

**TRIUMPH BANCORP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Solutions (“TFS”), a wholly owned subsidiary of Covenant Logistics Group, Inc. (“CVLG”), in exchange for cash consideration of \$108,375,000, 630,268 shares of the Company’s common stock valued at approximately \$13,942,000, and contingent consideration of up to approximately \$9,900,000 to be paid in cash following the twelve-month period ending July 31, 2021.

Subsequent to the closing of the TFS Acquisition, the Company identified that approximately \$62,200,000 of the assets acquired at closing were advances against future payments to be made to three large clients (and their affiliated entities) of TFS pursuant to long-term contractual arrangements between the obligor on such contracts and such clients (and their affiliated entities) for services that had not yet been performed.

On September 23, 2020, the Company and ABC entered into an Account Management Agreement, Amendment to Purchase Agreement and Mutual Release (the “Agreement”) with CVLG and Covenant Transport Solutions, LLC, a wholly owned subsidiary of CVLG (“CTS” and, together with CVLG, “Covenant”). Pursuant to the Agreement, the parties agreed to certain amendments to that certain Accounts Receivable Purchase Agreement (the “ARPA”), dated as of July 8, 2020, by and among ABC, as buyer, CTS, as seller, and the Company, as buyer indirect parent. Such amendments include:

- Return of the portion of the purchase price paid under the ARPA consisting of 630,268 shares of Company common stock, which was accomplished through the sale of such shares by Covenant pursuant to the terms of the Agreement and the surrender of the cash proceeds of such sale (net of brokerage or underwriting fees and commissions) to the Company;
- Elimination of the earn-out consideration potentially payable to CTS under the ARPA; and
- Modification of the indemnity provisions under the ARPA that eliminated the existing indemnifications for breaches of representations and warranties and replaced such with a newly established indemnification by Covenant in the event ABC incurs losses related to the \$62,200,000 in over-formula advances made to specified clients identified in the Agreement (the “Over-Formula Advance Portfolio”). Under the terms of the new indemnification arrangement, Covenant is responsible for and will indemnify ABC for 100% of the first \$30,000,000 of any losses incurred by ABC related to the Over-Formula Advance Portfolio, and for 50% of the next \$30,000,000 of any losses incurred by ABC, for total indemnification by Covenant of \$45,000,000.

Covenant’s indemnification obligations under the Agreement are secured by a pledge of equipment collateral by Covenant with an estimated net orderly liquidation value of \$60,000,000 (the “Equipment Collateral”). The Company’s wholly-owned bank subsidiary, TBK Bank, SSB, has provided Covenant with a \$45,000,000 line of credit, also secured by the Equipment Collateral, the proceeds of which may be drawn to satisfy Covenant’s indemnification obligations under the Agreement.

Pursuant to the Agreement, Triumph and Covenant agreed to certain terms related to the management of the Over-Formula Advance Portfolio, and the terms by which Covenant may provide assistance to maximize recovery on the Over-Formula Advance Portfolio.

Pursuant to the Agreement, the Company and Covenant provided mutual releases to each other related to any and all claims related to the transactions contemplated by the ARPA or the Over-Formula Advance Portfolio.

The measurement period for this transaction remained open at the time the Agreement was executed and the Company has determined that there is a clear and direct link between the Agreement and the ARPA. Therefore, the terms of the Agreement have been incorporated into the Company’s purchase accounting which has resulted in the elimination of the contingent consideration component of the ARPA, the recognition of a receivable due from Covenant as part of the consideration for the transaction, and an indemnification asset to reflect the modification of Covenant’s indemnification obligations.