (i) the right to vote such Restricted Stock, (ii) the right to receive dividends, if any, as may be declared on the Restricted Stock from time to time, and (iii) the rights available to all holders of shares of common stock of the Company upon any merger, consolidation, reorganization, liquidation or dissolution, stock split-up, stock dividend or recapitalization undertaken by the Company; provided, however, that all of such rights shall be subject to the terms, provisions, conditions and restrictions set forth in this Agreement (including without limitation conditions under which all such rights shall be forfeited). Any Shares issued to the Recipient as a dividend with respect to shares of Restricted Stock shall have the same status and bear the same legend as the shares of Restricted Stock and shall be held by the Company, if the shares of Restricted Stock that such dividend is attributed to is being so held, unless otherwise determined by the Board. In addition, notwithstanding any provision to the contrary herein, any cash dividends declared with respect to shares of Restricted Stock subject to this Agreement shall be held in escrow by the Board until such time as the shares of Restricted Stock that such cash dividends are attributed to shall become Vested Shares, and in the event that such shares of Restricted Stock are subsequently forfeited, the cash dividends attributable to such portion shall be forfeited as well.

(b) **Adjustments to Shares.** If at any time while this Agreement is in effect (or Shares granted hereunder shall be or remain unvested while Recipient's Continuous Service continues and has not yet terminated or ceased for any reason), there shall be any increase or decrease in the number of issued and outstanding Shares of the Company through the declaration of a stock dividend or through any recapitalization resulting in a stock split-up, combination or exchange of such Shares, then and in that event, the Board shall make any adjustments it deems fair and appropriate, in view of such change, in the number of shares of Restricted Stock then subject to this Agreement. If any such adjustment shall result in a fractional Share, such fraction shall be disregarded.

(c) **No Restrictions on Certain Transactions.** Notwithstanding any term or provision of this Agreement to the contrary, the existence of this Agreement, or of any outstanding Restricted Stock awarded hereunder, shall not affect in any manner the right, power or authority of the Company to make, authorize or consummate: (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business; (ii) any merger, consolidation or similar transaction by or of the Company; (iii) any offer, issue or sale by the Company of any capital stock of the Company, including any equity or debt securities, or preferred or preference stock that would rank prior to or on parity with the Restricted Stock and/or that would include, have or possess other rights, benefits and/or preferences superior to those that the Restricted Stock includes, has or possesses, or any warrants, options or rights with respect to any of the foregoing; (iv) the dissolution or liquidation of the Company; (v) any sale, transfer or assignment of all or any part of the stock, assets or business of the Company; or (vi) any other corporate transaction, act or proceeding (whether of a similar character or otherwise).

7. **Transferability.** Unless otherwise determined by the Board, the shares of Restricted Stock are not transferable unless and until they become Vested Shares in accordance with this Agreement, otherwise than by will or under the applicable laws of descent and distribution. The terms of this Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Recipient. Except as otherwise permitted pursuant to the first sentence of this Section, any attempt to effect a Transfer of any shares of Restricted Stock prior to the date on which the shares become Vested Shares shall be void *ab initio*. For purposes of this Agreement, "Transfer" shall mean any sale, transfer, encumbrance, gift, donation, assignment, pledge, hypothecation, or other disposition, whether similar or dissimilar to those previously enumerated, whether voluntary or involuntary, and including, but not limited to, any disposition by operation of law, by court order, by judicial process, or by foreclosure, levy or attachment.

8. **Tax Matters; Section 83(b) Election.**

(a) **Section 83(b) Election.** If the Recipient properly elects, within thirty (30) days of the Date of Grant, to include in gross income for federal income tax purposes an amount equal to the fair market value (as of the Date of Grant) of the Restricted Stock pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended (the "**Code**"), the Recipient shall make arrangements satisfactory to the Company to pay to the Company any federal, state or local income taxes required to be withheld with respect to the Restricted Stock. If the Recipient shall fail to make such tax payments as are required, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind (including without limitation, the withholding of any Shares that otherwise would be issued to the Recipient under this Agreement) otherwise due to the Recipient any federal, state or local taxes of any kind required by law to be withheld with respect to the Restricted Stock.

(b) **No Section 83(b) Election.** If the Recipient does not properly make the election described in Section 8(a) above, to the extent the Restricted Stock is not registered under Section 5 of the Securities Act of 1933 (the "**Securities Act**"), the Recipient shall, no later than the date or dates as of which the restrictions referred to in this Agreement hereof shall lapse, pay to the Company, or make arrangements satisfactory to the Board for payment of, any federal, state or local taxes of any kind required by law to be withheld with respect to the Restricted Stock (including without limitation the vesting thereof). The Recipient hereby agrees to indemnify and hold the Company harmless against all claims, liabilities and costs, including attorney's fees, arising from or resulting from the Recipient's failure to pay such federal, state and local taxes or failure to reimburse the Company for federal, state and local taxes that the Company may be required to withhold on account of the issuance or vesting of shares of Restricted Stock under this Agreement, and the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind (including without limitation, the withholding of any Shares that otherwise would be distributed to the Recipient under this Agreement) otherwise due to Recipient any federal, state, or local taxes of any kind required by law to be withheld with respect to the Restricted Stock.

(c) **Recipient's Responsibilities for Tax Consequences.** Tax consequences on the Recipient (including without limitation federal, state, local and foreign income tax consequences) with respect to the Restricted Stock (including without limitation the grant, vesting and/or forfeiture thereof) are the sole responsibility of the Recipient. The Recipient shall consult with his or her own personal accountant(s) and/or tax advisor(s) regarding these matters, the making of a Section 83(b) election, and the Recipient's filing, withholding and payment (or tax liability) obligations.

(d) **Consent to Sell Vested Shares to Pay Withholding Tax Liability.** In lieu of paying the Company in cash any federal, state or local tax required by law to be withheld by the Company with respect to the Restricted Stock pursuant to Section 8(b), and if the Restricted Stock is registered under Section 5 of the Securities Act, the Recipient hereby authorizes the Company to sell through a brokerage firm selected by the Company a sufficient amount of Vested Shares as they become Vested Shares to satisfy such withholding liability. Such sales will be conducted on the following basis: (i) the amount of Vested Shares to be sold shall be the amount necessary to result in net proceeds equal to the amount the Company is required to withhold on the gross income reportable to the Recipient on the newly Vested Shares, as determined on each Vesting Date by the Company's outside payroll vendor; (ii) the newly Vested Shares shall be sold within two trading days or a reasonable amount of time based on market conditions, as determined solely by the Company's designated broker, after communication of such amount by the Company's third party administrator to the broker; (iii) all proceeds from the sale shall be paid to the Company, for application to the Company's payroll tax withholding liability in connection with the newly Vested Shares; (iv) the Recipient shall not take any action that would have the effect of changing the Recipient's withholding amounts without the prior consent of the Company, including without limitation submitting a new or amended Form W-4 that changes the amount of tax to be withheld from the Recipient's wages; (v) the Recipient shall not take any action that would interfere or delay the determination of the Recipient's withholding amount or the communication of such amount to the Company's broker, or any other way accelerate or delay the date on which such shares would ordinarily be sold; (vi) the Recipient shall not enter any hedging transaction in relation to the Company's securities, including any put, call, short sale or margin transaction; and (vii) the Recipient may not revoke or amend the Company's authority granted pursuant to this Section 8(d) without consent of the Company.

9. **Amendment, Modification & Assignment; Non-Transferability.** This Agreement may only be modified or amended in a writing signed by the parties hereto. No promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, with respect to the subject matter hereof, have been made by either party which are not set forth expressly in this Agreement. Unless otherwise consented to in writing by the Company, in its sole discretion, this Agreement (and Recipient's rights hereunder) may not be assigned, and the obligations of Recipient hereunder may not be delegated, in whole or in part. The rights and obligations created hereunder shall be binding on the Recipient and his heirs and legal representatives and on the successors and assigns of the Company.

10. **Complete Agreement.** This Agreement (together with those agreements and documents expressly referred to herein, for the purposes referred to herein) embody the complete and entire agreement and understanding between the parties with respect to the subject matter hereof, and supersede any and all prior promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, which may relate to the subject matter hereof in any way.

11. **Miscellaneous.**

(a) **No Right to (Continued) Employment or Service.** This Agreement and the grant of Restricted Stock hereunder shall not shall confer, or be construed to confer, upon the Recipient any right to employment or service, or continued employment or service, with the Company or any Related Entity.

(b) **No Limit on Other Compensation Arrangements.** Nothing contained in this Agreement shall preclude the Company or any Related Entity from adopting or continuing in effect other or additional compensation plans, agreements or arrangements, and any such plans, agreements and arrangements may be either generally applicable or applicable only in specific cases or to specific persons.

(c) **Severability.** If any term or provision of this Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or under any applicable law, rule or regulation, then such provision shall be construed or deemed amended to conform to applicable law (or if such provision cannot be so construed or deemed amended without materially altering the purpose or intent of this Agreement and the grant of Restricted Stock hereunder, such provision shall be stricken as to such jurisdiction and the remainder of this Agreement and the award hereunder shall remain in full force and effect).

(d) **No Trust or Fund Created.** Neither this Agreement nor the grant of Restricted Stock hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Related Entity and the Recipient or any other person. To the extent that the Recipient or any other person acquires a right to receive payments from the Company or any Related Entity pursuant to this Agreement, such right shall be no greater than the right of any unsecured general creditor of the Company.

(e) **Law Governing.** This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Nevada (without reference to the conflict of laws rules or principles thereof).

(f) **Interpretation.** The Recipient accepts the Restricted Stock subject to all of the terms, provisions and restrictions of this Agreement. The undersigned Recipient hereby accepts as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under this Agreement.

(g) **Headings.** Section, paragraph and other headings and captions are provided solely as a convenience to facilitate reference. Such headings and captions shall not be deemed in any way material or relevant to the construction, meaning or interpretation of this Agreement or any term or provision hereof.

(h) **Notices.** Any notice under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of the Company, to the Company's Chief Executive Officer at 1700 W. Horizon Parkway, Henderson, Nevada 89012, or if the Company should move its principal office, to such principal office, and, in the case of the Recipient, to the Recipient's last permanent address as shown on the Company's records, subject to the right of either party to designate some other address at any time hereafter in a notice satisfying the requirements of this Section.

(i) **Section 409A.**

- i. It is intended that the Restricted Stock awarded pursuant to this Agreement be exempt from Section 409A of the Code (“ **Section 409A**”) because it is believed that the Agreement does not provide for a deferral of compensation and accordingly that the Agreement does not constitute a nonqualified deferred compensation plan within the meaning of Section 409A. The provisions of this Agreement shall be interpreted in a manner consistent with this intention, and the provisions of this Agreement may not be amended, adjusted, assumed or substituted for, converted or otherwise modified without the Recipient’s prior written consent if and to the extent that the Company believes or reasonably should believe that such amendment, adjustment, assumption or substitution, conversion or modification would cause the award to violate the requirements of Section 409A.
- ii. In the event that either the Company or the Recipient believes, at any time, that any benefit or right under this Agreement is subject to Section 409A, and does not comply with the requirements of Section 409A, it shall promptly advise the other and the Company and the Recipient shall negotiate reasonably and in good faith to amend the terms of such benefits and rights, if such an amendment may be made in a commercially reasonable manner, such that they comply with Section 409A with the most limited possible economic effect on the Recipient and on the Company.
- iii. Notwithstanding the foregoing, the Company does not make any representation to the Recipient that the shares of Restricted Stock awarded pursuant to this Agreement are exempt from, or satisfies, the requirements of Section 409A, and the Company shall have no liability or other obligation to indemnify or hold harmless the Recipient or any Beneficiary for any tax, additional tax, interest or penalties that the Recipient or any Beneficiary may incur in the event that any provision of this Agreement, or any amendment or modification thereof or any other action taken with respect thereto that either is consented to by the Recipient or that the Company reasonably believes should not result in a violation of Section 409A, is deemed to violate any of the requirements of Section 409A.

(j) **Non-Waiver of Breach.** The waiver by any party hereto of the other party’s prompt and complete performance, or breach or violation, of any term or provision of this Agreement shall be effected solely in a writing signed by such party, and shall not operate nor be construed as a waiver of any subsequent breach or violation, and the waiver by any party hereto to exercise any right or remedy which he or it may possess shall not operate nor be construed as the waiver of such right or remedy by such party, or as a bar to the exercise of such right or remedy by such party, upon the occurrence of any subsequent breach or violation.

(k) **Interpretation / Provisions of Plan Control.** This Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan adopted by the Committee as may be in effect from time to time. If and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. The Recipient accepts the Award subject to all of the terms and provisions of the Plan and this Agreement. The undersigned Recipient hereby accepts as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan and this Agreement, unless shown to have been made in an arbitrary and capricious manner.

(l) **Counterparts.** This Agreement may be executed in two or more separate counterparts, each of which shall be an original, and all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto, agree to the terms of this Agreement and acknowledge receipt as dated below.

PAYSIGN, Inc., a Nevada corporation

By: _____

Name:

Title:

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Agreed and Acknowledged Receipt of Agreement:

Dated: _____

RECIPIENT:

By: _____
[Insert name of Recipient]

**PAYSIGN, INC.
RESTRICTED STOCK AGREEMENT
FOR
[name]**

12. **Award of Restricted Stock.** Paysign, Inc., a Nevada corporation (the “**Company**”) hereby grants, as of _____ (the “**Date of Grant**”), to _____ (the “**Recipient**”), _____ restricted shares of the Company’s Common Stock, par value \$0.001 per share (collectively the “**Restricted Stock**”).

13. **Vesting of Restricted Stock.**

(a) **General Vesting.** The shares of Restricted Stock shall become vested in the following amounts, at the following times and upon the following conditions, provided that the Continuous Service of the Recipient continues through and on the applicable Vesting Date:

Percentage of Restricted Stock	Vesting Date

Except as otherwise provided in Sections 2(b) and (c) and 4 hereof, there shall be no proportionate or partial vesting of shares of Restricted Stock in or during the months, days or periods prior to each Vesting Date, and all vesting of shares of Restricted Stock shall occur only on the applicable Vesting Date. The applicable Vesting Date shall be determined in reference to the date of execution of the offer letter between the Company and the Recipient.

(b) **Acceleration of Vesting Upon Change in Control.** In the event that a Change in Control of the Company occurs during the Recipient’s Continuous Service, the shares of Restricted Stock subject to this Agreement shall become immediately vested as of the date of the Change in Control.

(c) **Acceleration of Vesting at Company Discretion.** Notwithstanding any other term or provision of this Agreement, the Board shall be authorized, in its sole discretion, based upon its review and evaluation of the performance of the Recipient and of the Company, to accelerate the vesting of any shares of Restricted Stock under this Agreement, at such times and upon such terms and conditions as the Board shall deem advisable.

14. **Delivery of Restricted Stock.**

(a) **Issuance of Stock Certificates and Legends.** At the election of the Company, stock certificates representing the Restricted Stock may be issued in the name of the Recipient either (i) on multiple occasions after each Vesting Date at the time a portion of the Restricted Stock becomes Vested Shares, or (ii) in one or more stock certificates on the Date of Grant which shall be held and retained by the Records Administrator of the Company until the date (the “**Applicable Date**”) on which the shares (or a portion thereof) subject to this Restricted Stock award become Vested Shares pursuant to Section 2 hereof, subject to the provisions of Section 4 hereof. All such stock certificates shall bear the following legends, along with such other legends that the Board shall deem necessary and appropriate or which are otherwise required or indicated pursuant to any applicable stockholders’ agreement:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO SUBSTANTIAL VESTING AND OTHER RESTRICTIONS AS SET FORTH IN THE RESTRICTED STOCK AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SHARES, AND INCLUDE VESTING CONDITIONS WHICH MAY RESULT IN THE COMPLETE FORFEITURE OF THE SHARES.

(b) **Stock Powers.** The Recipient shall deposit with the Company stock powers or other instruments of transfer or assignment, duly endorsed in blank with signature(s) guaranteed, corresponding to each certificate representing shares of Restricted Stock until such shares become Vested Shares. If the Recipient shall fail to provide the Company with any such stock power or other instrument of transfer or assignment, the Recipient hereby irrevocably appoints the Secretary of the Company as his attorney-in-fact, with full power of appointment and substitution, to execute and deliver any such power or other instrument which may be necessary to effectuate the transfer of the Restricted Stock (or assignment of distributions thereon) on the books and records of the Company.

(c) **Delivery of Stock Certificates.** In the event the Company issues certificates representing Restricted Stock pursuant to Section 3(a)(ii), on or after each Applicable Date, upon written request to the Company by the Recipient, the Company shall promptly cause a new certificate or certificates to be issued for and with respect to all shares that become Vested Shares on that Applicable Date, which certificate(s) shall be delivered to the Recipient as soon as administratively practicable after the date of receipt by the Company of the Recipient's written request. The new certificate or certificates shall continue to bear those legends and endorsements that the Company shall deem necessary or appropriate (including those relating to restrictions on transferability and/or obligations and restrictions under the Securities Laws).

(d) **Issuance Without Certificates.** If the Company is authorized to issue Shares without certificates, then the Company may, in the discretion of the Board, issue Shares pursuant to this Agreement without certificates, in which case any references in this Agreement to certificates shall instead refer to whatever evidence may be issued to reflect the Recipient's ownership of the Shares subject to the terms and conditions of this Agreement.

15. **Forfeiture of Non-Vested Shares.** If the Recipient's Continuous Service with the Company and the Related Entities is terminated for any reason, any Shares of Restricted Stock that are not Vested Shares, and that do not become Vested Shares pursuant to Section 2 hereof as a result of such termination, shall be forfeited immediately upon such termination of Continuous Service and revert back to the Company without any payment to the Recipient. The Board shall have the power and authority to enforce on behalf of the Company any rights of the Company under this Agreement in the event of the Recipient's forfeiture of Non-Vested Shares pursuant to this Section 4.

16. **Rights with Respect to Restricted Stock.**

(a) **General.** Except as otherwise provided in this Agreement, the Recipient shall have, with respect to all of the shares of Restricted Stock actually issued, whether Vested Shares or Non-Vested Shares, all of the rights of a holder of shares of common stock of the Company, including without limitation (i) the right to vote such Restricted Stock, (ii) the right to receive dividends, if any, as may be declared on the Restricted Stock from time to time, and (iii) the rights available to all holders of shares of common stock of the Company upon any merger, consolidation, reorganization, liquidation or dissolution, stock split-up, stock dividend or recapitalization undertaken by the Company; provided, however, that all of such rights shall be subject to the terms, provisions, conditions and restrictions set forth in this Agreement (including without limitation conditions under which all such rights shall be forfeited). Any Shares issued to the Recipient as a dividend with respect to shares of Restricted Stock shall have the same status and bear the same legend as the shares of Restricted Stock and shall be held by the Company, if the shares of Restricted Stock that such dividend is attributed to is being so held, unless otherwise determined by the Board. In addition, notwithstanding any provision to the contrary herein, any cash dividends declared with respect to shares of Restricted Stock subject to this Agreement shall be held in escrow by the Board until such time as the shares of Restricted Stock that such cash dividends are attributed to shall become Vested Shares, and in the event that such shares of Restricted Stock are subsequently forfeited, the cash dividends attributable to such portion shall be forfeited as well.

(b) **Adjustments to Shares.** If at any time while this Agreement is in effect (or Shares granted hereunder shall be or remain unvested while Recipient's Continuous Service continues and has not yet terminated or ceased for any reason), there shall be any increase or decrease in the number of issued and outstanding Shares of the Company through the declaration of a stock dividend or through any recapitalization resulting in a stock split-up, combination or exchange of such Shares, then and in that event, the Board shall make any adjustments it deems fair and appropriate, in view of such change, in the number of shares of Restricted Stock then subject to this Agreement. If any such adjustment shall result in a fractional Share, such fraction shall be disregarded.

(c) **No Restrictions on Certain Transactions.** Notwithstanding any term or provision of this Agreement to the contrary, the existence of this Agreement, or of any outstanding Restricted Stock awarded hereunder, shall not affect in any manner the right, power or authority of the Company to make, authorize or consummate: (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business; (ii) any merger, consolidation or similar transaction by or of the Company; (iii) any offer, issue or sale by the Company of any capital stock of the Company, including any equity or debt securities, or preferred or preference stock that would rank prior to or on parity with the Restricted Stock and/or that would include, have or possess other rights, benefits and/or preferences superior to those that the Restricted Stock includes, has or possesses, or any warrants, options or rights with respect to any of the foregoing; (iv) the dissolution or liquidation of the Company; (v) any sale, transfer or assignment of all or any part of the stock, assets or business of the Company; or (vi) any other corporate transaction, act or proceeding (whether of a similar character or otherwise).

17. **Transferability.** Unless otherwise determined by the Board, the shares of Restricted Stock are not transferable unless and until they become Vested Shares in accordance with this Agreement, otherwise than by will or under the applicable laws of descent and distribution. The terms of this Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Recipient. Except as otherwise permitted pursuant to the first sentence of this Section, any attempt to effect a Transfer of any shares of Restricted Stock prior to the date on which the shares become Vested Shares shall be void *ab initio*. For purposes of this Agreement, "Transfer" shall mean any sale, transfer, encumbrance, gift, donation, assignment, pledge, hypothecation, or other disposition, whether similar or dissimilar to those previously enumerated, whether voluntary or involuntary, and including, but not limited to, any disposition by operation of law, by court order, by judicial process, or by foreclosure, levy or attachment.

18. **Tax Matters; Section 83(b) Election.**

(a) **Section 83(b) Election.** If the Recipient properly elects, within thirty (30) days of the Date of Grant, to include in gross income for federal income tax purposes an amount equal to the fair market value (as of the Date of Grant) of the Restricted Stock pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), the Recipient shall make arrangements satisfactory to the Company to pay to the Company any federal, state or local income taxes required to be withheld with respect to the Restricted Stock. If the Recipient shall fail to make such tax payments as are required, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind (including without limitation, the withholding of any Shares that otherwise would be issued to the Recipient under this Agreement) otherwise due to the Recipient any federal, state or local taxes of any kind required by law to be withheld with respect to the Restricted Stock.

(b) **No Section 83(b) Election.** If the Recipient does not properly make the election described in Section 7(a) above, to the extent the Restricted Stock becomes Vested Shares prior to January 1, 2019, the Recipient shall be solely responsible for declaring and paying all federal, state and local taxes payable on the gross income reportable as result of such vesting. If the Recipient does not properly make the election described in Section 7(a) above, to the extent the Restricted Stock becomes Vested Shares after January 1, 2019 and the Restricted Stock is not registered under Section 5 of the Securities Act of 1933 (the "Securities Act"), the Recipient shall, no later than the date or dates as of which the restrictions referred to in this Agreement hereof shall lapse, pay to the Company, or make arrangements satisfactory to the Board for payment of, any federal, state or local taxes of any kind required by law to be withheld with respect to the Restricted Stock (including without limitation the vesting thereof). The Recipient hereby agrees to indemnify and hold the Company harmless against all claims, liabilities and costs, including attorney's fees, arising from or resulting from the Recipient's failure to pay such federal, state and local taxes or failure to reimburse the Company for federal, state and local taxes that the Company may be required to withhold on account of the issuance or vesting of shares of Restricted Stock under this Agreement, and the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind (including without limitation, the withholding of any Shares that otherwise would be distributed to the Recipient under this Agreement) otherwise due to Recipient any federal, state, or local taxes of any kind required by law to be withheld with respect to the Restricted Stock.

(c) **Recipient's Responsibilities for Tax Consequences.** Tax consequences on the Recipient (including without limitation federal, state, local and foreign income tax consequences) with respect to the Restricted Stock (including without limitation the grant, vesting and/or forfeiture thereof) are the sole responsibility of the Recipient. The Recipient shall consult with his or her own personal accountant(s) and/or tax advisor(s) regarding these matters, the making of a Section 83(b) election, and the Recipient's filing, withholding and payment (or tax liability) obligations.

(d) **Consent to Sell Vested Shares to Pay Withholding Tax Liability.** With regard to any shares of Restricted Stock that become Vested Shares after January 1, 2019, in lieu of paying the Company in cash any federal, state or local tax required by law to be withheld by the Company with respect to the Restricted Stock pursuant to Section 7(b), and if the Restricted Stock is registered under Section 5 of the Securities Act, the Recipient hereby authorizes the Company to sell through a brokerage firm selected by the Company a sufficient amount of Vested Shares as they become Vested Shares to satisfy such withholding liability. Such sales will be conducted on the following basis: (i) the amount of Vested Shares to be sold shall be the amount necessary to result in net proceeds equal to the amount the Company is required to withhold on the gross income reportable to the Recipient on the newly Vested Shares, as determined on each Vesting Date by the Company's outside payroll vendor; (ii) the newly Vested Shares shall be sold within two trading days or a reasonable amount of time based on market conditions, as determined solely by the Company's designated broker, after communication of such amount by the Company's third party administrator to the broker; (iii) all proceeds from the sale shall be paid to the Company, for application to the Company's payroll tax withholding liability in connection with the newly Vested Shares; (iv) the Recipient shall not take any action that would have the effect of changing the Recipient's withholding amounts without the prior consent of the Company, including without limitation submitting a new or amended Form W-4 that changes the amount of tax to be withheld from the Recipient's wages; (v) the Recipient shall not take any action that would interfere or delay the determination of the Recipient's withholding amount or the communication of such amount to the Company's broker, or any other way accelerate or delay the date on which such shares would ordinarily be sold; (vi) the Recipient shall not enter any hedging transaction in relation to the Company's securities, including any put, call, short sale or margin transaction; and (vii) the Recipient may not revoke or amend the Company's authority granted pursuant to this Section 7(d) without consent of the Company.

19. **Amendment, Modification & Assignment; Non-Transferability.** This Agreement may only be modified or amended in a writing signed by the parties hereto. No promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, with respect to the subject matter hereof, have been made by either party which are not set forth expressly in this Agreement. Unless otherwise consented to in writing by the Company, in its sole discretion, this Agreement (and Recipient's rights hereunder) may not be assigned, and the obligations of Recipient hereunder may not be delegated, in whole or in part. The rights and obligations created hereunder shall be binding on the Recipient and his heirs and legal representatives and on the successors and assigns of the Company.

20. **Complete Agreement.** This Agreement (together with those agreements and documents expressly referred to herein, for the purposes referred to herein) embody the complete and entire agreement and understanding between the parties with respect to the subject matter hereof, and supersede any and all prior promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, which may relate to the subject matter hereof in any way.

21. **Definitions.** For purposes of this Agreement, the following terms shall have the following meaning:

(a) **"Beneficial Owner" and "Beneficial Ownership"** shall have the meaning ascribed to such term in Rule 13d-3 under the Securities Exchange Act of 1934 (the "**Exchange Act**") and any successor to such Rule.

(b) **"Board"** means the Company's Board of Directors.

(c) **"Change in Control"** means shall mean the occurrence of any of the following:

i. The acquisition by any Person of Beneficial Ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than fifty percent (50%) of either (A) the value of then outstanding equity securities of the Company (the "**Outstanding Company Stock**") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "**Outstanding Company Voting Securities**") (the foregoing Beneficial Ownership hereinafter being referred to as a "**Controlling Interest**"); provided, however, that for purposes of this Section, the following acquisitions shall not constitute or result in a Change in Control: (v) any acquisition directly from the Company; (w) any acquisition by the Company; (x) any acquisition by any Person that as of the Date of Grant owns Beneficial Ownership of a Controlling Interest; (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Related Entity; or (z) any acquisition by any entity pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) below; or

ii. During any period of three (3) consecutive years (not including any period prior to the Date of Grant) individuals who constitute the Board on the Date of Grant (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Date of Grant whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

iii. Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its Related Entities, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or equity of another entity by the Company or any of its Related Entities (each a "**Business Combination**"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Outstanding Company Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the value of the then outstanding equity securities and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of members of the board of directors (or comparable governing body of an entity that does not have such a board), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination or any Person that as of the Date of Grant owns Beneficial Ownership of a Controlling Interest) beneficially owns, directly or indirectly, fifty percent (50%) or more of the value of the then outstanding equity securities of the entity resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such entity except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the Board of Directors or other governing body of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

iv. Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(d) "**Continuous Service**" means the uninterrupted provision of services to the Company or any Related Entity in any capacity of employee, director, consultant or other service provider. Continuous Service shall not be considered to be interrupted in the case of (i) any approved leave of absence, (ii) transfers among the Company, any Related Entities, or any successor entities, in any capacity of employee, director, consultant or other service provider, or (iii) any change in status as long as the individual remains in the service of the Company or a Related Entity in any capacity of employee, director, consultant or other service provider. An approved leave of absence shall include sick leave, military leave, or any other authorized personal leave.

(e) "**Non-Vested Shares**" means any portion of the Restricted Stock subject to this Agreement that has not become vested pursuant to Section 2.

(f) "**Related Entity**" means any Subsidiary, and any business, corporation, partnership, limited liability company or other entity designated by the Board, in which the Company or a Subsidiary holds a substantial ownership interest, directly or indirectly.

(g) "**Subsidiary**" means any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity entitled to vote generally in the election of directors or in which the Company has the right to receive 50% or more of the distribution of profits or 50% or more of the assets on liquidation or dissolution.

(h) "**Vested Shares**" means any portion of the Restricted Stock subject to this Agreement that is and has become vested pursuant to Section 2.

22. **Miscellaneous.**

(a) **No Right to (Continued) Employment or Service.** This Agreement and the grant of Restricted Stock hereunder shall not confer, or be construed to confer, upon the Recipient any right to employment or service, or continued employment or service, with the Company or any Related Entity.

(b) **No Limit on Other Compensation Arrangements.** Nothing contained in this Agreement shall preclude the Company or any Related Entity from adopting or continuing in effect other or additional compensation plans, agreements or arrangements, and any such plans, agreements and arrangements may be either generally applicable or applicable only in specific cases or to specific persons.

(c) **Severability.** If any term or provision of this Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or under any applicable law, rule or regulation, then such provision shall be construed or deemed amended to conform to applicable law (or if such provision cannot be so construed or deemed amended without materially altering the purpose or intent of this Agreement and the grant of Restricted Stock hereunder, such provision shall be stricken as to such jurisdiction and the remainder of this Agreement and the award hereunder shall remain in full force and effect).

(d) **No Trust or Fund Created.** Neither this Agreement nor the grant of Restricted Stock hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Related Entity and the Recipient or any other person. To the extent that the Recipient or any other person acquires a right to receive payments from the Company or any Related Entity pursuant to this Agreement, such right shall be no greater than the right of any unsecured general creditor of the Company.

(e) **Law Governing.** This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Nevada (without reference to the conflict of laws rules or principles thereof).

(f) **Interpretation.** The Recipient accepts the Restricted Stock subject to all of the terms, provisions and restrictions of this Agreement. The undersigned Recipient hereby accepts as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under this Agreement.

(g) **Headings.** Section, paragraph and other headings and captions are provided solely as a convenience to facilitate reference. Such headings and captions shall not be deemed in any way material or relevant to the construction, meaning or interpretation of this Agreement or any term or provision hereof.

(h) **Notices.** Any notice under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of the Company, to the Company's Chief Executive Officer at 1700 W. Horizon Parkway, Henderson, Nevada 89012, or if the Company should move its principal office, to such principal office, and, in the case of the Recipient, to the Recipient's last permanent address as shown on the Company's records, subject to the right of either party to designate some other address at any time hereafter in a notice satisfying the requirements of this Section.

(i) **Section 409A.**

- i. It is intended that the Restricted Stock awarded pursuant to this Agreement be exempt from Section 409A of the Code (" **Section 409A**") because it is believed that the Agreement does not provide for a deferral of compensation and accordingly that the Agreement does not constitute a nonqualified deferred compensation plan within the meaning of Section 409A. The provisions of this Agreement shall be interpreted in a manner consistent with this intention, and the provisions of this Agreement may not be amended, adjusted, assumed or substituted for, converted or otherwise modified without the Recipient's prior written consent if and to the extent that the Company believes or reasonably should believe that such amendment, adjustment, assumption or substitution, conversion or modification would cause the award to violate the requirements of Section 409A.
- ii. In the event that either the Company or the Recipient believes, at any time, that any benefit or right under this Agreement is subject to Section 409A, and does not comply with the requirements of Section 409A, it shall promptly advise the other and the Company and the Recipient shall negotiate reasonably and in good faith to amend the terms of such benefits and rights, if such an amendment may be made in a commercially reasonable manner, such that they comply with Section 409A with the most limited possible economic effect on the Recipient and on the Company.

iii. Notwithstanding the foregoing, the Company does not make any representation to the Recipient that the shares of Restricted Stock awarded pursuant to this Agreement are exempt from, or satisfies, the requirements of Section 409A, and the Company shall have no liability or other obligation to indemnify or hold harmless the Recipient or any Beneficiary for any tax, additional tax, interest or penalties that the Recipient or any Beneficiary may incur in the event that any provision of this Agreement, or any amendment or modification thereof or any other action taken with respect thereto that either is consented to by the Recipient or that the Company reasonably believes should not result in a violation of Section 409A, is deemed to violate any of the requirements of Section 409A.

(j) **Non-Waiver of Breach.** The waiver by any party hereto of the other party's prompt and complete performance, or breach or violation, of any term or provision of this Agreement shall be effected solely in a writing signed by such party, and shall not operate nor be construed as a waiver of any subsequent breach or violation, and the waiver by any party hereto to exercise any right or remedy which he or it may possess shall not operate nor be construed as the waiver of such right or remedy by such party, or as a bar to the exercise of such right or remedy by such party, upon the occurrence of any subsequent breach or violation.

(k) **Counterparts.** This Agreement may be executed in two or more separate counterparts, each of which shall be an original, and all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto, agree to the terms of this Agreement and acknowledge receipt as dated below.

Agreed and Acknowledged Receipt of Agreement:

PAYSIGN, Inc., a Nevada corporation

Dated: _____

By: _____

RECIPIENT:

Name:
Title:

By: _____
[Insert name of Recipient]

CERTIFICATION

I, Mark Newcomer, hereby certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2019 (the "report") of Paysign, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019

/s/ Mark Newcomer
Mark Newcomer
Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, Mark Attinger, hereby certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2019 (the "report") of Paysign, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019

/s/ Mark Attinger

Mark Attinger,
Chief Financial Officer
(principal financial and accounting officer)

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Payscale, Inc., a Nevada corporation (the "Company"), does hereby certify, to the best of his knowledge, that:

1. The Quarterly Report on Form 10-Q for the period ended June 30, 2019 (the "Report") of the Company complies in all material respects with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark Newcomer

Mark Newcomer,
Chief Executive Officer
(principal executive officer)

Date: August 7, 2019

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Paysign, Inc., a Nevada corporation (the "Company"), does hereby certify, to the best of his knowledge, that:

1. The Quarterly Report on Form 10-Q for the period ended June 30, 2019 (the "Report") of the Company complies in all material respects with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark Attinger

Mark Attinger
Chief Financial Officer
(principal financial and accounting officer)

Date: August 7, 2019